

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
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SEPTEMBER 30, 2010**

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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Florida Water Management District, a component unit of the State of Florida, as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northwest Florida Water Management District's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwest Florida Water Management District, as of September 30, 2010, and the respective changes in financial position, thereof, 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 our report dated March 14, 2011, on our consideration of Northwest Florida Water Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and other post-employment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions on pages 3 – 7, 34 – 42, and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwest Florida Water Management District financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the State of Florida Office of the Auditor General, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived 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.

James Moore & Co., P.L.C.

Tallahassee, Florida
March 14, 2011

Management's Discussion and Analysis

As management of the Northwest Florida Water Management District, we offer readers of the Northwest Florida Water Management District's financial statements this narrative overview and analysis of the financial activities of the Northwest Florida Water Management District for the fiscal year ended September 30, 2010.

Financial Highlights

- The assets of the Northwest Florida Water Management District exceeded its liabilities at the close of the most recent fiscal year by \$226,744,952 (*net assets*). Of this amount, \$40,918,795 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$54,578,170, an increase of \$2,745,285. Approximately 1% of this total amount, \$500,630 is *available for spending* at the government's discretion (*unreserved undesignated fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$500,630, or 6.7% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Northwest Florida Water Management District's basic financial statements. The Northwest Florida Water Management District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net assets presents information on all of the Northwest Florida Water Management District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Northwest Florida Water Management District is improving or deteriorating.

The statement of activities presents information showing how the government'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 (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Northwest Florida Water Management District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Northwest Florida Water Management District include: water resources planning and monitoring; acquisition, restoration and public works; operation and maintenance of lands and works; regulation; outreach; and administration.

The government-wide financial statements include only the Northwest Florida Water Management District, a component unit of the State of Florida.

The government-wide financial statements can be found on pages 8 – 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Florida Water Management District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Northwest Florida Water Management District are in one category: governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Northwest Florida Water Management District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Surface Water Improvement and Management Fund, Land Fees Fund, Projects Fund, Capital Projects Fund, Land Management Fund, and DOT Mitigation Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 – 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 – 32 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Northwest Florida Water Management District's budgetary comparison for its major funds as well as the other post-employment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions. The Northwest Florida Water Management District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund and each major fund to demonstrate compliance with this budget and can be found on pages 33 – 43.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Northwest Florida Water Management District, assets exceeded liabilities by \$226,744,952 at the close of the most recent fiscal year.

By far the largest portion of the Northwest Florida Water Management District's net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Northwest Florida Water Management District uses these capital assets to protect environmentally sensitive lands and to provide services to citizens; consequently, these assets are not available for future spending.

**NORTHWEST FLORIDA WATER MANAGEMENT
DISTRICT'S NET ASSETS**

	2010	2009
Current and other assets	\$ 82,978,167	\$ 78,205,226
Capital assets		
Land and other improvements	168,740,459	161,057,419
Other capital assets, net of depreciation	4,229,861	3,384,023
Total assets	255,948,487	242,646,668
Long-term liabilities outstanding	803,538	671,380
Other liabilities	28,399,997	26,372,341
Total liabilities	29,203,535	27,043,721
Net assets		
Invested in capital assets	172,970,320	164,441,442
Restricted	12,855,837	12,037,251
Unrestricted	40,918,795	39,124,254
Total net assets	\$ 226,744,952	\$ 215,602,947

An additional portion of the Northwest Florida Water Management District's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$40,918,795) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Northwest Florida Water Management District is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased Northwest Florida Water Management District's net assets by \$11,142,005, thereby accounting for the total growth in the net assets of the Northwest Florida Water Management District. Key elements of this increase are the acquisition of environmentally sensitive lands, purchases of heavy equipment, construction of field office, and building and grounds improvements made in the current year.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT'S CHANGE IN
NET ASSETS**

	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 407,315	\$ 463,980
Operating grants and contributions	10,964,605	12,225,485
Capital grants and contributions	14,949,877	14,137,216
General revenues:		
Property taxes	4,141,448	4,538,581
Grants and contributions not restricted to specific programs	1,044,926	1,044,926
Other	1,707,088	1,252,839
Total revenues	33,215,259	33,663,027
 Expenses:		
Water resources planning and monitoring	2,101,916	3,613,832
Acquisition, restoration and public works	7,671,091	11,261,450
Operation and maintenance of lands and works	3,795,180	2,970,754
Regulation	3,244,915	2,752,411
Outreach	92,189	214,621
Administration	5,167,963	5,201,436
Total expenses	22,073,254	26,014,504
 Change in net assets	11,142,005	7,648,523
 Net assets, beginning of year	215,602,947	207,954,424
Net assets, ending of year	\$ 226,744,952	\$ 215,602,947

Financial Analysis of the Government's Funds

As noted earlier, the Northwest Florida Water Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Northwest Florida Water Management District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Florida Water Management District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$54,578,170, an increase of \$2,745,285 in comparison with the prior year. Approximately 1% of this total amount, \$500,630, constitutes unreserved undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to activities associated with various special revenue funds.

The general fund is the chief operating fund of the Northwest Florida Water Management District. At the end of the current fiscal year, unreserved fund balance was \$41,722,333 and total fund balance of the general fund was \$41,722,333.

The fund balance of the Northwest Florida Water Management District's general fund increased by \$1,933,173 during the current fiscal year. The key factor in this growth is intergovernmental revenues exceeded current year expenditures.

General Fund Budgetary Highlights

The original budget of the District's General Fund was amended during the year. Salary and employee benefit appropriations were increased by \$362,477 due to the distribution of funds previously held in reserve during the approval of the budget that were subsequently distributed to the appropriate salary and benefit object codes after the approval of the Governing Board. Professional/contractual service appropriations were increased \$167,000 due to an increased need for legal services and technical consulting services associated with the administrative action challenging the issuance of the consumptive use permits to Bay County. Services appropriations were increased by \$54,000 due to a law change creating an increase necessary for payment in lieu of taxes. Capital outlay appropriations were increased by \$44,000 due to the need for new data logging equipment and a motor on a District owned boat, neither of which were planned for at the time the budget was adopted. Grants and aids appropriations were increased by \$580,000 to provide funding to Walton County to increase water supply transmission capacity and the City of Quincy for a flood protection improvement plan.

Capital Asset and Debt Administration

Capital assets. The Northwest Florida Water Management District's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$172,970,320 (net of accumulated depreciation). This investment in capital assets includes land, easements, building, infrastructure, vehicles, office equipment, field equipment and computer equipment. The total increase in the Northwest Florida Water Management District's investment in capital assets for the current fiscal year was 5 percent.

Additional information of the Northwest Florida Water Management District's capital assets can be found in note III.C. on page 24 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic downturn which began in December 2007 and subsequent law changes impacting property taxes continue to impact available revenue and therefore, expenditures. The state continues to face revenue shortfalls and even though the economic conditions are stabilizing, actual improvement is not anticipated until 2012 or later. The Florida Forever program was minimally funded for FY 2010-2011, the District is receiving only \$337,500, and is not expected to be funded for FY 2011-2012. Other state funds are also expected to decrease for FY 2011-2012 and there is potential for a mandated ad valorem tax reduction. The District will need to scale down some programs and will need to rely on reserves if any land purchases are contemplated as it has done during FY 2010-2011.

Requests for Information

This financial report is designed to provide a general overview of the Northwest Florida Water Management District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northwest Florida Water Management District, 81 Water Management Drive, Havana, FL 32333.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

		<u>Governmental Activities</u>
Assets		
Cash and cash equivalents		\$ 195,671
Investments		77,182,772
Receivables		5,595,890
Other assets		3,834
Capital assets		
Land and improvements	151,603,433	
Capital easements	17,137,026	
Other capital assets, net of depreciation	<u>4,229,861</u>	172,970,320
Total Assets		<u><u>255,948,487</u></u>
Liabilities		
Accounts payable and accrued expenses		2,416,332
Unearned revenue		25,921,145
Deposits		62,520
Long-term liabilities		
Due within one year		688,547
Due in more than one year		114,991
Total Liabilities		<u><u>29,203,535</u></u>
Net Assets		
Invested in capital assets		172,970,320
Restricted for:		
Lands management and acquisition		11,677,228
Mitigation		1,178,609
Unrestricted		40,918,795
Total Net Assets		<u><u>\$ 226,744,952</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Programs/Function	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Water resources planning and monitoring	\$ 2,101,916	\$ -	\$ 3,581,165	\$ -	\$ 1,479,249
Acquisition, restoration and public works	7,671,091	-	-	14,949,877	7,278,786
Operation and maintenance of lands and works	3,795,180	-	3,961,414	-	166,234
Regulation	3,244,915	407,315	3,357,146	-	519,546
Outreach	92,189	-	64,880	-	(27,309)
Administration	5,167,963	-	-	-	(5,167,963)
Total governmental activities	\$ 22,073,254	\$ 407,315	\$ 10,964,605	\$ 14,949,877	4,248,543
General revenues:					
Property taxes					4,141,448
Grants and contributions not restricted to specific programs					1,044,926
Unrestricted investment earnings					317,999
Miscellaneous					1,389,089
Total general revenues					6,893,462
Changes in net assets					11,142,005
Net assets, beginning of year					215,602,947
Net assets, end of year					\$ 226,744,952

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Surface Water Improvement and Management Fund</u>	<u>Lands Fees Fund</u>	<u>Projects Fund</u>	<u>Lands Management Fund</u>	<u>Capital Projects Fund</u>	<u>DOT Mitigation Fund</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ 195,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,671
Investments	43,951,884	12,771,110	7,988,177	36,304	383,545	3,066,211	8,985,541	77,182,772
Accounts receivable	17,470	13,949	-	-	29,448	-	-	60,867
Due from other governments	772,146	308,906	-	1,335,307	1,009,916	2,108,748	-	5,535,023
Due from other funds	8,317,635	-	-	62,890	-	4,306,716	3,990,639	16,677,880
Deposits	2,958	438	-	438	-	-	-	3,834
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 53,257,764</u>	<u>\$ 13,094,403</u>	<u>\$ 7,988,177</u>	<u>\$ 1,434,939</u>	<u>\$ 1,422,909</u>	<u>\$ 9,481,675</u>	<u>\$ 12,976,180</u>	<u>\$ 99,656,047</u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010
(Continued)**

	<u>General Fund</u>	<u>Surface Water Improvement and Management Fund</u>	<u>Lands Fees Fund</u>	<u>Projects Fund</u>	<u>Lands Management Fund</u>	<u>Capital Projects Fund</u>	<u>DOT Mitigation Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 2,227,357	\$ -	\$ -	\$ -	\$ 3,833	\$ -	\$ -	\$ 2,231,190
Unearned revenue	1,008,695	7,196,355	16,000	-	323,203	5,579,321	11,797,571	25,921,145
Deposits	1,560	-	4,000	3,676	53,284	-	-	62,520
Due to other governments	463	14,471	-	94,898	31,172	44,138	-	185,142
Due to other funds	8,297,356	5,883,577	149,165	1,336,365	1,011,417	-	-	16,677,880
Total liabilities	<u>11,535,431</u>	<u>13,094,403</u>	<u>169,165</u>	<u>1,434,939</u>	<u>1,422,909</u>	<u>5,623,459</u>	<u>11,797,571</u>	<u>45,077,877</u>
Fund balances (deficits)								
Reserved for land acquisition	-	-	-	-	-	3,858,216	-	3,858,216
Reserved for land management/ acquisition/projects	-	-	7,819,012	-	-	-	-	7,819,012
Reserved for DOT Mitigation	-	-	-	-	-	-	1,178,609	1,178,609
Reserved for prepaid items	-	-	-	-	-	-	-	-
Unreserved								
Designated (See Note III. H.)	41,221,703	-	-	-	-	-	-	41,221,703
Undesignated	500,630	-	-	-	-	-	-	500,630
Total fund balances (deficits)	<u>41,722,333</u>	<u>-</u>	<u>7,819,012</u>	<u>-</u>	<u>-</u>	<u>3,858,216</u>	<u>1,178,609</u>	<u>54,578,170</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 53,257,764</u>	<u>\$ 13,094,403</u>	<u>\$ 7,988,177</u>	<u>\$ 1,434,939</u>	<u>\$ 1,422,909</u>	<u>\$ 9,481,675</u>	<u>\$ 12,976,180</u>	

Amounts reported for governmental activities in the statement of net assets are different because:
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds 172,970,320
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds (803,538)
Net assets of governmental activities \$ 226,744,952

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Capital Projects Fund	DOT Mitigation Fund	Total Governmental Funds
Revenues								
Property taxes	\$ 4,141,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,141,448
Permits and licenses	339,305	-	-	-	-	-	-	339,305
Timber sales	-	-	743,519	-	-	-	-	743,519
Intergovernmental revenue	4,390,145	1,828,119	-	1,479,594	3,379,666	12,639,480	1,031,357	24,748,361
Federal grants	12,146	-	-	2,002,211	23,683	-	1,920	2,039,960
Investment income (loss)	317,999	102,140	57,963	(3,052)	3,147	33,229	103,870	615,296
Miscellaneous revenue	68,242	74,779	48,344	-	34,596	-	170,398	396,359
Total revenues	<u>9,269,285</u>	<u>2,005,038</u>	<u>849,826</u>	<u>3,478,753</u>	<u>3,441,092</u>	<u>12,672,709</u>	<u>1,307,545</u>	<u>33,024,248</u>
Expenditures								
Salaries	4,338,705	661,516	-	633,918	638,147	45,493	213,729	6,531,508
Employee benefits	2,169,161	121,189	-	114,543	129,808	8,483	41,751	2,584,935
Professional/contractual services	759,107	259,550	-	1,838,367	887,574	561,261	247,200	4,553,059
Services	1,164,389	13,653	-	25,235	209,023	2,395	6,059	1,420,754
Commodities	351,347	7,130	-	25,909	784,785	-	163,911	1,333,082
Capital outlay	572,665	6,662	-	8,124	187,430	7,677,238	304,300	8,756,419
Grants and aids	634,505	70,250	-	100,000	23,056	4,291,100	-	5,118,911
Administrative overhead allocated	(1,518,033)	453,255	-	440,300	445,295	31,598	147,585	-
Secondary fringe allocated	(1,022,315)	309,693	-	294,739	293,183	21,912	102,788	-
Total expenditures	<u>7,449,531</u>	<u>1,902,898</u>	<u>-</u>	<u>3,481,135</u>	<u>3,598,301</u>	<u>12,639,480</u>	<u>1,227,323</u>	<u>30,298,668</u>
Excess (deficiency) of revenues over expenditures	<u>1,819,754</u>	<u>102,140</u>	<u>849,826</u>	<u>(2,382)</u>	<u>(157,209)</u>	<u>33,229</u>	<u>80,222</u>	<u>2,725,580</u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

(Continued)

	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Capital Projects Fund	DOT Mitigation Fund	Total Governmental Funds
Other financing sources (uses)								
Sale of general fixed assets	\$ 19,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,705
Operating transfers in	102,140	-	-	2,382	157,209	-	-	261,731
Operating transfers out	(8,426)	(102,140)	(151,165)	-	-	-	-	(261,731)
Total other financing sources (uses)	113,419	(102,140)	(151,165)	2,382	157,209	-	-	19,705
Excess of revenues and other financing sources over expenditures and other financing uses	<u>1,933,173</u>	<u>-</u>	<u>698,661</u>	<u>-</u>	<u>-</u>	<u>33,229</u>	<u>80,222</u>	<u>2,745,285</u>
Fund balances, beginning of year	39,789,160	-	7,120,351	-	-	3,824,987	1,098,387	51,832,885
Fund balances, end of year	<u>\$ 41,722,333</u>	<u>\$ -</u>	<u>\$ 7,819,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,858,216</u>	<u>\$ 1,178,609</u>	<u>\$ 54,578,170</u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Net change in fund balance - total governmental funds (page 13)	\$ 2,745,285
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	8,563,366
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, exchanges and trade-ins) is to decrease net assets	(34,488)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(132,158)
Changes in net assets of governmental activities (page 9)	<u>\$ 11,142,005</u>

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. Summary of Significant Accounting Policies:

The Northwest Florida Water Management District (the "District") was established by the Florida Water Resources Act of 1972, Chapter 72-299, Laws of Florida and operates under Chapter 373, Florida Statutes. It was the State of Florida Legislature's stated intent in establishing the District, and other Districts, to: provide for the management of water and related land resources; promote the conservation, development, and proper utilization of surface and ground water; develop and regulate dams, impoundments, reservoirs, and other works and to provide water storage for beneficial purposes; prevent damage from floods, soil erosion, and excessive drainage; preserve natural resources, fish and wildlife; promote recreational development, protect public lands and assist in maintaining the navigability of rivers and harbors; and otherwise promote the health, safety, and the general welfare of the people of the State.

The District encompasses all or part of sixteen counties in the northwestern part of Florida. There are nine members of the District Governing Board. Each member resides within the District and is appointed by the Governor and confirmed by the Senate. Board members are appointed for a four-year term.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in accounting principles generally accepted in the United States of America and used by the District are discussed below.

A. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the District as a component unit of the State of Florida. Based on the criteria listed below the State of Florida is considered the primary government.

A primary government is financially accountable for an organization if (1) it appoints a voting majority of the organization's governing board, (2) it is able to impose its will on the organization or (3) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based upon these criteria, the District is considered to be a component unit of the State of Florida and is disclosed in the State of Florida's financial statements.

The accompanying financial statements present the primary government only since there are no component units for which the government is considered to be financially accountable.

B. Financial Reporting Structure

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. Summary of Significant Accounting Policies: (Continued)

B. Financial Reporting Structure (Continued)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The focus of the government-wide statements is on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported.

The governmental-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Administrative overhead, including centralized expenses, are directly allocated to specific functions and are included in direct expenses. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Program revenues are netted within program expenses in the statement of activities to present the net cost of each program.

Fund Financial Statements

The emphasis of fund financial statements is on the District's major funds, each presented in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Districts transactions are recorded in the following fund types:

The *General Fund* is the principal operating fund used to account for most of the District's general activities.

Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The *Surface Water Improvement and Management (S.W.I.M) Fund* accounts for expenditures of state and local funds legally restricted for restoration and preservation of surface waters under the Surface Water Improvement and Management Act created by the State of Florida Legislature.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. Summary of Significant Accounting Policies: (Continued)

B. Financial Reporting Structure (Continued)

Fund Financial Statements (Continued)

The *Lands Fees Fund* accounts for revenue from sale of licenses, leases and right of way easements, timber sales and other revenues generated from District owned lands. Funds are transferred to other Lands division funds and used only for land acquisitions, land management activities or capital improvements on District owned lands.

The *Projects Fund* accounts for all resource management projects and activities funded through dedicated revenue sources from grants and contracts with state, federal or local government entities or water utility authorities.

The *Lands Management Fund* accounts for activities associated with the management, improvement and maintenance of District owned lands. State appropriations from the Water Management Lands Trust Fund provide the primary funding source for Districts land management activities.

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *DOT Mitigation Fund* accounts for all resource management mitigation projects and activities funded through dedicated Florida Department of Transportation funding sources. Expenditures include land acquisitions, restorations, monitoring and other water resource related activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments for the District are reported at fair value. The Local Government Surplus Fund Investment Pool ("Florida PRIME") and the Fund B Surplus Funds Trust Fund (Fund B) operates in accordance with appropriate state laws and regulations. As a Florida PRIME and Fund B Pool participant, the entity invests in pools of investments whereby the District owns a share of the respective pool, not the underlying securities.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. *Property Taxes*

The District is authorized by section 373.503, Florida Statutes, to levy ad valorem taxes on all real and personal property located within the District not to exceed .05 mills. The rate for the 2009-2010 fiscal year was .045 mills. The property assessment and tax collection functions are performed by appropriate officials of county government in each of the sixteen counties comprising the District. Commissions are paid to the counties for these appraisal and collection services.

Taxes are billed and collected for the District by the County Tax Collectors according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as equipment assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life of one year or more, and other assets with an initial, individual cost of more than \$50,000 (amount not rounded) and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost, plus any ancillary charges (freight and transportation charges, site preparation costs, installation costs, and professional fees) necessary to place the asset into its intended location and condition for use. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	40
Leasehold improvements	15
Field equipment	7
Office equipment	7
Vehicles and water craft	7
Lawn maintenance equipment	5
Computer equipment, technical equipment and software	3

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In addition, the District's policy is to annually authorize a leave sale of up to 80 hours as a benefit to employees and to reduce the District's liability for compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use.

8. Use of Estimates

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

II. Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund.” The details of this difference are as follows:

Compensated absences	\$	688,547
Other post-employment benefits		114,991
<i>Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities</i>		
	\$	803,538

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

II. Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances (deficits) and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 9,144,467
Depreciation expense	(581,101)
Net adjustment to increase net changes in <i>fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 8,563,366

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (17,167)
Other post-employment benefits	(114,991)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (132,158)

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The detail of this difference is as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (34,488)
Net adjustment to decrease net changes in <i>fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (34,488)

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds:

A. Deposits and Investments

Deposits. At year end, the District had carrying amounts of deposits of \$195,671 and bank balances of \$532,956. Of the bank balances, \$532,956, was covered by Federal depository insurance or by collateral held by the District's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. Investments of \$76,041,873 represent amounts held with the Florida State Board of Administration, Local Government Surplus Funds Trust ("PRIME Fund"). This fund is structured as a "2a-7 like" fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value. A "2a - 7 like" fund is not registered with the SEC as an investment company, but never the less has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

Investments of \$1,140,899 represent amounts held with the Florida State Board of Administration, Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund is accounted for as a fluctuating net asset value pool. Therefore, fair value for this fund must be calculated using a fair value factor, which was .707058094 at September 30, 2010.

Credit Risk:

The Local Government Surplus Funds Trust ("PRIME Fund") is rated by Standards and Poors. The current rating is AAAM.

The Fund B Surplus Funds Trust Fund is not rated by any nationally recognized statistical rating agency.

Interest Rate Risk:

The weighted average days to maturity of the Local Government Surplus Funds Trust at September 30, 2010 was 52 days.

The weighted average life of Fund B Surplus Funds Trust Fund at September 30, 2010 was 7.49 years.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds: (Continued)

B. Receivables

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>SWIM Fund</u>	<u>Projects Fund</u>	<u>Lands Management Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receivables:						
Accounts	\$ 17,470	\$ 13,949	\$ -	\$ 29,448	\$ -	\$ 60,867
Intergovernmental	<u>772,146</u>	<u>308,906</u>	<u>1,335,307</u>	<u>1,009,916</u>	<u>2,108,748</u>	<u>5,535,023</u>
Gross receivables	789,616	322,855	1,335,307	1,039,364	2,108,748	5,595,890
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 789,616</u>	<u>\$ 322,855</u>	<u>\$ 1,335,307</u>	<u>\$ 1,039,364</u>	<u>\$2,108,748</u>	<u>\$ 5,595,890</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 25,921,145</u>
Total deferred/unearned revenue for governmental funds	<u>\$ -</u>	<u>\$ 25,921,145</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds: (Continued)

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Balance 10/01/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 09/30/10</u>
Capital assets, not being depreciated:				
Land	\$144,093,356	\$ 7,513,300	\$ (3,223)	\$151,603,433
Capital easements	16,964,063	172,963	-	17,137,026
Total capital assets, not being depreciated	<u>161,057,419</u>	<u>7,686,263</u>	<u>(3,223)</u>	<u>168,740,459</u>
Capital assets, being depreciated:				
Buildings and improvements	1,503,720	829,091	-	2,332,811
Infrastructure	1,002,011	2,920	-	1,004,931
Machinery and equipment	4,890,545	626,193	(335,551)	5,181,187
Total capital assets, being depreciated	<u>7,396,276</u>	<u>1,458,204</u>	<u>(335,551)</u>	<u>8,518,929</u>
Less accumulated depreciation for:				
Buildings and improvements	(785,534)	(51,930)	-	(837,464)
Infrastructure	(31,730)	(20,045)	-	(51,775)
Machinery and equipment	(3,194,989)	(509,126)	304,286	(3,399,829)
Total accumulated depreciation	<u>(4,012,253)</u>	<u>(581,101)</u>	<u>304,286</u>	<u>(4,289,068)</u>
Total capital assets being depreciated, net	<u>\$ 3,384,023</u>	<u>\$ 877,103</u>	<u>\$ (31,265)</u>	<u>\$ 4,229,861</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Water resources planning and monitoring	\$ 50,320
Acquisition, restoration and public works	1,672
Operation and maintenance of lands and works	191,333
Regulation	71,701
Outreach	2,567
Administration	263,508
	<u>\$ 581,101</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds: (Continued)

D. Interfund Balances and Activity

Due to the General Fund from the Lands Fees Fund for operating expenditures	\$ 149,165
Due to the General Fund from the SWIM Fund for expenditures related to restoration and preservation of surface waters under the Surface Water Improvement and Management Act	5,820,688
Due to the General Fund from the Projects Fund for expenditures related to operating expenditures	1,336,365
Due to the General Fund from the Lands Management Fund for operating expenditures	1,011,417
Due to the DOT Mitigation Fund from the General Fund for operating expenditures, mitigation costs, and land acquisition costs pending grant reimbursement	3,990,639
Due to the Capital Projects Fund from the General Fund for operating expenditures and land acquisition costs pending grant reimbursement	4,306,716
Due to Projects Fund from the SWIM Fund for operating expenditures	62,890
	<u>\$ 16,677,880</u>

Transfers To/From Other Funds

Transfers to/from other funds at September 30, 2010 consist of the following:

From the General Fund to the Projects Fund for expenditures related to District general activities	\$ 2,382
From the General Fund to the Lands Management Fund for expenditures related to lands management activities	6,044
From the SWIM Fund to the General Fund for expenditures related to District general operations	102,140
From the Lands Fees Fund to the Lands Management Fund for expenditures related to lands management activities	151,165
	<u>\$ 261,731</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds: (Continued)

E. Leases

The District is committed under noncancellable operating leases for office space. Future minimum lease payments for these leases for the next five years and in the aggregate are as follows:

Year-Ending September 30	Total
2011	\$ 308,942
2012	319,094
2013	260,221
2014	198,587
2015	204,053
Thereafter	388,413
Total Lease Payments	\$ 1,679,310

F. Long-term Debt

Changes in Long-term Liabilities. Long term liability activity for the year ended September 30, 2010, was as follows:

	Balance 10/01/09	Additions	Deductions	Balance 09/30/10	Due within one year
Governmental activities					
Compensated absences	\$ 671,380	\$ 769,871	\$ 752,704	\$ 688,547	\$ 688,547
Other post-employment benefits	-	114,991	-	114,991	-
Total	\$ 671,380	\$ 884,862	\$ 752,704	\$ 803,538	\$ 688,547

G. Reserved Fund Balances

	Capital Projects	Lands Fees Fund	DOT Mitigation Fund	Total
Reserved for land acquisition	\$3,858,216	\$ -	\$ -	\$ 3,858,216
Reserved for land management/acquisition/projects	-	7,819,012	-	7,819,012
Reserved for DOT Mitigation	-	-	1,178,609	1,178,609
	\$ 3,858,216	\$ 7,819,012	\$ 1,178,609	\$ 12,855,837

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

III. Detailed Notes On All Funds: (Continued)

H. Designated Fund Balances

In the fund statements, designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes that are not legally restricted. The District has established designations in the following amounts in the general fund balance:

Budget Stabilization Reserve	\$ 9,800,000
Capital Improvements Fund	2,000,000
Resource Inv./Minimum Flows and Levels/Reg. Reserve	3,557,000
Surface Water Improvement Projects	5,890,000
Water Resource and Supply Development	11,840,323
Regional Water Supply Plans	800,000
Reserve for Litigation and Expert Witnesses	648,000
Reserve for Compensated Absences	671,380
Reserve for Computer and Technology Requirements	460,000
Small Community Water Supply	3,090,000
Small Community Hurricane Assistance/Water Cleanup	638,000
Reserve for Mitigation Banking Activities	1,827,000
Total unreserved, designated fund balance	<u>\$ 41,221,703</u>

IV. Other Information:

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

C. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

IV. Other Information: (Continued)

D. Employee Retirement Systems and Plans

Statewide Local Government Retirement System (SLGRS)

Plan Description: The District participates in the State of Florida Retirement System Pension Plan, a cost sharing, multiple-employer public employee retirement system administrated by the State of Florida Department of Management Services, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, F.S, establishes the authority for participant eligibility, contribution requirements vesting eligibility and benefit provisions.

The Pension Plan issues a publicly available financial report that includes financial statements, 10-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida, Department of Management Services
Division of Retirement
4050 Esplanade Way
Tallahassee, Florida 32399-0950

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age 62 or 30 years of service regardless of age. Early retirement may be taken at any time after completing six years of service, however, there is a 5% benefit reduction for each year prior to normal retirement.

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested (six years) and have reached the normal retirement date, which is being vested at age 62 or 30 years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

As of June 1, 2003, the FRS offered members the option of participating in the Florida Retirement Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, F.S. establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions. The Investment Plan provides vesting of benefits after one year of creditable service. Employees were eligible to make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees were able to make the election beginning December 1, 2003. New employees could make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

IV. Other Information: (Continued)

D. Employee Retirement Systems and Plans (Continued)

Funding Policy: Effective July 1, 2009, the District was required to contribute 9.85% for regular annual covered employee's salary, 13.12% for senior management annual covered employee's salary, and 10.91% for employees participating in the Deferred Retirement Option Program (DROP). Effective July 1, 2010, the District was required to contribute 10.77% for regular annual covered employee's salary, 14.57% for senior management annual covered employee's salary, and 12.25% for employees participating in the Deferred Retirement Option Program (DROP). Employees are not required to contribute to the Retirement System. The contribution requirements of the District may be changed by the Florida Retirement System. For each of the three years ended September 30, 2010, 2009 and 2008, the District contributed 100% of the required contribution to the Florida Retirement System. The District's contributions to the Florida Retirement System for the years ended September 30, 2010, 2009, and 2008 were \$687,472, \$649,605, and \$585,086, respectively.

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan:

The cost of post-employment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the cost of post-employment healthcare benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the District's future cash flows.

(a) Plan Description

The District contributes, along with its employees and retirees, to either the Blue Cross and Blue Shield of Florida Health Care Plan (BCBS) or Capital Health Plan (CHP) to provide certain healthcare benefits to active and retired employees and their dependents. The healthcare plan is a single-employer plan and the District provides the option of coverage with BCBS or CHP. The benefits, benefit levels, employee contributions and employer contributions are governed by the Plan.

(b) Benefits Provided

The District provides post-employment health care benefits to its retired employees and their dependents. To be eligible for benefits, an employee must have completed at least six years of service and started receiving pension benefits at termination. All health care benefits are provided through the District's Blue Cross and Blue Shield employee health care plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental and substance abuse care; and prescriptions. Upon retirees reaching 65 years of age, Medicare becomes the primary insurer for CHP plan participants. BCBS participants are allowed to select either Medicare or the traditional plan.

(c) Membership:

At September 30, 2010, membership consisted of:

Active employees	109
Inactive employees	14

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

IV. Other Information: (Continued)

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan: (Continued)

(d) Funding Policy:

The District contributes 100% of the premium for retired senior management employees and 87% for regular class employees. The District's Blue Cross and Blue Shield contract establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the District from separately rating retired employees and active employees. As a result, the District's premium charges to retired employees can be no more than the premium cost applicable to active employees.

(e) Annual OPEB Costs, Net OPEB Obligation:

The Employer's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the calculation of Annual Required Contribution and Net OPEB Obligation for the fiscal year ended September 30, 2010:

Annual Required Contribution (ARC)	\$ 306,907
Net OPEB Obligation (NOO) at beginning of year	-
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB Cost (Expense)	306,907
Employer Contributions Made	191,916
Increase (decrease) in Net OPEB Obligation	114,991
Net OPEB Obligation (NOO) at the end of the year	114,991

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 306,907	\$ 191,916	63%	\$ 114,991

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

IV. Other Information: (Continued)

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan: (Continued)

(f) Funded Status and Funding Progress:

As of September 30, 2010, the plan assets were \$0, the actuarial accrued liability for benefits is \$3,192,967, the total unfunded actuarial liability is \$3,192,967, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$5,733,927, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(g) Methods and Assumptions:

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

A discount rate of 3.0% was used. A general price inflation of 2.80% was assumed. In addition, the Entry Age Normal Cost actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2010 was 15 years.

F. New Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting, effective for the District's fiscal year beginning October 1, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District is currently evaluating the effect that Statement No. 54 will have on its financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

IV. Other Information: (Continued)

F. New Accounting Pronouncements (Continued)

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, effective for periods beginning after June 15, 2010. Statement 59 enhances and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools through providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards where significant issues have been identified. The District is currently evaluating the effect this Statement will have on its financial statements.

G. Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 14, 2011, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	General Fund				Surface Water Improvement and Management Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ 4,324,879	\$ 4,288,413	\$ 4,141,448	\$ (146,965)	\$ -	\$ -	\$ -	\$ -
Permits and licenses	459,000	459,000	339,305	(119,695)	-	-	-	-
Timber sales	-	-	-	-	-	-	-	-
Intergovernmental revenue	3,644,926	3,644,926	4,390,144	745,218	6,949,344	7,002,987	1,828,119	(5,174,868)
Federal grants	-	-	12,146	12,146	-	-	-	-
Investment income (loss)	900,000	900,000	317,999	(582,001)	-	-	102,140	102,140
Miscellaneous revenue	92,000	92,000	68,242	(23,758)	-	-	74,779	74,779
Total revenues	9,420,805	9,384,339	9,269,284	(115,055)	6,949,344	7,002,987	2,005,038	(4,997,949)
Expenditures								
Salaries	4,643,278	5,030,112	4,338,705	691,407	823,804	786,137	661,516	124,621
Employee benefits	2,076,004	2,200,935	2,169,161	31,774	146,663	141,862	121,189	20,673
Professional/contractual services	2,679,601	2,846,601	759,107	2,087,494	4,604,195	4,644,195	259,550	4,384,645
Services	1,377,050	1,431,050	1,164,389	266,661	47,295	47,295	13,653	33,642
Commodities	579,575	579,575	351,347	228,228	189,935	189,935	7,130	182,805
Capital outlay	868,550	912,550	572,665	339,885	78,100	78,100	6,662	71,438
Grants and aids	1,775,000	2,355,000	634,505	1,720,495	100,000	170,000	70,250	99,750
Administrative overhead allocated	(1,663,557)	(1,729,348)	(1,518,033)	(211,315)	606,848	623,401	453,255	170,146
Secondary fringe allocated	(957,858)	(1,041,355)	(1,022,315)	(19,040)	352,504	322,062	309,693	12,369
Total expenditures	11,377,643	12,585,120	7,449,531	5,135,589	6,949,344	7,002,987	1,902,898	5,100,089
Excess (deficiency) of revenues over expenditures	(1,956,838)	(3,200,781)	1,819,753	5,020,534	-	-	102,140	102,140

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

	<u>General Fund</u>				<u>Surface Water Improvement and Management Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ 19,705	\$ 19,705	\$ -	\$ -	\$ -	\$ -
Operating transfers in	2,621,415	2,770,703	102,140	(2,668,563)	-	-	-	-
Operating transfers out	(258,278)	(263,785)	(8,426)	255,359	-	-	(102,140)	(102,140)
Total other financing sources (uses)	<u>2,363,137</u>	<u>2,506,918</u>	<u>113,419</u>	<u>(2,393,499)</u>	<u>-</u>	<u>-</u>	<u>(102,140)</u>	<u>(102,140)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>406,299</u>	<u>(693,863)</u>	<u>1,933,172</u>	<u>2,627,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	39,789,160	39,789,160	39,789,160	-	-	-	-	-
Fund balances, end of year	<u>\$ 40,195,459</u>	<u>\$ 39,095,297</u>	<u>\$ 41,722,332</u>	<u>\$ 2,627,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)

	Lands Fees Fund				Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-	-	-	-	-
Timber sales	750,000	750,000	743,519	(6,481)	-	-	-	-
Intergovernmental revenue	-	-	-	-	5,414,291	5,543,116	1,479,594	(4,063,522)
Federal grants	-	-	-	-	4,848,064	6,325,654	2,002,211	(4,323,443)
Investment income (loss)	59,928	59,928	57,963	(1,965)	-	-	(3,052)	(3,052)
Miscellaneous revenue	950	950	48,344	47,394	-	-	-	-
Total revenues	<u>810,878</u>	<u>810,878</u>	<u>849,826</u>	<u>38,948</u>	<u>10,262,355</u>	<u>11,868,770</u>	<u>3,478,753</u>	<u>(8,390,017)</u>
Expenditures								
Salaries	-	-	-	-	579,074	656,091	633,918	22,173
Employee benefits	-	-	-	-	106,264	118,410	114,543	3,867
Professional/contractual services	-	-	-	-	8,189,710	9,389,710	1,838,367	7,551,343
Services	-	-	-	-	37,240	37,240	25,235	12,005
Commodities	-	-	-	-	27,637	55,637	25,909	29,728
Capital outlay	-	-	-	-	39,900	274,900	8,124	266,776
Grants and aids	-	-	-	-	865,000	865,000	100,000	765,000
Administrative overhead allocated	-	-	-	-	428,022	440,644	440,300	344
Secondary fringe allocated	-	-	-	-	247,786	294,923	294,739	184
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,520,633</u>	<u>12,132,555</u>	<u>3,481,135</u>	<u>8,651,420</u>
Excess (deficiency) of revenues over expenditures	<u>810,878</u>	<u>810,878</u>	<u>849,826</u>	<u>38,948</u>	<u>(258,278)</u>	<u>(263,785)</u>	<u>(2,382)</u>	<u>261,403</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

	<u>Lands Fees Fund</u>				<u>Projects Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-	258,278	263,785	2,382	(261,403)
Operating transfers out	(338,327)	(338,560)	(151,165)	187,395	-	-	-	-
Total other financing sources (uses)	(338,327)	(338,560)	(151,165)	187,395	258,278	263,785	2,382	(261,403)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	472,551	472,318	698,661	226,343	-	-	-	-
Fund balances, beginning of year	7,120,351	7,120,351	7,120,351	-	-	-	-	-
Fund balances, end of year	<u>\$ 7,592,902</u>	<u>\$ 7,592,669</u>	<u>\$ 7,819,012</u>	<u>\$ 226,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

	Lands Management Fund				Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-	-	-	-	-
Timber sales	-	-	-	-	-	-	-	-
Intergovernmental revenue	6,079,513	6,058,800	3,379,666	(2,679,134)	22,624,996	22,133,460	12,639,480	(9,493,980)
Federal grants	-	-	23,683	23,683	-	1,800,000	-	(1,800,000)
Investment income (loss)	3,849	3,849	3,147	(702)	30,768	30,768	33,229	2,461
Miscellaneous revenue	-	-	34,596	34,596	-	-	-	-
Total revenues	<u>6,083,362</u>	<u>6,062,649</u>	<u>3,441,092</u>	<u>(2,621,557)</u>	<u>22,655,764</u>	<u>23,964,228</u>	<u>12,672,709</u>	<u>(11,291,519)</u>
Expenditures								
Salaries	569,067	642,444	638,147	4,297	27,246	50,736	45,493	5,243
Employee benefits	125,314	131,340	129,808	1,532	6,043	12,056	8,483	3,573
Professional/contractual services	3,090,800	2,924,800	887,574	2,037,226	1,175,000	1,175,000	561,261	613,739
Services	300,000	350,000	209,023	140,977	7,475	7,475	2,395	5,080
Commodities	997,050	997,050	784,785	212,265	1,825	1,825	-	1,825
Capital outlay	669,500	619,500	187,430	432,070	8,800,000	11,000,000	7,677,238	3,322,762
Grants and aids	79,000	79,000	23,056	55,944	12,605,898	11,805,898	4,291,100	7,514,798
Administrative overhead allocated	430,147	445,335	445,295	40	20,618	37,752	31,598	6,154
Secondary fringe allocated	243,462	294,391	293,183	1,208	11,659	23,486	21,912	1,574
Total expenditures	<u>6,504,340</u>	<u>6,483,860</u>	<u>3,598,301</u>	<u>2,885,559</u>	<u>22,655,764</u>	<u>24,114,228</u>	<u>12,639,480</u>	<u>11,474,748</u>
Excess (deficiency) of revenues over expenditures	<u>(420,978)</u>	<u>(421,211)</u>	<u>(157,209)</u>	<u>264,002</u>	<u>-</u>	<u>(150,000)</u>	<u>33,229</u>	<u>183,229</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

	Lands Management Fund				Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	338,327	338,560	157,209	(181,351)	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	338,327	338,560	157,209	(181,351)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(82,651)	(82,651)	-	82,651	-	(150,000)	33,229	183,229
Fund balances, beginning of year	-	-	-	-	3,824,987	3,824,987	3,824,987	-
Fund balances (deficits), end of year	\$ (82,651)	\$ (82,651)	\$ -	\$ 82,651	\$ 3,824,987	\$ 3,674,987	\$ 3,858,216	\$ 183,229

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

(Continued)

	DOT Mitigation Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-
Timber sales	-	-	-	-
Intergovernmental revenue	9,225,304	11,470,274	1,031,357	(10,438,917)
Federal grants	-	-	1,920	1,920
Investment income (loss)	300,000	341,495	103,870	(237,625)
Miscellaneous revenue	-	-	170,398	170,398
Total revenues	<u>9,525,304</u>	<u>11,811,769</u>	<u>1,307,545</u>	<u>(10,504,224)</u>
Expenditures				
Salaries	239,419	246,542	213,729	32,813
Employee benefits	46,014	47,428	41,751	5,677
Professional/contractual services	4,107,583	4,107,583	247,200	3,860,383
Services	74,783	74,783	6,059	68,724
Commodities	686,527	686,527	163,911	522,616
Capital outlay	4,090,609	4,090,609	304,300	3,786,309
Grants and aids	-	-	-	-
Administrative overhead allocated	177,922	182,216	147,585	34,631
Secondary fringe allocated	102,447	106,493	102,788	3,705
Total expenditures	<u>9,525,304</u>	<u>9,542,181</u>	<u>1,227,323</u>	<u>8,314,858</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>2,269,588</u>	<u>80,222</u>	<u>(2,189,366)</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

	DOT Mitigation Fund			Variance with Final Budget- Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final	Amounts	
Other financing sources (uses)				
Sale of general fixed assets	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	-	2,269,588	80,222	(2,189,366)
Fund balances, beginning of year	1,098,387	1,098,387	1,098,387	-
Fund balances, end of year	\$ 1,098,387	\$ 3,367,975	\$ 1,178,609	\$ (2,189,366)

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010**

I. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

The Board generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Florida Statutes, prior to July 15, the Executive Director submits to the Governing Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with the estimates for the current year and actual data for the prior year. The Governing Board requires that the budget be submitted in summary form. In addition, more detailed line item allotments are included for administrative oversight.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to September 30, the budget is legally enacted through adoption by the District's Governing Board.
4. The Director of Administration is required by the District to present a monthly financial report and schedule of disbursements to the Board.
5. Revisions that alter the total expenditures of any fund must be approved by the Governing Board. The legal level of budgetary control is the fund and category level.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets for the governmental fund types are presented on a basis consistent with accounting principles generally accepted in the United States of America.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OTHER POST-EMPLOYMENT BENEFIT PLAN (OPEB) RETIREE HEALTHCARE PLAN
SEPTEMBER 30, 2010**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2010	\$ –	\$ 3,192,967	\$3,192,967	0%	\$ 5,733,927	56%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual OPEB Cost	Expected Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 306,907	\$ 191,916	63%	\$ 114,991

ADDITIONAL INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OFFICIALS
SEPTEMBER 30, 2010**

BOARD MEMBERS

George Roberts, Chairman
Philip McMillan, Vice Chairman
Steve Ghazvini, Secretary/Treasurer
Peter Antonacci
Stephanie Bloyd
Joyce Estes
Tim Norris
Jerry Pate
Ralph Rish

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-Through Grantor/State Grantor /Program Title	Contract Number	Federal CFDA Number	State CSFA Number	Expenditures
FEDERAL AWARDS				
U.S. Department of Homeland Security				
Cooperating Technical Partners	EMA-2005-CA-5217	97.045	-	\$ 19,752
Cooperating Technical Partners	EMA-2006-CA-5611	97.045	-	74,883
Cooperating Technical Partners	EMA-2007-CA-5775	97.045	-	141,696
Cooperating Technical Partners	EMA-2008-CA-5886	97.045	-	581,740
Cooperating Technical Partners	EMA-2009-CA-5937	97.045	-	583,889
				<u>1,401,960</u>
Map Modernization Management Support	EMA-2008-CA-5861	97.070	-	<u>45,887</u>
U.S. Department of Interior				
ARRA - National Geospatial Program: Building the National Map	G10AC00128	ARRA 15.817	-	<u>183,462</u>
National Endowment for the Humanities				
Passed-Through Florida Humanities Council				
Promotion of the Humanities_Federal/State Partnership	GR-1209-3567-2168	45.129	-	<u>23,683</u>
Passed-Through Florida Department of Environmental Protection				
Water Quality Management Planning	G0229	66.454	-	<u>115,358</u>
Passed-Through Florida Department of Environmental Protection				
Water Pollution Control State, Interstate and Tribal Program Support	G0303	66.419	-	12,146
Water Pollution Control State, Interstate and Tribal Program Support	G0154	66.419	-	<u>188,898</u>
				<u>201,044</u>
U.S. Department of Transportation				
Passed-Through State of Florida Department of Transportation				
Highway Planning and Construction	BDN58	20.205	-	59,892
Highway Planning and Construction	-	20.205	-	<u>1,920</u>
				<u>61,812</u>
Total Federal Awards				<u>2,033,206</u>

See accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/State Grantor /Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>State CSFA Number</u>	<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Environmental Protection				
DOT Mitigation Projects	-	-	37.020	\$ <u>727,057</u>
Water Management Districts – Land Acquisition Water Management Lands Trust Fund	-	-	37.022	6,271,224
Water Management Districts–Land Acquisition Florida Forever Trust Fund	-	-	37.022	<u>11,168,298</u>
				<u>17,439,522</u>
Water Management District Permitting Assistance - Chapter 62-524 F.A.C. Program Implementation	S0274	-	37.030	<u>45,000</u>
Water Management District Operations	-	-	37.037	<u>4,151,851</u>
Statewide Surface Water Restoration and Wastewater Projects	-	-	37.039	<u>403,944</u>
Water Protection and Sustainability Program	-	-	37.066	<u>1,425,429</u>
Florida Springs Initiative Grant Program	S0371	-	37.052	<u>21,116</u>
Total State Financial Assistance				<u>24,213,919</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				<u>\$ <u>26,247,125</u></u>

See accompanying note to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State Award activity of the Northwest Florida Water Management District, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the financial statements of the governmental activities and each major fund of Northwest Florida Water Management District, as of and for the year ended September 30, 2010, which collectively comprise the Northwest Florida Water Management District's basic financial statements and have issued our report thereon dated March 14, 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.

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of Northwest Florida Water Management District's management, the Board of Governors, State awarding agencies, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
March 14, 2011

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable Board of Governors,
Northwest Florida Water Management District:

Compliance

We have audited Northwest Florida Water Management District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida, Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on Northwest Florida Water Management District's major Federal programs and State projects for the year ended September 30, 2010. Northwest Florida Water Management District's major Federal programs and State projects are 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 each of its major Federal programs and State projects is the responsibility of Northwest Florida Water Management District's management. Our responsibility is to express an opinion on Northwest Florida Water Management District'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the State of Florida, Office 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 Federal program or State project occurred. An audit includes examining, on a test basis, evidence about Northwest Florida Water Management District'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 of Northwest Florida Water Management District's compliance with those requirements.

In our opinion, Northwest Florida Water Management District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2010.

Internal Control Over Compliance

Management of Northwest Florida Water Management District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered Northwest Florida Water Management District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program or State project 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 and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, 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 Northwest Florida Water Management District'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 or 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 Federal program or 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 Northwest Florida Water Management District's management, the Board of Governors, State awarding agencies, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Tallahassee, Florida
March 14, 2011

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL PROGRAMS AND STATE PROJECTS
 SEPTEMBER 30, 2010**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Types of auditor's report issued on compliance for major Federal programs: *Unqualified*

Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Cooperating Technical Partners	97.045
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low risk auditee? _____ <u> X </u> yes _____ no	

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL PROGRAMS AND STATE PROJECTS
 SEPTEMBER 30, 2010
 (Continued)**

I. Summary of Auditors' Results: (Continued)

State Projects

Internal control over major State projects:

- Material weakness(es) identified? yes no
- Significant deficiencies identified? yes none reported

Types of auditor's report issued on compliance for major State Projects: *Unqualified*

Any audit findings that are required to be reported in accordance with Chapter 10.550, Rules of the State of Florida Office of the Auditor General? yes no

Identification of major programs: (Continued)

State Project	State CFSA Number
Water Management Districts – Land Acquisition	37.022
Water Management District Operations	37.037
 Dollar threshold used to distinguish between Type A and Type B programs:	 \$ 725,882

II. Financial Statement Findings: None.

III. Federal Award Findings and Questioned Costs: None.

IV. State Award Findings and Questioned Costs: None.

V. Federal Award Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2010.

VI. State Award Summary Schedule of Prior Year Findings: There were no audit findings for the year ended September 30, 2010.

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the financial statements of Northwest Florida Water Management District, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 14, 2011.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each major Federal program and State project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 14, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Northwest Florida Water Management District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Northwest Florida Water Management District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Northwest Florida Water Management District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Northwest Florida Water Management District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Northwest Florida Water Management District's management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
March 14, 2011