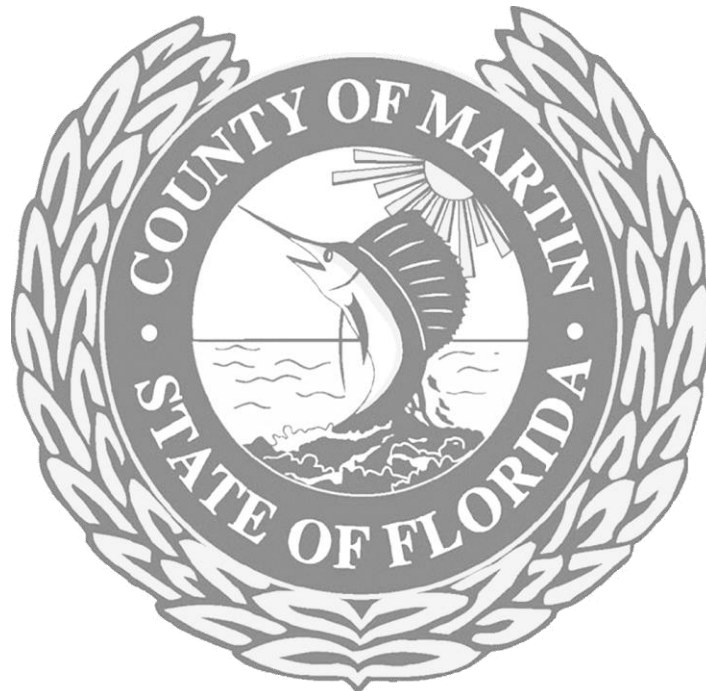


**MARTIN COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
TO THE AUDITOR GENERAL
Fiscal year ended September 30, 2010**





MARTIN COUNTY, FLORIDA

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**MARTIN COUNTY, FLORIDA
ELECTED OFFICIALS
AS OF SEPTEMBER 30, 2010**

BOARD OF COUNTY COMMISSIONERS

DOUG SMITH
Chairman

SUSAN VALLIERE
County Commissioner
District #2

PATRICK HAYES
County Commissioner
District #3

SARAH HEARD
County Commissioner
District #4

EDWARD CIAMPI
County Commissioner
District #5

CONSTITUTIONAL OFFICERS

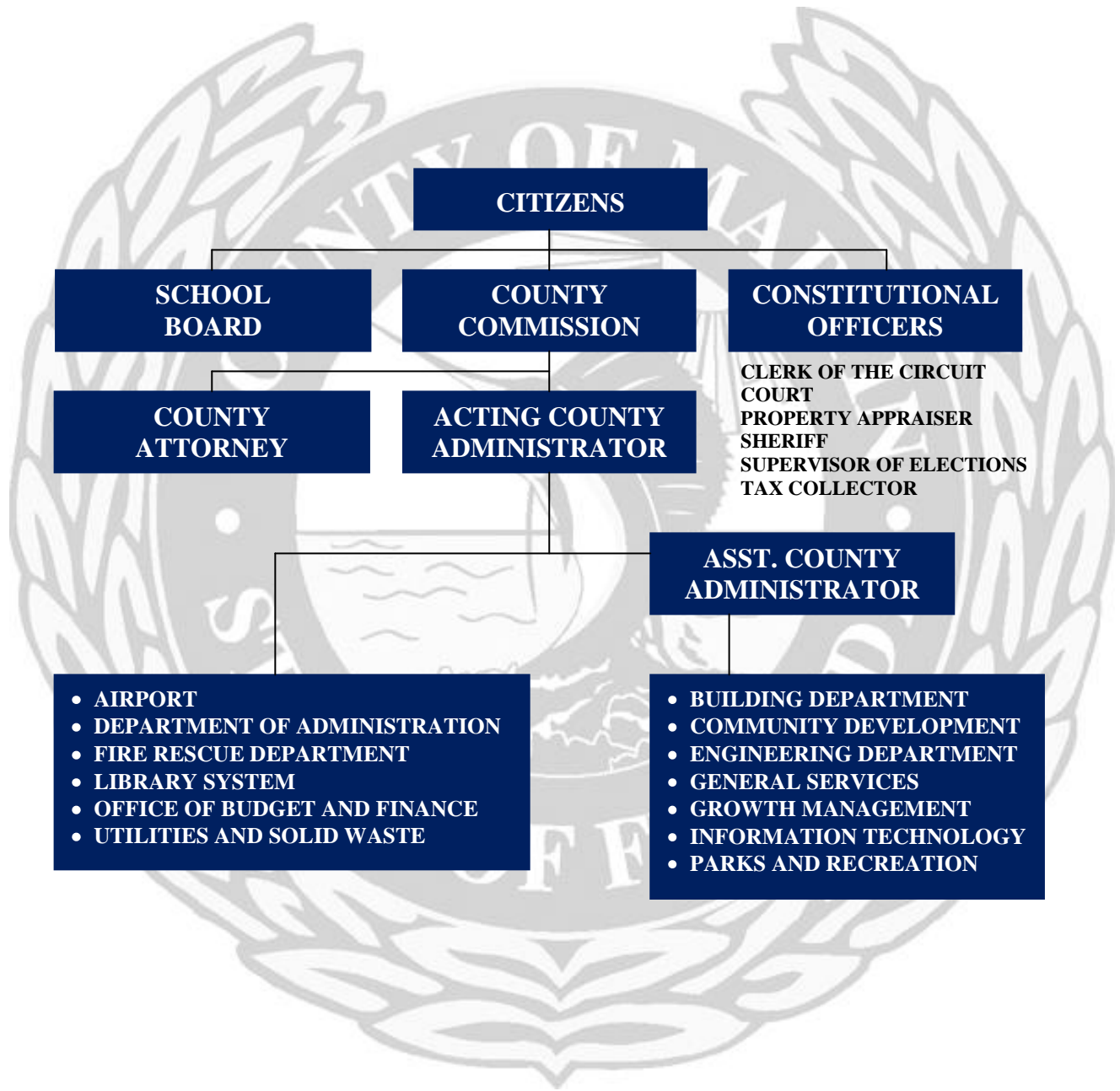
MARSHA EWING
Clerk of the Circuit Court

LAUREL KELLY
Property Appraiser

VICKI DAVIS
Supervisor of Elections

ROBERT CROWDER
Sheriff

RUTH PIETRUSZEWSKI
Tax Collector





Independent Auditors' Report

To the Honorable Board of County Commissioners
and Constitutional Officers of Martin County, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Martin County, Florida (the "County"), as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Consolidated Fire/EMS MSTU Fund and the Other State Grants Fund 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 the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis section and other postemployment benefits disclosures listed in the table of contents are not a required part of the basic financial statements but are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Cherry Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



Management's Discussion and Analysis

(unaudited)

As management of Martin County, Florida, (the County) we offer readers of these financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2010. The County's basic financial statements begin on page 17.

Financial Highlights

- At the close of this fiscal year, the assets of the County exceeded its liabilities by \$739.7 million (net assets). Of this amount, \$53.3 million represents the amount available to meet the government's ongoing obligations to its citizens and creditors (unrestricted net assets).
- Capital assets (net) increased by \$36.9 million, or 5%. New additions included completion of Tuckahoe Mansion, Trane Energy Efficiency project, Fire Rescue Vehicle Maintenance Facility, Courthouse renovation, Salerno Road improvements, CR609 Allapattah Road improvements, US1 and Cove Road intersection improvements, Jensen Beach Community Center, Twin Rivers Park, acquisition of Miles Grant Utility System, and Rio CRA Sewer System. A list of the major completed projects is presented on page 13 of this document.
- During the fiscal year, the County total long-term obligations decreased by \$7.6 million, or 3.66%, due to scheduled pay down of borrowings. Further information is presented on page 14 of this document.
- Unreserved fund balance for the General Fund represents 18.2% of the total General Fund expenditures, while the total fund balance represents 18.6% of the same amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

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

The *Statement of Net Assets* (pages 17 and 18) presents information on all of the County'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 County is improving or deteriorating. The *Statement of Activities* (pages 19 and 20) presents information showing how the County's net assets changed during the fiscal year. These two statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide financial statements distinguish functions in the County that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. Property taxes, franchise fees, and state and federal grants finance most of these activities. Some user fees also offset the costs of providing services in various areas, but are not the primary source of funding for the related activities. The business-type activities of the County include a water and sewer utility, a solid waste disposal facility, and an airport authority. User fees to customers of these activities finance the predominant amount of the day-to-day operations.

The government-wide financial statements include the operations of the County-wide Community Redevelopment Agency (CRA). The CRA is included as a blended component unit within the governmental activities revenue funds. This entity functions as a separate fund of the County, with revenue produced from tax increment financing sources in the various benefit areas.

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 County, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the County funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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*.

Martin County adopts annual budgets in accordance with state law for all funds under the control of the governmental reporting entity. The budgetary comparison statements for the General Fund, the Consolidated Fire/EMS MSTU fund, and the Other State Grants fund can be found on pages 25-27 of this report. For other funds, the schedules of revenues, expenditures, and changes in fund balances-budget and actual, are provided in this report starting on page 86.

The County currently has thirty four (34) 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, the Consolidated Fire/EMS MSTU fund, and the Other State Grants fund, which are considered major funds. Data for the other thirty one (31) funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements, which begin on page 74 of this report.

Proprietary funds: The County has two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses *enterprise funds* to account for the water and sewer operations, solid waste function, and the local airport. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various government functions or departments. The County uses internal service funds to account for its fleet of vehicles and for self-insurance. Because both of these services predominantly benefit governmental rather than business-type functions, the majority of the activity has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utilities (water and sewer), solid waste, and airport. Both internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* on pages 115-117 of this report. The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements since the resources of those funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 32-34 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 35-72 of this report.

Required supplementary information: Generally accepted accounting principles require governments to provide certain information on the funding of other postemployment benefits (OPEB). The schedule of funding progress compares the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets over time. This schedule can be found on page 73 of this report.

Government-wide Financial Analysis

As noted earlier, net assets viewed over time may serve as a useful indicator of a government's financial position. For the County, assets exceeded liabilities by \$739.7 million at the close of fiscal year 2010. Of the total net assets, \$519.2 million can be attributed to governmental activities and \$220.5 million to business-type activities.

Martin County's Net Assets as of September 30 (in thousands)

	2010	2009	2010	2009	2010	2009
	Governmental activities	Governmental activities	Business-type activities	Business-type activities	Total	Total
Current and other assets	\$ 160,751	\$ 166,618	\$ 60,907	\$ 62,181	\$ 221,658	\$ 228,799
Capital assets, net	502,662	485,304	274,790	255,253	777,452	740,557
Total assets	<u>663,413</u>	<u>651,922</u>	<u>335,697</u>	<u>317,434</u>	<u>999,110</u>	<u>969,356</u>
Long-term liabilities outstanding	108,629	112,148	102,192	100,147	210,821	212,295
Other liabilities	35,557	37,677	12,970	11,477	48,527	49,154
Total liabilities	<u>144,186</u>	<u>149,825</u>	<u>115,162</u>	<u>111,624</u>	<u>259,348</u>	<u>261,449</u>
Net assets:						
Invested in capital assets, net of related debt	423,921	401,091	183,191	166,409	607,112	567,500
Restricted	61,231	56,310	18,079	21,888	79,310	78,198
Unrestricted	<u>34,075</u>	<u>44,696</u>	<u>19,265</u>	<u>17,513</u>	<u>53,340</u>	<u>62,209</u>
Total net assets	<u>\$ 519,227</u>	<u>\$ 502,097</u>	<u>\$ 220,535</u>	<u>\$ 205,810</u>	<u>\$ 739,762</u>	<u>\$ 707,907</u>

The largest portion of the County's net assets, \$607.1 million (82.07%), reflects its investment in capital assets (i.e., land, buildings, infrastructure, and equipment), less any related debt. Martin County uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$79.3 million (10.72%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$53.3 million, (7.21%), may be used to meet the government's ongoing obligations. At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

During the fiscal year, the County's total net assets increased by \$31.9 million primarily due to additions of capital assets. Capital assets (net) increased by \$36.9 million as many multi-year projects were completed (see major capital additions list starting on page 13 of this report). Current and other assets decreased by \$7.1 million primarily due to lower level of investments caused by spending for capital projects.

Long-term liabilities, excluding current portion, decreased \$1.5 million due to scheduled principal pay down of the County’s long-term debt (see page 14 of this report). Other liabilities decreased by \$0.6 million primarily due to a lower level of accounts payable related to completed capital projects and budget reductions.

Martin County’s Changes in Net Assets
(in thousands)

	2010	2009	2010	2009	2010	2009
	Governmental activities	Governmental activities	Business- type activities	Business- type activities	Total	Total
Revenues						
Program revenues:						
Charges for services	\$ 22,053	\$ 22,449	\$ 44,809	\$ 43,577	\$ 66,862	\$ 66,026
Operating grants and contributions	26,638	14,512	3,649	1,248	30,287	15,760
Capital grants and contributions	14,573	13,457	13,648	4,752	28,221	18,209
General revenues:						
Property taxes	136,018	143,293	-	-	136,018	143,293
Other taxes	31,714	32,067	-	-	31,714	32,067
Contributions not restricted to specific programs	3,604	3,643	-	-	3,604	3,643
Other	7,754	7,437	2,550	(2,297)	10,304	5,140
Total revenues	<u>242,354</u>	<u>236,858</u>	<u>64,656</u>	<u>47,280</u>	<u>307,010</u>	<u>284,138</u>
Expenses:						
General government	58,667	61,023	-	-	58,667	61,023
Public safety	111,208	113,241	-	-	111,208	113,241
Physical environment	14,557	9,441	-	-	14,557	9,441
Transportation	14,341	13,446	-	-	14,341	13,446
Economic environment	3,669	2,122	-	-	3,669	2,122
Human services	6,341	6,006	-	-	6,341	6,006
Culture and recreation	12,686	14,870	-	-	12,686	14,870
Interest on long-term debt	3,755	3,654	-	-	3,755	3,654
Water	-	-	17,389	16,605	17,389	16,605
Sewer	-	-	13,660	13,585	13,660	13,585
Solid waste	-	-	15,608	16,060	15,608	16,060
Airport	-	-	3,274	2,049	3,274	2,049
Total expenses	<u>225,224</u>	<u>223,803</u>	<u>49,931</u>	<u>48,299</u>	<u>275,155</u>	<u>272,102</u>
Change in net assets	17,130	13,055	14,725	(1,019)	31,855	12,036
Net assets-beginning	<u>502,097</u>	<u>489,042</u>	<u>205,810</u>	<u>206,829</u>	<u>707,907</u>	<u>695,871</u>
Net assets-ending	<u>\$ 519,227</u>	<u>\$ 502,097</u>	<u>\$ 220,535</u>	<u>\$ 205,810</u>	<u>\$ 739,762</u>	<u>\$ 707,907</u>

Governmental Activities:

Property taxes:

- Experienced a \$7.3 million, or 5.08%, decrease in property taxes. This change is attributable to the downward trend in property values in the County and budget reductions related to the economic downturn and the Board of Commissioners desire to keep the tax rate low.

Operating grants and contributions:

- Experienced a \$12 million, or 83.56%, increase due mostly to County's effort to secure more federal and state funds for county projects and programs. The grants that contributed to this increase most significantly were: Manatee Pocket dredging project, Green River Road South construction, and the CDBG Neighborhood Stabilization program. Additionally, the funding for the Clerk of the Court is now distributed from the State budget and has significantly increased this revenue category.

Capital grants and contributions:

- Experienced a \$1.1 million increase, or 8.29%, due mostly to County's effort to secure more federal and state funds for county projects and programs. The largest grant that contributed to this increase was the CR609/Allapattah road project.

General government expenses:

- Decreased by \$2.4 million, or 3.86%, due to budget reductions and cost-saving measures implemented because of the economic slowdown and reduced revenues.

Public safety expenses:

- Decreased by \$2 million, or 1.8%, due to declining revenues and corresponding reductions in the Fire Department budget and other public safety related programs.

Physical environment expenses:

- Increased by \$5.1 million, or 54.19%, due to grant funding for several projects, most significantly Manatee Pocket dredging, and Bathtub Beach restoration.

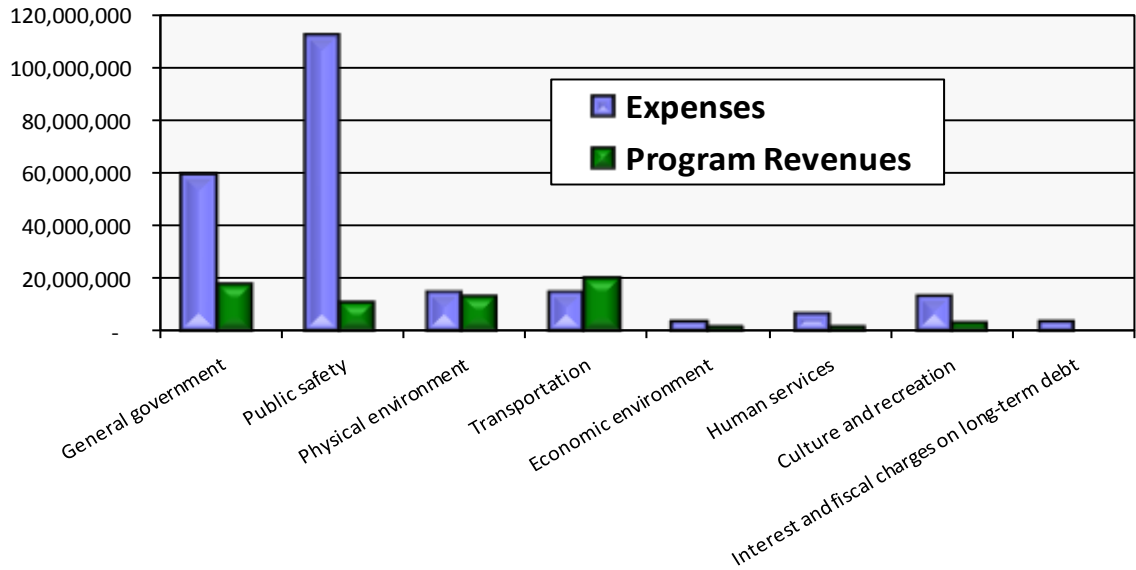
Economic environment expenses:

- Increased by \$1.5 million, or 72.9%, due to new federal CDBG grants for housing and neighborhood stabilization programs.

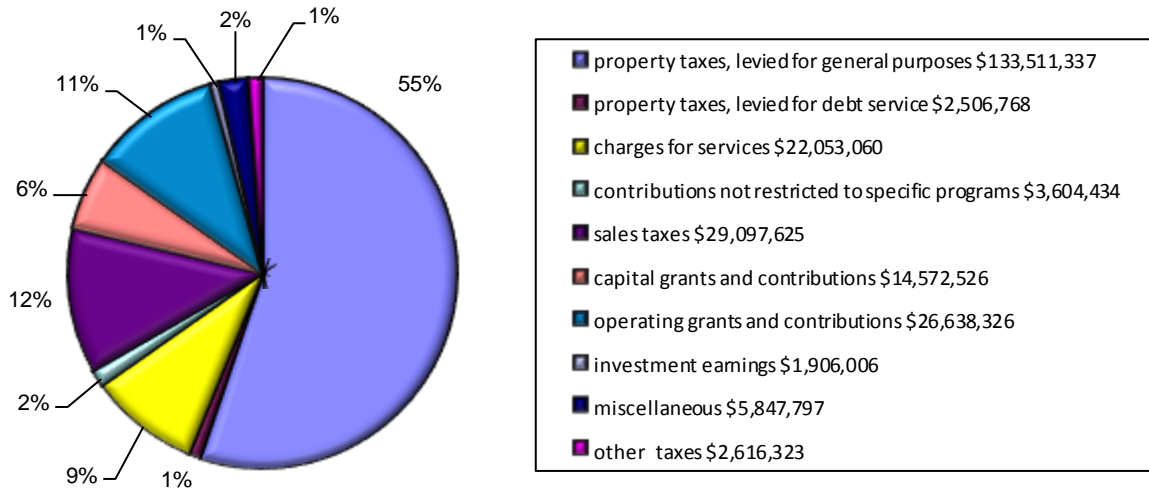
Culture and recreation expenses:

- Decreased by \$2.2 million, or 14.69%, due to parks program budget reductions and a one-time payment for Pineapple Park legal settlement in the prior fiscal year.

Expenses and Program Revenues Governmental Activities



Revenues by Source Governmental Activities



Business-type activities:

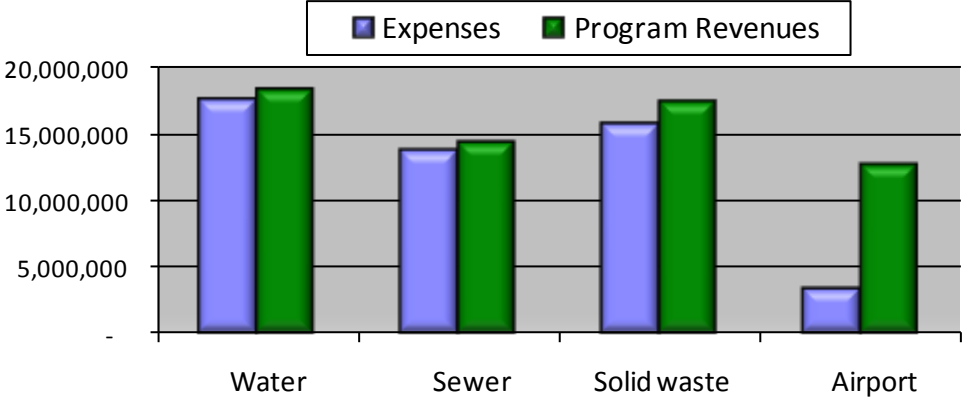
Water/Sewer Utilities:

- Net assets invested in capital assets, net of debt, reflect an increase of \$7.4 million or 5.3% for the fiscal year 2010 as compared to 2009. This change was due to completed capital construction as well as acquisition of utility assets and intangible assets. Restricted net assets decreased 23.7% in FY 2010 as compared to 2009 due to the payment date for principal and interest payments changing back from October 1st to September 30th. Unrestricted net assets increased \$1.1 million or 5.8% in 2010 due to an increased operating income.
- Long term debt in fiscal year 2010 increased \$2.5 million due to the issuance of Utilities Revenue Bonds Series 2009A for \$7.9 million less two principal payments on outstanding bonds in 2010 as a result of moving the payment date back to September 30th.
- Total operating revenues reflect a 5.7% increase in fiscal year 2010 compared to 2009. The addition of new customers from the purchase of Miles Grant and Utilities Inc. Hutchinson Island increased water and sewer consumption. 1,783 new connections were added during the year.
- Capital contributions increased 8.6% in fiscal year 2010 as compared to 2009 due to a significant increase in developer contributions; however, there were no special assessment projects.
- Operating expenses, excluding depreciation and amortization, increased \$0.3 million or 2% over fiscal year 2009. This increase was due to additional expenses associated with the addition of new customers from the utility acquisitions.

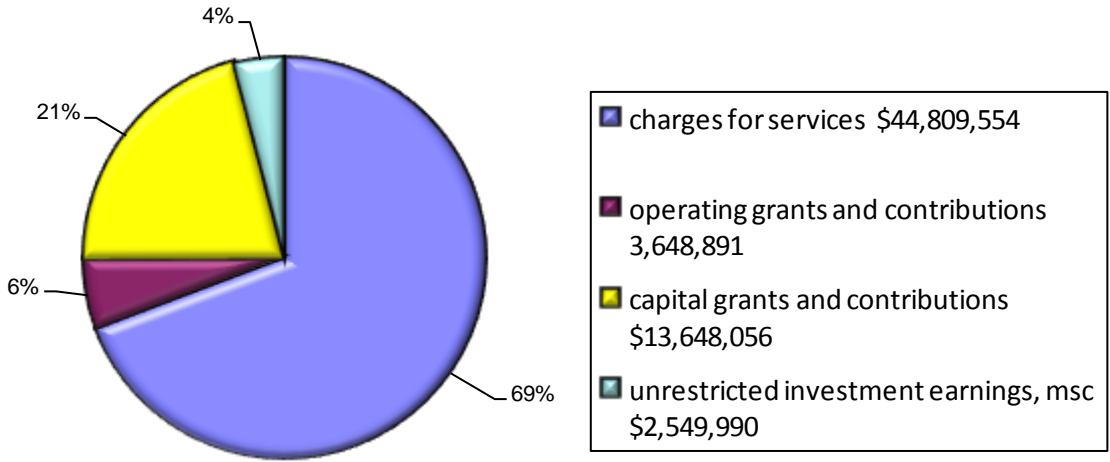
Solid Waste:

- Net assets invested in capital assets for fiscal year 2010 reflects an increase of \$1.0 million compared to 2009 due to capital purchases of \$1.7 million with annual depreciation expense of \$0.6 million. The unrestricted deficit of \$425,032 decreased \$0.9 million due in part to net income of \$1.9 million and no transfers to the general fund.
- Total operating revenues reflect a 1.3% decrease in fiscal year 2010 as compared to 2009. This decrease is due to the negative CIP adjustment reflected in the annual franchise collection rate used in calculating the residential solid waste assessment.
- Operating expenses decreased 3.0% in fiscal year 2010 as compared to 2009 due to a decrease in collection fees paid to the franchise haulers based on a negative CPI adjustment in their collection rate and a decrease in long term care costs reflecting the annual adjustment to the long term care liability.

Expenses and Program Revenues Business type Activities



Revenues by Source Business type Activities



Financial Analysis of the Government's Funds

As noted earlier, Martin County uses fund accounting to ensure and demonstrate compliance with State law and finance related legal requirements.

Governmental funds: The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. This type of information is useful in assessing the County'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 September 30, 2010, the County's governmental funds reported combined ending fund balances of \$137.1 million. Of this total, \$20.9 million, or 15.2% constitutes unreserved fund balance. By definition, this sum is available for spending at the discretion of the County. The remainder of the fund balance is not available for new spending, since it is committed to: 1) reserves for inventory, permanent fund, and court operations (\$1.3 million); 2) debt service (\$12.7 million); 3) specific capital projects, (\$47.8 million); and 4) for a variety of other restricted purposes (\$54.4 million).

The General Fund is the primary operating fund of the County. As of September 30, 2010, total fund balance in the General Fund was \$21.3 million, while the unreserved fund balance was \$20.9 million. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18.2% of total General Fund expenditures, while total fund balance represents 18.6% of that same amount.

Fund balance in the County's General Fund decreased by \$1.2 million in the current fiscal year due to a combination of several factors, most notable of which were the declining revenues and a transfer of funds to the Stormwater MSTU fund.

As forecasted, the General Fund's revenues decreased by \$7.3 million, or 5.9% in comparison to prior year. The main reason for this change was the declining tax revenue, \$8.4 million. Other major decreases in revenues included \$1 million in charges for services and \$1.4 million in fines and forfeitures, all due to the economic downturn. Significant revenue increases included: \$2.4 million in intergovernmental revenues due to a change to funding of the Clerk of the Court, and \$1.3 million in miscellaneous revenues due to insurance reimbursement for Hurricane Wilma.

Fund balance for the non-major other governmental funds decreased by \$2 million, due to ongoing capital spending from project reserves, planned and budgeted in prior fiscal years, particularly for county buildings, recreation and transportation projects.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in different detail.

Unrestricted net assets of the three entities: utilities, solid waste, and airport, amounted to \$19.5 million, (\$0.4) million, and \$0.1 million, respectively.

Other factors concerning the finances of these three funds are addressed in the discussion of the business-type activities.

Budgetary Highlights

Differences between the original budget and the final amended budgets and actual amounts to the final budgets of the General Fund are illustrated on page 25 of this document. Major variances were as follows:

- The actual tax revenues were \$0.9 million higher than the final budget due to the fact that the Florida Statutes require revenues to be budgeted at 95% of anticipated collections.
- The final budget for permits, fees, and special assessments was lowered by \$0.2 million from the original budget due to reallocation of boating fees revenues to other funds.
- The intergovernmental revenue original budget was increased by \$1.6 million, in part because of new grants awarded to the Board of Commissioners (\$0.6 million), and in part due to a change of the Clerk of the Court budget (\$1 million) to provide funding for the last quarter of the County's fiscal year.

The variance between the Clerk of the Court's original and final budget was caused by different fiscal years of the State and the County. The original budget included anticipated state funding for three quarters of the state fiscal year ending on June 30th. The final budget was increased to include funding for the first quarter of the new state fiscal year ending September 30th.

- Fines and forfeitures collections were \$0.2 million lower than the final budget mostly due to the legislative changes in the revenue collections by the Clerk of the Court.
- Interest income actual collections were \$0.2 million higher than the final budget due to better than anticipated yields from investments and gradual improvement in financial market conditions.
- The \$1.3 million increase between the original and final budget for the miscellaneous revenues was related to the insurance payouts for hurricane damage. The actual collections were \$0.6 million higher than the final budget primarily due to insurance reimbursements for the 2005 hurricane damage.
- In the general government expenditures category there was a \$2.8 million increase from the original to final budget due to a number of factors, most significant of which were the following: \$1.2 million in the Clerk of the Court's budget to provide funding for the first quarter of the state fiscal year (see corresponding increase in intergovernmental revenues), \$0.6 million in the County's budget to provide funding for OPEB, and \$1 million in the County's budget for fund balance carryover from prior year.
- The actual general government expenditures were \$4 million lower than the final budget because of the county's effort to reduce spending, hold vacancies unfilled, and find savings in the operating budgets of all county divisions.
- The final budget for capital outlay was \$1.4 million higher than the original budget primarily due to a carryover of the Energy Performance contract from prior year. The actual expenditures were \$1 million higher than the final budget because of two major factors: \$0.5 million was used to purchase rather than lease replacement vehicles for Sheriff's aging fleet and \$0.5 million of County labor was capitalized to account for the full value of the County's intangible assets pursuant to GASB 51 implementation.

Capital Asset and Debt Administration

Capital assets: the County's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$777.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, park facilities, roads, bridges, sidewalks, and intangible assets. The total increase in the County's investment in capital assets for the current fiscal year was \$36.9 million, or 5%. Governmental activities represented \$17.4 million, and business-type activities represented \$19.5 million of this change.

Martin County's Capital Assets (in thousands)

	2010	2009	2010	2009	2010	2009
	Governmental	Governmental	Business-type	Business-type	Total	Total
	activities	activities	activities	activities		
Land and land use rights	\$ 198,553	\$ 197,443	\$ 14,333	\$ 13,523	\$ 212,886	\$ 210,966
Land improvements	26,526	24,947	-	-	26,526	24,947
Buildings and systems	162,795	143,705	137,220	134,603	300,015	278,308
Other improvements and intangible assets	2,914	-	27,558	22,226	30,472	22,226
Machinery & equipment	62,950	61,387	190,941	181,895	253,891	243,282
Infrastructure	405,534	386,545	-	-	405,534	386,545
Construction in progress	30,849	43,121	13,793	1,974	44,642	45,095
Less: accumulated depreciation	(387,459)	(371,844)	(109,055)	(98,968)	(496,514)	(470,812)
Total	<u>\$ 502,662</u>	<u>\$ 485,304</u>	<u>\$ 274,790</u>	<u>\$ 255,253</u>	<u>\$ 777,452</u>	<u>\$ 740,557</u>

Major capital asset additions in the governmental funds included:

- Tuckahoe Mansion \$ 5.3 million
- Trane Energy AC upgrade \$ 4.8 million
- Fire Rescue Vehicle Maintenance Facility \$ 3.4 million
- Courthouse renovation \$ 3.1 million
- Salerno Road improvements \$ 3.0 million
- CR609 Allapattah road improvements \$ 2.2 million
- US 1 and Cove Road intersection improvements \$ 1.9 million
- Jensen Beach Community Center \$ 1.4 million
- Twin Rivers park improvements \$ 1.0 million

Major capital additions to the Water/Sewer Utility system and the Airport included:

- Purchase of Utilities Inc. Miles Grant Utility System \$ 7.5 million
- Rio CRA Sewer System \$ 1.3 million
- Construction in Progress: North River Shores sewer \$ 3.5 million
- Construction in Progress: EMAS safety pads \$ 8.8 million

Additional information on the County's capital assets can be found in Note 6 of the Notes to the Financial Statements.

Martin County's Outstanding Long-Term Obligations
(in thousands)

	2010	2009	2010	2009	2010	2009
	Governmental activities	Governmental activities	Business-type activities	Business-type activities	Total	Total
Due to other governmental agencies	\$ 717	\$ 710	\$ -	\$ -	\$ 717	\$ 710
Compensated absences	15,350	15,609	878	908	16,228	16,517
Obligations under capital leases	8,917	9,629	-	-	8,917	9,629
General obligation bonds	4,125	6,295	-	-	4,125	6,295
Revenue bonds	58,984	65,210	89,364	86,492	148,348	151,702
Landfill closure cost	-	-	13,655	14,075	13,655	14,075
Other long-term debt	6,909	7,487	2,233	2,352	9,142	9,839
Total	<u>\$ 95,002</u>	<u>\$ 104,940</u>	<u>\$ 106,130</u>	<u>\$ 103,827</u>	<u>\$ 201,132</u>	<u>\$ 208,767</u>

Long-term obligations: At the end of the current fiscal year, the County had total bonded debt outstanding of \$152.5 million. Of this amount, \$4.1 million is debt backed by the full faith and credit of the government and \$148.4 million represents bonds secured solely by specified revenue sources (revenue bonds).

During the fiscal year, the County's overall total long-term obligations decreased by \$7.6 million, or 3.66%, due to scheduled pay down of borrowings. There was a notable increase in the business-type activities long-term revenue bonds as new bonds were issued for the acquisition of two water and wastewater systems.

The County's general obligation bond rating as assigned by Moody's Investor Service is Aa2 for both the GO Bond Series 2003 and GO Bond Series 2004. All bonds are insured. Additional detailed information about the County's long-term debt is presented in Note 7 of the financial statements.

The Utilities Department underlying revenue bond rating is Aa3 from Moody's. All the revenue bonds are insured. More detailed information about the Department's long-term debt is presented in Note 7 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The total County budget has decreased \$10,685,042, or 3.1%, from \$344,545,384 in fiscal year 2010 to \$333,860,342 in 2011. This follows a fiscal year 2010 decrease of 5.2% in comparison to the prior fiscal year.

The most significant factor impacting the budget cuts was the decline in ad valorem taxes from \$134,854,008 in fiscal year 2010 to \$130,857,207 in 2011. This amounts to a reduction of \$3,996,801, or 2.96% and it follows a fiscal year 2010 cut of \$6,241,111 from 2009. The County millage has increased 4.85% from 7.5036 in fiscal year 2010 to 7.8673 in 2011.

On July 1, 2010, the certification of taxable values for the County was \$17.5 billion, a \$1.3 billion, or 6.9%, reduction in the tax base from the previous year. In comparison, the fiscal year 2010 tax base declined from \$20.6 billion to \$18.9 billion, or 8.2%.

This will be the fourth year that the County's budget has been impacted by a weak and uncertain economy. The consequences are visible not only in the tax base, but in other major sources of revenue, such as sales tax. The previous reduction in sales tax collections and other significant revenue sources forced non-recurring operational reductions to be made. In addition to the decline in sales tax, other County operations that rely on funding from fees have experienced substantial reductions. Building permits, development review fees, and utility fees are those that have seen significant decreases. These reductions have forced eliminations of jobs or holding vacant positions open. The downward revenue trend that began in fiscal year 2008 has carried into the 2011 Adopted Budget.

The fiscal year 2011 adopted budget reflects a \$4 million ad valorem tax decrease from the 2010 adopted budget. This change prompted significant reductions within County departments and the Constitutional Officers' budget requests. For the past three years, substantial spending cuts have been necessary due to tax reform passed by referendum, legislative requirements, the desire of the Board of the County Commissioners to maintain low millage rates, and a reduction in the taxable real estate values in the County. These reductions greatly impacted levels of service for many areas, but not limited to: library services, roadside maintenance, public building maintenance, parks maintenance, public education, and storm water treatment area maintenance.

In preparation of budgets for the previous two budget cycles, other revenues – gas and sales taxes, for example – fell sharply along with ad valorem taxes. In preparation of the fiscal year 2011 budget, these other revenues remained fairly constant. As a result, the 2011 adopted budget includes many reductions, but was prepared to achieve the following objectives:

- Funding the Sheriff and other Constitutional Officers' budgets,
- Maintaining service levels in Fire Rescue operations,
- Limiting service level reductions and major impacts to our customers in various programs and services,
- Maintaining reserves, and
- Enhancing economic development.

In light of the aforementioned budget constraints, the County has been continually reducing expenditures to minimize impacts on the residents and County staff. Some of these areas included:

- Offering three early retirement programs to employees;
- Eliminating 165.5 positions from fiscal year 2007 through 2011;
- Implementing a mandatory furlough (day without pay) of one day per month;
- Holding vacant positions open;
- Reducing capital improvement program; and
- Limiting expenditures to essential purchases.

Martin County government is the County's third largest employer. To meet the expenditure reduction targets, a significant number of job positions were eliminated in most County departments and by the constitutional officers. The budget to maintain the current workforce reflects higher Florida Retirements System rates and the rising cost of health insurance. It is anticipated that in fiscal year 2011, there will be a 5% increase in the health care premiums for the employees and the County.

One of the primary goals of the Martin County government is to help the local economy to recover from the current state of stagnation and to promote job growth. One of the greatest challenges for fiscal year 2011 will be to establish sufficient revenues to maintain operations. Diversification of the County's revenues will become a necessity as the County moves forward. Economic development will be instrumental in providing the varied resources for County operations and services. Economic stimulus monies the County is programmed to receive will assist in creating jobs and infrastructure that otherwise would not be realized in the next five years. The Board has implemented various programs to provide incentives for businesses that may want to locate or expand in Martin County. The success of these incentives and the additional economic benefits through job creation and diversification of the tax base will be a focus for the coming years.

With the continued reduction in ad valorem taxes, many County programs have had to be significantly reduced or eliminated. One major addition for the future will be the County's new Aquatics Complex. This facility is being built with sales tax revenues that were collected specifically to enhance park and recreation programs. The timing is related to the all-time low cost of construction. The intent of the project is to provide a facility that can be utilized for competitive swimming as well as a place of recreational activities. The challenge will be in making the facility self supporting - the revenues collected for the various events are to offset the operational expenses.

For the County's business-type activities these are the most significant factors affecting next year's budgets:

The Utilities Department's service area continues to reflect primarily residential and light businesses. Growth in the number of water connections over the last five years has averaged 3.1%. Customer growth increased slightly due to the addition of new customers through the acquisition of private utilities and completion of special assessments. New development is minimal and reflects the current economic environment. Water restrictions implemented by the South Florida Water Management District were made permanent in November 2009 and limit irrigation to three days a week. Consistent with customer growth, raw water production increased about 75 million gallons, or approximately 2.4% to 3.18 billion gallons. The growth in the number of accounts served has occurred primarily due to the in-fill of existing developments, special assessment projects for extension of water and wastewater lines, acquisition of private utilities, as well as new construction. Capital facility fees decreased \$0.2 million, or about 19.9% lower than 2009, as new development in the County continues to decline.

The Utilities Department is in the process of implementing a septic tank elimination program. The first phase of this program was designed in 2003 for the Seagate Harbor/Lighthouse Point development. The Florida Department of Environmental Protection State Revolving Loan (SRF) funding was obtained for this project and property owners of the affected area were assessed for the cost of construction of the wastewater collection system. This project was completed in FY 2005. The SRF loan for this project was finalized in FY 2006 for \$2.8 million. The Department is currently working on the North River Shores development to provide wastewater service through a special assessment.

In terms of utilities rate changes, the Board approved rate indexing for the next five fiscal years, not to exceed 2.5% annually beginning on or after October 1, 2010.

The Solid Waste Department's service area, which includes all of Martin County, continues to reflect primarily residential and light businesses. Growth in the number of residential solid waste assessments increased 0.9% for fiscal year 2010. The Solid Waste Department is not anticipating any tipping fee increase for FY 2011.

For the Airport Department, the cost-cutting effort resulted in reclassification of the Airport director position to manager.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those interested in the government's finances. The Accounting Department, Office of the Clerk of the Circuit Court, prepared this report. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Accounting Department, Martin County Clerk of the Circuit Court, 2401 SE Monterey Road, Stuart, FL 34996.



Martin County, Florida
Statement of Net Assets
September 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 30,821,693	\$ 1,086,496	\$ 31,908,189
Restricted cash and cash equivalents	-	124,225	124,225
Investments	109,770,157	28,518,257	138,288,414
Restricted investments	-	536,299	536,299
Accounts and assessments receivable	1,284,907	3,414,940	4,699,847
Notes receivable	468,134	-	468,134
Receivable from other governmental agencies	16,199,190	857,894	17,057,084
Inventories	1,381,112	517,979	1,899,091
Assets held for resale	-	1,382,688	1,382,688
Other current assets	245,171	-	245,171
Total current assets	160,170,364	36,438,778	196,609,142
Noncurrent assets:			
Restricted cash and cash equivalents	-	534,228	534,228
Restricted investments	-	17,394,053	17,394,053
Restricted accounts receivable	-	-	-
Restricted special assessment notes receivable	-	474,615	474,615
Total restricted assets	-	18,402,896	18,402,896
Special assessment notes receivable, less current portion	-	4,795,339	4,795,339
Deferred bond issuance costs and other, net	580,577	1,270,016	1,850,593
Capital assets:			
Land and land use rights - permanent	198,552,401	14,332,941	212,885,342
Land improvements	26,525,892	-	26,525,892
Buildings and improvements	162,794,941	137,220,553	300,015,494
Infrastructure	405,534,144	-	405,534,144
Equipment	62,950,224	190,940,656	253,890,880
Construction in progress	30,849,230	13,792,818	44,642,048
Improvements other and intangible plant assets	-	27,557,658	27,557,658
Intangible - land use rights (temporary)	2,234,182	-	2,234,182
Intangible - software	679,886	-	679,886
Less accumulated depreciation	(387,459,101)	(109,054,670)	(496,513,771)
Capital assets, net	502,661,799	274,789,956	777,451,755
Total noncurrent assets	503,242,376	299,258,207	802,500,583
Total assets	\$ 663,412,740	\$ 335,696,985	\$ 999,109,725

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

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Payable from current assets:			
Accounts payable	\$ 9,000,760	\$ 4,565,071	\$ 13,565,831
Accrued wages payable	3,598,902	469,930	4,068,832
Accrued claims and judgments	992,693	-	992,693
Contracts payable	1,153,331	800	1,154,131
Due to other governmental agencies	2,895,924	-	2,895,924
Accrued interest payable	191,706	30,503	222,209
Unearned revenue	1,131,203	2,639,998	3,771,201
Deposits and other liabilities	343,634	-	343,634
Current portion of long term obligations	16,248,663	760,546	17,009,209
	<u>35,556,816</u>	<u>8,466,848</u>	<u>44,023,664</u>
Payable from restricted assets:			
Deposits and other liabilities	-	890,171	890,171
Contracts payable	-	435,555	435,555
Current portion of long term obligations	-	3,177,669	3,177,669
	<u>-</u>	<u>4,503,395</u>	<u>4,503,395</u>
Total current liabilities	<u>35,556,816</u>	<u>12,970,243</u>	<u>48,527,059</u>
Noncurrent liabilities:			
Noncurrent portion of long term obligations	78,753,575	102,191,731	180,945,306
Other postemployment benefits	29,875,534	-	29,875,534
Total noncurrent liabilities	<u>108,629,109</u>	<u>102,191,731</u>	<u>210,820,840</u>
Total liabilities	<u>144,185,925</u>	<u>115,161,974</u>	<u>259,347,899</u>
NET ASSETS			
Invested in capital assets, net of related debt	423,920,870	183,191,186	607,112,056
Restricted:			
Permanent fund - nonexpendable	39,742	-	39,742
Debt service	12,667,789	-	12,667,789
Capital projects - buildings	6,400,692	-	6,400,692
Capital projects - transportation projects	22,326,128	-	22,326,128
Capital projects - recreation projects	19,754,399	-	19,754,399
Capital projects - water/sewer projects	-	16,695,872	16,695,872
Inventory - assets held for resale	-	1,382,688	1,382,688
Clerk of Courts - court operations	42,495	-	42,495
Unrestricted	34,074,700	19,265,265	53,339,965
Total net assets	<u>\$ 519,226,815</u>	<u>\$ 220,535,011</u>	<u>\$ 739,761,826</u>

Martin County, Florida
Statement of Activities
For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 58,667,145	\$ 10,913,935	\$ 5,717,602	\$ 7,124
Public safety	111,208,121	7,147,671	3,058,180	60,475
Physical environment	14,556,868	-	8,652,393	3,778,093
Transportation	14,341,631	2,591,808	6,111,597	10,194,614
Economic environment	3,668,861	-	1,367,022	-
Human services	6,340,577	219,922	959,145	-
Culture and recreation	12,686,086	1,179,724	772,387	532,220
Interest and fiscal charges on long-term debt	3,755,255	-	-	-
Total governmental activities	<u>225,224,544</u>	<u>22,053,060</u>	<u>26,638,326</u>	<u>14,572,526</u>
Business-type activities:				
Water	17,388,583	14,827,930	445,306	2,848,341
Sewer	13,660,097	11,650,516	349,884	2,237,983
Solid waste	15,608,470	17,198,006	-	-
Airport	3,274,081	1,133,102	2,853,701	8,561,732
Total business-type activities	<u>49,931,231</u>	<u>44,809,554</u>	<u>3,648,891</u>	<u>13,648,056</u>
Total	<u>\$ 275,155,775</u>	<u>\$ 66,862,614</u>	<u>\$ 30,287,217</u>	<u>\$ 28,220,582</u>

General revenues:
Taxes:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Sales tax - other
 Communications taxes & other taxes
Contributions not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Changes in net assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (42,028,484)	\$ -	\$ (42,028,484)
(100,941,795)	-	(100,941,795)
(2,126,382)	-	(2,126,382)
4,556,388	-	4,556,388
(2,301,839)	-	(2,301,839)
(5,161,510)	-	(5,161,510)
(10,201,755)	-	(10,201,755)
(3,755,255)	-	(3,755,255)
(161,960,632)	-	(161,960,632)
-	732,994	732,994
-	578,286	578,286
-	1,589,536	1,589,536
-	9,274,454	9,274,454
-	12,175,270	12,175,270
(161,960,632)	12,175,270	(149,785,362)
133,511,337	-	133,511,337
2,506,768	-	2,506,768
29,097,625	-	29,097,625
2,616,323	-	2,616,323
3,604,434	-	3,604,434
1,906,006	988,021	2,894,027
5,847,797	1,561,969	7,409,766
179,090,290	2,549,990	181,640,280
17,129,658	14,725,260	31,854,918
502,097,157	205,809,751	707,906,908
\$ 519,226,815	\$ 220,535,011	\$ 739,761,826

Martin County, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	<u>General</u>	<u>Consolidated Fire/EMS MSTU</u>	<u>Other State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 12,493,428	\$ 397,052	80,821	\$ 12,810,449	\$ 25,781,750
Cash with fiscal agent	74,517	-	-	-	74,517
Investments	5,863,118	6,596,295	-	95,720,885	108,180,298
Accounts receivable	312,416	58,569	-	76,682	447,667
Assessments receivable	-	-	-	634,819	634,819
Notes receivable	-	-	-	468,134	468,134
Due from other funds	7,120,133	13,941	9,567	375,039	7,518,680
Due from other governmental agencies	1,348,723	345,026	7,464,721	7,036,790	16,195,260
Inventories	416,390	68,007	-	766,925	1,251,322
Other current assets	208,066	7,854	14	25,237	241,171
Total assets	<u>\$ 27,836,791</u>	<u>\$ 7,486,744</u>	<u>7,555,123</u>	<u>\$ 117,914,960</u>	<u>\$ 160,793,618</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,513,379	\$ 146,327	1,412,862	\$ 3,283,213	\$ 6,355,781
Accrued wages payable	1,230,894	1,602,998	5,912	735,547	3,575,351
Contracts payable - retainage	79,005	-	827,063	247,263	1,153,331
Due to other funds	987,190	446	5,200,000	1,965,113	8,152,749
Due to other governmental agencies	2,254,201	-	-	641,723	2,895,924
Deferred revenue	80,232	-	-	1,124,227	1,204,459
Deposits and other liabilities	343,634	-	-	-	343,634
Total liabilities	<u>6,488,535</u>	<u>1,749,771</u>	<u>7,445,837</u>	<u>7,997,086</u>	<u>23,681,229</u>
Fund balances:					
Reserved for inventories	416,390	68,007	-	766,925	1,251,322
Reserved permanent fund nonexpendable	-	-	-	39,742	39,742
Reserved for court operations	42,495	-	-	-	42,495
Unreserved, reported in:					
General fund	20,889,371	-	-	-	20,889,371
Special revenue funds	-	5,668,966	109,286	48,783,959	54,562,211
Debt service funds	-	-	-	12,667,789	12,667,789
Capital project funds	-	-	-	47,659,459	47,659,459
Total fund balances	<u>21,348,256</u>	<u>5,736,973</u>	<u>109,286</u>	<u>109,917,874</u>	<u>137,112,389</u>
Total liabilities and fund balances	<u>\$ 27,836,791</u>	<u>\$ 7,486,744</u>	<u>7,555,123</u>	<u>\$ 117,914,960</u>	<u>\$ 160,793,618</u>

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

**Martin County, Florida
 Reconciliation of the Balance Sheet
 To the Statement of Net Assets
 Governmental Funds
 September 30, 2010**

Fund Balances - total governmental funds \$ 137,112,389

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 the funds. Those assets consist of:

Land	198,552,401
Land improvements, net of \$12,236,683 accumulated depreciation	14,289,209
Building and improvements, net of \$46,065,992 accumulated depreciation	116,728,949
Infrastructure, net of \$281,159,367 accumulated depreciation	124,374,777
Equipment, net of \$46,720,534 accumulated depreciation	15,676,154
Construction in progress	30,849,230
Land use rights - temporary, net of \$1,208,536 accumulated depreciation	1,025,646
Software, net of \$67,989 accumulated depreciation	611,897
	<hr/>
	502,108,263

Certain grant revenues and other miscellaneous revenues which do not provide current financial resources are deferred in the governmental funds. 73,256

Long-term obligations applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest expense on long-term debt is not accrued in the governmental funds, but rather is recognized when due. Bond issuance costs and unamortized bond premiums/ discounts on long-term debt are not accrued/deferred in governmental funds, but rather are recognized as other financing sources or uses when the debt is issued. Accrued judgments are not accrued in the governmental funds, but rather are recognized when paid. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances as of September 30, 2010 are:

Due to other governmental agencies - arbitrage	(716,520)
Compensated absences	(15,271,024)
Capital leases	(8,917,139)
Accrued interest on bonds	(191,706)
General obligation bonds	(4,125,000)
Revenue bonds/Notes	(58,984,294)
State revolving loan	(6,853,956)
Bond issuance cost	342,556
Deferred amount on refunding	238,021
Unamortized bond premium	(55,051)
Other postemployment benefits	(29,875,534)
Accrued judgment	(992,693)
Total long term obligations	<hr/>
	(125,402,340)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Certain assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets. 5,335,247

Net assets of governmental activities \$ 519,226,815

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

Martin County, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	<u>General</u>	<u>Consolidated Fire/EMS MSTU</u>	<u>Other State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 87,906,502	\$ 31,593,058	\$ -	\$ 37,364,609	\$ 156,864,169
Permits, fees and special assessments	731,813	-	-	5,252,828	5,984,641
Intergovernmental revenues	15,149,912	100,103	11,774,488	20,194,030	47,218,533
Charges for services	6,347,517	4,510,356	-	4,234,076	15,091,949
Fines and forfeitures	203,691	-	-	662,422	866,113
Interest income	421,006	158,795	802	1,323,373	1,903,976
Miscellaneous revenues	4,433,554	24,217	-	1,381,285	5,839,056
Total revenues	<u>115,193,995</u>	<u>36,386,529</u>	<u>11,775,290</u>	<u>70,412,623</u>	<u>233,768,437</u>
EXPENDITURES					
Current:					
General government	40,410,753	957,174	239,352	9,716,049	51,323,328
Public safety	60,479,208	31,871,345	143,574	9,981,726	102,475,853
Physical environment	430,072	-	6,345,315	5,973,768	12,749,155
Transportation	412,827	-	208,644	7,667,601	8,289,072
Economic environment	186,684	-	-	3,482,177	3,668,861
Human services	1,956,958	-	76,943	4,219,966	6,253,867
Culture and recreation	7,312,418	-	19,815	1,992,501	9,324,734
Capital outlay	2,958,385	83,620	9,022,409	15,366,044	27,430,458
Debt service:					
Principal	295,175	376,227	-	9,055,540	9,726,942
Interest	178,390	117,491	-	3,394,458	3,690,339
Other debt service cost	3,190	-	-	12,559	15,749
Total expenditures	<u>114,624,060</u>	<u>33,405,857</u>	<u>16,056,052</u>	<u>70,862,389</u>	<u>234,948,358</u>
Excess (deficiency) of revenues over (under) expenditures	569,935	2,980,672	(4,280,762)	(449,766)	(1,179,921)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	-	71,880	71,880
Transfers in	8,774,181	-	4,170,059	17,287,998	30,232,238
Transfers out	(10,506,995)	(3,613,079)	-	(18,895,164)	(33,015,238)
Total other financing sources (uses)	<u>(1,732,814)</u>	<u>(3,613,079)</u>	<u>4,170,059</u>	<u>(1,535,286)</u>	<u>(2,711,120)</u>
Net change in fund balances	(1,162,879)	(632,407)	(110,703)	(1,985,052)	(3,891,041)
Fund balances - beginning	22,511,135	6,369,380	219,989	111,902,926	141,003,430
Fund balances - ending	<u>\$ 21,348,256</u>	<u>\$ 5,736,973</u>	<u>\$ 109,286</u>	<u>\$ 109,917,874</u>	<u>\$ 137,112,389</u>

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

Martin County, Florida
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2010

Net change in fund balances - total governmental funds \$ (3,891,041)
Amounts reported for governmental activities in the Statement of Activities are different because:

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.

Expenditures for capital assets	29,755,648
Less current year depreciation	(18,026,898)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Payment of bond principal and capital leases are expenditures in the governmental funds, but the payments reduce long-term liabilities in the Statement of Net Assets.

Capital lease and loan proceeds	(71,880)
Principal payments for bonds and loans	9,016,126
Deferred amount on refunding	(94,219)
Principal payments for capital leases	710,816

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt and arbitrage liability are not recognized under the modified accrual basis of accounting until they are due, rather than as they accrue.

Compensated Absences	267,856
Accrued interest on long term debt (net of prior year accrual)	45,052
Arbitrage rebate	(6,410)
Accrued judgment reduction	675,503

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas 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 assets sold, deleted or reclassified

Sold or deleted assets \$4,923,038 less accumulated depreciation of \$1,887,583	(3,035,455)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Donated property ~ Sheriff	60,475
Donated property ~ Board of Commissioners	8,404,162

Recognition of revenues in the governmental fund statements that were deferred under modified accrual basis. (25,720)

Internal service funds are used by management to charge the costs of certain activities to individual funds. Certain net revenue (expense) of internal service funds is reported with governmental activities. 236,449

The increase in the other postemployment benefits reported in the Statement of Activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. (6,890,806)

Change in net assets of governmental activities	<u>\$ 17,129,658</u>
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The notes to the financial statements are an integral part of this statement.

Martin County, Florida
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive (Negative)</u>
REVENUES:				
Taxes	\$ 87,054,632	\$ 87,054,632	\$ 87,906,502	\$ 851,870
Permits, fees and special assessments	1,000,000	800,000	731,813	(68,187)
Intergovernmental revenues	13,714,675	15,340,298	15,149,912	(190,386)
Charges for services	6,611,965	6,555,169	6,347,517	(207,652)
Fines and forfeitures	390,000	390,000	203,691	(186,309)
Interest income	201,975	201,975	421,006	219,031
Miscellaneous revenues	2,580,671	3,880,835	4,433,554	552,719
Statutory budget reduction	(500,000)	(500,000)	-	500,000
Total revenues	111,053,918	113,722,909	115,193,995	1,471,086
EXPENDITURES:				
Current:				
General government	41,699,094	44,530,517	40,410,753	4,119,764
Public safety	60,511,597	60,516,613	60,479,208	37,405
Physical environment	488,198	488,198	430,072	58,126
Transportation	-	350,000	412,827	(62,827)
Economic environment	179,238	179,238	186,684	(7,446)
Human services	2,020,829	2,053,935	1,956,958	96,977
Culture and recreation	7,917,115	7,907,973	7,312,418	595,555
Capital outlay	526,522	1,898,258	2,958,385	(1,060,127)
Debt service:				
Principal	203,178	261,091	295,175	(34,084)
Interest	220,276	220,818	178,390	42,428
Other debt service cost	-	-	3,190	(3,190)
Total expenditures	113,766,047	118,406,641	114,624,060	3,782,581
Excess (deficiency) of revenues over (under) expenditures	(2,712,129)	(4,683,732)	569,935	5,253,667
OTHER FINANCING SOURCES (USES):				
Transfers in	6,867,432	8,115,114	8,774,181	659,067
Transfers out	(10,325,906)	(11,642,319)	(10,506,995)	1,135,324
Reserves	(9,806,206)	(10,951,472)	-	10,951,472
Sale of capital assets				
Total other financing sources (uses)	(13,264,680)	(14,478,677)	(1,732,814)	12,745,863
Net change in fund balances	(15,976,809)	(19,162,409)	(1,162,879)	17,999,530
Fund balances - beginning	15,976,809	19,162,409	22,511,135	3,348,726
Fund balances - ending	\$ -	\$ -	\$ 21,348,256	\$ 21,348,256

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

Martin County, Florida
Consolidated Fire/EMS MSTU
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 33,365,016	\$ 31,365,016	\$ 31,593,058	\$ 228,042
Intergovernmental revenues	74,450	74,450	100,103	25,653
Charges for services	4,111,562	4,111,562	4,510,356	398,794
Interest income	100,000	100,000	158,795	58,795
Miscellaneous revenues	55,000	55,000	24,217	(30,783)
Statutory budget reduction	(50,000)	(50,000)	-	50,000
Total revenues	<u>37,656,028</u>	<u>35,656,028</u>	<u>36,386,529</u>	<u>730,501</u>
EXPENDITURES:				
Current:				
General government	831,146	962,646	957,174	5,472
Public safety	32,248,734	32,199,734	31,871,345	328,389
Capital outlay	949,164	2,025,503	83,620	1,941,883
Debt service:				
Principal	100,000	476,228	376,227	100,001
Interest	-	117,492	117,491	1
Other debt service cost	10,000	10,000	-	10,000
Total expenditures	<u>34,139,044</u>	<u>35,791,603</u>	<u>33,405,857</u>	<u>2,385,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,516,984</u>	<u>(135,575)</u>	<u>2,980,672</u>	<u>3,116,247</u>
OTHER FINANCING USES:				
Transfers out	(3,069,619)	(3,620,721)	(3,613,079)	7,642
Reserves	(1,256,740)	(2,511,666)	-	2,511,666
Total other financing uses	<u>(4,326,359)</u>	<u>(6,132,387)</u>	<u>(3,613,079)</u>	<u>2,519,308</u>
Net change in fund balances	(809,375)	(6,267,962)	(632,407)	5,635,555
Fund balances - beginning	809,375	6,267,962	6,369,380	101,418
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,736,973</u>	<u>\$ 5,736,973</u>

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

Martin County, Florida

Other State Grants

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 539,240	\$ 30,974,166	\$ 11,774,488	\$ (19,199,678)
Interest income	-	348	802	454
Total revenues	<u>539,240</u>	<u>30,974,514</u>	<u>11,775,290</u>	<u>(19,199,224)</u>
EXPENDITURES:				
Current:				
General government	344,123	417,832	239,352	178,480
Public safety	57,367	176,610	143,574	33,036
Physical environment	11,060,745	13,952,246	6,345,315	7,606,931
Transportation	137,750	137,750	208,644	(70,894)
Human services	-	79,596	76,943	2,653
Culture and recreation	-	-	19,815	(19,815)
Capital outlay	9,193,529	27,345,290	9,022,409	18,322,881
Total expenditures	<u>20,793,514</u>	<u>42,109,324</u>	<u>16,056,052</u>	<u>26,053,272</u>
Deficiency of revenues under expenditures	<u>(20,254,274)</u>	<u>(11,134,810)</u>	<u>(4,280,762)</u>	<u>6,854,048</u>
OTHER FINANCING SOURCES:				
Transfers in	-	11,130,500	4,170,059	(6,960,441)
Total other financing sources	<u>-</u>	<u>11,130,500</u>	<u>4,170,059</u>	<u>(6,960,441)</u>
Net change in fund balances	(20,254,274)	(4,310)	(110,703)	(106,393)
Fund balances - beginning	20,254,274	4,310	219,989	215,679
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,286</u>	<u>\$ 109,286</u>

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

Martin County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Business Type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water / Sewer Utilities	Solid Waste	Non Major - Airport	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 298,780	\$ 568,225	\$ 109,012	\$ 976,017	\$ 5,075,905
Restricted cash and cash equivalents	124,225	-	-	124,225	-
Investments	13,886,376	14,621,763	10,118	28,518,257	1,589,859
Restricted investments	-	536,299	-	536,299	-
Accounts receivable	2,583,108	370,727	6,776	2,960,611	202,421
Special assessments notes receivable, current	454,329	-	-	454,329	-
Due from other funds	-	-	-	-	634,069
Receivable from other governmental agencies	344,446	-	513,448	857,894	3,930
Inventories	517,979	-	-	517,979	129,790
Assets held for resale	-	-	1,382,688	1,382,688	-
Other current assets	-	-	-	-	4,000
Total current assets	18,209,243	16,097,014	2,022,042	36,328,299	7,639,974
Noncurrent assets:					
Restricted cash and cash equivalents	534,228	-	-	534,228	-
Restricted investments	17,363,145	30,908	-	17,394,053	-
Restricted special assessment notes receivable	474,615	-	-	474,615	-
Total restricted assets	18,371,988	30,908	-	18,402,896	-
Special assessment notes receivable, less current portion	4,795,339	-	-	4,795,339	-
Deferred bond issuance costs, net	1,270,016	-	-	1,270,016	-
Capital assets:					
Land	5,620,732	1,836,230	6,875,979	14,332,941	-
Buildings	123,379,627	10,958,333	2,882,593	137,220,553	-
Equipment	4,860,096	3,914,620	439,474	9,214,190	2,916,724
Water distribution system	91,895,352	-	-	91,895,352	-
Sewer collection system	89,831,114	-	-	89,831,114	-
Landfill improvements	-	10,363,755	-	10,363,755	-
Airport improvements	-	-	9,273,244	9,273,244	-
Construction in progress	4,996,485	-	8,796,333	13,792,818	-
Intangible assets	7,920,659	-	-	7,920,659	-
Less accumulated depreciation	(90,238,880)	(14,460,508)	(4,355,282)	(109,054,670)	(2,363,188)
Capital assets, net	238,265,185	12,612,430	23,912,341	274,789,956	553,536
Total noncurrent assets	262,702,528	12,643,338	23,912,341	299,258,207	553,536
Total assets	\$ 280,911,771	\$ 28,740,352	\$ 25,934,383	\$ 335,586,506	\$ 8,193,510

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

Martin County, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Business Type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Water / Sewer Utilities	Solid Waste	Non Major - Airport	Totals	
LIABILITIES					
Current liabilities:					
Payable from current assets:					
Accounts payable and accrued claims	\$ 1,682,597	\$ 2,458,431	\$ 424,043	\$ 4,565,071	\$ 2,644,979
Accrued wages payable	350,595	65,935	53,400	469,930	23,551
Accrued interest payable	30,503	-	-	30,503	-
Landfill closure costs, current	-	514,973	-	514,973	-
Accrued compensated absences, current	98,192	18,707	6,411	123,310	-
Current portion of loans payable	122,263	-	-	122,263	-
Unearned revenue	2,408,862	231,136	-	2,639,998	-
Contracts payable - retainage	-	-	800	800	-
	<u>4,693,012</u>	<u>3,289,182</u>	<u>484,654</u>	<u>8,466,848</u>	<u>2,668,530</u>
Payable from restricted assets:					
Deposits	890,171	-	-	890,171	-
Contracts payable	435,555	-	-	435,555	-
Bonds payable, net	3,177,669	-	-	3,177,669	-
	<u>4,503,395</u>	<u>-</u>	<u>-</u>	<u>4,503,395</u>	<u>-</u>
Total current liabilities	<u>9,196,407</u>	<u>3,289,182</u>	<u>484,654</u>	<u>12,970,243</u>	<u>2,668,530</u>
Noncurrent liabilities:					
Accrued compensated absences	573,420	123,358	57,701	754,479	79,254
Loans payable	2,110,582	-	-	2,110,582	-
Bonds payable, net	86,186,256	-	-	86,186,256	-
Landfill closure costs	-	13,140,414	-	13,140,414	-
	<u>88,870,258</u>	<u>13,263,772</u>	<u>57,701</u>	<u>102,191,731</u>	<u>79,254</u>
Total noncurrent liabilities	<u>88,870,258</u>	<u>13,263,772</u>	<u>57,701</u>	<u>102,191,731</u>	<u>79,254</u>
Total liabilities	<u>98,066,665</u>	<u>16,552,954</u>	<u>542,355</u>	<u>115,161,974</u>	<u>2,747,784</u>
NET ASSETS					
Invested in capital assets, net of related debt	146,666,415	12,612,430	23,912,341	183,191,186	553,536
Restricted:					
Capital projects	16,695,872	-	-	16,695,872	-
Inventory - assets held for resale	-	-	1,382,688	1,382,688	-
Unrestricted	19,482,819	(425,032)	96,999	19,154,786	4,892,190
Total net assets	<u>\$ 182,845,106</u>	<u>\$ 12,187,398</u>	<u>\$ 25,392,028</u>	<u>220,424,532</u>	<u>\$ 5,445,726</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				110,479	
Net assets business-type activities				<u>\$ 220,535,011</u>	

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

Martin County, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

	Business Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Water / Sewer Utilities	Solid Waste	Non Major - Airport		
OPERATING REVENUES					
Charges for services	\$ 26,478,446	\$ 17,198,006	\$ 1,133,102	\$ 44,809,554	\$ 26,098,943
Miscellaneous	1,172,685	166,666	222,618	1,561,969	1,507,200
Total operating revenues	<u>27,651,131</u>	<u>17,364,672</u>	<u>1,355,720</u>	<u>46,371,523</u>	<u>27,606,143</u>
OPERATING EXPENSES					
Salaries and related expenses	6,876,783	1,103,279	472,613	8,452,675	451,387
General and administrative	2,801,670	964,285	1,523,765	5,289,720	29,484,170
Operating and maintenance	6,881,975	12,659,979	294,583	19,836,537	-
Landfill closure and post closure care cost	-	290,433	-	290,433	-
Depreciation and amortization	9,496,037	656,487	597,625	10,750,149	220,262
Total operating expenses	<u>26,056,465</u>	<u>15,674,463</u>	<u>2,888,586</u>	<u>44,619,514</u>	<u>30,155,819</u>
Operating income (loss)	<u>1,594,666</u>	<u>1,690,209</u>	<u>(1,532,866)</u>	<u>1,752,009</u>	<u>(2,549,676)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	774,737	213,284	-	988,021	32,718
Grant income	795,190	-	2,853,701	3,648,891	-
Interest expense	(4,599,194)	-	-	(4,599,194)	-
Amortization of bond discount and issue cost	(419,550)	-	-	(419,550)	-
Gain on disposition of capital assets	4,485	60,471	-	64,956	-
Other expenses	-	-	(387,522)	(387,522)	-
Total net nonoperating revenues (expenses)	<u>(3,444,332)</u>	<u>273,755</u>	<u>2,466,179</u>	<u>(704,398)</u>	<u>32,718</u>
Income (loss) before contributions and transfers	(1,849,666)	1,963,964	933,313	1,047,611	(2,516,958)
Capital contributions	5,086,324	-	8,561,732	13,648,056	-
Transfers in	-	-	-	-	2,783,000
Change in net assets	3,236,658	1,963,964	9,495,045	14,695,667	266,042
Total net assets - beginning	<u>179,608,448</u>	<u>10,223,434</u>	<u>15,896,983</u>		<u>5,179,684</u>
Total net assets - ending	<u>\$ 182,845,106</u>	<u>\$ 12,187,398</u>	<u>\$ 25,392,028</u>		<u>\$ 5,445,726</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				29,593	
Change in net assets business type activities				<u>\$ 14,725,260</u>	

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

Martin County, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	Business Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Water / Sewer Utilities	Solid Waste	Non Major - Airport		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 28,138,148	\$ 17,401,378	\$ 1,132,892	\$ 46,672,418	\$ 25,567,889
Other receipts	-	-	210,598	210,598	1,507,200
Payments to suppliers	(10,971,303)	(12,726,381)	(1,484,028)	(25,181,712)	(9,224,395)
Payments for salaries and benefits	(5,058,702)	(1,110,743)	(435,546)	(6,604,991)	(447,654)
Claims paid	-	-	-	-	(20,049,189)
Payments for long-term care costs	-	(709,659)	-	(709,659)	-
Other payments	(442,850)	(11,353)	(1,770,210)	(2,224,413)	-
Net cash provided (used) by operating activities	11,665,293	2,843,242	(2,346,294)	12,162,241	(2,646,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies - operating grants received	-	-	2,634,610	2,634,610	-
Transfers from other funds	-	-	-	-	2,783,000
Total operating subsidies and transfers from other funds	-	-	2,634,610	2,634,610	2,783,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from issuance of debt	36,665,000	-	-	36,665,000	-
Capital grants received	450,744	-	-	450,744	-
Capital contributions	863,887	-	8,472,085	9,335,972	-
Proceeds from special assessment fees	3,017,304	-	-	3,017,304	-
Purchases of capital assets	(16,092,077)	(1,669,692)	(9,001,667)	(26,763,436)	(421,233)
Principal paid on capital debt	(34,498,991)	-	-	(34,498,991)	-
Proceeds from sale of assets	58,125	62,600	-	120,725	-
Interest paid on capital debt	(6,781,218)	-	-	(6,781,218)	-
Debt obligation cost and transfers	(365,385)	-	-	(365,385)	-
Net cash used by capital and related financing activities	(16,682,611)	(1,607,092)	(529,582)	(18,819,285)	(421,233)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(6,319,700)	(10,220,362)	-	(16,540,062)	-
Proceeds from sales and maturities of investments	6,195,469	9,237,068	312,695	15,745,232	996,477
Interest earned	774,737	213,284	-	988,021	32,718
Net cash provided (used) by investing activities	650,506	(770,010)	312,695	193,191	1,029,195
Net increase (decrease) in cash and cash equivalents	(4,366,812)	466,140	71,429	(3,829,243)	744,813
Cash and cash equivalents - beginning of the year	5,324,045	102,086	37,583	5,463,714	4,331,092
Cash and cash equivalents - end of year	\$ 957,233	\$ 568,226	\$ 109,012	\$ 1,634,471	\$ 5,075,905
Cash and cash equivalents - unrestricted	298,780	568,225	109,012	976,017	5,075,905
Cash and cash equivalents - restricted	658,453	-	-	658,453	-
Cash and cash equivalents - end of year	\$ 957,233	\$ 568,225	\$ 109,012	\$ 1,634,470	\$ 5,075,905

(continued)

Martin County, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010
(continued)

	Business Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Water / Sewer Utilities	Solid Waste	Non Major - Airport		
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,594,666	\$ 1,690,209	\$ (1,532,866)	\$ 1,752,009	\$ (2,549,676)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	9,496,037	656,487	585,605	10,738,129	220,262
Other expenses	-	-	(387,522)	(387,522)	-
Change in assets and liabilities:					
Accounts receivable, net	(40,984)	30,675	(210)	(10,519)	(641,702)
Unearned revenue	-	(5,151)	-	(5,151)	-
Due from other funds	-	-	-	-	164,448
Receivable from other governmental agencies	-	-	-	-	(2,804)
Inventories	86,761	-	-	86,761	17,687
Assets held for resale	-	-	(1,382,688)	(1,382,688)	-
Other current assets	151,853	-	758	152,611	-
Accounts payable	284,459	897,712	333,562	1,515,733	141,903
Accrued wages payable	23,561	8,516	34,971	67,048	(4,914)
Landfill closure cost	-	(419,226)	-	(419,226)	-
Accrued compensated absences	(16,211)	(15,980)	2,096	(30,095)	8,647
Customer deposits	85,151	-	-	85,151	-
Net cash provided (used) by operating activities	<u>\$ 11,665,293</u>	<u>\$ 2,843,242</u>	<u>\$ (2,346,294)</u>	<u>\$ 12,162,241</u>	<u>\$ (2,646,149)</u>

Noncash investing, capital and financing activities:

During the year ended September 30, 2010, the Utilities Department had system assets contributed in the amount of \$4,222,437

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

Martin County, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
As of September 30, 2010

	<u>Private Purpose Trust</u>	<u>Agency funds</u>
ASSETS		
Cash and cash equivalents	\$ 64,616	\$ 6,592,570
Investments	1,444,422	700,801
Receivable from other governmental agencies	-	400
Total assets	<u>1,509,038</u>	<u>7,293,771</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,487	14,969
Due to other governmental agencies	-	3,191,498
Deposits	1,000,000	4,087,304
Total liabilities	<u>1,005,487</u>	<u>\$ 7,293,771</u>
NET ASSETS		
Total net assets	<u>\$ 503,551</u>	

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

Martin County, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2010

	<u>Private Purpose Trust</u>
ADDITIONS:	
Fines and forfeitures	\$ 78,529
Interest income	18,818
Total additions	<u>97,347</u>
DEDUCTIONS:	
General government	-
Economic Environment	24,927
Human services	134,670
Total deductions	<u>159,597</u>
Change in net assets	(62,250)
Net assets - beginning	565,801
Net assets - ending	<u>\$ 503,551</u>

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



Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by Martin County, Florida are summarized below:

A. General Information

Martin County (the "County") is a political subdivision of the State of Florida. The County operates as a non-charter government pursuant to Article VIII, Section (1) (f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, Florida Statutes.

B. Reporting Entity

The Martin County Board of County Commissioners (the "Board"), a five-member board elected by the County citizenry at-large, governs the County. In addition, the Clerk of the Circuit Court (the "Clerk"), Property Appraiser, Sheriff, Supervisor of Elections and Tax Collector are elected by the citizenry at-large and function independently of the Board. These Constitutional Officers are reported as part of the County since the Board approves their budgets and/or their funding is either partially or totally derived from ad valorem taxes levied on the County taxpayers.

For financial reporting purposes, the County includes all funds of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing criteria, financial data of the departments under the Board, the Constitutional Officers, and the Metropolitan Planning Organization, which is not legally separate from the County, are included in the County's Comprehensive Annual Financial Report.

Blended Component Unit: Martin County Community Redevelopment Agency (the "CRA")

The CRA was established under the authority of F.S. 163, Part III, the Community Redevelopment Act, 1969, as amended (the "Statute"), and became effective upon adoption and filing of the County Ordinance #517 on June 24, 1997 (codified as Chapter 7 1/3 of the Code of Laws and Ordinances of Martin County). There are currently seven neighborhoods within the County with CRAs.

The CRA is the primary agency responsible for community redevelopment; addressing the needs of all the County's communities in order to maintain traditional character, strengthen neighborhoods and promote access to neighborhood services. During the majority of the fiscal year, the five members of the CRA were the duly elected county commissioners with the Chairman of the Board of County Commissioners serving as the Chairman of the CRA. Ordinance 860 became effective June 1, 2010 changing the CRA to consist of seven members – one member representing each of the Neighborhood Planning Areas – that shall be appointed by the Board of County Commissioners.

The CRA is a policy-making body with the authority to adopt plans, and set priorities for the planning, implementation, coordination, and funding of community redevelopment projects. The CRA is charged to act in accordance with the Statute, the Martin County Comprehensive Growth Management Plan (the "CGMP"), Chapter 7 1/3 of the Code of Laws and Ordinances of Martin County, and the 2020 Vision Plan for a Sustainable Martin County (the "Vision Plan").

The CRA is presented as a special revenue fund and further information regarding the County's CRAs is provided in Note 19. In future fiscal years, the CRA will be a discretely presented component unit.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The Board is also responsible for appointing the members of the Martin County Health Facilities Authority and the Martin County Industrial Development Authority, but the Board's accountability for these organizations does not extend beyond making the appointments and, therefore, these organizations are not included in these financial statements.

In addition, the following entities do not meet the aforementioned criteria and, therefore, are not included in these financial statements.

- Martin County School Board
- South Florida Water Management District
- Indiantown Drainage District
- Griswald Barton Drainage District
- Troop Indiantown Drainage District
- Hobe Grove Association
- Pal Mar Water Management District

The members of the governing bodies of these organizations are elected. They have the authority to levy ad valorem taxes. Outstanding debt is not an obligation of the County and the County is not directly accountable for their fiscal matters.

C. Basic Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The reporting model focuses on either the County as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are prepared using the economic resources measurement focus and accrual basis of accounting, which incorporates long-lived assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (general government, public safety, physical environment, culture and recreation, etc.), which are otherwise being supported by the general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants and contributions). The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

For governmental activities the net cost (by function) is normally funded by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The emphasis of the fund financial statements is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column. Fund accounting, as described in Note D, below, is still utilized for the day-to-day operations of the County. The governmental funds in the fund financial statements are presented on the current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget fiscal plan.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, to briefly explain the adjustments necessary to reconcile the governmental fund financial statements with the governmental activities column of the government-wide presentation.

Internal service funds of a government, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. A portion of the internal service funds is included in the business-type activity column. To the extent possible, the costs of these services are reflected in the appropriate functional activity.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Basis of Presentation

The accounting records of the County are organized on the basis of funds as prescribed by accounting principles generally accepted in the United States of America ("GAAP") applicable to governments as established by the Governmental Accounting Standards Board ("GASB"). The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Separate funds are maintained to account for specific government activities or to comply with special regulations or legal restrictions.

The County reports the following major governmental funds:

General Fund: This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Consolidated Fire/EMS MSTU: This fund accounts for fire and emergency medical service programs.

Other State Grants: This fund accounts for the entire County's state grants that do not require separate presentation, by statutes, or by grant covenant.

The County reports the following major enterprise funds:

Water and Sewer Utilities: This fund accounts for the operation, maintenance and development of the County's water and sewer utilities system.

Solid Waste: This fund accounts for the operation, maintenance and long-term care of the County's landfill and disposal sites.

Additionally, the County reports the following fund types:

Internal service funds account for the insurance coverage and the vehicle maintenance services provided to County departments and agencies on a cost reimbursement basis.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The *private-purpose trust funds* are used to account for resources held and administered by the County, as a fiduciary agent for individuals, private organizations or other governments. Both the Indiantown Community Trust and the Annie Myers Trust are devoted to benefiting the citizens of Indiantown. Only the investment earnings of the Indiantown Community Trust can be used to support its trust activities, while all the resources of the Annie Meyers Trust may be used to support its activities. The Dori Slosberg Education Trust facilitates distribution of grants for driving safety education.

The *agency funds* are used to report resources held by the County in a purely custodial capacity (assets equal liabilities). The Board of County Commissioners agency fund holds various impact fees collected on behalf of other government agencies as well as miscellaneous deposits. The Clerk's agency funds hold fines and fees due to other governmental agencies and various court related deposits. The Sheriff's agency funds hold monies collected by various Sheriff Departments, other governmental units or individuals. Sources of monies come from drug and traffic stops, various process and traffic fees, payments, deposits, bonds, and inmate and recruit's property. The Tax Collector's agency fund holds taxes that have been collected and are due to other governmental agencies.

E. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund type measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to pay liabilities of the current period. For this purpose the County considers revenue to be available if they are collected within 60 days of the end of the current fiscal period with the exception of grants, which have a period of 180 days.

Expenditures are recognized in the accounting period in which the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements and shared revenue), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose before the County will earn any amounts (eligibility requirement); therefore, revenues are recognized based upon when the expenditures are made. In the other, monies are revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Licenses and permits, charges for services and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, because generally cash is received upon the rendering of services. Investment earnings and most fines and forfeitures are recorded as earned since they are measurable and available.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The proprietary fund types' measurement focus is upon determination of net income, financial position and changes in cash flows. GAAP for these funds are those applicable to similar businesses in the private sector and, thus, they are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Pronouncements of the Financial Accounting Standards Board ("FASB") issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent FASB guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions, solid waste operation, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds and internal service funds are charges to customers for sales and services. The County recognizes as operating revenue the portion of capital facilities fees intended to recover the cost of connecting new customers to the water and sewer utility operation. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

F. Budgets

Budgets for all funds are prepared on a basis consistent with GAAP, with the exception of the budgeting of capital assets and contributed capital in the Enterprise Funds, which are budgeted as capital outlay expenditures and revenues, respectively. Budgets are balanced, meaning that total appropriations are equal to total revenues. Revenues are budgeted at 95% of anticipated receipts in accordance with Chapter 129, Florida Statutes. Budgets are legally adopted for the general, special revenue, debt service and capital projects funds as required by law, except for the Sheriff's special revenue funds. The Sheriff's special revenue funds are made up of various contracts and grants, and do not require a budget.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The budget process begins with the development of estimates by the Board's departments. The estimates are reviewed, analyzed and submitted to the Board for consideration on or about July 15. The Board conducts several workshops to thoroughly review the budget and make adjustments as appropriate. Prior to September 30, two public hearings are conducted to hear comments and questions from the public regarding the budget. The budget is adopted at the second public hearing through formal resolution of the Board.

Budgets are adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

During the year, the Office of Budget and Finance acts on intradepartmental budget changes that do not alter the total revenue or expenditures budgeted to a cost center. The Board, whether they are transfers between departments or alterations of total revenues or expenditures in a fund, approves all other budget changes. Supplemental appropriations were necessary and the Board amended the budgetary data presented herein during the year in a legally permissible manner.

The County sets aside reserves to address unforeseen and unexpected events and to offset unexpected downturns in revenues from budgeted estimates. It is an objective of the County to maintain a managed reserve in the various operating funds at a level sufficient for temporary financing of unforeseen emergency needs and to permit orderly adjustment to changes resulting from termination of revenue sources through actions of other governmental bodies. Uses of reserves through budget transfers require Board or other Constitutional Officer's approval.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under Florida Statutes, appropriations, even if encumbered, lapse at fiscal year-end.

H. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of these statements, demand deposits and petty cash and short-term investments with original maturity of three months or less from date of acquisition are considered to be cash and cash equivalents. Investments in external investment pools, including the Local Government Surplus Funds Trust and Florida Local Government Investment Trust, are considered to be investments.

2. Investments

Investments are stated at fair value (quoted market price or best available estimate thereof), except for investments with remaining maturities of one year or less at purchase, which are stated at amortized cost, which approximates fair value. Investments in the State Board of Administration's Local Government Investment Pool (n/k/a "Florida PRIME"), Florida Local Government Investment Trust, Wells Fargo Advantage Money Market Funds-Govt., Invesco U.S. Institutional Money Market Fund, and Florida Trust Day to Day Fund are recorded at their share price, which represents the fair value of the funds' underlying investments. The Fund B Surplus Funds Trust Fund is accounted for as a fluctuating net asset value pool.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

3. Receivable 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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowances have been established as they are not deemed to be necessary by management based upon historical collections. Billings to water utility customers are based on metered consumption which is determined at various dates each month. Estimated unbilled consumption at year-end is recognized as revenue in the water and sewer utilities enterprise fund.

4. Inventories and Prepaid Items

Inventories in the governmental funds are stated at cost (last-in, first-out) and are accounted for under the consumption method. Accordingly, reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of net current assets. Inventories of proprietary fund types and at the government-wide level are reported at cost (first-in, first-out) and are recorded as an expense when used in the operations of the fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded using the consumption method in both the government-wide and fund financial statements.

5. Assets Held for Resale

During fiscal year 2010 the County initiated a program whereby 16 homes near the Martin County Airport were eligible for a home buyout and noise insulation program because they are within an area exposed to an average of 60 decibels of noise per day. Homes that are purchased by the County will be insulated and resold. The County purchased six homes during this fiscal year, however one was demolished because it would have been too expensive to insulate against noise. Assets held for resale are presented at net realizable value.

6. Restricted Assets

Specific provisions of bond resolutions and agreements restrict the use of certain assets with various parties. Assets so designated are identified as restricted assets on the Statement of Net Assets.

7. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible items are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchases of capital assets by governmental fund types are recorded as expenditures in the appropriate fund at the time of purchase.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Dispositions and retirements are reported in the year of disposal. The County uses the following capitalization thresholds for assets, based on asset type:

The threshold for tangible personal property is \$5,000. Depending upon type, the thresholds for infrastructure and other assets ranges between \$25,000 and \$100,000. The threshold for intangible assets purchased or internally generated is \$25,000. For capital assets reporting, intangible assets are assets that lack physical substance and have a non-financial nature such as computer software, land use rights, etc. The Utilities and Solid Waste funds define capital assets as assets with an initial cost of \$1,000 dollars or more and an estimated useful life in excess of one year.

All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated fair value on the date donated. Dispositions and retirements and resulting gains or losses for the proprietary fund types and at the government-wide level are reported in the year of the disposal. Depreciation has been provided over the following estimated useful lives using the straight-line method:

Buildings	15 - 50 years
Improvements and equipment	3 - 40 years
Intangible plant asset	30 years
Roads	20 years
Bridges	50 years
Sidewalks	50 years
Software	5 years
Land use rights	Depends on Agreement

8. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund type financial statements, costs associated with the issuance of bonds for the Enterprise Funds and County bonds issued subsequent to 2001 have been deferred and are being amortized over the life of the bonds using a method which approximates the effective interest method. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

It is the policy of the County to permit employees to accumulate a limited amount of earned but unused vacation benefits and sick leave, which will be paid to employees upon separation from County service. The liability for compensated absences is included in the government-wide Statement of Net Assets. In the governmental fund financial statements, a liability is not recorded, as it is not anticipated that this liability will be liquidated with expendable available financial resources. Proprietary fund types accrue the liability for compensated absences in the period they are incurred.

10. Landfill Closure and Postclosure Care Costs

Under the terms of Florida Department of Environmental Protection requirements, the County is required to provide long-term care for landfill operations for up to thirty years after final closure. Required obligations for closure and postclosure care costs are recognized in the Solid Waste Enterprise Fund.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

11. Special Assessments

In the governmental fund financial statements, at the time of assessment levy, special assessments receivable are recognized and are offset by deferred revenue. For governmental funds, if assessments are not collected within 60 days of the current fiscal year, they are recorded as deferred revenue. Deferred revenue is reduced as the assessments become measurable and available. At the government-wide and proprietary fund level special assessment revenue is recognized as the County provides the services for which the assessment is levied.

12. Deferred Amount on Bond Refunding

The accounting gains or losses associated with the issuance of refunding bonds are being amortized over the life of the refunded bonds or the life of the new bonds, whichever is shorter, using a method which approximates the effective interest method. This applies to the proprietary funds and government-wide statements, but not to the governmental funds.

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and other debits and liabilities and other credits and disclosure of contingent assets and other debits and liabilities and other credits at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. New Accounting Pronouncement

Effective October 1, 2009, the County adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The effect of this adoption is the inclusion of intangible assets as capital assets. Implementation of this Statement had an insignificant effect on the County's financial statements.

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents

The carrying amount of cash and cash equivalents (including fiduciary funds) as of September 30, 2010 is as follows:

Cash and cash equivalents:

Unrestricted	\$ 31,908,189
Reported in fiduciary funds	6,657,186
Restricted	658,453
	<u>\$ 39,223,828</u>

Cash and cash equivalents consist of the following:

Demand deposits	\$ 39,210,073
Petty cash	13,755
	<u>\$ 39,223,828</u>

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act*, (the "Act"). Under this Act, Florida's Chief Financial Officer shall determine the collateral requirements and the collateral pledging level for each qualified public depository in order to protect the integrity of the public deposits program. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All County depositories at year-end were designated as qualified public depositories; therefore, while the County does not have a specific policy regarding custodial credit risk, the County does not have exposure to this type of risk.

Investments

Martin County invests surplus funds in an external investment pool, the Florida PRIME. The state pool is administered by the Florida State Board of Administration ("SBA"), which provides regulatory oversight. Monies that were invested in the SBA's Fund B Surplus Funds Trust Fund ("Fund B") continue to be restricted; however, Fund B cash holdings are being distributed as they become available from maturities, sales, investment interest and other income received from the assets. According to the SBA, the investment objective of Fund B is to maximize the present value of distributions to participants. Investments in Florida PRIME, Florida Local Government Investment Trust Fund, Wells Fargo Advantage Money Market Funds-Govt., Invesco U.S. Institutional Money Market Fund, and Florida Trust Day to Day Fund are recorded at their share price, which represents the fair value of the funds' underlying investments. Fund B is accounted for as a fluctuating NAV pool. The fair value factor for Fund B at September 30, 2010 was .707058094.

The carrying amount of investments (including fiduciary funds) as of September 30, 2010 is as follows:

Investments:	
Unrestricted	\$ 138,288,414
Reported in fiduciary funds	2,145,223
Restricted	17,930,352
	<u>\$ 158,363,989</u>

The County's investments at September 30, 2010 consisted of the following:

Florida PRIME	\$ 69,513,552
Fund B Surplus Funds Trust (Fund B)	2,384,819
Wells Fargo Advantage Money Market Fund-Govt.	2,993,439
U.S. Agency Bonds	61,743,241
Florida Local Government Investment Trust (FLGIT)	15,954,337
Invesco U.S. Institutional Money Market Fund	2,516,348
Florida Trust Day to Day Fund	3,258,253
	<u>\$ 158,363,989</u>

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The County investment policy and various bond covenants limit credit risk by restricting authorized investments to the following: the Local Government Surplus Funds Trust Fund; Security and Exchange Commission registered money market funds with a Moody's credit rating of "Aaa" or Standard & Poor's credit rating of "AAAm" or "AAAg"; interest bearing time deposits or savings accounts in qualified public depositories; direct obligations of the U.S. Treasury; securities issued by Federal Agencies; and the Florida Local Government Investment Trust. The investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be reasonably anticipated. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Unless matched to a specific cash flow requirement, investments shall not be directly in individual securities maturing more than five (5) years from the date of purchase.

Florida PRIME is administered by the State Board of Administration, and has adopted operating procedures consistent with those of a "2a-7 like" pool. GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940". Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV value of \$1.00 per share, provided that such funds meet certain conditions. Concerning credit quality, Florida PRIME is rated by Standard and Poors with a current rating of "AAAm" and Fund B is not rated by any nationally recognized statistical rating agency. The weighted average day to maturity (WAM) of Florida PRIME at September 30, 2010 was 52 days and the weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 years.

Funds invested in Florida PRIME have full liquidity, with no penalty for withdrawal. Fund B participants are prohibited from withdrawing any amount from the Fund and a formal withdrawal policy has not yet been developed. Additional information regarding Florida PRIME and Fund B may be obtained from the State Board of Administration, <https://www.sbafla.com/prime>.

The Evergreen Institutional U.S. Government Money Market Fund merged into the Wells Fargo Advantage Money Market Fund-Government. This fund seeks to achieve a high level of current income as is consistent with preserving capital and maintaining liquidity. It will normally invest at least 80% of its assets in high-quality, short-term money market securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements with respect to such securities. As of September 30, 2010, the S & P Credit Rating for this fund was AAAM and the weighted average maturity was 32 days.

U.S. Agency Bonds had maturities ranging from 3 months to 60 months as of September 30, 2010. These type investments made up 34.44% of the County's total investments.

The Florida Local Government Investment Trust ("FLGIT") is governed by a Board of Trustees consisting of six members. The Florida Association of Court Clerks and the Florida Association of Counties each appoint three trustees. The Board consists of 2 Clerks of Court, 1 County Comptroller and 3 County Commissioners. The FLGIT is required to submit a monthly report to Standard & Poor's. As of September 30, 2010, the trust had a credit quality rating of AAAf, a bond fund volatility rating of S1, and the weighted average maturity was 2.17 years.

The Invesco U.S. Institutional Money Market Fund invests in direct obligations of the U.S. Treasury and other securities issued or guaranteed as to principal and interest by the U.S. Government or by its agencies or instrumentalities, as well as, repurchase agreements secured by such obligations. Its objective is to maximize current income with the preservation of capital and the maintenance of liquidity. At September 30, 2010, the weighted average maturity was 37.36 days and the fund had a Standard & Poor's rating of AAAM.

The Florida Trust Day to Day Fund was created in January 2009 and is governed by the same board and advisory committee that oversee the Florida Local Government Investment Trust. It is a money market fund that is AAAM-rated by Standard & Poor's and its weighted average maturity at September 30, 2010 was 45 days.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 3 – Receivables and Payables

Detailed receivables and payables for the government’s individual major funds and non-major and enterprise funds in the aggregate were as follows:

Receivables:

Funds	Accounts	Special Assessments	Totals
Governmental Activities:			
General	\$ 312,416	\$ -	\$ 312,416
Consolidated Fire/EMS MSTU	58,569	-	58,569
Other Governmental funds	76,682	634,819	711,501
Internal Service funds	202,421	-	202,421
Total governmental activities	<u>\$ 650,088</u>	<u>\$ 634,819</u>	<u>\$ 1,284,907</u>
Business type activities:			
Water/Sewer Utilities	\$ 2,583,108	\$ 454,329	\$ 3,037,437
Solid Waste	370,727	-	370,727
Airport Authority	6,776	-	6,776
Totals business type activities	<u>\$ 2,960,611</u>	<u>\$ 454,329</u>	<u>\$ 3,414,940</u>

Payables:

Funds	Accounts	Accrued wages	Totals
Governmental Activities:			
General	\$ 1,513,379	\$ 1,230,894	\$ 2,744,273
Consolidated Fire/EMS MSTU	146,327	1,602,998	1,749,325
Other State Grants	1,412,862	5,912	1,418,774
Other Governmental funds	3,283,213	735,547	4,018,760
Internal Service funds	2,644,979	23,551	2,668,530
Total governmental activities	<u>\$ 9,000,760</u>	<u>\$ 3,598,902</u>	<u>\$ 12,599,662</u>
Business type activities:			
Water/Sewer Utilities	\$ 1,682,597	\$ 350,595	\$ 2,033,192
Solid Waste	2,458,431	65,935	2,524,366
Airport Authority	424,043	53,400	477,443
Totals business type activities	<u>\$ 4,565,071</u>	<u>\$ 469,930</u>	<u>\$ 5,035,001</u>

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 4 - Interfund Receivables and Payables

Interfund receivable and payable balances, including advances, at September 30, 2010 consist of the following:

<u>Major funds:</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Codes</u>	
General fund	\$ 7,120,133	\$ 987,190	A&B, A	*
Consolidated Fire/EMS MSTU	13,941	446	A, A	
Other State Grants	9,567	5,200,000	A, B	
	<hr/> 7,143,641	<hr/> 6,187,636		
<u>Other governmental funds:</u>				
Federal Grants	1,195	1,660,650	A, A&B	**
SHIP Grants	-	646	--, A	
ARRA Grants	-	50,166	--, A&B	***
Transportation Impact Fees	1,694	-	A, --	
Public Safety	13,833	47,869	A, A	
Judicial	308,457	-	A, --	
Sheriff Special Revenue	12,810	43,787	A, A	
Transportation Road Projects	5,196	548	A, A	
County Buildings	31,854	61,447	A, A	
Stormwater Projects	-	100,000	--, B	
	<hr/> 375,039	<hr/> 1,965,113		
<u>Internal Service Funds:</u>				
Vehicle Maintenance	11,069	-	A, --	
BOCC Self-Insurance	623,000	-	A, --	
	<hr/> 634,069	<hr/> -		
Total interfund receivables & payables	<hr/> <hr/> \$ 8,152,749	<hr/> <hr/> \$ 8,152,749		

Codes represent the following:

A) Charges for work or services. B) Loan of funds to cover cash overdrafts. C) Advance to/from other funds.

* General Fund receivable consists of \$120,133 type A and \$7,000,000 type B.

** Federal Grants payable consists of \$10,650 type A and \$1,650,000 type B.

*** ARRA Grants payable consists of \$166 type A and \$50,000 type B.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 2,094,933
Public safety	3,991,577
Physical environment	1,858,551
Transportation (which includes depreciation for infrastructure)	6,130,657
Human services	95,212
Culture and recreation	<u>4,076,231</u>

Total governmental activities depreciation expense \$ 18,247,161

Depreciation expense of \$220,262 for capital assets held by government's internal service funds was charged to the various functions based on the usage of the assets.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Business-type activities:	Beginning	Increases/	Decreases/	Ending
Water/Sewer Utilities:	Balance	Transfers	Transfers	Balance
Capital assets not being depreciated:				
Land	\$ 4,552,340	\$ 1,068,392	\$ -	\$ 5,620,732
Intangible assets, land use rights	-	30,143	-	30,143
Construction in progress	1,767,799	4,071,850	(843,164)	4,996,485
Total capital assets not being depreciated:	6,320,139	5,170,385	(843,164)	10,647,360
Capital assets being depreciated:				
Buildings	122,397,905	981,722	-	123,379,627
Water distribution system	76,380,949	4,004,332	-	80,385,281
Wells	10,783,231	726,840	-	11,510,071
Sewer collection system	85,803,068	4,143,706	(115,660)	89,831,114
Equipment & leasehold improvement	4,192,280	736,891	(69,075)	4,860,096
Intangible assets	3,151,456	4,739,060	-	7,890,516
Total capital assets being depreciated:	302,708,889	15,332,551	(184,735)	317,856,705
Less depreciation and amortization for:				
Buildings	(27,894,938)	(3,449,181)	-	(31,344,119)
Water distribution system	(22,484,463)	(2,145,231)	-	(24,629,694)
Wells	(3,902,170)	(488,810)	-	(4,390,980)
Sewer collection system	(22,653,360)	(2,844,591)	69,484	(25,428,467)
Equipment & leasehold improvement	(2,960,961)	(369,310)	61,607	(3,268,664)
Intangible assets	(978,045)	(198,911)	-	(1,176,956)
Total depreciation and amortization:	(80,873,937)	(9,496,034)	131,091	(90,238,880)
Total capital assets being depreciated, net	221,834,952	5,836,517	(53,644)	227,617,825
Water/Sewer capital assets, net	\$ 228,155,091	\$ 11,006,902	\$ (896,808)	\$ 238,265,185
Solid Waste:				
Capital assets not being depreciated:				
Land	\$ 1,836,230	\$ -	\$ -	\$ 1,836,230
Construction in progress	102,520	-	(102,520)	-
Total capital assets not being depreciated:	1,938,750	-	(102,520)	1,836,230

(CONTINUED)

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Business-type activities:	Beginning	Increases/	Decreases/	Ending
Solid Waste:	Balance	Transfers	Transfers	Balance
Capital assets being depreciated:				
Buildings and improvements	9,322,238	1,636,095	-	10,958,333
Landfill improvements	10,363,755	-	-	10,363,755
Equipment & leasehold improvement	4,301,692	136,117	(523,189)	3,914,620
Total capital assets being depreciated:	<u>23,987,685</u>	<u>1,772,212</u>	<u>(523,189)</u>	<u>25,236,708</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,373,262)	(265,493)	-	(1,638,755)
Landfill improvements	(10,168,578)	(60,509)	-	(10,229,087)
Equipment & leasehold improvement	(2,783,243)	(330,485)	521,062	(2,592,666)
Total accumulated depreciation:	<u>(14,325,083)</u>	<u>(656,487)</u>	<u>521,062</u>	<u>(14,460,508)</u>
Total capital assets being depreciated, Net	<u>9,662,602</u>	<u>1,115,725</u>	<u>(2,127)</u>	<u>10,776,200</u>
Solid Waste capital assets, net	<u>\$ 11,601,352</u>	<u>\$ 1,115,725</u>	<u>\$ (104,647)</u>	<u>\$ 12,612,430</u>
Airport:				
Capital assets not being depreciated:				
Land	\$ 7,134,482	\$ -	\$ (258,504)	\$ 6,875,978
Construction in progress	103,519	8,765,433	(72,619)	8,796,333
Total capital assets, not being depreciated:	<u>7,238,001</u>	<u>8,765,433</u>	<u>(331,123)</u>	<u>15,672,311</u>
Capital assets being depreciated:				
Buildings	2,882,593	-	-	2,882,593
Airport improvements	8,711,240	562,005	-	9,273,245
Equipment	434,121	17,372	(12,019)	439,474
Total capital assets, being depreciated:	<u>12,027,954</u>	<u>579,377</u>	<u>(12,019)</u>	<u>12,595,312</u>
Less accumulated depreciation for:				
Buildings	(771,063)	(96,086)	-	(867,149)
Airport improvements	(2,689,655)	(452,256)	-	(3,141,911)
Equipment	(308,958)	(49,283)	12,019	(346,222)
Total accumulated depreciation:	<u>(3,769,676)</u>	<u>(597,624)</u>	<u>12,019</u>	<u>(4,355,282)</u>
Total capital assets being depreciated, net	<u>8,258,278</u>	<u>(18,247)</u>	<u>-</u>	<u>8,240,030</u>
Airport capital assets, net	<u>15,496,279</u>	<u>8,747,186</u>	<u>(331,123)</u>	<u>23,912,341</u>
Business-type activities capital assets, net: \$	<u>255,252,722</u>	<u>20,869,813</u>	<u>(1,332,578)</u>	<u>274,789,956</u>

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 7 - Long-Term Obligations

Long-term obligations at September 30, 2010 are comprised of the following:

Due to other governmental agencies – arbitrage \$ 716,520

Compensated absences 15,350,278

Obligations under capital leases:

The County has entered into various lease agreements as lessee for financing the acquisition of several trucks, an ambulance, fire pumper and other equipment and for an Energy Performance contract with Trane for a/c upgrades. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Assets acquired have a cost of \$11,559,111 and a net book value of \$9,097,724. 8,917,139

General Obligation Bonds:

\$19,915,000 General Obligation Refunding Bonds, Series 2003; interest of 3.00% and principal payable annually through February 1, 2011; collateralized by a lien upon ad valorem taxes and the full faith, credit and taxing power of the Board. 870,000

\$5,265,000 General Obligation Refunding Bonds, Series 2004; interest from 3.10% to 4.00% and principal payable annually through August 1, 2016; collateralized by a lien upon ad valorem taxes and the full faith, credit and taxing power of the Board. 3,255,000

Total General Obligation Bonds 4,125,000

Revenue Bonds/Notes:

\$5,500,000 Improvement Revenue Note, Series 2000 (Fox Brown Road); interest of 5.225% payable semi-annually; principal payable in annual installments through October 2015; note is unsecured with a covenant to budget and appropriate non-ad valorem revenues in amounts sufficient to provide timely payment of principal and interest on the note. 2,309,294

Martin County, Florida
Notes to Financial Statements
September 30, 2010

\$11,200,000 Improvement Refunding Revenue Bonds, Series 2001; interest from 4.00% to 5.25% payable semi-annually; principal payable in annual installments through October 1, 2014; collateralized by a lien on and pledge of (1) guaranteed entitlement portion of the Revenue Sharing Trust Fund and (2) the second Guaranteed Entitlement and (3) a portion of the proceeds of the Local Government Half-Cent Sales Tax Revenues. The purpose of these revenue bonds was to provide for the funds for the purpose of (1) refunding the County's outstanding Improvement Refunding Revenue Bonds, Series 1994 maturing in the years 2002, and 2005 through 2014, and (2) paying certain expenses related to the issuance and sale of the Series 2001 Bonds. As of September 30, 2010, principal and interest remaining on these revenue bonds totaled \$5,414,188. For the year ended September 30, 2010, the principal and interest payments were \$1,355,275. Total pledged revenues recognized during the period were \$14,038,950, which amounted to 1036% of principal and interest requirements for the year.

4,785,000

\$12,095,000 Improvement Revenue Bonds, Series 2001A (800 MHZ Radio System); interest of 4.250% to 4.750% payable semi-annually; principal payable in annual installments through October 2016; collateralized by non-ad valorem revenues. The purpose of these revenue bonds was for (1) paying the costs of the acquisition of an 800 MHz radio system for the County and the acquisition of voting equipment for the Supervisor of Elections of the County (the "2001 Project"), (2) funding a deposit to the Reserve Account, and (3) paying certain expenses related to the issuance and sale of the Series 2001A Bonds. As of September 30, 2010, principal and interest remaining on these revenue bonds totaled \$3,679,188. For the year ended September 30, 2010, the principal and interest payments were \$950,337. Total pledged revenues recognized during the period were \$65,125,245, which amounted to 6853% of principal and interest requirements for the year.

3,195,000

\$9,000,000 Improvement Revenue Note, Series 2004; interest of 3.985% semi-annually; principal payable in semi-annual installments through March 2024; collateralized by non-ad valorem revenues. The purpose of this note was to fund various capital projects within the County including a Sheriff's Emergency Services Center and a Boat Ramp Facility. As of September 30, 2010, principal and interest remaining on this note totaled \$7,769,621. For the year ended September 30, 2010, the principal and interest payments were \$705,414. Total pledged revenues recognized during the period were \$65,125,245, which amounted to 9232% of principal and interest requirements for the year.

6,075,000

Martin County, Florida
Notes to Financial Statements
September 30, 2010

\$8,200,000 Improvement Revenue Note, Series 2005; interest of 3.985% semi-annually; principal payable in semi-annual installments through March 2025; collateralized by non-ad valorem revenues. The purpose of this note was to fund the cost of the acquisition and construction of various capital improvements within the County. As of September 30, 2010, principal and interest remaining on this note totaled \$7,736,629. For the year ended September 30, 2010, the principal and interest payments were \$659,049. Total pledged revenues recognized during the period were \$65,125,245, which amounted to 9882% of principal and interest requirements for the year.

5,945,000

\$40,000,000 Gas Tax Revenue Bonds, Series 2006; interest from 3.60% to 5.00% payable semi-annually; principal payable in annual installments through April 1, 2026; collateralized by a lien on and pledge of (1) Gas Tax Revenues and (2) until applied in accordance with the provisions of the Resolution, except (A) the Unrestricted Revenue Account and the Rebate Fund, and (B) any sub account of the Reserve Account, which is pledged solely for the payment of a particular Series of Bonds for which it was established in accordance with the provisions of the Resolution. The purpose of these bonds was to finance the cost of acquisition, construction, and reconstruction of roads and bridges and other transportation improvements within the County. As of September 30, 2010, principal and interest remaining on these bonds totaled \$45,871,526. For the year ended September 30, 2010, the principal and interest payments were \$3,152,875. Total pledged revenues recognized during the period were \$7,402,834, which amounted to 235% of principal and interest requirements for the year.

33,685,000

\$25,000,000 Local Government Infrastructure Revenue Note, Series 2007; interest rate will be calculated at the time of draw as 61% of the four year LIBOR swap rate plus 116 basis points and is payable semi-annually, principal payable in annual installments through December 1, 2011; monies will be drawn as needed to finance the County's conservation and recreation land purchase program; First draw was for \$5,775,000 taken on December 28, 2007; interest rate for this portion is 3.80%; loan collateralized by a lien on and pledge of the Local Government Infrastructure Surtax (five year, one-half cent sales tax – collections started January 1, 2007 and will continue through December 31, 2011). The purpose of this note was for the acquisition of land within the County for conservation and recreation purposes. As of September 30, 2010, principal and interest remaining on this note totaled \$3,106,512. For the year ended September 30, 2010, the principal and interest payments were \$1,557,531. Total pledged revenues recognized during this period were \$4,881,398, which amounted to 313% of principal and interest requirements for the year.

2,990,000

Total Revenue Bonds/Notes

58,984,294

Martin County, Florida
Notes to Financial Statements
September 30, 2010

State Revolving Fund Loans:

Clean Water State Revolving Fund Construction Loan #636060; interest of 3.07% payable semi-annually; principal payable semi-annually through February 15, 2023. Interest due within one year is \$98,315.	3,256,378
Clean Water State Revolving Fund Construction Loan #63611S; interest of 2.95% payable semi-annually; principal payable semi-annually through February 15, 2024. Interest due within one year is \$48,076.	1,654,848
Clean Water State Revolving Fund Construction Loan #63612S; interest of 2.71% payable semi-annually; principal payable semi-annually through April 15, 2025. Interest due within one year is \$51,025.	<u>1,942,730</u>
Total State Revolving Funds	<u>6,853,956</u>
Unamortized Premium	<u>55,051</u>
Total Long-Term Obligations	<u>\$ 95,002,238</u>
Deferred Bond Issuance Cost	\$ (342,556)
Deferred Amount on Refunding	<u>(238,021)</u>
Total Deferred Amounts	<u>\$ (580,577)</u>

Restrictive covenants of certain bonds include covenants that require the establishment and maintenance of various reserve and bond service accounts and governs the flow of funds with respect to such accounts. Currently the County has no final repayment schedule for the state-revolving loan 63612S as funds are still being drawn down for this loan.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

The annual debt service requirements to maturity for long-term debt are as follows:

Year Ending September 30,	Governmental Activities			
	Bonds and Notes		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 8,124,810	\$ 2,717,688	\$ 823,337	\$ 392,972
2012	7,101,286	2,419,577	859,880	356,429
2013	5,779,196	2,158,543	898,056	318,253
2014	5,973,607	1,915,009	832,727	278,371
2015	4,849,592	1,651,292	869,456	241,642
2016-2020	17,514,284	5,699,305	2,857,908	703,357
2021-2025	16,502,745	2,165,865	1,775,775	191,641
2026	2,175,000	46,219		
	<u>\$ 68,020,520</u>	<u>\$ 18,773,498</u>	<u>\$ 8,917,139</u>	<u>\$ 2,482,665</u>

Changes in long-term liabilities for the year-ended September 30, 2010 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Due to other governmental agency	\$ 710,110	\$ 6,410	\$ -	\$ 716,520	\$ 704,918
Compensated absences	15,609,487	6,435,565	(6,694,774)	15,350,278	6,574,811
Obligations under capital leases	9,629,496	-	(712,357)	8,917,139	823,337
General obligation bonds	6,295,000	-	(2,170,000)	4,125,000	1,370,000
Revenue bonds/notes	65,209,684	-	(6,225,390)	58,984,294	6,436,050
State revolving fund loans	7,402,812	71,880	(620,736)	6,853,956	318,761
Unamortized premiums	83,781	-	(28,730)	55,051	20,786
Total liabilities	<u>\$ 104,940,370</u>	<u>\$ 6,513,855</u>	<u>\$ (16,451,987)</u>	<u>\$ 95,002,238</u>	<u>\$ 16,248,663</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 8 - Long-Term Bonds Payable - Enterprise Funds – Water & Sewer Utilities

Long-term bonds payable at September 30, 2010 in the Enterprise Funds consist of the following:

Revenue Bonds

\$39,670,000 Utilities System Refunding Revenue Bonds, Series 1998; interest from 4.0% to 5.0% payable semi-annually; \$15,075,000 are serial bonds, payable annually through 2015; \$24,595,000 are term bonds, principal due annually from 2016-2024; collateralized by (i) net revenue of the combined system, (ii) certain Capital Facilities Charges collected with respect to the system, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolution. The purpose of this note was to provide funds for (1) refunding (a) a portion of the Consolidated Utilities System Refunding and Improvement Revenue Bonds, Series 1994; (b) all of the Department's outstanding Water and Wastewater System Revenue Bonds, Series 1996, (2) funding a portion of the Reserve Account through the purchase of a debt service reserve surety policy, and (3) paying certain expenses related to the issuance and sale of the Series 1998 Bonds. \$ 3,550,000

\$25,000,000 Utilities System Revenue Bonds, Series 2001; interest from 3.5% to 5% payable semi-annually; \$10,815,000 are serial bonds, payable annually through 2013; \$14,185,000 are term bonds, principal due annually from 2014 to 2026; collateralized by (i) net revenues of the combined Department, (ii) certain Capital Facility Charges collected with respect to the Department, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolutions. The purpose of this bond was to provide funds for (1) paying a portion of the cost of acquiring and construction additions, extensions and improvements to the Department's combined water and wastewater utility system, (2) funding a deposit to the Reserve Account through the purchase of a debt service reserve surety policy, and (3) paying certain expenses related to the issuance and sale of the Series 2001 Bonds. 17,065,000

\$40,450,000 Utilities System Revenue Bonds, Series 2003; interest from 2.0% to 5% payable semi-annually; \$20,495,000 are serial bonds, payable annually through 2023; \$19,955,000 are term bonds, principal due annually from 2024 to 2033; collateralized by (i) net revenues of the combined system, (ii) certain Capital Facility Charges collected with respect to the system, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolutions. The purpose of this bond was to provide funds for (1) construction of a new reverse osmosis water treatment plant, expansion of wastewater treatment plants and construction of extensions and improvement to the Department's combined water and wastewater utility system, (2) funding a deposit to the Reserve Account through the purchase of a debt service reserve surety policy, and (3) paying certain expenses related to the issuance and sale of the series 2003 Bonds. 34,945,000

Martin County, Florida
Notes to Financial Statements
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\$7,990,000 Utilities System Revenue Bonds, Series 2009A; interest of 5.0% payable semi-annually and these are term bonds, principal due annually from 2027 to 2039; collateralized by (i) net revenues of the department, (ii) certain Capital Facilities Charges collected with respect to the Department, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolutions, equal to remaining principal and interest requirements over the terms of the respective bond agreements. The purpose of this bond was to provide funds for (1) paying a portion of the cost of acquiring two existing water and wastewater systems, (2) paying certain expenses related to the issuance and sale of the 2009A Bonds, and (3) paying a certain portion of the cost of purchasing a municipal bond insurance policy and debt service reserve surety policy.

7,990,000

\$28,675,000 Utilities System Revenue Bonds, Series 2009B; interest from 2.0% to 5.0% payable semi-annually; \$16,945,000 are serial bonds, payable annually through 2020; \$11,730,000 are term bonds, principal due annually from 2022 to 2024; collateralized by (i) net revenues of the department, (ii) certain Capital Facilities Charges collected with respect to the Department, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolutions, equal to remaining principal and interest requirements over the terms of the respective bond agreements. The purpose of this bond was to provide funds for (1) refunding a portion of the Utilities System Revenue Bonds, Series 1998, (2) paying certain expenses related to the issuance and sale of the Series 2009B Bonds, and (3) paying a portion of the cost of purchasing a municipal bond insurance policy and debt service reserve surety policy.

27,610,000

Total Revenue Bonds

91,160,000

State Revolving Fund Loan

In 2002, the Department entered into two loan agreements with the State of Florida, Department of Environmental Protection (FDEP) to fund the planning and designing of wastewater collection systems for construction in Seagate Harbor, Lighthouse Point, North River Shores.

As of September 30, 2010 draw downs on loan number WWG12063607P have been completed. Balance on loan is :

2,232,845

Total State Revolving Funds

2,232,845

Martin County, Florida
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Premium amortization	\$ 904,375
Discount amortization	(614,818)
Deferred accounting loss on refunding	<u>(2,085,632)</u>
 Total long-term obligations	 <u>\$ 91,596,770</u>

The revenue bonds include restrictive covenants which require the establishment and maintenance of various reserve and bond service accounts and governs the flow of funds with respect to such accounts. In addition, covenants generally require the Department to establish rates and fees sufficient to provide net revenues and special assessments equal to 110% of the annual debt service requirements, or rates and fees sufficient to provide net revenues, capital facilities charges and special assessments equal to 120% of annual debt service requirements. Based on the interpretations of the Resolutions, the Department's pledged revenues recognized during the period were approximately \$14,506,256 with capital facilities charges and \$13,492,531 exclusive of capital facilities charges, amounting to 199% and 185%, respectively, of principal and interest payments.

The annual debt service requirements to maturity for long-term bonds and loans payable outstanding are as follows:

Year Ending September 30,	Business-type Activities Water & Sewer Utilities Bonds and Loans		
	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2011	\$ 3,047,263	\$ 4,464,149	\$ 7,511,412
2012	3,175,626	4,331,260	7,506,886
2013	3,319,081	4,189,418	7,508,499
2014	3,487,632	4,034,657	7,522,289
2015	3,651,279	3,869,160	7,520,439
2016-2020	21,139,732	16,465,738	37,605,470
2021-2025	26,617,232	11,114,711	37,731,943
2026-2030	15,855,000	5,383,164	21,238,164
2031-2035	10,085,000	1,954,400	12,039,400
2036-2039	3,015,000	386,000	3,401,000
	<u>\$ 93,392,845</u>	<u>\$ 56,192,657</u>	<u>\$ 149,585,502</u>

Total annual debt service requirements	\$ 149,585,502
Less: Unamortized Discount	(614,818)
Deferred accounting loss on refunding	(2,085,632)
Amounts representing interest	(56,192,657)
Plus: Unamortized Premium	904,375
Total Long-Term Debt	<u>\$ 91,596,770</u>

Martin County, Florida
Notes to Financial Statements
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Changes in long-term liabilities for the year ended September 30, 2010 were as follows:

	Balance			Balance	
	09/30/2009	Additions	Reductions	09/30/2010	Due Within One Year
Water/Sewer Utilities					
Revenue Bonds					
Series 1998	\$ 33,205,000	\$ -	\$ (29,655,000)	\$ 3,550,000	\$ 1,000,000
Series 2001	19,050,000	-	(1,985,000)	17,065,000	1,045,000
Series 2003	36,620,000	-	(1,675,000)	34,945,000	880,000
Series 2009A	-	7,990,000	-	7,990,000	-
Series 2009B	-	28,675,000	(1,065,000)	27,610,000	-
Plus (Less):					
Unamortized premium	334,827	633,396	(63,848)	904,375	(67,048)
Unamortized discount	(720,370)	(198,174)	303,726	(614,818)	57,159
Deferred accounting loss on refunding	(1,996,928)	(1,925,021)	1,836,317	(2,085,632)	262,558
Total revenue bonds	<u>86,492,529</u>	<u>35,175,201</u>	<u>(32,303,805)</u>	<u>89,363,925</u>	<u>3,177,669</u>
State Revolving Fund Loans					
WWG12063607P	<u>2,351,836</u>	<u>-</u>	<u>(118,991)</u>	<u>2,232,845</u>	<u>122,263</u>
Total long-term debt	<u>88,844,365</u>	<u>35,175,201</u>	<u>(32,422,796)</u>	<u>91,596,770</u>	<u>3,299,932</u>
Other liabilities:					
Compensated absences	<u>687,823</u>	<u>484,842</u>	<u>(501,053)</u>	<u>671,612</u>	<u>98,192</u>
Total long-term liabilities					
Water/Sewer Utilities	<u>89,532,188</u>	<u>35,660,043</u>	<u>(32,923,849)</u>	<u>92,268,382</u>	<u>3,398,124</u>
Solid Waste:					
Compensated absences	158,045	87,657	(103,637)	142,065	18,707
Landfill closure costs	<u>14,074,613</u>	<u>-</u>	<u>(419,226)</u>	<u>13,655,387</u>	<u>514,973</u>
Total long-term liabilities					
Solid Waste	<u>14,232,658</u>	<u>87,657</u>	<u>(522,863)</u>	<u>13,797,452</u>	<u>533,680</u>
Airport					
Compensated absences	<u>62,016</u>	<u>47,741</u>	<u>(45,645)</u>	<u>64,112</u>	<u>6,411</u>
Total long-term liabilities					
Business-type activities	<u>\$ 103,826,862</u>	<u>\$ 35,795,441</u>	<u>\$ (33,492,357)</u>	<u>\$ 106,129,946</u>	<u>\$ 3,938,215</u>

Martin County, Florida
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September 30, 2010

Advance Refunding of Debt

On October 15, 2009, the Department issued \$28,675,000 in Utility System Refunding Bonds, Series 2009B, with an average interest rate of 4.38 percent, to advance refund a portion of the Utilities System Refunding Revenue Bonds, Series 1998. The Refunding Bonds are being issued to refund the \$28,745,000 principal amount of the Department's Utilities System Refunding Revenue Bonds, Series 1998 that mature on or after November 30, 2009. The net proceeds of \$28,854,507 (after payment of \$601,515 in underwriting fees, insurance and other issuance costs) combined with the Department's equity contribution of \$125,423 were placed in an irrevocable trust to call on November 30, 2009, the portion of the outstanding 1998 Series Bonds being refunded and to pay all associated accrued interest. As a result, a portion of the 1998 Series bonds are considered to be in-substance defeased and the liability for those bonds has been removed from the Department's financial statements.

The Series 1998 Utilities System Refunding Bonds were refunded to reduce its total debt service payments over the next fourteen years by approximately \$1,954,556 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,436,853.

Note 9 – Lease Commitments

Operating Leases:

The primary government leases office facilities, which have non-cancelable lease terms in excess of one year. The following is a schedule by year of future minimum rentals on such leases as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Amount</u>
2011	\$ 1,232,298
2012	846,523
2013	114,000
2014	114,000
2015	114,000
2016	<u>19,000</u>
Total future minimum rentals	\$ <u>2,439,821</u>

Rental expenditures on operating leases amounted to \$1,453,941 for the year ended September 30, 2010.

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Notes to Financial Statements
September 30, 2010

Note 10 – Long Term Liabilities – Enterprise Funds – Solid Waste

Regulations of the Florida Department of Environmental Protection require the County to place a final cover on its Palm City II landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The estimated total postclosure care is based on applicable federal and state regulations and is adjusted each year based in inflation or deflation and changes in operating conditions as calculated by an independent engineer. Solid Waste reports a portion of these postclosure care costs as an expense in each period based actual costs incurred and adjustments to the engineer’s report. The reported closure and postclosure care liability at September 30, 2010 represents the cumulative amount accrued to date based on closure of the landfill in FY 2006.

Solid Waste has entered into an agreement with an outside contractor to transfer and dispose of solid waste outside the County. Construction on the cap of the final open cell at Palm City II Landfill was completed during fiscal year 2006.

The decrease of the post closure liability of \$419,226 is due to a reduction from 27 to 26 years of estimated post closure care costs and the final payment to the contractor for closing Palm City II.

Solid Waste is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. Such amounts held for this purpose comprise the restricted investments on the accompanying balance sheet. Solid Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulation, for example) these costs may need to be covered by charges to future landfill users.

Note 11 - Capital Contributions

Capital contributions recognized in Water/Sewer Utilities fund consist of monies received, and capital assets contributed. The additions during fiscal year 2010 consisted of \$863,887 in cash and \$4,222,437 in capital assets.

Note 12 – Interfund Transfers

Transfers for the year ended September 30, 2010 were as follows:

<u>Fund</u>		<u>Transfers In</u>		<u>Transfers Out</u>
Major Funds:				
General Fund	\$	8,774,181	\$	10,506,995
Consolidated Fire/EMS MSTU		-		3,613,079
Other State Grants		4,170,059		-
		12,944,240		14,120,074

CONTINUED

Martin County, Florida
Notes to Financial Statements
September 30, 2010

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Other Governmental Funds:		
Central MSTU	-	193,008
Southern MSTU	-	50,000
South Central MSTU	-	470,000
Western 1 MSTU	-	318
Western 2 MSTU	-	73,172
Other MSTUs	2,395,866	5,998,589
Federal Grants	940,726	-
Local Grants	127,020	-
Other Impact Fees	-	718,322
Transportation Impact Fees	-	2,389,407
Public Safety	361,525	843,203
Judicial	3,555,337	2,889,037
Economic Development	346,000	-
Culture & Recreation	529,502	-
CRA	2,072,752	55,000
Sheriff Special Revenue	738,813	-
General Obligation Bonds	253,033	282,182
Revenue Bonds	3,133,138	-
Bank Notes & Loans	2,376,532	-
Recreation Projects	190,425	2,452,614
Transportation Road Projects	180,000	1,907,729
County Buildings	87,329	572,583
	<u>17,287,998</u>	<u>18,895,164</u>
Proprietary Funds:	2,783,000	-
Total	\$ <u>33,015,238</u>	\$ <u>33,015,238</u>

The County's interfund transfers are budgeted amounts transferred from one governmental accounting fund to another for work or services provided. In the current year there were no transfers that did not occur on a routine basis or that were inconsistent with the activities of the fund making the transfer.

Note 13 - Property Tax

The key dates applicable to the ad valorem property tax cycle under normal conditions are as follows:

Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes are levied	October 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	June 1
Lien Date	June 1

Martin County, Florida
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Property tax levies are based on assessed values as of January 1 and become due and payable on November 1 of each year. A discount of 4 percent is allowed if paid in November, with the discount decreasing by 1 percent each month. Thus, taxes paid in March will not receive any discount. All unpaid taxes become delinquent on April 1. Real property taxes that are delinquent are charged 3 percent interest for April and 5 percent interest for May. Tax certificates are sold by June 1st.

Note 14 - Defined Benefit Pension Plan

The County adopted the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, in the following disclosure:

Plan Description

Substantially all full time employees of the County are eligible to participate in the Florida Retirement System (the "System"). The System is a cost-sharing, multiple-employer public retirement system, defined benefit pension plan administered by the State of Florida Division of Retirement. The System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries.

The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefits provisions. Each year the System issues a publicly available financial report that includes the financial statements and required supplementary information. The report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P. O. Box 9000, Tallahassee, FL 32315-9000.

Funding Policy

The System is a defined benefit plan for all state participating county, city, district school board, community college, and university employees. Contribution rates are established statewide for all participating governmental units. Accordingly, the actuarial information and related disclosures attributable to the County's employees are not determinable. The County is required to contribute an actuarially determined rate. The following rates, on an annual covered payroll, were in effect during fiscal 2010 for the following classes of memberships:

	10/01/09- 06/30/10	07/01/10- 09/30/10
Regular	9.85%	10.77%
Senior Management	13.12%	14.57%
Special Risk	20.92%	23.25%
County Elected Officials	16.53%	18.64%
DROP	10.91%	12.25%

The contributions of the County are established and may be amended by the State Legislature. The County's contribution to the System for the years ended September 30, 2010 were 13.06% of the annual covered payroll. Contributions for the years ended September 30, 2010, 2009, and 2008 were \$15,520,790, \$15,703,363, and \$15,454,945, respectively, and are equal to the required contributions for those fiscal years.

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Notes to Financial Statements
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Drop Benefits

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 FRS Valuation Summary report that provides eight-year historical trend supplementary information about progress made in accumulating sufficient assets to pay benefits when due. This report may be obtained by writing to the Division of Retirement, Research & Education Section, PO Box 9000, Tallahassee, Florida 32315-9000, or by email at rep@dms.myflorida.com, or by phone toll-free at 877-FRS-1FRS (877-377-1737), at (850) 488-5706 in the Tallahassee local calling area, or at SUNCOM 278-5706, or by Internet at http://dms.myflorida.com/dms2/human_resource_support/retirement/publications/system_information.

Note 15 - Other Postemployment Benefits (OPEB)

Plan Description

In addition to the retirement system described in Note 14, the County provides post-retirement health care benefits, in accordance with state statutes, to all employees who retire from the County after vesting with the retirement system. Currently, 337 retirees meet those eligibility requirements. Although not required by Florida Law, the County has opted to pay a portion of the cost of such participation for retired County employees through a single employer defined benefit plan (the "Plan") for which benefit provisions may be amended. The Plan does not issue a stand-alone financial report.

Retired employees of the Board of County Commissioners; Clerk of the Circuit Court; Property Appraiser; Supervisor of Elections; and Tax Collector, ("the Agencies") who retire after 30 years of service, or after the age of 55, with ten years of credited service with the County and who were participants in the existing medical plan at the time of retirement, are entitled to participation in the Plan. For these retirees, the Agency subsidizes 75% of the cost of health care coverage for the retiree. The retiree may choose family coverage, but would have to pay the difference in premium cost to the Agency. Eligible IAFF (International Association of Fire Fighters) employees wishing to participate in the County's health insurance program upon retirement must have worked for Martin County for ten (10) years, be at least 55 years of age, or have worked for a Florida Retirement System Employer for at least twenty-five (25) years including ten (10) years with Martin County, regardless of age. The retired employee must be receiving retirement benefits from the Florida Retirement System (FRS) in order to participate in the Plan. The County will subsidize 75% of the qualified retiree's premium including family/dependent coverage.

Effective 10/13/2009 for all non-IAFF employees, there will not be any retiree health insurance County contribution offered. For non-IAFF employees hired prior to 10/13/09 when the employee retires with at least 10 years of service and at least 55 years of age or older, the County will contribute 75% of single health insurance coverage until the retiree becomes Medicare eligible - then the 75% contribution will cease. This change helped reduce the Agencies' unfunded actuarial accrued liability by \$23.2 million or 25.31%. There were no changes to those that began receiving the benefit prior to 10/13/2009.

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The Sheriff's Office provides postretirement health care benefits to all employees who retire after vesting with the FRS. The Sheriff subsidizes 75% of the amount of health care costs for retirees, including family/dependent coverage, for retirees hired before January 1, 2001. Employees hired after that date through December 31, 2009 are subsidized 60% to 75%, depending on the years of service. Employees hired on or after January 1, 2010 with at least 20 years of service will be subsidized 70% to 75%. The health care rates for retirees are the same as for active employees. All retirees who have life insurance at the time of their retirement are eligible for a \$5,000 life insurance policy on themselves only, which is subsidized 50% by the Sheriff.

Membership

As of September 30, 2010, membership consisted of:

	<u>Agencies</u>	<u>Sheriff</u>
Active Employees	936	535
Retired Participants	203	134

Funding Policy

Funding for the plan is on a pay-as-you-go basis from the County's general assets when due. There is no separate trust through which benefits for retirees are funded. The County has set an internal designation of \$2.5 million for this purpose; interest totaling \$70,408 had accrued as of September 30, 2010. The Sheriff's Department has no internal designation for OPEB.

Annual OPEB Costs and Net OPEB Obligation

The County's last actuarial valuation for the Plans was provided as of October 1, 2009. Based on these reports, the following table gives the components of the County's annual OPEB cost for the year, the County's contributions to the plan, and changes in the County's net OPEB obligation:

	<u>Agencies</u>	<u>Sheriff</u>	<u>Total</u>
ARC	\$ 5,561,391	\$ 6,552,418	\$ 12,113,809
Interest on OPEB Obligations	507,559	411,830	919,389
Adjustment to ARC	<u>(453,177)</u>	<u>(367,706)</u>	<u>(820,883)</u>
Annual OPEB Cost	5,615,773	6,596,542	12,212,315
Contributions Made	<u>(3,542,207)</u>	<u>(1,779,302)</u>	<u>(5,321,509)</u>
Increase in OPEB	2,073,566	4,817,240	6,890,806
Net OPEB Obligations			
Beginning of Year	<u>12,688,969</u>	<u>10,295,759</u>	<u>22,984,728</u>
End of Year	<u>\$ 14,762,535</u>	<u>\$ 15,112,999</u>	<u>\$ 29,875,534</u>

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Three Year Trend Information

	Year Ended	Annual OPEB	Employer	% of Annual OPEB	Net OPEB
	September 30	Cost	Contributions	Cost Contributed	Obligation
Agencies	2008	\$ 7,664,123	\$ 1,126,885	14.70%	\$ 6,537,238
	2009	\$ 8,014,270	\$ 1,862,539	23.24%	\$ 12,688,969
	2010	\$ 5,615,773	\$ 3,542,207	63.08%	\$ 14,762,535
Sheriff	2008	\$ 6,124,814	\$ 888,249	14.50%	\$ 5,236,565
	2009	\$ 6,404,717	\$ 1,345,523	21.01%	\$ 10,295,759
	2010	\$ 6,596,542	\$ 1,779,302	26.97%	\$ 15,112,999

The funded status of the Plan as of September 30, 2010 was as follows:

	Agencies	Sheriff	Total
Actuarial Accrued Liability (AAL)	\$ 68,669,761	\$ 78,773,991	\$ 147,443,752
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 68,669,761	\$ 78,773,991	\$ 147,443,752
Covered Payroll	\$ 60,817,030	\$ 36,011,668	\$ 96,828,698
Ratio of UAAL to Covered Payroll	112.91%	218.75%	152.27%

Valuation Methods and Assumptions

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

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Martin County, Florida
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September 30, 2010

The Actuarial Methods for both plans are:

	<u>Pay-As-You-Go Funding</u>
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level % of Payroll
Amortization Period (closed)	30 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return*	4%
Projected Salary Increases*	4% - 9.5%
Payroll Growth Assumptions	4%
Healthcare Cost Trend Rates**	9%

* Includes general price inflation of 3%

** For 2010 with a gradual annual decline to 5% in 2019 and thereafter

Note 16 – Risk Management

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

The coverage for property, general liability, automobile liability, workers' compensation, and public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program reported in the Self-Insurance Fund, which was initiated in October 1987, when the County entered into an interlocal agreement with City of Stuart, City of Port St. Lucie, and St. Lucie County to form the Tri-County Risk Management Program (TRICO), a public entity risk pool. TRICO, a self-insured fund, was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member cities and counties in which risk of loss is transferred to TRICO. The County makes an annual actuarially determined contribution to TRICO and the interlocal agreement and by-laws of TRICO call for it to be self-sustaining through member contributions. However, the County is subject to supplemental contributions in the event of deficiency except to the extent that the deficiency results from a specific claim against another member in excess of the coverage available, then such deficiency is solely the responsibility of that member.

The coverage for employee health is also reported in the Self-Insurance Fund. Employees may choose single or family coverage and pay 25% of premiums, while the County pays 75% of premiums.

Fund revenues are primarily insurance contributions from other funds. The revenues are planned to match contributions made to the self-insured comprehensive risk management program, expenses of insurance premiums for excess coverage, estimated payments of claims resulting from the self-insurance program and the operating expenses. Settled claims have not exceeded coverage in the past three years.

The County is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which generally limits the amount of the liability of the County to individual claims of \$100,000, or \$200,000 for all claims relating to the same incident.

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Notes to Financial Statements
September 30, 2010

Annual contributions associated with the TRICO interlocal agreement are presented as expenses in the self-insurance fund, based on actuarially determined contributions required. In addition, self-insurance fund liabilities for employee health are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Employee health liabilities include an amount for claims that have been incurred but not reported and also any administrative costs reported as accounts payable at year end. Estimates of claims liabilities are determined using actuarial methods and experience of claims history. Changes in balances of accounts payable and claims liabilities associated with employee health during the past two years are as follows:

Accounts payable & accrued insurance claims at October 1, 2008	\$ 2,650,490
Expenses incurred	26,509,170
Claims paid	<u>(26,698,421)</u>
Accounts payable & accrued insurance claims at September 30, 2009	2,461,239
Expenses incurred	28,957,141
Claims paid	<u>(28,832,271)</u>
Accounts payable & accrued insurance claims at September 30, 2010	<u>\$ 2,586,109</u>

Note 17 - Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the self-insurance program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the County.

Note 18 – Net Assets Restricted by Enabling Legislation

Restricted net assets on the government-wide statement of net assets include \$36,591,277 of net assets restricted by enabling legislation.

Note 19 – Community Redevelopment Agencies

As explained in Note 1B, Martin County's Community Redevelopment Agency is a blended component unit of the County and the seven area neighborhoods are consolidated and presented as a special revenue fund in the CAFR. As required by State statutes, additional description of CRA financial information during fiscal year 2010 is presented on the following pages.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

	<u>Total CRA Funds</u>	<u>Jensen Beach CRA Trust Fund</u>	<u>Rio CRA Trust Fund</u>
<u>Sources of Deposits</u>			
County tax increment	\$ 2,072,752	\$ 98,249	\$ 433,693
Interest Income	116,876	2,061	23,466
	<u>\$ 2,189,628</u>	<u>\$ 100,310</u>	<u>\$ 457,159</u>
<u>Purpose of Withdrawals</u>			
CRA Administration	\$ 327,225	\$ 47,078	\$ 47,817
Professional Services	120,019	-	-
Other Contractual Services	234,942	1,637	191,376
IT Services	168	24	24
Mowing & Landscaping Services	1,111	-	1,111
Travel & Per Diem/ Educational	210	-	-
Communications	2,142	306	306
Freight & Postage	672	1	12
Water/Sewer Services	93,333	-	91,216
Rentals & Leases	7,915	-	-
Rentals & Leases/Pool Vehicles	2,205	160	265
Printing and Binding	5,880	609	610
Other Current Charges	1,509	-	57
Office Supplies	2,103	293	293
Computer Equipment \$1,000-4,999.99	6,104	872	872
Non-Capital Computer Equipment	1,498	214	214
Operating Supplies	119	17	17
Computer Supplies	1,673	239	239
Food	360	-	-
Publications & Memberships	1,428	204	204
Training	3,845	540	540
Land ~ Professional Services	17,253	-	13,956
Buildings ~ Professional Services	17,760	-	-
Improvements other than Buildings	1,019,307	133,811	21,373
Improv other than Bldg-Prof Serv	323,893	-	-
Improv other than Bldg-Misc Csts	14,976	-	57
Other Grants and Aids	223,577	-	-
Transfers to General Fund	55,000	7,858	7,857
	<u>\$ 2,486,227</u>	<u>\$ 193,863</u>	<u>\$ 378,416</u>

CONTINUED

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Hobe Sound CRA Trust Fund	Port Salerno CRA Trust Fund	Golden Gate CRA Fund	Indiantown CRA Fund	Palm City CRA Fund
\$ 439,781	\$ 453,561	\$ 170,485	\$ 236,071	\$ 240,912
8,098	31,165	16,748	15,191	20,147
<u>\$ 447,879</u>	<u>\$ 484,726</u>	<u>\$ 187,233</u>	<u>\$ 251,262</u>	<u>\$ 261,059</u>
\$ 45,811	\$ 47,817	\$ 45,812	\$ 45,811	\$ 47,079
4,940	71,466	18,316	25,297	-
137	29,754	137	11,765	136
24	24	24	24	24
-	-	-	-	-
20	-	190	-	-
306	306	306	306	306
9	8	630	3	9
-	-	-	-	2,117
6,983	932	-	-	-
325	450	195	600	210
610	610	1,889	610	942
-	446	-	580	426
293	307	293	331	293
872	872	872	872	872
214	214	214	214	214
17	17	17	17	17
239	239	239	239	239
-	-	360	-	-
204	204	204	204	204
540	540	585	560	540
500	2,547	-	250	-
-	-	17,760	-	-
75,388	421,814	-	267,491	99,430
29,808	100,520	135,601	3,655	54,309
-	14,919	-	-	-
143,000	8,077	-	72,500	-
7,857	7,857	7,857	7,857	7,857
<u>\$ 318,097</u>	<u>\$ 709,940</u>	<u>\$ 231,501</u>	<u>\$ 439,186</u>	<u>\$ 215,224</u>

CRA Indebtedness

None of the CRA's have pledged incremental revenues or incurred any debt to carry out their activities.

Martin County, Florida
Notes to Financial Statements
September 30, 2010

Note 20 – Subsequent Events

On November 17, 2010, the Department issued \$16,900,000 in a Utilities System Refunding Revenue Note, Series 2010, with an interest rate of 2.91 percent, to advance refund the Utilities System Revenue Bonds, Series 2001. The Refunding Note is being issued to refund the \$16,020,000 principal amount of the Department's Utilities System Revenue Bonds, Series 2001 that mature on or after October 1, 2011. The net proceeds of \$16,850,581 (after payment of \$49,419 in issuance costs) combined with the Department's equity contribution of \$102,253 were placed in an irrevocable trust to call on October 1, 2011, all outstanding bonds and to pay all accrued interest and call premiums on the Utilities System Revenue Bonds, Series 2001. As a result, \$16,020,000 of the 2001 Series Bonds are considered to be in-substance defeased as of November 17, 2010.

The Utilities System Revenue Bonds, Series 2001, were refunded to reduce its total debt service payments over the next sixteen years by approximately \$2,884,274 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,299,881.

In addition, on October 26, 2010, the Board of County Commissioners issued a \$3,045,000 Capital Improvement Note to finance the costs of acquiring, constructing and equipping the County's communication network. The interest rate is 3.55% and the final payment will be made October 1, 2025.

Martin County, Florida
Required Supplementary Information
September 30, 2010

Other Postemployment Benefits Plan

	Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as Percentage Covered Payroll
Agencies:							
	10/1/2007	\$ -	\$ 91,943,682	\$91,943,682	0%	\$50,950,672	180.46%
	10/1/2009	\$ -	\$ 68,669,761	\$68,669,761	0%	\$60,817,030	112.91%
Sheriff:							
	10/1/2007	\$ -	\$ 77,257,831	\$77,257,831	0%	\$30,459,458	253.64%
	10/1/2009	\$ -	\$ 78,773,991	\$78,773,991	0%	\$36,011,668	218.75%

Note: There were no actuarial valuations performed for fiscal years 2008 and 2010.





**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 County Commissioners
and Constitutional Officers of Martin County, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Martin County, Florida (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County'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 County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving internal control over financial reporting that we have reported to management of the County in a separate management letter dated March 14, 2011.

This report is intended solely for the information and use of management, the Board of County Commissioners and Constitutional Officers of Martin County, Florida, and applicable state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cheryl Bohart & Holland, L.L.P.

Orlando, Florida
March 14, 2011

CLERK OF THE CIRCUIT COURT





Independent Auditors' Report

To the Honorable Marsha Ewing,
Clerk of the Circuit Court of Martin County, Florida:

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Martin County, Florida Clerk of the Circuit Court (the "Clerk") as of and for the year ended September 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Clerk's management. Our responsibility is to express opinions on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose 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.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in financial position of the Clerk. Additionally, the special-purpose financial statements present only the Clerk and are not intended to present the financial position and changes in financial position of Martin County, Florida taken as a whole.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Clerk as of September 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Public Records Modernization Trust Fund 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 the Clerk'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 conjunction with this report in considering the results of our audit.

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



**Martin County, Florida
Clerk of the Circuit Court
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2010**

	General	Public Records Modernization	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 362,829	\$ 242,127	\$ 6,526	\$ 611,482
Investments	435,691	316,429	19,962	772,082
Due from other county agencies	2,750	-	-	2,750
Due from other governmental agencies	61,075	-	-	61,075
Other current assets	695	-	-	695
Total assets	\$ 863,040	\$ 558,556	\$ 26,488	\$ 1,448,084
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 41,427	\$ 29,454	\$ -	\$ 70,881
Accrued wages payable	299,974	13,466	-	313,440
Due to Board of County Commissioners	72,754	-	-	72,754
Due to other governmental agencies	45,104	-	-	45,104
Deposits and other liabilities	333,036	-	-	333,036
Deferred revenues	28,250	-	-	28,250
Total liabilities	820,545	42,920	-	863,465
Fund balances:				
Reserved for court operations	42,495	-	-	42,495
Unreserved, undesignated	-	515,636	26,488	542,124
Total fund balances	42,495	515,636	26,488	584,619
Total liabilities and fund balances	\$ 863,040	\$ 558,556	\$ 26,488	\$ 1,448,084

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Clerk of the Circuit Court
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	<u>General</u>	<u>Public Records Modernization</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Intergovernmental revenues	\$ 3,830,495	\$ -	\$ -	\$ 3,830,495
Charges for services	936,581	279,371	-	1,215,952
Fines and forfeitures	-	251,088	-	251,088
Interest income	12,243	-	-	12,243
Miscellaneous revenues	2,809	-	-	2,809
Total revenues	<u>4,782,128</u>	<u>530,459</u>	<u>-</u>	<u>5,312,587</u>
EXPENDITURES				
Current:				
General government	5,705,278	463,593	-	6,168,871
Capital outlay	<u>76,358</u>	<u>117,480</u>	<u>-</u>	<u>193,838</u>
Total expenditures	<u>5,781,636</u>	<u>581,073</u>	<u>-</u>	<u>6,362,709</u>
Deficiency of revenues under expenditures	<u>(999,508)</u>	<u>(50,614)</u>	<u>-</u>	<u>(1,050,122)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,097,540	-	-	1,097,540
Transfers out	<u>(72,754)</u>	<u>-</u>	<u>-</u>	<u>(72,754)</u>
Total other financing sources	<u>1,024,786</u>	<u>-</u>	<u>-</u>	<u>1,024,786</u>
Net change in fund balances	25,278	(50,614)	-	(25,336)
Fund balances-beginning	17,217	566,250	26,488	609,955
Fund balances-ending	<u>\$ 42,495</u>	<u>\$ 515,636</u>	<u>\$ 26,488</u>	<u>\$ 584,619</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Clerk of the Circuit Court
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ 2,807,006	\$ 3,820,434	\$ 3,830,495	\$ 10,061
Charges for services	846,006	941,177	936,581	(4,596)
Interest income	-	-	12,243	12,243
Miscellaneous revenues	2,632	2,632	2,809	177
Total revenues	<u>3,655,644</u>	<u>4,764,243</u>	<u>4,782,128</u>	<u>17,885</u>
EXPENDITURES:				
Current:				
General government	4,629,105	5,799,000	5,705,278	93,722
Capital outlay	-	80,000	76,358	3,642
Total expenditures	<u>4,629,105</u>	<u>5,879,000</u>	<u>5,781,636</u>	<u>97,364</u>
Deficiency of revenues under expenditures	<u>(973,461)</u>	<u>(1,114,757)</u>	<u>(999,508)</u>	<u>115,249</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,097,540	1,097,540	1,097,540	-
Transfers out	-	-	(72,754)	(72,754)
Reserves	(139,079)	-	-	-
Total other financing sources	<u>958,461</u>	<u>1,097,540</u>	<u>1,024,786</u>	<u>(72,754)</u>
Net change in fund balances	(15,000)	(17,217)	25,278	42,495
Fund balances - beginning	15,000	17,217	17,217	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,495</u>	<u>\$ 42,495</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Clerk of the Circuit Court
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Public Records Modernization Trust Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 280,000	\$ 280,000	\$ 279,371	\$ (629)
Fines and forfeitures	202,093	202,093	251,088	48,995
Total revenues	<u>482,093</u>	<u>482,093</u>	<u>530,459</u>	<u>48,366</u>
EXPENDITURES:				
Current:				
General government	523,894	530,194	463,593	66,601
Capital outlay	-	117,500	117,480	20
Total expenditures	<u>523,894</u>	<u>647,694</u>	<u>581,073</u>	<u>66,621</u>
Deficiency of revenues under expenditures	<u>(41,801)</u>	<u>(165,601)</u>	<u>(50,614)</u>	<u>114,987</u>
OTHER FINANCING USES:				
Reserves	<u>(445,299)</u>	<u>(400,648)</u>	-	400,648
Total other financing uses	<u>(445,299)</u>	<u>(400,648)</u>	-	400,648
Net change in fund balances	(487,100)	(566,249)	(50,614)	515,635
Fund balances - beginning	487,100	566,249	566,250	1
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 515,636</u>	<u>\$ 515,636</u>

The notes to the special-purpose financial statements are an integral part of this statement.

**Martin County, Florida
Clerk of the Circuit Court
Special-Purpose Statement of Fiduciary Net Assets
Agency Funds
September 30, 2010**

ASSETS

Cash and cash equivalents	\$ 3,383,419
Due from other governmental agencies	400
Investments	<u>696,334</u>
Total assets	<u>\$ 4,080,153</u>

LIABILITIES

Accrued liabilities	\$ 11,832
Due to other governmental agencies	921,676
Deposits	<u>3,146,645</u>
Total liabilities	<u>\$ 4,080,153</u>

The notes to the special-purpose financial statements are an integral part of this statement.



**Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010**

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Clerk of the Circuit Court of Martin County, Florida (the "Clerk") are summarized below:

A. General Information

Martin County (the "County") is a political subdivision of the State of Florida (the "State"). The County operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, *Florida Statutes*.

B. Reporting Entity

The Clerk is a separately elected county official established pursuant to the Constitution of the State of Florida. The Clerk's special-purpose financial statements do not purport to reflect the financial position or the results of operations of the County taken as a whole.

Entity status for financial reporting purposes is governed by Statement Nos. 14 and 39 of the Governmental Accounting Standards Board ("GASB"). Although the Clerk's Office is operationally autonomous from the County, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Clerk is reported as a part of the primary government of Martin County, Florida.

C. Fund Accounting

The accounting records of the Clerk are organized on the basis of funds as prescribed by accounting principles generally accepted in the United States of America ("GAAP") applicable to governments as established by the GASB. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Separate funds are maintained to account for specific government activities or to comply with special regulations or legal restrictions. Fund financial statements report detailed information about the Clerk. The focus of governmental fund financial statements is on a major fund rather than reporting funds by type. Each major fund is reported in a separate column. The various types and funds used by the Clerk are described as follows:

Major Funds

General Fund – This fund is used to account for all financial activity of the Clerk not accounted for in other funds. Revenue is derived primarily from intergovernmental revenues. With the implementation of Revision 7 to Article V on July 1, 2004, the Clerk's activities are now classified as court-related and non-court-related. The Clerk's non court-related General Fund activity is funded through service charges for recording instruments and documents into the official records. Additionally, the Clerk to the Board operations are funded through the collection of ad valorem taxes by the Martin County Board of Commissioners, which is reported in the General Fund as transfers in. Excess revenues at the end of the year, that are required to be returned to the Martin County Board of County Commissioners, are shown as transfers out in the General Fund.

Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Court related activities are funded by the State from the Clerk of Court Trust Fund. The Clerk's Trust Fund revenues are derived from fees charged by the Clerk for maintaining the County and Circuit Court records, and from the collection of fines and fees assessed by the courts. All collections are reflected as liabilities on the balance sheet and are paid to the Florida Department of Revenue on a monthly basis. Court related activities are tracked and recorded in a sub-fund within the Clerk's General Fund. The court related budget year runs from July 1 through June 30, concurrent with the State's fiscal year. Any unexpended court related funds as of June 30 are due to the State by the 20th of July and are recorded as a liability to the Florida Department of Revenue.

Public Records Modernization Fund – This fund is a special revenue fund and is used to account for proceeds from recording fees and from 10% of court related fines collected by the Clerk to be used for modernization of the Clerk of the Circuit Court's public records systems and to support the operations of the Clerk of the Circuit Court.

Non-major Other Governmental Funds:

County Civil Mediation Fund – This fund is a special revenue fund and is used to account for proceeds from mediation and arbitration fees to be used to fund the operations of the Nineteenth Judicial Circuit's Mediation/Arbitration Program.

Circuit & Family Mediation Fund – This fund is a special revenue fund and is used to account for proceeds from mediation and arbitration fees to be used to fund operations of the Nineteenth Judicial Circuit's Mediation/Arbitration Program and to pay for the cost of court appointed mediators for indigent parties in family court.

Agency Funds

These funds are used to account for assets of a governmental unit in the capacity of a trustee or agent for individuals, private organizations, other funds or other governmental units. The Clerk's agency funds are: Fines and Forfeitures Fund, Support Fund, Registry Fund, Tax Redemption Fund, Documentary Stamp Fund, Intangible Tax Fund, Jury and Witness Fund, Local Criminal Justice Fund and the Escrow Fund.

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

The Clerk's special-purpose financial statements are prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Clerk to only present fund financial statements. In conformity with the Rules, the Clerk has not presented the government-wide financial statements, related disclosures or management's discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The governmental fund type measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. For this purpose the Clerk considers revenue to be available if they are collected within 60 days after the end of the current fiscal period with the exception of certain grants, which have a period of 1 year after the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements and shared revenue), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose before the Clerk will earn any amounts (eligibility requirement); therefore, revenues are recognized based upon when the expenditures are made. In the other, monies are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if they meet the criterion of availability.

Charges for services and miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Pursuant to F.S. 28.37, effective July 1, 2009, all court-related fines, fees, service charges, and costs are considered state funds and shall be remitted by the Clerk to the Florida Department of Revenue. Estreated surety bonds are reported as deposits and are recorded as a liability to the Florida Department of Revenue at the time they are deemed forfeited.

Agency funds do not measure results of operations, but assets and liabilities are measured on the accrual basis of accounting. These funds are used to account for assets held by the Clerk as trustee or agent for individuals and/or other governmental units.

E. Budgets

The budget for the Clerk is prepared, adopted and amended in accordance with Chapter 129, *Florida Statutes*. The budget is balanced, meaning that total appropriations are equal to total revenues. The budgets for the general fund and the Public Records Modernization Trust Fund are prepared on a basis consistent with GAAP.

The Clerk to Board budget process begins with the development of estimates by the Clerk. The estimates are reviewed, analyzed and submitted to the Martin County Board of County Commissioners (the "Board") for consideration on or about July 15.

The Board conducts several workshops to thoroughly review the budget and make adjustments as appropriate. Prior to September 30, two public hearings are conducted to hear comments and questions from the public regarding the non-court related budget. The budget is adopted at the second public hearing through formal resolution of the Board.

Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The Florida Clerks of the Court are required to follow a budget procedure for the court-related functions they perform pursuant to s. 28.36 F.S. The law requires that the proposed court-related budget be prepared, summarized and submitted to the Clerk of Courts Operations Corporation (the "Corporation"). Budgets are to be based on the unit cost for such services. The Corporation approves the unit costs and submits a comprehensive Clerks' budget to the Legislature. The Legislature appropriates the total amount of the budget in the General Appropriations Act, and can reject or modify any or all of the unit costs. The Department of Revenue then releases the Clerk's allotment from the Justice Administration Commission to the Clerks on a monthly basis. Effective July 1, 2009, the Clerk's court-related budget was transitioned from the County fiscal year for funding to the State fiscal year for funding. As a result, the court-related budget was for a nine month period, October 1, 2009 through June 30, 2010. The budget for the 2011 fiscal year was due to the Corporation by August 15, 2009.

Budgets are adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year when signed into law or otherwise legally authorized.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under *Florida Statutes*, appropriations, even if encumbered, lapse at fiscal year-end.

G. Cash and Cash Equivalents

For purposes of these statements, demand deposits and petty cash are considered to be cash and cash equivalents.

H. Investments

Investments are stated at fair value (quoted market price or best available estimate thereof). The State Board of Administration's Local Government Investment Pool (the "Florida PRIME") is considered a SEC 2a7-like fund. The Florida Trust Day to Day Fund is AAAM-rated by Standard and Poor's. Both of these investments are stated at share price, which is substantially the same as fair value. The Fund B Surplus Trust Fund (Fund B) is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2010 was .707058. The Clerk's Fund B balance has been stated accordingly.

I. Due from Other County and Governmental Agencies

Due from other county and governmental agencies are recorded net of allowances for bad debts. Management has determined that allowances are not deemed to be necessary at September 30, 2010.

Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

J. Capital Assets

Acquisitions of tangible personal property are recorded in the Clerk's governmental funds at the time of purchase. The Clerk defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Capital assets for the Clerk are reported in the financial statements of the County. The Clerk maintains custodial responsibility for the capital assets used by her office. No depreciation has been provided on capital assets in the special-purpose financial statements. However, depreciation expense will be recorded in the financial statements of the County.

K. Compensated Absences

It is the policy of the Clerk to permit employees to accumulate a limited amount of earned but unused paid leave time, which will be paid to employees upon separation from service. The Clerk of the Circuit court does not, and is not legally required, to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is not reported in the special-purpose financial statements, but rather is reported as a liability in the financial statements of the County.

L. Deposits and Other Liabilities

Prior to July 1, 2009, the Clerk reported estreated surety bonds as deferred revenue. As stated in Note 1 D these are now reported as deposits - the estreated surety bonds on deposit may be held for two years or longer, pending case disposition and directives of the court and will be eventually remitted to the State or the bail bondsman who was the depositor.

M. Deferred Revenue

Clerk's deferred revenue is composed of unearned court funds based on unit cost. The deferred revenue as of September 30, 2010 is \$28,250 and includes unearned revenues for the period of July 1 through September 30, 2010.

N. Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP 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 special-purpose financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. Transfers out

In accordance with *Florida Statutes*, all revenues in excess of expenditures for all non-court related items at September 30, 2010 are due to the Board. All unspent funds for court related items through June 30, 2010 are due to the Florida Department of Revenue. Excess revenues for non court-related activities are reported as a transfer out in the accompanying Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances. Excess fees transferred out and due to the Board as of September 30, were \$72,754. Unspent funds as of September 30 for court related activities are reported as fund balance in the accompanying Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances. The fund balance to be carried forward as of September 30, 2010 was \$42,495.

**Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010**

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents

Cash and cash equivalents (including fiduciary funds) consist of the following:

Demand deposits	\$ 3,991,826
Petty cash	<u>3,075</u>
	<u>\$ 3,994,901</u>

Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act*, (the Act). Under this Act, Florida's Chief Financial Officer shall determine the collateral requirements and the collateral pledging level for each qualified public depository in order to protect the integrity of the public deposits program. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All Clerk depositories at year-end were designated as qualified public depositories.

Investments

The Clerk utilizes *Florida Statutes* section 218.415 as its investment policy. *Florida Statutes* authorize investments in the Local Government Surplus Trust Fund or other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in 163.01, *Florida Statutes*; Securities and Exchange Commission registered money market funds with credit rating interest bearing time deposits or savings accounts in qualified public depositories as defined in 280.02, *Florida Statutes*; direct obligations of the U.S. Treasury.

The Clerk's investments at September 30, 2010, consisted of investments with the State Board of Administration's Investment Pool (the "Florida PRIME"), the Fund B Surplus Trust Fund ("Fund B") and the Florida Local Government Investment Trust's Day to Day Fund (the "Day to Day Fund"). The Florida PRIME is rated by Standard and Poor's, with a current rating of AAAM. Fund B is not rated by any nationally recognized statistical rating agency. The Day to Day Fund is rated by Standard and Poor's, with a current rating of AAAM. The weighted average day to maturity (WAM) of the Florida PRIME at September 30, 2010 was 52 days. The weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 years – however, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL. The weighted average maturity of the Day to Day Fund is maintained at less than 45days.

At September 30, 2010, the Clerk's office had a cost basis of \$ 1,494,094 in investments, including \$1,243,061 with the State Board of Administration (\$1,155,405 in Florida PRIME and \$87,656 in Fund B) and \$251,035 with the Florida Local Government Investment Trust's Day to Day Fund. The net asset value of these investments presented on the special-purpose financial statements was \$1,468,416.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund and a formal withdrawal policy has not yet been developed. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration, <https://www.sbafla.com/prime>. Additional information for the Day to Day Fund may be obtained at <http://www.floridatrusionline.com/funds>.

Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 3 - Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2010, were as follows:

	Beginning 10/01/09	Additions	Reductions	Ending 09/30/10
Compensated absences	\$ 693,846	\$ 409,616	\$ (483,842)	\$ 619,620

The long-term liabilities are not reported in the special-purpose financial statements of the Clerk since they are not payable from available, spendable resources. They are reported in the financial statements of the County.

Note 4 - Retirement Plan

Plan Description

Substantially all full-time Clerk employees participate in the Florida Retirement System (“FRS”), a multiple-employer, cost-sharing public retirement system administered by the Division of Retirement of the Department of Management Services. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district with the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed based on age, average final compensation, and service credit. Regular class employees who retire at or after age 62 with 6 years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life equal to 1.6% of their final average compensation for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk class employees, such as sworn law enforcement officers, firefighters, and correctional officers, who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0 % of their final average compensation for each year of credited service. A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with *Florida Statutes*.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”), which is described below. The Clerk has no responsibility to FRS other than to make the periodic payments required by state statutes. The FRS 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 the Division of Retirement, Research, Education and Policy Section, PO Box 9000, Tallahassee, FL 32315-9000, or by phone toll-free at 877-FRS-1FRS (877-377-1737), or by Internet at http://dms.myflorida.com/dms2/human_resource_support/retirement/publications/system_information.

**Martin County, Florida
 Clerk of the Circuit Court
 Notes to Special-Purpose Financial Statements
 Year Ended September 30, 2010**

Funding Policy

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/09- 06/30/10	07/01/10- 09/30/10
Regular	9.85%	10.77%
Senior Management	13.12%	14.57%
County Elected Official	16.53%	18.64%
DROP	10.91%	12.25%

The Clerk's contributions made during the years ended September 30, 2010, 2009, and 2008 were \$417,486, \$466,885, and \$529,839 respectively, which were equal to the actuarially determined contribution requirements for each year.

Drop Benefits

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 FRS, effective July 1, 1998. Under this program, an eligible employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for an FRS 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).

Note 5 - Other Postemployment Benefits

In addition to the retirement system described in Note 4, the Clerk provides postretirement health care benefits, in accordance with state statutes, to all employees who retire from the Clerk after vesting with the retirement system. Currently, twenty three retirees meet those eligibility requirements. The Clerk subsidizes 75% of the amount of health care costs for retirees. Expenditures for postretirement health care benefits are recognized as premiums are paid. During the year, expenditures of \$73,383 were recognized for postretirement health care.

The Martin County Board of County Commissioners (the "Board") engaged an actuarial firm to determine the County's annual required contribution and unfunded obligation, which are the responsibility of the Board's General Fund. Further information about OPEB is available in the County's Comprehensive Annual Financial Report.

**Martin County, Florida
Clerk of the Circuit Court
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010**

Note 6 – Risk Management

The Clerk is exposed to various risks of loss related to tort; theft of, damage to, and to destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Clerk participates in the Self-Insurance program of the Board. The coverage for employee health, property, general liability, automobile liability, workers' compensation, and public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program reported in the Self-Insurance Fund of the Board. The program is a self-insurance program whereby the County makes annual contributions along with the other members of the program. The County is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member in excess of the reinsurance available; such a deficiency is solely the responsibility of that member. The program is reported by the Board as an Internal Service Fund. The Clerk makes annual contributions to the self-insurance fund based on amounts determined by the Board. Such contributions were \$704,273 during the fiscal year ended September 30, 2010 and are included as expenditures in the accompanying special-purpose financial statements. Settlements have not exceeded coverage for each of the past three fiscal years.

Note 7 - Contingencies

Grant funds received by the Clerk are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may constitute a liability of the Clerk. In the opinion of management, disallowed costs, if any, would be immaterial to the financial position of the Clerk.





**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 Marsha Ewing,
Clerk of the Circuit Court of Martin County, Florida:

We have audited the special-purpose financial statements of each major fund and the aggregate remaining information of the Martin County, Florida Clerk of the Circuit Court (the "Clerk") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 14, 2011 for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Section 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*. 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 Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clerk'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 special-purpose 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 the Clerk's special-purpose 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*.

We noted certain matters that we reported to management of the Clerk in a separate letter dated March 14, 2011.

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

Cheng, Behaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011

PROPERTY APPRAISER





Independent Auditors' Report

To the Honorable Laurel Kelly,
Property Appraiser of Martin County, Florida:

We have audited the accompanying special-purpose financial statements of the General Fund of the Martin County, Florida Property Appraiser (the "Property Appraiser") as of and for the year ended September 30, 2010, as listed on the table of contents. These special-purpose financial statements are the responsibility of the Property Appraiser's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in financial position of the Property Appraiser. Additionally, the special-purpose financial statements present only the Property Appraiser and are not intended to present the financial position and changes in financial position of Martin County, Florida taken as a whole.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Property Appraiser as of September 30, 2010, and the changes in financial position thereof and the budgetary comparison of the major fund 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 the Property Appraiser'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.

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



**Martin County, Florida
Property Appraiser
Special-Purpose Balance Sheet
General Fund
September 30, 2010**

ASSETS

Cash and cash equivalents	\$ 82,037
Investments	<u>5,780</u>
Total assets	<u><u>\$ 87,817</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable and accrued liabilities	\$ 577
Accrued wages	31,282
Due to Board of County Commissioners	36,384
Due to other governmental agencies	2,516
Deferred revenue	<u>17,058</u>
Total liabilities	<u><u>87,817</u></u>

Fund Balance:

Unreserved	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 87,817</u></u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Property Appraiser
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 212,980	\$ 212,980	\$ 219,985	\$ 7,005
Interest income	-	-	94	94
Miscellaneous revenues	-	-	3,547	3,547
Total revenues	<u>212,980</u>	<u>212,980</u>	<u>223,626</u>	<u>10,646</u>
EXPENDITURES:				
Current:				
General government	<u>3,292,503</u>	<u>3,292,521</u>	<u>3,266,783</u>	<u>25,738</u>
Total expenditures	<u>3,292,503</u>	<u>3,292,521</u>	<u>3,266,783</u>	<u>25,738</u>
Deficiency of revenues under expenditures	<u>(3,079,523)</u>	<u>(3,079,541)</u>	<u>(3,043,157)</u>	<u>36,384</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,079,523	3,079,541	3,079,541	-
Transfers out	-	-	(36,384)	(36,384)
Total other financing sources	<u>3,079,523</u>	<u>3,079,541</u>	<u>3,043,157</u>	<u>(36,384)</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Property Appraiser of Martin County, Florida (the "Property Appraiser") are summarized below:

A. General Information

Martin County (the "County") is a political subdivision of the State of Florida. The County operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, *Florida Statutes*.

B. Reporting Entity

The Property Appraiser is a separately elected county official established pursuant to the Constitution of the State of Florida. The Property Appraiser's special-purpose financial statements do not purport to reflect the financial position or the results of operations the County taken as a whole.

Entity status for financial reporting purposes is governed by Statement Nos. 14 and 39 of the Governmental Accounting Standards Board ("GASB"). Although the Property Appraiser's Office is operationally autonomous from the County, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Property Appraiser is reported as a part of the primary government of Martin County, Florida.

C. Fund Accounting

The accounting records of the Property Appraiser are maintained in the general fund, a governmental fund type, as prescribed by accounting principles generally accepted in the United States of America ("GAAP") applicable to governments as established by the GASB.

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

The Property Appraiser's special-purpose financial statements are prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Property Appraiser to only present fund financial statements. In conformity with the Rules, the Property Appraiser has not presented the government-wide financial statements, related disclosures or management's discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

The governmental fund type measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. This fund is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. For this purpose the Property Appraiser considers revenue to be available if collected within 60 days after the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

E. Budgets

The budget for the Property Appraiser is prepared, adopted and amended in accordance with Chapter 195.087, *Florida Statutes*. The budget is balanced, meaning that the total appropriations are equal to total revenues. The budget for the general fund is prepared on a basis consistent with GAAP.

On or before June 1 of each year, the Property Appraiser submits to the Florida Department of Revenue (the "Department") a budget for the operation of the Property Appraiser's office for the ensuing fiscal year, in the manner and form prescribed by the Department. A copy of such budget is furnished at the same time to the Martin County Board of County Commissioners (the "Board"). After the final approval of the budget by the Department, there are no amendments to the budget without the approval of the Department.

The budget is adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year when signed into law or otherwise legally authorized.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under *Florida Statutes*, appropriations, even if encumbered, lapse at fiscal year-end.

G. Cash and Cash Equivalents

For purposes of these statements, demand deposits and petty cash are considered to be cash and cash equivalents.

H. Investments

Investments are stated at fair value (quoted market price or best available estimate thereof).

I. Capital Assets

Acquisitions of tangible personal property are recorded as expenditures in the Property Appraiser's general fund at the time of acquisition. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Capital assets for the Property Appraiser are reported in the financial statements of the County. The Property Appraiser maintains custodial responsibility for the capital assets used by its office. No depreciation has been provided on capital assets in the special-purpose financial statements. However, depreciation expense is recorded in the financial statements of the County.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

J. Compensated Absences

It is the policy of the Property Appraiser to permit employees to accumulate a limited amount of earned but unused vacation benefits and sick leave, which will be paid to employees upon separation from service. The Property Appraiser does not, and is not legally required, to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is not reported in the special-purpose financial statements, but rather is reported in the financial statements of the County.

K. Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP 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 special-purpose financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Transfers out

In accordance with *Florida Statutes*, all revenues in excess of expenditures as of year-end are owed on a pro-rata basis to the Board of County Commissioners and other governments who pay the fees in the same ratio as the fees are collected. Excess fees payable to other governments are recorded as a reduction of revenue and due to other governmental agencies. Excess fees due to the Board are reported as a transfer out in the accompanying Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balance. Excess fees were \$38,900 as of September 30, 2010, of which \$36,384 was transferred out to the Board and \$2,516 was returned to other governments.

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits of \$81,637 and petty cash of \$400. Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act*, (the Act). Under this Act, Florida's Chief Financial Officer shall determine the collateral requirements and the collateral pledging level for each qualified public depository in order to protect the integrity of the public deposits program. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All Property Appraiser depositories at year-end were designated as qualified public depositories.

Investments

The Property Appraiser utilizes *Florida Statutes* Section 218.415 as its investment policy. *Florida Statutes* authorize investments in certificates of deposit, savings accounts, repurchase agreements, Local Government Surplus Funds Trust Funds, and obligations of the U.S. government and government agencies unconditionally guaranteed by the U.S. government.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The Property Appraiser's investments at September 30, 2010 consist of investments in Fund B of the Local Government Surplus Funds Trust Fund, which is not rated for credit quality risk. The weighted average day to maturity of Fund B was 7.49 years at September 30, 2010.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund and a formal withdrawal policy has not yet been developed. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration, <https://www.sbafla.com/prime>.

Note 3 - Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2010 were as follows:

	<u>Beginning</u> <u>10/01/ 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>09/30/2010</u>
Compensated absences	\$ 316,451	\$ 186,005	\$ (179,919)	\$ 322,537

The long-term liabilities are not reported in the special-purpose financial statements of the Property Appraiser since they are not payable from available, spendable resources. They are reported in the financial statements of the County.

Note 4 - Retirement Plan

Plan Description

Substantially all full-time Property Appraiser employees participate in the Florida Retirement System ("FRS"), a multiple-employer, cost-sharing public retirement system administered by the Division of Retirement of the Department of Management Services. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed based on age, average final compensation, and service credit. Regular class employees who retire at or after age 62 with 6 years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life equal to 1.6% percent of their final average compensation for each year of credited service. Employees vested with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk class employees (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation for each year of credited service.

A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with *Florida Statutes*.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Property Appraiser has no responsibility to FRS other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to Florida Division of Retirement, PO Box 9000, Tallahassee, FL 32315-9000.

Funding Policy

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/09- 06/30/10	07/01/10- 09/30/10
Regular	9.85%	10.77%
Senior Management	13.12%	14.57%
County elected officials	16.53%	18.64%
DROP	10.91%	12.25%

The Property Appraiser's contributions made during the years ended September 30, 2010, 2009, and 2008 were \$209,448, \$215,374, and \$211,250 respectively, which were equal to actuarially determined contribution requirements for each year.

Note 5 - Other Postemployment Benefits

In addition to the retirement system benefits described in Note 4, the Property Appraiser provides postretirement health care benefits, in accordance with state statutes, to all employees who retire from the Property Appraiser after vesting with the retirement system. Currently, six retirees meet those eligibility requirements. The Property Appraiser subsidizes 75% of the amount of health care costs for retirees. Expenditures for postretirement health care benefits are recognized as premiums are paid. During the year, expenditures of \$17,335 were recognized for postretirement health care.

The Board engaged an actuarial firm to determine the County’s annual required contribution and unfunded obligation, which are the responsibility of the Board’s General Fund. Further information about OPEB is available in the County’s Comprehensive Annual Financial Report.

Martin County, Florida
Property Appraiser
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 6 – Risk Management

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

The Property Appraiser participates in the Self-Insurance program of the Board. The coverage for employee health, property, general liability, automobile liability, workers' compensation, and public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program reported in the Self-Insurance Fund of the Board.

The program is a self-insurance program whereby the Property Appraiser makes annual contributions along with the other members of the program based on amounts determined by the Board. The Property Appraiser is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member in excess of the reinsurance available; such a deficiency is solely the responsibility of that member. The program is reported by the Board as an Internal Service Fund. The Property Appraiser's contributions were \$293,446 during the fiscal year ended September 30, 2010 and are included as expenditures in the accompanying special-purpose financial statements. Settlements have not exceeded coverage for each of the past three fiscal years.



**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 Laurel Kelly,
Property Appraiser of Martin County, Florida:

We have audited the special-purpose financial statements of the General Fund of the Martin County, Florida Property Appraiser (the "Property Appraiser") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 14, 2011 for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*. 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 Property Appraiser's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Property Appraiser'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 special-purpose 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 would not necessarily identify all deficiencies in internal control that might be 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 the Property Appraiser's special-purpose 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 management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Chang, Behaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011

SHERIFF





Independent Auditors' Report

To the Honorable Robert L. Crowder,
Sheriff of Martin County, Florida:

We have audited the accompanying special-purpose financial statements of each major fund and the aggregate remaining fund information of the Martin County, Florida Sheriff (the "Sheriff") as of and for the year ended September 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Sheriff's management. Our responsibility is to express opinions on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose 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.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in financial position of the Sheriff. Additionally, the special-purpose financial statement present only the Sheriff and are not intended to present the financial position and changes in financial position of Martin County, Florida, taken as a whole.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Sheriff as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund 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 the Sheriff'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.

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



Martin County, Florida
Sheriff
Special-Purpose Balance Sheet
Governmental Funds
September 30, 2010

	<u>General</u>	<u>Canteen Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,618,467	\$ 688,872	\$ 590,758	\$ 2,898,097
Accounts receivable	20,366	31,709	5,910	57,985
Due from other funds	29,954	-	-	29,954
Due from other county agencies	84,602	-	12,810	97,412
Due from other governmental agencies	8,995	-	31,019	40,014
Total assets	<u>\$ 1,762,384</u>	<u>\$ 720,581</u>	<u>\$ 640,497</u>	<u>\$ 3,123,462</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 225,269	\$ 6,288	\$ 8,375	\$ 239,932
Due to other funds	-	-	29,954	29,954
Due to Board of County Commissioners	98,484	-	13,833	112,317
Due to other governmental agencies	1,403,707	-	541	1,404,248
Deferred revenue	34,924	-	-	34,924
Total liabilities	<u>1,762,384</u>	<u>6,288</u>	<u>52,703</u>	<u>1,821,375</u>
Fund balances:				
Unreserved	-	714,293	587,794	1,302,087
Total fund balances	<u>-</u>	<u>714,293</u>	<u>587,794</u>	<u>1,302,087</u>
Total liabilities and fund balances	<u>\$ 1,762,384</u>	<u>\$ 720,581</u>	<u>\$ 640,497</u>	<u>\$ 3,123,462</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Sheriff
Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	<u>General</u>	<u>Canteen Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Intergovernmental revenues	\$ 12,759	\$ -	\$ 197,409	\$ 210,168
Charges for services	634,722	268,422	-	903,144
Fines and forfeitures	-	-	42,199	42,199
Interest income	26,747	1,535	941	29,223
Miscellaneous revenues	190,431	350,174	23,218	563,823
Total revenues	<u>864,659</u>	<u>620,131</u>	<u>263,767</u>	<u>1,748,557</u>
EXPENDITURES				
Current:				
General government	2,812,971	488,230	-	3,301,201
Public safety	56,673,122	-	728,269	57,401,391
Capital outlay	834,553	-	425,457	1,260,010
Total expenditures	<u>60,320,646</u>	<u>488,230</u>	<u>1,153,726</u>	<u>61,962,602</u>
Excess (deficiency) of revenues over expenditures	<u>(59,455,987)</u>	<u>131,901</u>	<u>(889,959)</u>	<u>(60,214,045)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	59,531,771	-	738,813	60,270,584
Transfers out	(75,784)	-	-	(75,784)
Total other financing sources	<u>59,455,987</u>	<u>-</u>	<u>738,813</u>	<u>60,194,800</u>
Net change in fund balances	-	131,901	(151,146)	(19,245)
Fund balances-beginning	-	582,392	738,940	1,321,332
Fund balances-ending	<u>\$ -</u>	<u>\$ 714,293</u>	<u>\$ 587,794</u>	<u>\$ 1,302,087</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida

Sheriff

Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 14,000	\$ 12,759	\$ (1,241)
Charges for services	1,004,539	1,004,539	634,722	(369,817)
Interest income	40,000	40,000	26,747	(13,253)
Miscellaneous revenues	39,000	25,000	190,431	165,431
Total revenues	<u>1,083,539</u>	<u>1,083,539</u>	<u>864,659</u>	<u>(218,880)</u>
EXPENDITURES:				
Current:				
General government	2,804,638	2,804,638	2,812,971	(8,333)
Public safety	56,103,800	56,103,800	56,673,122	(569,322)
Capital outlay	-	-	834,553	(834,553)
Total expenditures	<u>58,908,438</u>	<u>58,908,438</u>	<u>60,320,646</u>	<u>(1,412,208)</u>
Deficiency of revenues under expenditures	<u>(57,824,899)</u>	<u>(57,824,899)</u>	<u>(59,455,987)</u>	<u>(1,631,088)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	59,552,864	59,552,864	59,531,771	(21,093)
Transfers out	(1,727,965)	(1,727,965)	(75,784)	1,652,181
Total other financing sources	<u>57,824,899</u>	<u>57,824,899</u>	<u>59,455,987</u>	<u>1,631,088</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Sheriff
Internal Service Fund
Special-Purpose Statement of Net Assets
September 30, 2010

	Self- Insurance
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,028,575
Accounts receivable, net	113,618
Other current assets	4,000
Total current assets	<u>4,146,193</u>
Total assets	<u>4,146,193</u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued claims	<u>1,001,786</u>
Total current liabilities	<u>1,001,786</u>
Total liabilities	<u>1,001,786</u>
 NET ASSETS	
Unrestricted	<u>\$ 3,144,407</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Sheriff
Internal Service Fund
Special-Purpose Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2010

	<u>Self- Insurance</u>
OPERATING REVENUES	
Charges for services	<u>\$ 8,787,052</u>
Total operating revenues	<u>8,787,052</u>
OPERATING EXPENSES	
General and administrative	<u>8,535,741</u>
Total operating expenses	<u>8,535,741</u>
Operating income	<u>251,311</u>
NONOPERATING REVENUES	
Interest income	<u>3,846</u>
Total nonoperating revenue	<u>3,846</u>
Change in net assets	255,157
Total net assets - beginning	<u>2,889,250</u>
Total net assets - ending	<u><u>\$ 3,144,407</u></u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Sheriff
Internal Service Fund
Special-Purpose Statement of Cash Flows
For the Year Ended September 30, 2010

	<u>Self- Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,801,109
Claims paid	(8,618,457)
Net cash provided by operating activities	<u>182,652</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>3,846</u>
Net cash provided by investing activities	<u>3,846</u>
Net increase in cash and cash equivalents	186,498
Cash and cash equivalents - beginning of the year	3,842,077
Cash and cash equivalents - end of year	<u>\$ 4,028,575</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 251,311
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Receivables, net	(99,572)
Accounts payable	30,913
Net cash provided by operating activities	<u>\$ 182,652</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Sheriff
Special-Purpose Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	<u>\$ 193,268</u>
Total assets	<u><u>\$ 193,268</u></u>
LIABILITIES	
Deposits	<u>\$ 193,268</u>
Total liabilities	<u><u>\$ 193,268</u></u>

The notes to the special-purpose financial statements are an integral part of this statement.



Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Sheriff of Martin County, Florida (the “Sheriff”) are summarized below:

A. General Information

Martin County (the “County”) is a political subdivision of the State of Florida. The County operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, *Florida Statutes*.

B. Reporting Entity

The Sheriff is a separately elected county official established pursuant to the Constitution of the State of Florida. The Sheriff’s special-purpose financial statements do not purport to reflect the financial position or the results of operations of the County taken as a whole.

Entity status for financial reporting purposes is governed by Statement Nos. 14 of the Governmental Accounting Standards Board (“GASB”). Although the Sheriff’s Office is operationally autonomous from the County, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Sheriff is reported as a part of the primary government of Martin County, Florida.

C. Fund Accounting

The accounting records of the Sheriff are organized on the basis of funds and account groups as prescribed by accounting principles generally accepted in the United States of America (“GAAP”) applicable to governments as established by the GASB. The operations of each fund or account group are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Separate funds are maintained to account for specific government activities or to comply with special regulations or legal restrictions.

Each major fund is reported in a separate column. The various types and funds used by the Sheriff are described as follows:

Governmental Funds

The Sheriff has the following major governmental funds:

General Fund – This fund is used to account for all financial activity of the Sheriff not accounted for in other funds. The funding is primarily from transfers in from the Martin County Board of County Commissioners.

Canteen Fund – The Canteen fund is used for the subsistence and benefit of the inmates at the Martin County Jail. It is primarily funded by user fees (charges for services). This fund does not require a budget.

The Sheriff also has fifteen non-major special revenue funds that account for the activities of various law enforcement grants and services.

Proprietary Fund – The Internal Service Fund is used to account for the Sheriff’s self-insurance activities.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Fiduciary Funds

Agency Funds – These funds are used to account for assets and transactions of the Sheriff in the capacity of a trustee or agent for individuals, private organizations, other funds or other governmental units.

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

The Sheriff's special-purpose financial statements are prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Sheriff to only present fund financial statements. In conformity with the Rules, the Sheriff has not presented the government-wide financial statements, related disclosures or management's discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

The governmental fund type measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. For this purpose the Sheriff considers revenue to be available if they are collected within 60 days after the end of the current fiscal period with the exception of certain grants, which have a period of 1 year after the end of the current year. Expenditures are recorded in the accounting period in which the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements and shared revenue), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose before the Sheriff will earn any amounts (eligibility requirement); therefore, revenues are recognized based upon when the expenditures are made. In the other, monies are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if they meet the criterion of availability.

Charges for services are invoiced monthly and recorded and accrued as revenues. Investment earnings and most fines and forfeitures are recorded as earned since they are measurable and available.

The fiduciary funds do not measure results of operations, but assets and liabilities are measured on the accrual basis of accounting. These funds are used to account for assets held by the Sheriff as trustee or agent for individuals and/or other governmental units. The Sheriff also measures operations, assets and liabilities of its Internal Service Fund on the accrual basis of accounting, which is an economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

E. Budgets

The budgets for the Sheriff are prepared, adopted and amended in accordance with Chapter 129, *Florida Statutes*. The budget is balanced, meaning that total appropriations are equal to total revenues. The budget for the General Fund is prepared on a basis consistent with GAAP; budgets are not provided for other funds.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The budget process begins with the development of estimates by the Sheriff. The estimates are reviewed, analyzed and submitted to the Martin County Board of County Commissioners (the "Board") for consideration on or about July 15. The Board conducts several workshops to thoroughly review the budget and make adjustments as appropriate. Prior to September 30, two public hearings are conducted to hear comments and questions from the public regarding the budget. The budget is adopted at the second public hearing through formal resolution of the Board.

The budget is adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year, whenever, signed into law or otherwise legally authorized.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under *Florida Statutes*, appropriations, even if encumbered, lapse at fiscal year end.

G. Cash and Cash Equivalents

For purposes of these statements, demand deposits and petty cash are considered to be cash and cash equivalents.

H. Capital Assets

Capital assets used in governmental fund operations with a cost of \$5,000 or greater are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. All capital assets are recorded at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at their estimated fair value on the date donated. The Sheriff maintains custodial responsibilities for the capital assets used by his office. No depreciation has been provided on capital assets in the special-purpose financial statements; however, depreciation expense is recorded in the financial statements of the County.

I. Compensated Absences

It is the policy of the Sheriff to permit employees to accumulate a limited amount of earned hours, unused vacation and sick leave, which will be paid upon separation from service. The Sheriff does not, and is not legally required to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is not reported in the special-purpose financial statements, but rather is reported in the financial statements of the County.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

J. Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP 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 special-purpose financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Transfers out

In accordance with *Florida Statutes*, all revenues in excess of expenditures as of year-end are owed to the Board and are reported as a transfer out in the Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances. There was a FEMA reimbursement of \$12,759 related to a prior year, interest earnings of the current year of \$26,747 and remaining funds of \$36,278 for a total of \$75,784 that was returned to the Board of County Commissioners at fiscal year end.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents (including fiduciary funds) consist of the following at September 30, 2010:

Repurchase agreement	\$ 2,114,909
Demand deposits	5,001,256
Petty cash	3,775
Total	<u>\$ 7,119,940</u>

The repurchase agreement is collateralized by underlying securities. Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act*, (the Act). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration securities which have a market value, equal to 50% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All the Sheriff's depositories at year-end were designated as qualified public depositories. Of the demand deposit total, \$3,842,077 is held by a third party administrator for the Sheriff's Employee Group Health Plan.

Note 3 – Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at September 30, 2010 consist of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 29,954	\$ -
Other Governmental Funds	-	29,954
	<u>\$ 29,954</u>	<u>\$ 29,954</u>

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The interfund receivable and payable is for short-term loan from the general fund to fund operations of the various special revenue programs, which will be reimbursed upon receipt of billings.

Transfers for the year-ended September 30, 2010 were as follows:

Fund	Transfers In From:			Transfers Out To:		
	Board	Other Governmental Funds	Total	Board	Other Governmental Funds	Total
General Fund	\$ 59,531,771	\$ -	\$ 59,531,771	\$ 75,784	\$ -	\$ 75,784
Other Governmental Funds	-	738,813	738,813	-	-	-
Total Transfers	\$ 59,531,771	\$ 738,813	\$ 60,270,584	\$ 75,784	\$ -	\$ 75,784

The Sheriff's transfers in to the General fund from the Board are an allocation to fund the Sheriff's operations based on the approved budget. Transfers out from the General fund to the Board consist of excess revenue and other financing sources over expenditures and other financing uses, which must be returned to the Board in accordance with *Florida Statutes*.

Note 4 – Capital Assets

Capital assets consisted of vehicles, furniture, fixtures and equipment. Changes in capital assets for the year ended September 30, 2010, which are reported in the basic financial statements of the County, were as follows:

	Beginning 10/01/09	Additions	Deletions	Ending 09/30/10
Capital assets, being depreciated:				
Machinery and equipment	\$ 11,010,222	\$ 1,320,484	\$ (1,199,149)	\$ 11,131,557
Accumulated depreciation	(8,043,246)	(955,593)	1,164,827	(7,834,012)
Total capital assets being depreciated	\$ 2,966,976	\$ 364,891	\$ (34,322)	\$ 3,297,545

Note 5 – Long Term Liabilities

Long-term liabilities are not reported in the special purpose financial statements of the Sheriff since they are not payable from available, spendable resources. They are reported in the financial statements of the County.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Changes in long-term liabilities for the year ended September 30, 2010 were as follows:

	Beginning <u>10/01/2009</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>09/30/2010</u>
Compensated absences	\$ 5,802,860	\$ 341,671	\$ (641,385)	\$ 5,503,146

Note 6 - Budget Versus Actual Expenditures

The General Fund reported an excess of \$577,655 in actual operating expenditures over budgeted expenditures in the current fiscal year and an unfavorable variance of \$834,553 in capital outlay, resulting in an overage of \$1,412,208 which was compensated for by reimbursements and transfers from the Board and charges for services.

Note 7 - Retirement Plan

Plan Description

Substantially all full-time Sheriff's employees participate in the Florida Retirement System ("FRS"), a multiple-employer, cost-sharing public retirement system administered by the Division of Retirement of the Department of Management Services. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed based on age, average final compensation, and service credit. Regular class employees who retire at or after age 62 with 6 years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life equal to 1.6% percent of their final average compensation for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk class employees (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation for each year of credited service. A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with *Florida Statutes*.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program ("DROP"). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Sheriff has no responsibility to FRS other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to Florida Division of Retirement, PO Box 9000, Tallahassee, FL 32315-9000.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Funding policy

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/09- <u>06/30/10</u>	07/01/10- <u>09/30/10</u>
Regular	9.85%	10.77%
Special risk	20.92%	23.25%
Senior management	13.12%	14.57%
County elected officials	16.53%	18.64%
DROP	10.91%	12.25%

The Sheriff's contributions made during the years ended September 30, 2010, 2009 and 2008 were \$6,573,589, \$6,592,002, and \$6,377,235, respectively, which were equal to actuarially determined contribution requirements for each year.

Note 8 - Other Postemployment Benefits (OPEB)

Plan Description

In addition to the retirement system benefits described in Note 7, the Sheriff provides post-retirement health care benefits, in accordance with state statutes, to all employees who retire from the Sheriff's Office after vesting with the state of Florida Retirement System (FRS). Currently, 134 retirees meet those eligibility requirements. The Sheriff subsidizes 75% or greater of the amount of health care costs for retirees hired before January 1, 2001. Employees hired January 1, 2001 and after are subsidized 60% to 75% or greater depending on years of service. The health care rates for retirees are the same as for active employees. All retirees who have life insurance at the time of their retirement are eligible for a \$5,000 life insurance policy on themselves only, which is subsidized 50% by the Sheriff. The Sheriff does not issue a stand-alone financial report for OPEB.

Membership

As of September 30, 2010, membership consisted of:

Active Employees	535
Retired Participants	134

Funding Policy

Funding for the plan is on a pay-as-you-go basis from the Sheriff's annual approved budget. There is no separate trust through which benefits for retirees are funded.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Annual OPEB Costs and Net OPEB Obligation

The Sheriff had an actuarial valuation performed for the Plan as of October 1, 2009 to determine the annual required contribution (ARC) for fiscal year ended September 30, 2010. The Sheriff's annual OPEB cost for the fiscal year, which equaled the ARC, was \$6,596,542. The Sheriff's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contributions</u>	<u>% of Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
September 30, 2008	\$ 6,124,814	\$ 888,249	14.50%	\$ 5,236,565
September 30, 2009	\$ 6,404,717	\$ 1,345,523	21.01%	\$ 10,295,759
September 30, 2010	\$ 6,596,542	\$ 1,779,302	26.97%	\$ 15,112,999

The funded status of the Plan as of the two most recent actuarial valuations was as follows:

	<u>10/01/09</u>	<u>10/01/07</u>
Actuarial Accrued Liability (AAL)	\$ 78,773,991	\$ 77,257,831
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 78,773,991	\$ 77,257,831
Covered Payroll	\$ 36,011,668	\$ 30,459,458
Ratio of UAAL to Covered Payroll	218.75%	253.64%

Valuation Methods and Assumptions

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

Calculations for financial reporting purposes are based on the benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The Actuarial Methods are:

	<u>Pay-As-You-Go Funding</u>
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level % of Payroll
Amortization Period (closed)	30 Years
Asset Valuation Method	Unfunded

Actuarial Assumptions:

Investment Rate of Return*	4%
Projected Salary Increases*	4%
Payroll Growth Assumptions	4%
Healthcare Cost Trend Rates**	10%

* Includes general price inflation of 3%

** For 2010 with a gradual annual decline to 5% in 2019 and thereafter

Note 9 – Risk Management

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

The coverage for general liability, workman’s compensation and comprehensive crime loss is covered through a comprehensive property and liability risk management program, the Florida Sheriff’s Self Insurance Fund. The program is a self-insurance program whereby the Sheriff makes annual contributions along with other members of the program. The Sheriff is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member in excess of the reinsurance available, such deficiency is solely the responsibility of that member. The Sheriff is covered by *Florida Statutes* under the Doctrine of Sovereign Immunity, which generally limits the amount of the liability of the Sheriff to individual claims of \$100,000 or \$200,000 for all claims relating to the same incident.

Martin County, Florida
Sheriff
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The Sheriff's Group Health Insurance is self-insured and administered by a third party administrator. All assets, liabilities and operations related to health insurance as of September 30, 2010 are accounted for in the Sheriff's Internal Service Fund. The Sheriff has excess coverage in place for instances where losses exceed individual claims of \$85,000 and aggregate claims of \$2,000,000. There have been no settlements that have exceeded applicable insurance coverage during the past three fiscal years. The claims liabilities are based on actuarial calculations and methods. Changes to the claims liability for the Sheriff's internal service funds in fiscal years 2010 and 2009 were as follows:

<u>Fiscal Year</u>	<u>Liability Beginning Balance</u>	<u>Additions</u>	<u>Claim Payments</u>	<u>Liability Ending Balance</u>
2010	\$ 970,873	\$ 8,649,370	\$ (8,618,457)	\$ 1,001,786
2009	\$ 1,404,498	\$ 7,425,010	\$ (7,858,635)	\$ 970,873

Note 10 - Contingencies

The Sheriff is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the self-insurance program (Note 9) are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the Sheriff.

Grant funds received by the Sheriff are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may constitute a liability of the Sheriff. In the opinion of management, disallowed costs, if any, would be immaterial to the financial position of the Sheriff.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Special-Purpose Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Robert L. Crowder,
Sheriff of Martin County, Florida:

We have audited the special-purpose financial statements of each major fund and the aggregate remaining fund information of the Martin County, Florida Sheriff (the "Sheriff") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 14, 2011 for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General –Local Governmental Entity Audits*. 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 Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff'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 combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's special-purpose 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 the 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 the Sheriff's special-purpose 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*.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Sheriff in a separate letter dated March 14, 2011.

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

Cheng, Behaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011

SUPERVISOR OF ELECTIONS





Independent Auditors' Report

To the Honorable Vicki Davis,
Supervisor of Elections of Martin County, Florida:

We have audited the Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual of the General Fund of the Martin County, Supervisor of Elections (the “Supervisor of Elections”) as of and for the year end September 30, 2010. This special-purpose financial statement is the responsibility of the Supervisor of Elections’ management. Our responsibility is to express an opinion on this special-purpose financial statement 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in its financial position of the Supervisor of Elections. Additionally, the special-purpose financial statements present only the Supervisor of Elections and are not intended to present the financial position and changes in financial position of Martin County, Florida taken as a whole.

In our opinion, the special-purpose financial statement referred to above presents fairly, in all material respects, the changes in financial position and the budgetary comparison of the General Fund of the Supervisor of Elections for the year then ended September 30, 2010, 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 the Supervisor of Elections’ 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 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.

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

Cherry Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



Martin County, Florida
Supervisor of Elections
Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenues	\$ -	\$ 17,987	\$ 39,859	\$ 21,872
Charges for services	3,000	3,000	5,644	2,644
Miscellaneous revenues	-	1,800	123,872	122,072
Total revenues	<u>3,000</u>	<u>22,787</u>	<u>169,375</u>	<u>146,588</u>
EXPENDITURES:				
Current:				
General government	1,231,258	1,311,372	1,164,129	147,243
Capital outlay	22,500	86,773	-	86,773
Total expenditures	<u>1,253,758</u>	<u>1,398,145</u>	<u>1,164,129</u>	<u>234,016</u>
Deficiency of revenues under expenditures	<u>(1,250,758)</u>	<u>(1,375,358)</u>	<u>(994,754)</u>	<u>380,604</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,275,758	1,400,358	994,754	(405,604)
Reserves	(25,000)	(25,000)	-	25,000
Total other financing sources (uses)	<u>1,250,758</u>	<u>1,375,358</u>	<u>994,754</u>	<u>(380,604)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the special-purpose financial statement are an integral part of this statement.



Martin County, Florida
Supervisor of Elections
Notes to Special-Purpose Financial Statement
Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Supervisor of Elections of Martin County, Florida (the "Supervisor") are summarized below:

A. General Information

Martin County (the "County") is a political subdivision of the State of Florida. The County operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, *Florida Statutes*.

B. Reporting Entity

The Supervisor is a separately elected county official established pursuant to the Constitution of the State of Florida. The Supervisor's special-purpose financial statements do not purport to reflect the financial position, or the results of operations the County taken as a whole.

Entity status for financial reporting purposes is governed by Statement Nos. 14 and 39 of the Governmental Accounting Standards Board ("GASB"). Although the Supervisor of Elections's Office is operationally autonomous from the County, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Supervisor is reported as a part of the primary government of Martin County, Florida.

C. Fund Accounting

The accounting records of the Supervisor are maintained within the General Fund of the Martin County Board of County Commissioners (the "Board"), a governmental fund type, as prescribed by accounting principles generally accepted in the United States of America ("GAAP") applicable to governments as established by the GASB. In addition, the Supervisor does not have assets or liabilities since the assets derived from operations are the property of the Board and the Board assumes all related liabilities.

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

The Supervisor's special-purpose financial statement is prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Supervisor to only present fund financial statements. In conformity with the Rules, the Supervisor has not presented the government-wide financial statements, related disclosures or management's discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

Martin County, Florida
Supervisor of Elections
Notes to Special-Purpose Financial Statement
Year Ended September 30, 2010

The governmental fund type measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. This fund is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. For this purpose the Supervisor considers revenue to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements and shared revenue), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose before the Supervisor will earn any amounts (eligibility requirement); therefore, revenues are recognized based upon when the expenditures are made. In the other, monies are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenue at the time of receipt or earlier if they meet the criterion of availability.

Miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until actually received.

E. Budgets

The budget for the Supervisor is prepared, adopted and amended in accordance with Chapter 129, *Florida Statutes*. The budget is balanced, meaning that total appropriations are equal to total revenues. The budget for the general fund is prepared on a basis consistent with GAAP.

The budget process begins with the development of estimates by the Supervisor. The estimates are reviewed, analyzed and submitted to the Martin County Board of County Commissioners (the "Board") for consideration on or about July 15. The Board conducts several workshops to thoroughly review the budget and make adjustments as appropriate.

Prior to September 30, two public hearings are conducted to hear comments and questions from the public regarding the budget. The budget is adopted at the second public hearing through formal resolution of the Board.

The budget is adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year when signed into law or otherwise legally authorized.

Martin County, Florida
Supervisor of Elections
Notes to Special-Purpose Financial Statement
Year Ended September 30, 2010

F. Capital Assets

Acquisitions of tangible personal property are recorded as expenditures in the Supervisor's general fund at the time of acquisition. The Supervisor defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Capital assets for the Supervisor are reported in the financial statements of the County. The Supervisor maintains custodial responsibility for the capital assets used by her office. No depreciation has been provided on capital assets in the special-purpose financial statements. However, depreciation expense will be recorded in the financial statements of the County.

G. Compensated Absences

It is the policy of the Supervisor to permit employees to accumulate a limited amount of earned but unused paid leave time, which will be paid to employees upon separation from service. The Supervisor does not, and is not legally required, to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is not reported in the special-purpose financial statements, but rather is reported as a liability in the financial statements of the County.

H. Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP 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 special-purpose financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2010 are as follows:

	<u>Beginning</u> <u>10/01/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>09/30/2010</u>
Compensated absences	\$ <u>48,865</u>	\$ <u>30,754</u>	\$ <u>(28,842)</u>	\$ <u>50,777</u>

The long-term liabilities are not reported in the special-purpose financial statements of the Supervisor since they are not payable from available, spendable resources. They are reported in the financial statements of the County.

Note 3 - Retirement Plan

Plan Description

Substantially all full-time Supervisor employees participate in the Florida Retirement System ("FRS"), a multiple-employer, cost-sharing public retirement system administered by the Division of Retirement of the Department of Management Services. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Martin County, Florida
Supervisor of Elections
Notes to Special-Purpose Financial Statement
Year Ended September 30, 2010

Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed based on age, average final compensation, and service credit. Regular class employees who retire at or after age 62 with 6 years of credited service or 30 years or service regardless of age are entitled to a retirement benefit payable monthly for life equal to 1.6% percent of their final average compensation for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Special risk class employees (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation for each year of credited service.

A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with *Florida Statutes*.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Supervisor has no responsibility to FRS other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to Florida Division of Retirement, PO Box 9000, Tallahassee, FL 32315-9000.

Funding Policy

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/09- 06/30/10	07/01/10- 09/30/10
Regular	9.85%	10.77%
Senior Management	13.12%	14.57%
County elected officials	16.53%	18.64%
DROP	10.91%	12.25%

The Supervisor's contributions made during the years ended September 30, 2010, 2009 and 2008 were \$49,798, \$47,727, and \$58,177, respectively, which were equal to actuarially determined contribution requirements for each year.

Martin County, Florida
Supervisor of Elections
Notes to Special-Purpose Financial Statement
Year Ended September 30, 2010

Note 4 - Other Postemployment Benefits

In addition to the retirement system benefits described in Note 3, the Supervisor provides postretirement health care benefits, in accordance with state statutes, to all employees who retire from the Supervisor after vesting with the retirement system. Currently, two retirees meet those eligibility requirements. The Supervisor subsidizes 75% of the amount of health care costs for retirees. Expenditures for postretirement health care benefits are recognized as premiums are paid. During the year, expenditures of \$4,692 were recognized for postretirement health care.

The Board engaged an actuarial firm to determine the County's annual required contribution and unfunded obligation, which are the responsibility of the Board's General Fund. Further information about OPEB is available in the County's Comprehensive Annual Financial Report.

Note 5 – Risk Management

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

The Supervisor participates in the Self-Insurance program of the Board. The coverage for employee health, property, general liability, automobile liability, workers' compensation, and public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program reported in the Self-Insurance Fund of the Board. The program is a self-insurance program whereby the Supervisor makes annual contributions along with the other members of the program based on amounts determined by the Board. The Supervisor is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member in excess of the reinsurance available; such a deficiency is solely the responsibility of that member. The program is reported by the Board as an Internal Service Fund. The Supervisor's contributions were \$20,780 during the fiscal year ended September 30, 2010 and are included as expenditures in the accompanying special-purpose financial statement. Settlements have not exceeded coverage for each of the past three fiscal years.

Note 6 – Contingencies

Grant funds received by the Supervisor are subject to audit by grantor agencies. Audits of these grants may result in disallowed costs, which may constitute a liability of the Supervisor. In the opinion of management, disallowed costs, if any, would be immaterial to the financial position of the Supervisor.





**Independent Auditors' Report on 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 Vicki Davis,
Supervisor of Elections of Martin County, Florida:

We have audited the Special-Purpose Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual of the General Fund of the Martin County, Florida Supervisor of Elections (the "Supervisor of Elections") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 14, 2011 for the purpose of compliance with Section 218.29(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*. 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 Supervisor of Elections' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Supervisor of Elections' 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 special-purpose 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 would not necessarily identify all deficiencies in internal control that might be 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 the Supervisor of Elections' special-purpose financial statement is 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 the Supervisor of Elections' management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Chauy. Bahaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011

TAX COLLECTOR





Independent Auditors' Report

To the Honorable Ruth Pietruszewski,
Tax Collector of Martin County, Florida:

We have audited the accompanying special-purpose financial statements of the General Fund and the aggregate remaining fund information of the Martin County, Florida Tax Collector (the "Tax Collector") as of and for the year ended September 30, 2010, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Tax Collector's management. Our responsibility is to express an opinion on these special-purpose 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose 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.

As discussed in Note 1, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*, and are not intended to be a complete presentation of the financial position and changes in financial position of the Tax Collector. Additionally, the special-purpose financial statements present only the Tax Collector and are not intended to present the financial position and changes in financial position of Martin County, Florida taken as a whole.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and the aggregate remaining fund information of the Tax Collector as of September 30, 2010, and the changes in its financial position and the budgetary comparison of the major fund 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 the Tax Collector'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 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.

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011



Martin County, Florida
Tax Collector
Special-Purpose Balance Sheet
General Fund
September 30, 2010

ASSETS

Cash and cash equivalents	\$ 3,289,298
Investments	8,630
Total assets	<u><u>\$ 3,297,928</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accrued wages	\$ 48,681
Due to Board of County Commissioners	3,072,480
Due to other governmental agencies	166,819
Deposits and other liabilities	9,948
Total liabilities	<u>3,297,928</u>

Fund Balance:

Unreserved	-
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 3,297,928</u></u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida

Tax Collector

Special-Purpose Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 6,731,115	\$ 6,731,115	\$ 7,640,415	\$ 909,300
Interest income	11,975	11,975	5,159	(6,816)
Miscellaneous revenues	10,000	10,000	3,683	(6,317)
Total revenues	<u>6,753,090</u>	<u>6,753,090</u>	<u>7,649,257</u>	<u>896,167</u>
EXPENDITURES:				
Current:				
General government	4,723,510	4,752,888	4,566,346	186,542
Capital outlay	22,600	34,958	10,431	24,527
Total expenditures	<u>4,746,110</u>	<u>4,787,846</u>	<u>4,576,777</u>	<u>211,069</u>
Excess of revenues over expenditures	<u>2,006,980</u>	<u>1,965,244</u>	<u>3,072,480</u>	<u>1,107,236</u>
OTHER FINANCING USES:				
Transfers out	(2,006,980)	(1,965,244)	(3,072,480)	(1,107,236)
Total other financing uses	<u>(2,006,980)</u>	<u>(1,965,244)</u>	<u>(3,072,480)</u>	<u>(1,107,236)</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the special-purpose financial statements are an integral part of this statement.

Martin County, Florida
Tax Collector
Special-Purpose Statement of Fiduciary Net Assets
Agency Fund
September 30, 2010

ASSETS

Cash and cash equivalents	\$ 2,142,475
Investments	<u>4,467</u>
Total assets	<u><u>2,146,942</u></u>

LIABILITIES

Due to other governmental agencies	<u>2,146,942</u>
Total liabilities	<u><u>\$ 2,146,942</u></u>

The notes to the special-purpose financial statements are an integral part of this statement.



Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Tax Collector of Martin County, Florida (the "Tax Collector") are summarized below:

A. General Information

Martin County (the "County") is a political subdivision of the State of Florida. The County operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, *Florida Statutes*.

B. Reporting Entity

The Tax Collector is a separately elected county official established pursuant to the Constitution of the State of Florida. The Tax Collector's special-purpose financial statements do not purport to reflect the financial position or the results of operations of the County taken as a whole.

Entity status for financial reporting purposes is governed by Statements Nos. 14 and 39 of the Governmental Accounting Standards Board ("GASB"). Although the Tax Collector's Office is operationally autonomous from the County, it does not hold sufficient corporate powers of its own to be considered a legally separate entity for financial reporting purposes. Therefore, the Tax Collector is reported as a part of the primary government of Martin County, Florida.

C. Fund Accounting

The accounting records of the Tax Collector are organized on the basis of funds as prescribed by accounting principles generally accepted in the United States of America ("GAAP") applicable to governments as established by the GASB. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Separate funds are maintained to account for specific government activities or to comply with special regulations or legal restrictions. The various types and funds used by the Tax Collector are described as follows:

Governmental Fund

General Fund – This fund represents the Tax Collector's major fund and is used to account for all financial activity of the Tax Collector not accounted for in other funds. Revenue is derived primarily from charges for services.

Fiduciary Fund

Agency Fund – This fund is used to account for assets and transactions of a governmental unit in the capacity of a trustee or agent for individuals, private organizations, other funds or other governmental units.

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

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

The Tax Collector's special-purpose financial statements are prepared for the purpose of complying with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*, which require the Tax Collector to only present fund financial statements. In conformity with the Rules, the Tax Collector has not presented the government-wide financial statements, related disclosures or management's discussion and analysis, which are required to present a complete presentation of its financial position and changes in financial position.

The governmental fund type measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. This fund is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. For this purpose the Tax Collector considers revenue to be available if collected within 60 days after the end of the current fiscal period. Expenditures are recorded in the accounting period in which the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated sick and vacation pay, which are not recorded as expenditures because these amounts will not be paid from expendable available resources and (2) principal and interest on general long-term debt, which are recognized when due.

The Agency Fund does not measure results of operations, but assets and liabilities are measured on the accrual basis of accounting. This fund is used to account for assets held by the Tax Collector as trustee or agent for individuals and/or other governmental units.

E. Budgets

The budget for the Tax Collector is prepared, adopted and amended in accordance with Chapter 195.087, *Florida Statutes*. The budget is balanced, meaning that total appropriations are equal to total revenues. The budget for the General Fund is prepared on a basis consistent with GAAP.

On or before August 1 of each year, the Tax Collector submits to the Florida Department of Revenue (the Department) a budget for the operation of the Tax Collector's office for the ensuing fiscal year, in the manner and form prescribed by the Department. A copy of such budget is furnished at the same time to the Martin County Board of County Commissioners (the "Board"). After the final approval of the budget by the Department, there are no amendments to the budget without the approval of the Department.

The budget is adopted at the fund total level. Therefore, formal budgetary control is exercised at that level. Expenditures in excess of appropriations in one or more departments of a fund do not constitute a violation of budgetary controls as long as the total expenditures do not exceed total appropriations for the fund. Management employs lower level (departmental) controls, however, to prevent or reduce the potential for budget overruns at the fund total level.

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted for all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable to the fiscal year when signed into law or otherwise legally authorized.

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under *Florida Statutes*, appropriations, even if encumbered, lapse at fiscal year-end.

G. Cash and Cash Equivalents

For purposes of these statements, demand deposits and petty cash are considered to be cash and cash equivalents.

H. Investments

Investments are stated at fair value (quoted market price or best available estimate thereof). Investments in the Local Government Surplus Funds Trust Fund (a 2a7 – like investment pool) are stated at share price, which is substantially the same as fair value.

I. Capital Assets

Acquisitions of tangible personal property are recorded as expenditures in the Tax Collector's General Fund at the time of purchase. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated life in excess of two years. Capital assets for the Tax Collector are reported in the basic financial statements of the County. The Tax Collector maintains custodial responsibility for the capital assets used by his office. No depreciation has been provided on capital assets in the special-purpose financial statements. However, depreciation expense is recorded in the financial statements of the County.

J. Compensated Absences

It is the policy of the Tax Collector to permit employees to accumulate a limited amount of earned but unused vacation benefits and sick leave, which will be paid to employees upon separation from service. The Tax Collector does not, and is not legally required, to accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for compensated absences is not reported in the special-purpose financial statements, but rather is reported as a liability in the financial statements of the County.

K. Use of Estimates

The preparation of special-purpose financial statements in conformity with GAAP 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 special-purpose financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. Transfers out

In accordance with *Florida Statutes*, all revenues in excess of expenditures as of year-end are owed to the Board in the same proportion as the total fees earned by the Tax Collector. These excess fees are reported as a transfer out in the accompanying Special-Purpose Statement of Revenues & Expenditures and Changes in Fund Balance. Unused fees transferred out and due to the Board and other governmental agencies were \$3,239,299 as of September 30, 2010.

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 2 - Cash and Cash Equivalents and Investments

Cash and cash equivalents

Cash and cash equivalents consist of \$5,427,333 in repurchase agreements and \$4,440 of demand deposits. Repurchase agreements are collateralized by underlying securities. Deposits whose values exceed the limits of federal depository insurance are entirely insured or collateralized pursuant to *Florida Statutes*, Chapter 280, *Florida Security for Public Deposits Act*, (the "Act"). Under this Act, Florida's Chief Financial Officer shall determine the collateral requirements and the collateral pledging level for each qualified public depository in order to protect the integrity of the public deposits program. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All Tax Collector depositories at year-end were designated as qualified public depositories.

Investments

The Tax Collector utilizes *Florida Statutes* Section 218.415 as its investment policy. *Florida Statutes* authorize investments in certificates of deposit, savings accounts, repurchase agreements, Local Government Surplus Funds Trust Funds, and obligations of the U.S. government and government agencies unconditionally guaranteed by the U.S. government.

The Tax Collector's investments at September 30, 2010 consisted of investments in Fund B of the Local Government Surplus Funds Trust Fund, which is not rated for credit quality risk. The weighted average day to maturity of Fund B was 7.49 years at September 30, 2010.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund and a formal withdrawal policy has not yet been developed. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration, <https://www.sbafla.com/prime>.

Note 3 - Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2010 are as follows:

	<u>Beginning</u> <u>10/01/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>09/30/2010</u>
Compensated absences	\$ 752,865	\$ 407,394	\$ (371,868)	\$ 788,391

The long-term liabilities are not reported in the special-purpose financial statements of the Tax Collector since they are not payable from available, spendable resources. They are reported in the financial statements of the County.

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 4 - Retirement Plan

Plan Description

Substantially all full-time Tax Collector employees participate in the Florida Retirement System ("FRS"), a multiple-employer, cost-sharing public retirement system administered by the Division of Retirement of the Department of Management Services. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed based on age, average final compensation, and service credit. Regular class employees who retire at or after age 62 with 6 years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life equal to 1.6% percent of their final average compensation for each year of credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special risk class employees (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation for each year of credited service. A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with *Florida Statutes*.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program ("DROP"). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Tax Collector has no responsibility to FRS other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to Florida Division of Retirement, PO Box 9000, Tallahassee, FL 32315-9000.

Funding Policy

The FRS is noncontributory for members. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/09 06/30/10	07/01/10 09/30/10
Regular	9.85%	10.77%
Senior Management	13.12%	14.57%
County elected officials	16.53%	18.64%
DROP	10.91%	12.25%

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

The Tax Collector's contributions made during the years ended September 30, 2010, 2009 and 2008 were \$325,701, \$342,907, and \$366,107, respectively, which were equal to actuarially determined contribution requirements for each year.

Note 5 - Other Postemployment Benefits

In addition to the retirement system benefits described in Note 4, the Tax Collector provides postretirement health care benefits, in accordance with state statutes, to all employees who retire from the Tax Collector after vesting with the retirement system. Currently, sixteen retirees meet those eligibility requirements. The Tax Collector subsidizes 75% of the amount of health care costs for retirees. Expenditures for postretirement health care benefits are recognized as premiums are paid. During the year, expenditures of \$42,628 were recognized for postretirement health care.

The Board engaged an actuarial firm to determine the County's annual required contribution and unfunded obligation, which are the responsibility of the Board's General Fund. Further information about OPEB is available in the County's Comprehensive Annual Financial Report.

Note 6 – Risk Management

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

The Tax Collector participates in the Self-Insurance program of the Board. The coverage for employee health, property, general liability, automobile liability, workers' compensation, and public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program reported in the Self-Insurance Fund of the Board. The program is a self-insurance program whereby the Tax Collector makes annual contributions along with the other members of the program based on amounts determined by the Board. The Tax Collector is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member in excess of the reinsurance available; such a deficiency is solely the responsibility of that member. The program is reported by the Board as an Internal Service Fund. The Tax Collector's contributions were \$406,113 during the fiscal year ended September 30, 2010 and are included as expenditures in the accompanying special-purpose financial statements. Settlements have not exceeded coverage for each of the past three fiscal years.

Martin County, Florida
Tax Collector
Notes to Special-Purpose Financial Statements
Year Ended September 30, 2010

Note 7 – Lease Commitments

Operating Leases

The Tax Collector leases office space, equipment and vehicles under operating lease agreements. Total lease payments made in 2010 were \$74,918.

The following is a schedule by years of minimum future rentals under non-cancelable operating leases as of September 30, 2010:

Year ending <u>September 30,</u>	
2011	\$ 75,719
2012	75,719
2013	72,957
2014	69,511
2015	69,511
Thereafter	<u>69,511</u>
Total	<u>\$432,928</u>





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 Ruth Pietruszewski,
Tax Collector of Martin County, Florida:

We have audited the special-purpose financial statements of the General Fund and the aggregate remaining fund information of the Martin County, Florida Tax Collector (the "Tax Collector") as of September 30, 2010, and have issued our report thereon dated March 14, 2011 for the purpose of compliance with Section 218.39(2), *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General – Local Governmental Entity Audits*. 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 Tax Collector's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tax Collector's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tax Collector'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 special-purpose 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 the Tax Collector's special-purpose 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 herein under *Government Auditing Standards*.

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

Cheng, Behaert & Holland, L.L.P.

Orlando, Florida
March 14, 2011