

ENGLEWOOD WATER DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2010 and 2009

**ENGLEWOOD WATER DISTRICT
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SEPTEMBER 30, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Englewood Water District
Englewood, Florida

We have audited the accompanying basic financial statements of Englewood Water District (the "District"), as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Note 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, retroactively as of October 1, 2008. This Statement results in the District reporting a non current asset and a liability of an equal amount for its interest rate swap agreements, since they are deemed to be effective hedges.

As discussed in the Note 10 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended September 30, 2010. This Statement results in the District reporting a liability for postemployment benefits other than pensions that the District provides to its employees and retirees.

Board of Supervisors
Englewood Water District

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2011 on our consideration of the 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.

The management's discussion and analysis on pages 3-9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. The schedules of operating expenses by department have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of monthly water and wastewater rates and the schedule of insurance coverages have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
April 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) offers readers of the Englewood Water District's (District's) financial statements an overview of the financial activities for the fiscal year ended on September 30, 2010. Please read it in conjunction with the letter of transmittal, and the financial statements with its accompanying notes.

FINANCIAL HIGHLIGHTS

- The District's assets exceed its liabilities on September 30, 2010 by \$88 million (net assets), a \$307 thousand decrease over the previous fiscal year. Of this amount, \$17.5 million (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors. Of the remaining \$71 million, approximately \$70 million was invested in capital assets, net of related debt, while the remainder was restricted for renewal and replacement (\$1 million).
- The District's net capital assets decreased by \$2.4 million, or 2.2% from the previous year.
- Long-term debt decreased by approximately \$2 million from fiscal year 2009.
- Operating revenues for 2010 were \$12.8 million, compared with operating revenue of \$13.4 million in 2009, a 4.66% decrease. The decrease is attributed to a 4% increase in base charges, along with an overall decrease in water and sewer consumption of 17.1%. Excluding depreciation, operating expenses decreased \$387 thousand or 4.2% from fiscal year 2009.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The District is a special district engaged in business type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that of providing goods and services (including depreciation), on a continuing basis, and to be financed or recovered primarily through user charges.

The financial statements presented in this report are required and consist of: 1) Management's Discussion and Analysis (MD&A); 2) Basic Financial Statements; 3) Notes to the Financial Statements; and 4) Required Supplementary Information. These topics are further explained as follows:

- MD&A – This section relates mostly to the changes in the District's finances and explains the Basic Financial Statements. The MD&A is on pages 3-9;
- Basic Financial Statements, pages 10-12
 - The Statement of Net Assets presents information on all of the 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 is improving or deteriorating.
 - The Statement of Revenues, Expenses, and Changes in Net Assets (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year.
 - The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of earnings events, when obligations arise, or depreciation of capital assets.
- The Notes to the Financial Statement provide information that is essential to a full understanding of the data provided in the basic financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Cash and cash equivalents and investments; 3) Restricted assets; 4) Connection fees and assessments receivable; 5) Capital Assets; 6) Long-term debt; 7) Interest rate swaps; 8) Defined benefit pension plan; 9) Retirement plan; 10) Risk Management; 11) Commitments and contingencies; and 12) Pronouncements issued, not yet adopted. The Notes to the Financial Statement are on pages 13-33.
- Other reports by the auditor regarding internal accounting controls and compliance with laws and regulation are included in the final section of this report, along with the auditors' management letter. The other reports are on pages 38-41.

These statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments" and, therefore, are presented on a net asset basis. The use of the net asset presentation (including Investment in Capital Assets [net of related debt], Restricted and Unrestricted Net Assets) alleviates the pre-Statement No. 34 use of contributed capital and retained earnings. Additionally, the operating statement, the "Statement of Revenues, Expenses and Changes in Net Assets" uses a clean surplus approach which results in contributions being reflected on the face of this statement in arriving at the change in net assets.

FINANCIAL ANALYSIS
SUMMARY OF NET ASSETS

The following table reflects the condensed Summary of Net Assets compared to the prior year.

Table 1
Summary of Net Assets
As of September 30,
(\$ in thousands)

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 23,910	\$ 22,894
Capital assets	<u>103,953</u>	<u>106,333</u>
Total Assets	<u>127,863</u>	<u>129,227</u>
Noncurrent liabilities	36,212	37,302
Other liabilities	<u>3,360</u>	<u>3,327</u>
Total liabilities	<u>39,572</u>	<u>40,629</u>
Net assets:		
Invested in capital assets, net of related debt	69,741	70,240
Restricted	1,083	1,649
Unrestricted	<u>17,467</u>	<u>16,709</u>
Total net assets	<u>\$ 88,291</u>	<u>\$88,598</u>

For more detailed information see the Statement of Net Assets (page 10).

NORMAL IMPACTS

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net asset presentation.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets net of debt.

Principal Payment on Debt – which will (a) reduce current assets and (b) reduce long-term debt and reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested capital assets, net of debt.

CURRENT YEAR IMPACTS (see page 5 table 1)

Current and other assets increased by \$1,016 thousand, or 4.44%. This increase was attributed to an increase in cash and cash equivalents of \$715 thousand, investments of \$678 thousand, net accounts receivable of \$90 thousand and interest rate swap derivative of \$958 thousand, along with a reduction of non-restricted investments of \$477 thousand, connection fees and assessments receivable of \$896 thousand and various other current assets of \$52 thousand.

Net capital assets decreased by \$2.4 million, or 2.24% from fiscal year 2009. Capital assets include capital assets in service, construction in progress and accumulated depreciation. Capital assets increased \$487 thousand, or 0.33%, construction in progress increased by \$510 thousand, or 21.6%, and accumulated depreciation increased \$3.4 million, or 8.1%.

The noncurrent liabilities decreased by \$1.09 million, or 2.9% over fiscal year 2009.

SUMMARY OF CHANGES IN NET ASSETS

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

Table 2
Changes in Net Assets
For the Year Ended September 30,
(\$ in thousands)

	<u>2010</u>	<u>2009</u>
Operating revenue	\$12,780	\$13,405
Non-operating revenue	<u>856</u>	<u>1,079</u>
Total revenue	<u>13,636</u>	<u>14,484</u>
Salaries	5,344	5,151
Utilities	964	1,310
Contractual services materials and supplies	2,363	2,587
Insurance	184	190
Depreciation expense	<u>3,680</u>	<u>3,782</u>
Operating expense	12,535	13,020
Interest expense	<u>1,736</u>	<u>1,749</u>
Total expense	<u>14,271</u>	<u>14,769</u>
Income (loss) before capital contributions	(635)	(285)
Capital contributions	<u>328</u>	<u>168</u>
Change in net assets	(307)	(117)
Beginning net assets	<u>88,598</u>	<u>88,715</u>
Ending net assets	<u>\$88,291</u>	<u>\$88,598</u>

NORMAL IMPACTS

There are five basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition – which can reflect a declining, stable, or growing economic environment and has a substantial impact on revenues as well as public spending habits for building permits, user fees, and volumes of consumption.

Increase/Decrease in approved rates – the Board of Supervisors has the authority to impose and periodically increase/decrease water and wastewater rates.

Market Impacts on Investment Income – Englewood Water District's investment portfolio is managed using short-term investments and the market condition may cause investment income to fluctuate.

Expenses:

Introduction of New Programs – individual programs may be added or deleted to meet changing community needs such as increasing the capacity in the wastewater treatment plant to accommodate new connections to the wastewater system.

Inflation – while overall inflation appears to be reasonably modest, Englewood Water District is a major consumer of certain commodities such as purchased power. Some functions may experience unusual commodity specific increases.

CURRENT YEAR IMPACTS (see page 6 table 2)

Revenue:

Water revenues decreased \$327 thousand, or 5.30%. Wastewater revenues decreased \$283 thousand, or 3.98%. The decrease is attributed to an overall reduction in water and sewer consumption of 17.1% along with an increase of base charges of 4%. Total revenue which includes water, wastewater and other, decreased \$625 thousand, or 4.66% over fiscal year 2009.

The District's investment earnings decreased \$142 thousand, or 23.55%, the assessment interest decreased \$62 thousand, or 17.13%. The decrease in investment earnings was a result of replacing higher yield investments with lower yield investments throughout the fiscal year due to market conditions. The decrease in assessment interest earnings is a result of loan amortization (as assessment loans are being paid more funds go to principal rather than interest).

Capital contributions for fiscal year 2010 were \$328 thousand, in fiscal year 2009 capital contributions were \$168 thousand.

Expenses:

Total operating expenses for 2010 were \$12.5 million, a 3.73% decrease from 2009. Depreciation expense accounted for \$3.7 million of operating expenses. Excluding depreciation, operating expenses were \$8.8 million, a decrease of \$383 thousand, or 4.15% from 2009. Total expenses including interest were \$14.3 million, a decrease from fiscal year 2009 of \$498 thousand, or 3.37%. The significant decreases were chemicals 52.4%, utilities 26.41%, and repairs and maintenance 11.78%. The significant increases were meter replacement 116.39% and personal services 3.73%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, Englewood Water District's Water and Wastewater Systems had \$103.9 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (increases, decreases including depreciation, see page 22 Note 5) of \$2.4 million, or 2.24% from the end of fiscal year 2009.

Table 3
Capital Assets
As of September 30,
(in thousands)

	<u>2010</u>	<u>2009</u>
Land	\$ 4,814	\$ 4,814
Construction in progress	2,867	2,357
Building and plants	41,407	41,307
Wellfields and raw water lines	5,436	5,436
Water distribution network	26,811	26,748
Water reclamation facility	62,598	62,167
Equipment	<u>5,306</u>	<u>5,413</u>
Total	149,239	148,242
Accumulated depreciation	<u>(45,286)</u>	<u>(41,909)</u>
Total capital assets	<u>\$103,953</u>	<u>\$106,333</u>

The following reconciliation summarizes the change in Capital Assets.

Table 4
Change in Capital Assets
(in thousands)

	<u>2010</u>	<u>2009</u>
Beginning balance	\$106,333	\$107,511
Increases	802	6,417
Decreases		
Construction in progress	510	(3,797)
Retirements, net	(12)	(86)
Depreciation	<u>(3,680)</u>	<u>(3,712)</u>
Ending balance	<u>\$103,953</u>	<u>\$106,333</u>

2010 major capital improvement additions are (in thousands):

I & I	\$ 305
Lift Station Telemetry	104
Waterline Replacements	<u>55</u>
Total	<u>\$ 464</u>

For more detailed information, see Note 5 to the financial statements.

DEBT OUTSTANDING

As of year-end, Englewood Water District had \$36.2 million in debt (bonds, notes, etc.) outstanding.

Table 5
Outstanding Debt
As of September 30,
(in thousands)

	<u>2010</u>	<u>2009</u>
Outstanding debt	\$36,171	\$38,410
Less unamortized Discount and accounting loss	<u>(1,167)</u>	<u>(1,320)</u>
Total long term debt	<u>\$35,004</u>	<u>\$37,090</u>

To the best of management's knowledge, Englewood Water District is in compliance with the covenants of its bonds and notes agreements.

For more detailed information, see Note 6 to the financial statements.

ECONOMIC FACTORS

Englewood Water District's water connections have grown from 20.7 thousand to 20.8 thousand for fiscal year 2010, or .27% growth; our wastewater connections have grown from 17.3 thousand to 17.4 thousand, or .32%. This small growth rate is due, in no small part, to the economy.

FINANCIAL CONTACT

Englewood Water District's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Englewood Water District's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact:

Sonia Zoeller
201 Selma Avenue
Englewood, Florida 34223
(941) 460-1010

**ENGLEWOOD WATER DISTRICT
STATEMENTS OF NET ASSETS
SEPTEMBER 30, 2010 AND 2009**
(Amounts expressed in thousands)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,523	\$ 808
Accounts receivable (net)	1,500	1,410
Accrued interest receivable	49	54
Inventory	353	356
Prepays	54	75
Total current assets	3,479	2,703
Noncurrent assets:		
Restricted assets:		
Investments	4,660	5,137
Investments	6,484	5,806
Connection fees and assessments receivable	5,981	6,877
Capital assets (net)	103,953	106,333
Deferred outflow of resource	3,123	2,165
Unamortized debt issuance costs	183	206
Total noncurrent assets	124,384	126,524
Total assets	127,863	129,227
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	155	129
Accrued liabilities	415	388
Total current liabilities	570	517
Current liabilities payable from restricted assets:		
Contracts and accounts payable	15	25
Retainage payable	35	15
Accrued interest	396	410
Current portion of bonds and notes payable	2,344	2,360
Total current liabilities payable from restricted assets	2,790	2,810
Noncurrent liabilities:		
Compensated absences	416	407
Net OPEB obligation	13	-
Derivative instruments	3,123	2,165
Bonds and notes payable, net	32,660	34,730
Total noncurrent liabilities	36,212	37,302
Total liabilities	39,572	40,629
Net assets:		
Invested in capital assets, net of related debt	69,741	70,240
Restricted for:		
Renewal and replacement	1,083	1,649
Unrestricted	17,467	16,709
Total net assets	\$ 88,291	\$ 88,598

See accompanying Notes to Financial Statements.

ENGLEWOOD WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts expressed in thousands)

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water services	\$ 5,844	\$ 6,171
Waste treatment	6,822	7,105
Other	<u>114</u>	<u>129</u>
Total operating revenues	<u>12,780</u>	<u>13,405</u>
 Operating expenses:		
Water treatment plants	2,695	3,027
Water distribution	1,559	1,503
Waste treatment	2,598	2,677
Waste collection	2,705	2,891
Laboratory	307	308
Meter readers	285	282
General and administrative	<u>2,386</u>	<u>2,332</u>
Total operating expenses	<u>12,535</u>	<u>13,020</u>
Operating income	<u>245</u>	<u>385</u>
 Non-operating revenues (expenses):		
Investment earnings	461	603
Special assessment interest	300	362
Interest expense	(1,736)	(1,749)
Other revenues	101	108
Gain (loss) on disposal of capital assets	<u>(6)</u>	<u>6</u>
Total non-operating expenses	<u>(880)</u>	<u>(670)</u>
Loss before contributions	<u>(635)</u>	<u>(285)</u>
 Capital contributions:		
Cash	<u>328</u>	<u>168</u>
Change in net assets	(307)	(117)
 Total net assets- beginning of year	<u>88,598</u>	<u>88,715</u>
 Total net assets - end of year	<u>\$ 88,291</u>	<u>\$ 88,598</u>

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**
(Amounts expressed in thousands)

	2010	2009
Cash flows from operating activities:		
Receipts from customers	\$ 12,690	\$ 13,356
Payments to suppliers for goods and services	(3,513)	(4,137)
Payments to employees	(5,240)	(5,058)
Net cash provided by operating activities	3,937	4,161
Cash flows from noncapital financing activities:		
Pension note payments	(320)	(276)
Other receipts	108	131
Net cash used in noncapital financing activities	(212)	(145)
Cash flows from capital and related financing activities:		
Capital contributions	328	168
Additions to capital assets	(1,302)	(2,855)
Collection of special assessment principal and interest	1,193	1,063
Principal paid on capital debt	(2,035)	(11,797)
Interest paid on capital debt	(1,457)	(1,598)
Proceeds from debt issued	-	9,996
Net cash used in capital and related financing activities	(3,273)	(5,023)
Cash flows from investing activities:		
Purchase of investments	(5,303)	(6,156)
Proceeds from sale of investments	5,176	6,018
Investment earnings	390	531
Net cash provided by investing activities	263	393
Net decrease in cash and cash equivalents	715	(614)
Cash and cash equivalents beginning of year	808	1,422
Cash and cash equivalents end of year	\$ 1,523	\$ 808
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 245	\$ 385
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,680	3,781
Net (increase) decrease in:		
Accounts receivable	(90)	(47)
Inventory	3	50
Other assets	21	23
Net increase (decrease) in:		
Accounts payable	26	(124)
Accrued liabilities and compensated absences	52	93
Total adjustments	3,692	3,776
Net cash provided by operating activities	\$ 3,937	\$ 4,161

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Englewood Water District (the "District") is an independent special district re-codified by Chapter 2004-439, Laws of Florida. The District operates under an elected Board of Supervisors form of government and provides water and reuse services and waste treatment services in portions of Sarasota and Charlotte Counties.

Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies used in the preparation of these financial statements.

Reporting Entity

All significant activities on which the District exercises oversight responsibility have been included in the District's financial statements. The criteria regarding manifestation of oversight include designation of management, budgetary authority, responsibility for debt, control over properties, and scope of services.

Governmental Accounting Standards Board Number 14, "Financial Reporting Entity" (GASB 14, as amended), requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there is no potential component units required to be included in the District's financial statements.

Fund Accounting

The District uses enterprise fund accounting to report its activities.

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where it is decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus

The District is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the statement of net assets, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the District. The operating statement reports increases (revenues) and decreases (expenses) in total economic net worth.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Pursuant to GASB Statement Number 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected not to apply accounting standards issued after November 30, 1989 by the Financial Accounting Standards Board.

Budget

On September 17, 2009 and September 18, 2008, the Board of Supervisors adopted the annual operating budgets for fiscal years 2010 and 2009, respectively, for the District. These budgets cover the period October 1, 2009 through September 30, 2010 and October 1, 2008 through September 30, 2009, respectively, and include the estimated operating expenses for these periods and the means of financing them. Appropriations lapse at year-end. The legal level of control is the fund level. There were no supplemental appropriations during the year.

Cash and Investments

The District reports its investments at fair value in accordance with GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Fair valuations are based on quoted market prices.

The District considers highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

As of September 30, 2010 and 2009, all receivables shown represent valid claims against debtors. By legislative authority, all receivables become liens on property, thus no reserve has been established. No bad debts were charged to operations for the years ended September 30, 2010 and 2009.

The Company bills for services on a monthly cycle basis and accrues for services rendered but unbilled based on estimated usage from the latest billing to the end of the year.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Inventories

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Capital assets

Capital assets are stated on the basis of cost, which includes ancillary charges necessary for asset acquisition. The threshold for capitalization is \$1,000. Assets contributed to the District are recorded at their estimated fair value on the date donated. Depreciation is computed by the straight-line method over estimated service lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

Interest expense is capitalized on assets constructed with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project construction with interest earned on invested proceeds over the same period. Accordingly, interest expense of \$120,000 and \$252,000 has been capitalized into construction in progress for the years ended September 30, 2010 and 2009, respectively.

Unamortized Discount and Issuance Costs

Discount and issuance costs related to long-term debt are amortized over the life of the debt using the effective interest method. Long-term debt is shown net of unamortized discount.

Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Assets when earned. Capital contributions include connection fees and developer contributed utility systems.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets

Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized discounts, premiums or deferred refunding losses.

Restricted assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or bond covenant) limitations on their use. When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed.

Unrestricted assets consist of all other net assets not included in the previous categories.

Accrued Compensated Absences

The District's vacation policy provides for the accumulation of vacation leave with such leave being fully vested when earned. The liability for said accumulation has been accrued using current pay rates.

The District's sick leave policy provides for the accumulation of sick leave. Payment for unused sick leave upon termination is vested only for employees with 10 years or more of continuous service. Consequently, only vested sick leave has been accrued.

Operating revenues and expenses

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses

Non-operating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the District. This classification includes revenue received from capital grants and contributions, interest earned on bank accounts and investments, interest received from special assessments, interest paid on debt service, tower rental, and the gain or loss on the sale or disposal of District property.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

At September 30, 2010, the District's deposits were made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2010 for these deposits.

At September 30, 2009, \$756,000 of the District's deposits was made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2009 for these deposits. At September 30, 2009, the District had \$52,000 on deposit with a brokerage firm.

The deposits with the brokerage firm were protected by the Securities Investor Protection Corporation up to a maximum of \$100,000 with certain other limitations.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

In accordance with the Florida Statute 218.415(16) and its investment policy, the District may invest in:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
- d. Direct obligations of the United States Treasury.
- e. Federal agencies and instrumentalities.
- f. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- g. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- h. Other investments authorized by resolution of the District.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of September 30, 2010 and 2009, the District had the following investments and maturities (dollars in thousands):

September 30, 2010		Investment Maturities (in Years)				Rating		Percent of Investment Portfolio
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Between 1 - 2</u>	<u>Between 2 - 3</u>	<u>More Than 3</u>	<u>S&P</u>	<u>Moody's</u>	
Certificates of Deposit	\$ 10,747	\$ 1,958	\$ 2,298	\$ 2,935	\$ 3,556	N/A	N/A	96%
Federal Instrumentalities								
Agency STRIPS	80	48	-	-	32	N/A	N/A	1%
FHLB	40	-	-	-	40	AAA	Aaa	0%
FHR	71	-	-	-	71	AAA	Aaa	1%
FNR	12	-	-	-	12	AAA	Aaa	0%
GNMA	5	-	-	-	5	AAA	Aaa	0%
FICO Series 1 STRIP	16	-	-	16	-	N/A	N/A	0%
FNMA	6	-	-	-	6	AAA	Aaa	0%
Total Federal Instrumentalities	<u>230</u>	<u>48</u>	<u>-</u>	<u>16</u>	<u>166</u>			2%
Municipal Instrumentalities	<u>167</u>	<u>64</u>	<u>34</u>	<u>69</u>	<u>-</u>	AAA		2%
Total investments	<u>\$ 11,144</u>	<u>\$ 2,070</u>	<u>\$ 2,332</u>	<u>\$ 3,020</u>	<u>\$ 3,722</u>			

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Investment Type	September 30, 2009 Fair Value	Investment Maturities (in Years)				Rating		Percent of Investment Portfolio
		Less Than 1	Between 1 - 2	Between 2 - 3	More Than 3	S&P	Moody's	
Certificates of Deposit	\$ 9,212	\$ 2,901	\$ 2,173	\$ 2,010	\$ 2,128	N/A	N/A	84%
Federal Instrumentalities								
Agency STRIPS	44	44	-	-	-	N/A	N/A	0%
FHLB	381	-	-	-	381	AAA	Aaa	3%
FHR	252	-	-	-	252	AAA	Aaa	2%
FNR	21	-	-	-	21	AAA	Aaa	0%
GNMA	196	-	-	-	196	AAA	Aaa	2%
FICO Series 1 STRIP	60	-	-	-	60	N/A	N/A	1%
FHLMC Notes	250	-	-	-	250	AAA	Aaa	
FHLMC Pools	55	-	-	-	55	AAA	Aaa	
subtotal FHLMC	<u>305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305</u>			3%
FNMA	<u>317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317</u>	AAA	Aaa	3%
Total Federal Instrumentalities	<u>1,576</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>1,532</u>			14%
Municipal Instrumentalities	<u>155</u>	<u>-</u>	<u>59</u>	<u>32</u>	<u>64</u>	AAA		1%
Total investments	<u>\$ 10,943</u>	<u>\$ 2,945</u>	<u>\$ 2,232</u>	<u>\$ 2,042</u>	<u>\$ 3,724</u>			

Interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits its investment in Federal Instrumentalities and nonnegotiable certificates of deposit to maturities of up to five years.

Credit risk. The District does not have a credit risk policy for its investment in Federal Instrumentalities. Its credit risk policy for its investment in nonnegotiable certificates of deposit requires that they be insured under the provisions of FDIC. No individual certificate of deposit exceeds \$250,000.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of credit risk. A maximum of forty percent may be invested in individual Federal Instrumentalities. At September 30, 2010 and 2009, no individual investment in a Federal Instrumentality was greater than 3 percent of total investments

All investments are held by UBS AG, Incorporated, counterparty to the transaction, in the District's name.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 3 RESTRICTED ASSETS

Assets were restricted for the following purposes at September 30, 2010 and 2009 (dollars in thousands):

	2010	2009
Debt service	\$ 2,527	\$ 2,448
Renewal and replacement	1,664	2,098
Construction	469	591
	\$ 4,660	\$ 5,137

NOTE 4 CONNECTION FEES AND ASSESSMENTS RECEIVABLE

The District has entered into notes receivable with customers that allow the customer to pay impact and tap fees over five years. These notes, which aggregated \$640,000 and \$789,000 at September 30, 2010 and 2009, respectively, include provisions for monthly payments of principal and interest at 8%. The District has also entered into receivable agreements with customers, which allow the customer to pay sewer assessments over 10 to 15 years. These agreements, which aggregated \$5,341,000 and \$6,087,000 at September 30, 2010 and 2009, respectively, are placed on the tax rolls and include interest at 5.375% to 6.900%.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the years ended September 30, 2010 and 2009 is as follows (dollars in thousands):

Fiscal Year 2010	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Useful Lives (yrs.)
Capital Assets not being depreciated:					
Land	\$ 4,814	\$ -	\$ -	\$ 4,814	
Construction in progress	<u>2,357</u>	<u>974</u>	<u>(464)</u>	<u>2,867</u>	
Total capital assets not being depreciated	<u>7,171</u>	<u>974</u>	<u>(464)</u>	<u>7,681</u>	
Capital Assets being depreciated:					
Buildings and plants	41,307	100	-	41,407	7-25
Well fields and raw water lines	5,436	-	-	5,436	10-50
Water distribution network	26,748	63	-	26,811	10-45
Wastewater treatment plant	62,167	431	-	62,598	10-45
Equipment	<u>5,413</u>	<u>208</u>	<u>(315)</u>	<u>5,306</u>	3-10
Total capital assets being depreciated	<u>141,071</u>	<u>802</u>	<u>(315)</u>	<u>141,558</u>	
Less accumulated depreciation for:					
Buildings and plants	7,269	487	(74)	7,682	
Well fields and raw water lines	2,578	115	-	2,693	
Water distribution network	8,892	643	-	9,535	
Wastewater treatment plant	19,018	2,136	-	21,154	
Equipment	<u>4,152</u>	<u>299</u>	<u>(229)</u>	<u>4,222</u>	
Total accumulated depreciation	<u>41,909</u>	<u>3,680</u>	<u>(303)</u>	<u>45,286</u>	
Total capital assets being depreciated, net	<u>99,162</u>	<u>(2,878)</u>	<u>(12)</u>	<u>96,272</u>	
Total capital assets, net	<u>\$106,333</u>	<u>\$ (1,904)</u>	<u>\$ (476)</u>	<u>\$ 103,953</u>	

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Fiscal Year 2009	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Useful Lives (yrs.)
Capital Assets not being depreciated:					
Land	\$ 4,814	\$ -	\$ -	\$ 4,814	
Construction in progress	4,132	2,022	(3,797)	2,357	
Total capital assets not being depreciated	8,946	2,022	(3,797)	7,171	
Capital Assets being depreciated:					
Buildings and plants	38,169	3,154	(16)	41,307	7-25
Well fields and raw water lines	5,436	-	-	5,436	10-50
Water distribution network	25,950	798	-	26,748	10-45
Wastewater treatment plant	61,813	354	-	62,167	10-45
Equipment	5,394	89	(70)	5,413	3-10
Total capital assets being depreciated	136,762	4,395	(86)	141,071	
Less accumulated depreciation for:					
Buildings and plants	6,809	460	-	7,269	
Well fields and raw water lines	2,445	133	-	2,578	
Water distribution network	8,203	689	-	8,892	
Wastewater treatment plant	16,848	2,170	-	19,018	
Equipment	3,892	329	(69)	4,152	
Total accumulated depreciation	38,197	3,781	(69)	41,909	
Total capital assets being depreciated, net	98,565	614	(17)	99,162	
Total capital assets, net	<u>\$107,511</u>	<u>\$ 2,636</u>	<u>\$ (3,814)</u>	<u>\$ 106,333</u>	

Depreciation expense for the years ended September 30, 2010 and 2009 was \$3,680,000 and \$3,781,000, respectively.

NOTE 6 LONG-TERM DEBT

Bonds and notes payable consisted of the following at September 30, 2010 and 2009 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
<u>Revenue Bonds</u>		
Series 1998 Utility System Refunding Revenue Bonds for \$16,865,000 with interest rates ranging from 3.9% to 5.0%, collateralized by a lien and a pledge of certain net revenues, impact fees, and other revenues as described in the bond resolution, equally and ratably with the remaining Series 1994 Bonds; matures in October 2021.	\$ 3,570	\$ 4,210

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 6 LONG-TERM DEBT (CONTINUED)

	<u>2010</u>	<u>2009</u>
<u>Revenue Bonds (Continued)</u>		
Series 2008 Utility System Refunding Revenue Bonds for \$9,996,440 (Refinancing 1998 Utility System Refunding Revenue Bonds) with a pay-fixed interest rate at 3.73%, collateralized by a lien upon and pledge of the "Pledged Funds" as described in the Bond Resolution; matures in October 2023.	\$ 9,969	\$ 9,996
<u>Special Assessment Bonds with Governmental Commitment</u>		
Series 2000A Wastewater Special Assessment Bonds for \$5,244,837 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-4 project; matures in May 2020.	3,243	3,491
Series 2000B Wastewater Special Assessment Bonds for \$2,437,922 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-5 project; matures in May 2020.	1,514	1,631
Series 2001A Wastewater Special Assessment and Revenue Bonds for \$6,200,000 with interest at 4.62%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-6 project; matures in September 2021.	4,173	4,451
<u>Promissory Notes</u>		
Series 2003A Promissory Note for \$8,350,000 (Refinancing V2 and V3 Projects) with a pay-fixed interest rate at 4.27% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in December 2023.	6,292	6,636
Series 2004A Promissory Note for \$5,550,000 (Refinancing VA, VB and 1996D Projects) with a pay-fixed interest rate at 4.30% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in January 2024.	4,211	4,438
Utility System Revenue Bond, Series 2005 for \$3,048,735 (Refinancing 1994 Utility System Revenue Bonds) with a pay-fixed interest rate at 4.06% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in October 2021.	2,407	2,560

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 6 LONG-TERM DEBT (CONTINUED)

	<u>2010</u>	<u>2010</u>
<u>Promissory Notes (Continued)</u>		
Promissory Note for \$2,354,000 payable to the Florida Retirement System (Purchase of past service credits) with an interest rate at 6.50%, uncollateralized; matures in June 2013.	\$ 792	\$ 997
Total bonds and notes payable	<u>\$ 36,171</u>	<u>\$ 38,410</u>

Annual Maturities

The principal and interest requirements to maturity for all outstanding bonds and notes as of September 30, 2010 are as follows (dollars in thousands):

Year <u>Ending</u>	<u>Revenue Bonds and Notes</u>			<u>Special Assessment Bonds</u>			<u>Promissory Notes*</u>				
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total	
30-Sep											
2011	\$ 694	\$ 527	\$ 1,221	\$ 680	\$ 428	\$ 1,108	\$ 970	\$ 590	\$ 1,560	\$ 3,889	
2012	730	497	1,227	714	393	1,107	1,027	547	1,574	3,908	
2013	760	461	1,221	751	357	1,108	1,145	492	1,637	3,966	
2014	792	425	1,217	789	319	1,108	858	435	1,293	3,618	
2015	833	389	1,222	829	279	1,108	895	399	1,294	3,624	
2016-2020	4,697	1,409	6,106	4,661	721	5,382	5,101	1,372	6,473	17,961	
2021-2024	5,033	410	5,443	506	54	560	3,706	275	3,981	9,984	
	<u>\$ 13,539</u>	<u>\$ 4,118</u>	<u>\$ 17,657</u>	<u>\$ 8,930</u>	<u>\$ 2,551</u>	<u>\$ 11,481</u>	<u>\$ 13,702</u>	<u>\$ 4,110</u>	<u>\$ 17,812</u>	<u>\$ 46,950</u>	

* Debt service requirements for the variable rate debt with pay-fixed swap agreements are based on the pay-fixed amortization schedule.

Covenants

The bond and note agreements include various covenants, including rate and liquidity covenants. The District must maintain rate coverage of at least 110% of the annual debt service payable. The District must also maintain \$7,500,000 in unencumbered and unrestricted cash and cash equivalents. Management believes it has complied with the covenants of the District's bond and note agreements.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 6 LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in bonds and notes payable for the years ended September 30, 2010 and 2009 (dollars in thousands):

Fiscal Year 2010	Revenue Bonds and Notes	Special Assessment Bonds	Promissory Notes	Total
Debt payable at October 1,	\$ 14,206	\$ 9,573	\$ 14,631	\$ 38,410
Debt issued	-	-	-	-
Principal retired	(667)	(643)	(929)	(2,239)
Debt payable at September 30,	13,539	8,930	13,702	36,171
Less unamortized discount and accounting loss	(973)	-	(194)	(1,167)
Debt payable at September 30, net	<u>\$ 12,566</u>	<u>\$ 8,930</u>	<u>\$ 13,508</u>	<u>\$ 35,004</u>
Due within one year	<u>\$ 694</u>	<u>\$ 680</u>	<u>\$ 970</u>	<u>\$ 2,344</u>
	Revenue	Special	Promissory	Total
Fiscal Year 2009	Bonds and Notes	Assessment Bonds	Notes	Total
Debt payable at October 1,	\$ 14,700	\$ 10,185	\$ 15,526	\$ 40,411
Debt issued	9,996	-	-	9,996
Principal retired	(10,490)	(612)	(895)	(11,997)
Debt payable at September 30,	14,206	9,573	14,631	38,410
Less unamortized discount and accounting loss	(1,107)	-	(213)	(1,320)
Debt payable at September 30, net	<u>\$ 13,099</u>	<u>\$ 9,573</u>	<u>\$ 14,418</u>	<u>\$ 37,090</u>
Due within one year	<u>\$ 668</u>	<u>\$ 647</u>	<u>\$ 1,045</u>	<u>\$ 2,360</u>

The District defeased its \$5,000,000 1979 Series Revenue bonds in 1994 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying statement of net assets.

The District defeased \$9,880,000 of its Series 1998 Utility System Refunding Revenue Bonds on October 1, 2008. The District issued the Series 2008 Utility System Refunding Revenue Bonds to provide the resources for this defeasance. This refunding was undertaken to reduce debt service payments over the next 15 years by approximately \$1.1 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$800,000.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 7 INTEREST RATE SWAPS

In order to protect against the potential of rising interest rates, the District has entered into pay-fixed, receive-variable interest rate swap agreements. The intention of the swaps is to effectively change the District's variable interest rate on the associated loans to effective fixed rates as indicated in the tables below.

The terms, including the fair values and credit rating of the counterparty of the outstanding swaps as of September 30, 2010 and 2009, are listed in the following tables. The loans and their associated swap agreements were issued at the same time and mature on the same dates. The notional value of the swaps declines as the associated loan balance declines.

Fiscal Year 2010

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2010	Swap Termination	Counterparty Credit Rating
\$ 8,350,000	12/15/03	4.27%	64% of LIBOR + .89%	\$ (845,000)	12/15/23	AA-/AA
5,550,000	1/15/04	4.30%	64% of LIBOR + .89%	(579,000)	1/15/24	AA-/AA
3,049,000	2/22/05	4.06%	64% of LIBOR + .89%	(277,000)	10/1/21	AA-/AA
9,996,440	10/1/08 *	3.73%	63.7% of LIBOR + .70%	(1,422,000)	10/1/23	AA-/AA
<u>\$ 26,945,440</u>				<u>\$ (3,123,000)</u>		

Fiscal Year 2009

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2009	Swap Termination	Counterparty Credit Rating
\$ 8,350,000	12/15/03	4.27%	64% of LIBOR + .89%	\$ (625,000)	12/15/23	AA-/AA
5,550,000	1/15/04	4.30%	64% of LIBOR + .89%	(429,000)	1/15/24	AA-/AA
3,049,000	2/22/05	4.06%	64% of LIBOR + .89%	(197,000)	10/1/21	AA-/AA
9,996,440	10/1/08 *	3.73%	63.7% of LIBOR + .70%	(914,000)	10/1/23	AA-/AA
<u>\$ 26,945,440</u>				<u>\$ (2,165,000)</u>		

* Trade date was May 15, 2008.

Each of the swap agreements has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow, a noncurrent asset reported on the balance sheet. The combined fair values of the four swap agreements outstanding at September 30, 2010 and 2009 decreased in value by \$958,450 and \$1,358,553 during the years ended September 30, 2010 and 2009, respectively.

Interest rate risk – The District is exposed to interest rate risk on its pay-fixed receive-variable interest rate swaps. When LIBOR decreases, the District received a lower payout from the swap from the swaps, and its net payments on the swaps increase.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 7 INTEREST RATE SWAPS (CONTINUED)

The swaps are associated with the following obligations at September 30, 2010:

Title	Original Amount	Outstanding Balance at September 30, 2010	Maturity Date
Promissory Note, Series 2003A (V-2 and V-3 Projects)	\$ 8,350,000	\$ 6,292,000	12/15/2023
Promissory Note, Series 2003A (V-1 Project)	5,550,000	4,211,000	1/15/2024
Promissory Note, Series 2005 (Utility System Revenue Bond, Series 2005)	3,049,000	2,407,000	10/1/2021
Utility System Revenue Bond, Series 2008	9,996,000	9,969,000	10/1/2023
	<u>\$ 26,945,000</u>	<u>\$ 22,879,000</u>	

Because the variable interest rates have remained lower than the fixed rates, the swaps had negative fair values at September 30, 2010. The negative fair values may be countered by reductions in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair value of swaps is estimated using a proprietary pricing service and the values are provided to the District by the counterparty financial institution known to be high volume participants in this market.

As of September 30, 2010, the District was not exposed to credit risk because the swaps had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

As of September 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary (dollars in thousands).

<u>30-Sep</u>	<u>Variable Rate Promissory Notes</u>			<u>Interest Rate Swaps</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest</u>	
2011	\$ 817	\$ 586	\$ 1,403	\$ 330	\$ 1,733
2012	818	563	1,380	317	1,697
2013	854	540	1,394	304	1,698
2014	893	516	1,409	291	1,699
2015	1,016	490	1,506	276	1,782
2016-2020	9,812	1,760	11,572	1,007	12,579
2021-2024	8,669	414	9,083	248	9,331
	<u>\$ 22,879</u>	<u>\$ 4,869</u>	<u>\$ 27,748</u>	<u>\$ 2,772</u>	<u>\$ 30,520</u>

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 8 DEFINED BENEFIT PENSION PLAN

On February 1, 1999, the District implemented a defined benefit pension plan (the Englewood Water District Employees' Pension Plan) covering substantially all the District's regular employees, except for the District Administrator. The District, in accordance with the District's enabling act and state statutes, established the single-employer plan. Effective March 31, 2003, the District closed the Plan. The District remains obligated to fund the closed Plan for those inactive members (members currently receiving benefits). The estimated unfunded actuarial accrued liability at September 30, 2010 was \$262,000. Also see Note 9.

At September 30, 2010, the Plan included the following:

Terminated members entitled to, but not receiving benefits	2
Retirees (or their beneficiaries) currently receiving benefits	4

NOTE 9 RETIREMENT PLAN

Effective March 31, 2003, the District closed the Englewood Water District Employees' Pension Plan (the "Plan") for all current employees of the District. The Plan is still in effect for its inactive members (members currently receiving benefits). Effective May 1, 2003, all current and future employees of the District are included in the Florida Retirement System (FRS), a cost sharing, multiple-employer, public employee retirement system. The District purchased past service credits for all of its employees for \$2,354,000.

An initial payment of \$317,000 was made on April 1, 2003, with the remainder to be paid in equal annual installments of \$278,000 on June 30 of each year. This financing arrangement includes 6.5% interest compounded annually on the unpaid balance.

Substantially all full-time employees of the District are eligible to participate in the State of Florida Retirement System (System), a cost-sharing multiple-employer defined benefit plan administered by the State of Florida, Division of Retirement. The primary system is a defined benefit plan for all state, and participating county, district school board, community college, and university employees. The Plan is administered by the State of Florida. Contribution rates are established statewide for all participating governmental units. Accordingly, the actuarial information and related disclosures attributable to the District's employees are not determinable.

Employees who retire at or after age 62 with 6 years of credited service, or with 30 years of service regardless of age, are entitled to a retirement benefit, payable monthly for life, equal to 1.6% for regular employees, 2% for senior management, and 3% for County elected officials for each year of credited service times their average final compensation. Final average compensation is the employee's average of the five highest fiscal years of salary earned during credited service. Vested employees may retire before age 62 and receive benefits that are reduced 5% for each year prior to normal retirement age or date.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 9 RETIREMENT PLAN (CONTINUED)

The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code.

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the System, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

The System publishes an annual report that provides ten-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. This report may be obtained by writing to Division of Retirement, Research Education and Policy Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (877) 377-1737.

The District is required to contribute an actuarially determined rate. The current rate is 18.64% for elected officials, 10.77% for regular employees, 14.57% for senior managers, and 12.25% for the DROP employees. The contribution requirements of the District are established and may be amended by the State of Florida. The District's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 totaled \$444,000, \$411,000, and \$391,000 equal to the required contribution for the period which represents 11.3%, 11.2%, and 11.8%, respectively, of covered payroll.

NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY

Pursuant to the provisions of Section 112.0801 Florida Statutes, any employee who retires and immediately begins receiving benefits from the Florida Retirement System (FRS) has the option of paying premiums to continue in the District's healthcare plan at the same cost that is applicable to active employees. The retiree's cost is partially offset by a subsidy from the FRS equal to \$5 per month for each year of creditable service, with a minimum of \$30, and a maximum of \$150 per month. Coverage can be continued for the spouse after the death of the retiree, at a retiree's single person subsidized rate, if elected.

The District subsidizes the healthcare premiums (implicit subsidy) paid by the retirees by allowing participation in the plan at a blended group premium rate that is the same for active employees and retirees. This blended rate provides an implicit rate subsidy for retirees since, on an actuarial basis, a retiree's current and future claims are expected to result in higher costs to the plan on average than those of active employees.

This is a single-employer plan and it does not issue a separate financial report.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY (CONTINUED)

At October 1, 2009, the date of the latest actuarial valuation, healthcare plan participants consisted of:

Active plan participants: 63
Retired plan participants: 1

Annual OPEB Costs and Net OPEB Obligation

The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of the subsidy each year. GASB 45 was not required to be implemented prior to October 1, 2009, and is applied prospectively and therefore no liability was calculated for the year ending September 30, 2009. The following table shows the components of the District's annual OPEB cost for the year ended September 30, 2010.

Net OPEB Obligation	
Valuation Date:	10/1/2009
Applicable for Fiscal Year Ending:	9/30/2010
Annual Required Contribution	\$ 22,494
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	22,494
Estimated Net Contribution	(9,449)
Increase in Net OPEB Obligation	13,045
Net OPEB Obligation Beginning of Year	-
Net OPEB Obligation End of Year	\$ 13,045

The District's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2010, were as follows:

Schedule of Employer Contributions			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2010	\$ 22,494	42%	\$ 13,045

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY (CONTINUED)

Funded Status and Funding Progress

As of the most recent actuarial valuation date, October 1, 2009, the funded status of the Plan was as follows:

Funded Status of the Plan	
Actuarial valuation date	October 1, 2009
Actuarial accrued liability (AAL)	\$ 140,631
Plan assets at fair value	-
Funded ratio	0.0%
Covered payroll	3,322,410
UAAL as a percentage of covered payroll	4.2%

Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the healthcare cost trend, and discount rate. The required schedule of funding progress (in Required Supplementary Information) presents multi-year trend information. Actuarial assumptions used were as follows:

Discount Rate	4.50%
Health Care Inflation Rate	
Pre-Medicare	8% in 2009 trending to 5% in 2012
Post-Medicare	8% in 2009 trending to 5% in 2012
Payroll Growth / Inflation Assumption	0%
Amortization of UAAL	Level % of Payroll (Closed over 30 Years)

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance coverage for such losses is purchased from commercial insurance companies subject to maximum aggregates and deductibles. The financial impact of the District's risk management activities is reported in the accompanying financial statements. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for any of the past three fiscal years.

**ENGLEWOOD WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 11 COMMITMENTS AND CONTINGENCIES

The District has, by resolution of its Board, placed a charge for capital improvements on each new living unit within the District requesting service. As a result, contracts have been entered into obligating the District by agreement to provide water for certain numbers of units. The District has entered into contracts with various developers to purchase the distribution system of projects upon completion of certain requirements. These agreements call for varying payment, time and release provisions.

At September 30, 2010, the District had in process various construction, consulting and engineering contracts totaling \$714,000. Costs incurred on these contracts as of September 30, 2010 totaled \$691,000.

REQUIRED SUPPLEMENTARY INFORMATION

**ENGLEWOOD WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

OPEB

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
10/1/2009	\$ -	\$140,631	\$140,631	0%	\$ 3,322,410	4.2%

SUPPLEMENTARY INFORMATION

ENGLEWOOD WATER DISTRICT
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts expressed in thousands)

	2010	2009		2010	2009
Well fields and water treatment plants			Waste collection		
Personal services	\$ 1,089	\$ 1,086	Personal services	\$ 663	\$ 600
Chemicals	109	229	Supplies and materials	11	5
Utilities	416	586	Utilities	245	290
Depreciation and amortization	666	631	Depreciation and amortization	1,457	1,617
Repairs and maintenance	148	262	Repairs and maintenance	204	261
Other	267	233	Other	125	118
	<u>\$ 2,695</u>	<u>\$ 3,027</u>		<u>\$ 2,705</u>	<u>\$ 2,891</u>
Water distribution			Laboratory		
Personal services	\$ 539	\$ 526	Personal services	\$ 253	\$ 255
Supplies and materials	14	10	Supplies and chemicals	16	16
Depreciation and amortization	637	591	Depreciation and amortization	5	6
Repairs and maintenance	311	312	Other	33	31
Other	58	64		<u>\$ 307</u>	<u>\$ 308</u>
	<u>\$ 1,559</u>	<u>\$ 1,503</u>	Meter readers		
Waste treatment			Personal services	\$ 228	\$ 222
Personal services	\$ 980	\$ 937	Depreciation and amortization	22	22
Supplies and materials	63	70	Other	35	38
Utilities	283	415		<u>\$ 285</u>	<u>\$ 282</u>
Sludge hauling	183	162	General and administrative		
Depreciation and amortization	780	802	Personal services	\$ 1,592	\$ 1,526
Repairs and maintenance	163	123	Legal and professional services	113	118
Other	146	168	Office supplies	82	103
	<u>\$ 2,598</u>	<u>\$ 2,677</u>	Utilities	20	19
			Depreciation and amortization	113	109
			Repairs and maintenance	118	112
			Other	348	345
				<u>\$ 2,386</u>	<u>\$ 2,332</u>

**ENGLEWOOD WATER DISTRICT
SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES
YEAR ENDED SEPTEMBER 30, 2010**

(Unaudited)

Monthly Water Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons) (1)</u>	
Single Family	15,455	\$15.62 per connection	0 - 6,000	\$ 1.93
Multi-Family	2,740	\$15.62 per connection	6,001 - 8,000	2.57
Commercial	2,561	\$15.62 per connection	8,001 - 12,000	5.14
			12,001 - 18,000	8.56
			18,001 and above	13.38

(1) Water usage charges are the same for all customers.

Monthly Wastewater Rates

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)</u>	
Single Family	12,860	\$22.72 per connection	All usage	\$ 3.00
Multi-Family	2,647	\$22.72 per connection	All usage	3.00
Commercial	1,848	\$22.72 per connection	All usage	3.00

Capital Capacity Charges

Water fee per ERC	Plant capacity/transmission system	\$ 2,031.64
	Distribution system	1,200.00
Wastewater fee per ERC	Plant capacity/transmission system	\$ 2,837.51
	Collection system	5,817.00

**ENGLEWOOD WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGE
YEAR ENDED SEPTEMBER 30, 2010**
(Unaudited)

Insurance Coverage

<u>Coverage</u>	<u>Insurance Company</u>	<u>Limits</u>	<u>Deductibles</u>
Property	PGIT	\$ 22,800,000	\$ 25,000
Windstorm Property	PGIT	22,800,000	5% Minimum \$35,000
Flood Property	PGIT	1,000,000	25,000
Earthquake Property	PGIT	1,000,000	100,000
Crime	PGIT	100,000	5,000
General Liability	PGIT	1,000,000	25,000
Fire Damage General Liability	PGIT	50,000	25,000
Public Officials Liability	PGIT	1,000,000	10,000
Employment Related Practices Liability	PGIT	1,000,000	15,000
Automobile	PGIT	500,000	5,000

OTHER REPORTS

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

To the Board of Supervisors
Englewood Water District
Englewood, Florida

We have audited the financial statements of Englewood Water District (the "District") as of and for the year ended September 30, 2010, and have issued our report thereon dated April 15, 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 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

Board of Supervisors
Englewood Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated April 15, 2011.

This report is intended solely for the information and use of the Board of Supervisors and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Fort Myers, Florida
April 15, 2011

MANAGEMENT LETTER

To the Board of Supervisors
Englewood Water District
Englewood, Florida

We have audited the financial statements of Englewood Water District (the "District"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated April 15, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated April 15, 2011. Disclosures in that report should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with 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 auditor's reports.

- 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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made 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 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 made the following recommendation:
 - The District should draft, and the Board should review and approve, a policy requiring the Board of Supervisors to authorize the opening and closing of District bank and investment accounts. Board authorization should be evidenced in the Board minutes.

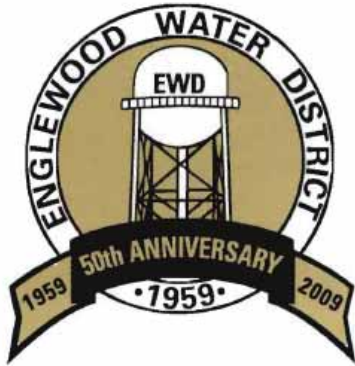
Board of Supervisors
Englewood Water District

- 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 statement 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 the financial statement amounts, 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 the management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements. The District had no component units as of September 30, 2010.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statute.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the 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 District's financial condition, and our 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 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 Board of Supervisors and management of the District and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Fort Myers, Florida
April 15, 2011



Board of Supervisors

Steven Samuels, Chair
Taylor Meals, Vice-Chair
Sydney B. Crampton
Phyllis Wright
Paul F. Manke

Michael J. Ray
Administrator

April 15, 2011

Martin Redovan
LarsonAllen® LLP
6810 International Center Blvd.
Fort Myers, Florida 33912

RE: Management letter Response
FY 9/30/10

Dear Mr. Redovan:

This response to your management letter dated April 15, 2011, is provided on behalf of the Englewood Water District Board of Supervisors.

Englewood Water District's management team has reviewed the Audit Report for the period October 1, 2009 through September 30, 2010. The report will be presented to the Board at their April 21, 2011 meeting. We concur with your comments regarding the opening and closing of bank and investment accounts.

Sincerely,

A handwritten signature in black ink that reads "Sonia Zoeller".

Sonia Zoeller
Finance Director

/tlh

Englewood Water District

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