

Northeast Florida Regional Council

Financial Statements, Supporting Schedules
And Other Reports

Year Ended September 30, 2009

Northeast Florida Regional Council
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northeast Florida Regional Council
Jacksonville, Florida

We have audited the accompanying basic financial statements of the governmental activities of Northeast Florida Regional Council ("the Council") as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities as of September 30, 2009, and the respective changes in financial position, 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 January 7, 2010 on our consideration of the Council'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 and the Required Supplementary Information on pages 3 through 11 and page 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The accompanying financial statement of revenues, expenses and changes in fund balance – budget and actual – is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Council. The accompanying schedule of public service grant activity is also presented for purposes of additional analysis as required by the City of Jacksonville, and is not a required part of the basic financial statements of the Council. The schedule of expenditures of federal awards and public service grant activity has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

[Magers & Associates, LLC](#)

MAGERS & ASSOCIATES, LLC
Certified Public Accountants
Orange Park, Florida
January 7, 2010

Management's Discussion and Analysis

As management of the Northeast Florida Regional Council (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

- The assets of the Council exceeded its liabilities at the close of the fiscal year by \$2,164,926.
- The Council's net assets decreased by \$117,431.
- The Council's total assets decreased by \$564,439 in large part due to a decrease in cash associated with advance funding from prior year that was expensed in this fiscal year for the Statewide Regional Evacuation Study. Accounts receivable also decreased as a result of more aggressive invoicing procedures.
- The Council's total liabilities decreased by \$405,300. The decrease is mainly attributed to decreases in deferred revenue for the Statewide Regional Evacuation Study as advanced funding from prior year was expensed this fiscal year. There was also a decrease in long-term liabilities due to a reduction in the principal balance of the building note.
- In May 2009 the Business Development Corporation terminated its administrative service agreement with the Council.
- County dues for fiscal year 2009 were \$623,091. An increase of \$17,066 from the previous year.
- The Council replaced the building roof using building note proceeds from fiscal year 2008. The roof replacement was completed in June 2009.
- The Council only received \$192,403 of the Department of Community Affairs' planning grant of \$213,063 for fiscal year 2009 as a result of State budget reductions.
- The Council entered into an agreement with the federal Department of Commerce Economic Development Administration (EDA) in the amount of \$30,277, which was a matching grant in support of a Comprehensive Economic Development Strategy.
- The Regional Community Institute of Northeast Florida, Inc. raised \$261,750 in fiscal year 2009 in support of Reality Check First Coast. This covered all direct expenses and \$150,000 of Council staffing. It did not cover all Council staffing, but as the jumpstart to a regional vision, it was deemed appropriate to put in additional staffing (in excess of \$77,000) to ensure its success.
- The Council maintained its contract with the Commission for the Transportation Disadvantaged to act as the Designated Official Planning Agency for six of the Region's seven counties. Total revenue from this program is \$114,888.
- The first year of a contract for Critical Infrastructure Assessment was completed and the Council entered into the second year of the grant that will continue through mid 2010 with total funding being \$890,000.
- The Council received a contract from a City of Jacksonville UASI grant for \$390,000 to install emergency management software for Baker, Clay, Duval, Nassau and St. Johns County EOCs.
- A contract in the amount of \$50,000 was received from the Division of Emergency Management to conduct a terrorism training exercise at the Miami Federal Reserve Branch.

Management's Discussion and Analysis (continued)

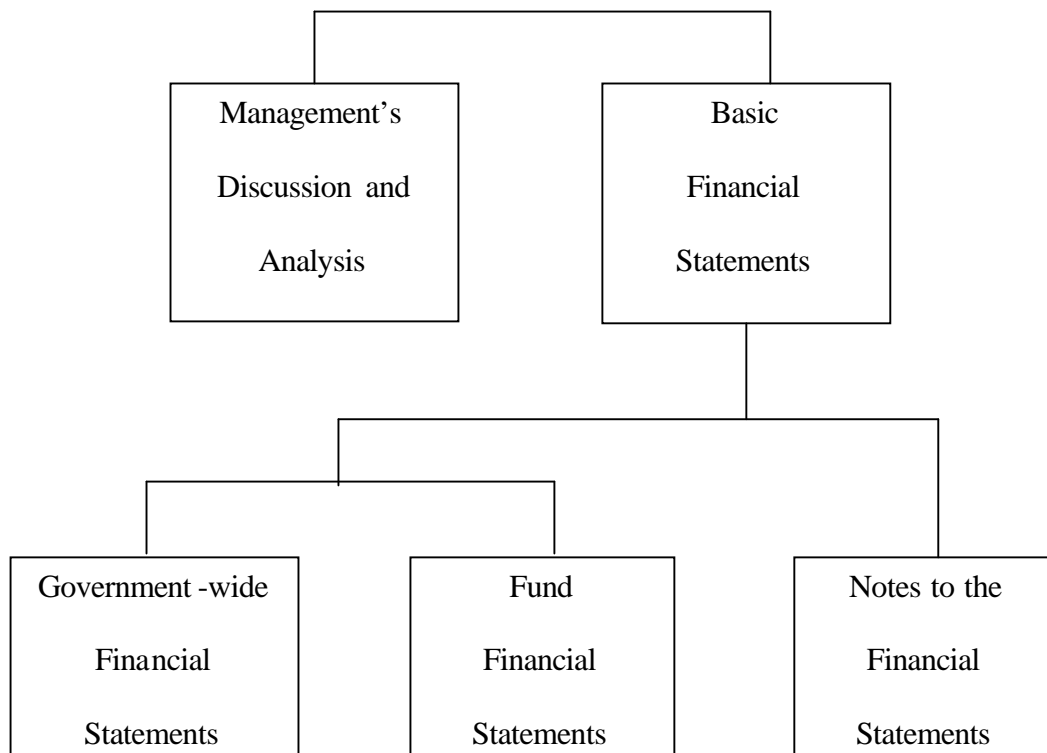
- The Council received a \$125,000 contract to conduct an interoperable communications summit and exercise for the State of Florida.
- The Council continued to make progress on a \$4.5 million dollar grant to assist the State of Florida in the development of a Statewide Regional Evacuation Study Program. The program will conclude in June 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Council through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

Required Components of Annual Financial Report

Figure 1



Management's Discussion and Analysis (continued)

Government -Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances. Similar in format to financial statements of a private-sector business, the government-wide statements provide short and long-term information about the Council's financial status as a whole.

The statement of net assets (Page 13) presents information on all of the Council'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 the Council's financial position.

The statement of activities (Page 14) presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported using the accrual basis of accounting. Therefore, all current year's revenues and expenses are taken into account regardless of when the cash is received or expenses are paid.

Fund Financial Statements

The fund financial statements (Pages 15-17) provide a more detailed look at the Council's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions or limitations. For financial statement presentation, funds with similar characteristics, including component units, are grouped into generic fund types as required by generally accepted accounting principles, (GAAP). The Council's funds are classified into one category: governmental.

Government Funds – Most of the Council's basic activities are accounted for in government funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Government funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Council's programs.

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 are on pages 18-28 of the report.

Government-Wide Financial Analysis - For fiscal year ended 2009, the Council was compliant with the Government Accounting Standard Board (GASB) Statement 34 reporting model.

Management's Discussion and Analysis (continued)

Northeast Florida Regional Council's Net Assets
Figure 2

	Government-wide Activities		Variance Positive (Negative)
	2009	2008	
Current and other assets	\$ 2,397,541	\$ 3,328,190	\$ (930,649)
Capital assets (net of accumulated depreciation)	2,779,253	2,413,043	366,210
Total assets	5,176,794	5,741,233	(564,439)
Current liabilities	1,136,130	1,473,706	(337,576)
Long term liabilities	1,875,738	1,943,462	(67,724)
Total liabilities	3,011,868	3,417,168	(405,300)
Net assets:			
Investment in capital assets, net of related debt	908,698	469,581	439,117
Unrestricted and restricted	1,256,228	1,812,776	(556,548)
Total net assets	\$ 2,164,926	\$ 2,282,357	\$ (117,431)

As shown in Figure 2, net assets may serve over time as a useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$2,164,926 in fiscal year 2009. Also in fiscal year 2009, the Council's net assets decreased by \$117,431. The decrease is primary due to the following:

- A reduction in cash and a corresponding increase in capital assets as a result of the replacement of the building roof using loan proceeds received in the prior fiscal year.
- A decrease in cash and deferred revenue for prior year advance funding used in this fiscal year to administer the Statewide Regional Evacuation Study.
- A decrease in accounts receivable as a result of more aggressive invoicing procedures.
- A decrease in long-term liabilities by \$67,724. The decrease is attributed to a reduction in the principal balance of the building note.

Government -Wide Activities - Government -wide activities decreased the Council's net unrestricted assets by \$117,431, as shown in Figure 3. Factors that attributed to the decrease are as follows:

- State grant revenues decreased in large part due to a decrease in revenues for the Council's yearly state planning grant. The Council also received a one-time Regional Visioning Grant in fiscal year 2008 that was not funded in fiscal year 2009.
- Local government revenues increased as a result of additional funding received for critical infrastructure assessments and the installation of EOC software for several of our local governments.
- The Regional Community Institute received funding in fiscal year 2009 from various public and private entities to conduct a Reality Check regional visioning exercise for our Region.

Management's Discussion and Analysis (continued)

- As a result of State budget cuts, the Data Center contract was not renewed in fiscal 2008, thus the reduction in revenues for this fiscal year.
- The Council discontinued services with the AME Ministerial Alliance effective February 2008; therefore there was no AME revenue for this fiscal year.
- Personnel services decreased due to staff downsizing resulting from the declining economy and anticipated State and local government budget cuts.
- Direct charges increased in large part as a result of contractual payments for the Emergency Preparedness program area and expenses associated with Reality Check First Coast.

Regional Council's Changes in Net Assets

Figure 3

	<u>Government-wide Activities</u>		<u>Variance Positive (Negative)</u>
	<u>2009</u>	<u>2008</u>	
Revenues			
County assessments	\$ 623,091	\$ 606,025	\$ 17,066
Federal grants	2,065,933	2,086,305	(20,372)
State grants	346,028	603,221	(257,193)
Local government technical assistance and DRI fees	1,290,249	1,000,008	290,241
North Florida Procurement Association	29,264	45,886	(16,622)
Regional Leadership Academy	2,100	22,757	(20,657)
Regional Community Institute	262,379	49,764	212,615
Data Center	-	84,904	(84,904)
AMA Ministerial Alliance	-	64,920	(64,920)
Tenant Revenue	113,325	88,855	24,470
Other	66,550	53,001	13,549
Total revenues	<u>4,798,919</u>	<u>4,705,646</u>	<u>93,273</u>
Expenditures			
Personnel service	1,379,655	1,558,692	(179,037)
Direct charges	2,696,860	2,248,135	448,725
Common/Indirect	839,835	916,377	(76,542)
Total expenditures	<u>4,916,350</u>	<u>4,723,204</u>	<u>193,146</u>
Excess revenues over expenditures	(117,431)	(17,558)	(99,873)
Fund balance, beginning of year	<u>2,282,357</u>	<u>2,299,915</u>	<u>(17,558)</u>
Fund balance, end of year	<u><u>\$2,164,926</u></u>	<u><u>\$ 2,282,357</u></u>	<u><u>\$ (117,431)</u></u>

Management's Discussion and Analysis (continued)

Financial Analysis of Council Funds

The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council has one major governmental fund, the General Fund.

Government Funds - The Council's basic activities are accounted for in government funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Government funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Council's programs.

Budgetary Highlight – During the fiscal year the Council amended the budget once, in July 2009. Given the budget must be adopted by July 1 of each year, but is not operational until October 1 of each year, there are often significant changes in revenues and expenditures. The variances in revenue between the original budget and the final budget reflects adjustments for contract funding changes and additional contract funding that were acquired in fiscal year 2009, but were not available for inclusion at the time the original budget was prepared.

The variance between the final budget and actual revenues and expenses (Figure 4) is primarily attributable to the contract extension of the Statewide Regional Evacuation Study grant that was scheduled to end September 30, 2009 but was extended until June 2010.

**Northeast Florida Regional Council
Budget to Actual – Fiscal Year Ending September 2009
Figure 4**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
County assessments	\$ 623,091	\$ 623,091	\$ 623,091	\$ -
Federal grants	2,628,439	2,962,737	2,065,933	(896,804)
State grants	388,909	351,404	346,028	(5,376)
Local government and DRI fees	1,433,881	1,263,222	1,290,249	27,027
Data Center	140,000	-	-	-
North Florida Procurement Association	36,000	20,000	29,264	9,264
Regional Leadership Academy	30,500	2,400	2,100	(300)
Regional Community Institute	175,000	337,715	262,379	(75,336)
Tenant Revenue	106,000	112,000	113,325	1,325
Other	187,300	94,664	66,550	(28,114)
Total revenues	5,749,120	5,767,233	4,798,919	(968,314)
Expenses				
Personnel service	2,241,297	1,858,192	1,860,461	2,269
Direct charges	3,174,727	3,789,358	2,696,860	(1,092,498)
Common cost	333,096	354,600	359,029	4,429
Total expenses	5,749,120	6,002,150	4,916,350	(1,085,800)
Excess of revenues of expenditures	\$ -	\$ (234,917)	\$ (117,431)	\$ 117,486

Management's Discussion and Analysis (continued)

NEFRC Financial Analysis

Total assets and total liabilities decreased in fiscal year 2009 largely due to a reduction in cash and deferred revenues for prior year advance funding used in this fiscal year to administer the Statewide Regional Evacuation Study grant. There was also a decrease in cash and a corresponding increase in capital assets as a result of the replacement of the building roof using loan proceeds received in the prior fiscal year.

Revenues increased primarily due to an increase in Regional Community Institute revenues to implement Reality Check First Coast, a regional visioning exercise. However, State revenues decrease by \$252,057 in large part due to a decrease in revenues for the Council's yearly state planning grant. Personnel services decreased as a result of staff downsizing. Direct charges increased in large part as a result of contractual payments for the Emergency Preparedness program area and expenses for the Reality Check First Coast exercise.

NEFRC Capital Assets

The Council's investment in capital assets for fiscal year 2009 is \$2,779,253 (Figure 5), net of accumulated depreciation of \$1,152,360.

Capital Assets

Figure 5

	2009	2008
Equipment, furniture, and software	\$ 801,533	\$ 835,566
Construction in progress	-	1,040
Land	271,910	271,910
Building and improvements	2,858,170	2,395,256
Total property, plant, and equipment	<u>3,931,613</u>	<u>3,503,772</u>
Accumulated depreciation	<u>(1,152,360)</u>	<u>(1,090,729)</u>
Property, plant and equipment, net	<u>\$ 2,779,253</u>	<u>\$ 2,413,043</u>

Additional information on the Council's capital assets can be found in Notes A and C of the basic financial statements.

NEFRC Long-Term Debt

As of September 30, 2009, the Council's long-term obligations consisted of notes payable for \$1.96 million for the purchase of the building in 2001. The Council refinanced the building note in June 2008 at a fixed interest rate of 3.75% with a 10 year maturity, amortization over 20 years. The Council received proceeds from the refinance of \$474,102 that was used in fiscal year 2009 for the building roof replacement. Additional information regarding the Council's long-term debt can be found in Note D of the basic financial statements.

Management's Discussion and Analysis (continued)

NEFRC Economic Factors and Next Year's Budget

Fiscal Year 2010 is an uncertain budgetary year due to the economy and the adverse effects it may have on Council funding by State and local governments as a result of budget cuts. Management is actively pursuing expanded and new programmatic opportunities in order to supplement, to the extent possible, any budget cuts received.

Federal funding for emergency preparedness programs across the country is uncertain for the coming year as the economy and shifts in national policy will effect allocations and priorities for allocation. This will cause a corresponding reduction in statewide programs to local governments and may impact the Council's local funding levels as a result. The funding for the Statewide Regional Evacuation Study Program will also continue to decrease through 2010. There has been an increase in funding for planning and interoperable communications. Both areas may produce new opportunities for the Emergency Preparedness programs area, although a further shift to statewide based programs would result.

DRI fees are affected by economic growth in northeast Florida. The downturn in the housing market seems to have caused a slowdown in DRI activity. However, there were several DRIs submitted over the past year, which has maintained a diminished but continuing revenue stream. In addition, the economic downturn and decrease in State revenues have resulted in a corresponding decrease in the Council's Department of Community Affairs (DCA) planning contract that will affect fiscal year 2010.

DCA funds will be used to cover staffing of regional visioning in the early part of the fiscal year. However, Regional Community Institute will need to fundraise to support its efforts going forward.

Once the Comprehensive Economic Development Strategy is approved by the EDA, the Council is expected to be funded at a rate of \$53,000 annually. The first such payment is anticipated in fiscal year 2010.

Evaluation and Appraisal Reports (EARs) are due in 2011 for certain municipalities. Should a municipality choose the Council to perform services to produce and/or assist in the EARs, additional local government revenue will be generated.

NEFRC Budget Highlights for Fiscal Year Ending 2010

Revenues for Emergency Preparedness are anticipated to decrease as one of its major programs, the Statewide Regional Evacuation Study, is scheduled to be completed in June 2010 and future funding for the program is uncertain. The Critical Infrastructure Assessment program has received additional funding that will carry the program through fiscal year 2011. The Council has also entered into various contracts with the State for an interoperable communications summit, exercise and training that will provide revenue for fiscal year 2010.

Management's Discussion and Analysis (continued)

This year the Council received a grant to develop a Comprehensive Economic Development Strategy that, once approved, will provide the Council with additional funding of \$53,000 annually.

Funds for other on-going Council programs such as DRIs, SHIP and Transportation Disadvantage are anticipated to remain relatively constant for fiscal year 2010.

Request for Information

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Executive Officer, Northeast Florida Regional Council, 6850 Belfort Oaks Place, Jacksonville, FL 32216.

Basic Financial Statements

Northeast Florida Regional Council

Year Ended September 30, 2009

Northeast Florida Regional Council
Statement of Net Assets
September 30, 2009

	2009
Assets	
Cash and cash equivalents	\$ 1,203,274
Investments	15,265
Accounts receivable	482,174
Restricted assets:	
Cash and cash equivalents	688,078
Capital assets (net of accumulated depreciation):	
Property, plant and equipment	2,779,253
Other assets:	
Closing costs, net of amortization	8,750
Total Assets	5,176,794
Liabilities	
Accounts payable	138,683
Accrued salaries and leave	129,329
Deferred revenues	859,886
Tenant deposits	8,232
Long-term liabilities:	
Due within one year	70,307
Due after one year	1,805,431
Total Liabilities	3,011,868
Net Assets	
Invested in capital assets, net of related debt	903,515
Restricted net assets	688,078
Unrestricted net assets	573,333
Total Net Assets	\$ 2,164,926

See accompanying notes to financial statements.

Northeast Florida Regional Council
Statement of Activities
For the Year Ended September 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		<u>Total</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government:					
Financial and administration	\$ 579,817	\$ 155,968	\$ 11,220	\$ -	\$ (724,565)
Planning and growth management	434,861	228,471	391,479	312,453	40,600
Emergency preparedness	2,741,293	300,794	959,267	2,087,369	4,549
North Florida procurement	27,963	1,301	29,264	-	-
Regional leadership academy	18,139	8,793	2,100	-	(24,832)
Regional visioning	274,442	67,508	262,379	-	(79,571)
Debt service - interest	-	76,999	-	-	(76,999)
Total governmental activities	4,076,515	839,834	1,655,709	2,399,822	(860,818)
General revenues:					
Miscellaneous					3,197
Membership dues					623,091
Tenant revenue					113,325
Interest					3,774
Total general revenues					743,387
Change in net assets					(117,431)
Net assets - beginning					2,282,357
Net assets - ending					\$ 2,164,926

See accompanying notes to financial statements.

Northeast Florida Regional Council
Balance Sheet
Governmental Fund
September 30, 2009

	2009
Assets	
Cash and cash equivalents	\$ 1,203,274
Investments	15,265
Accounts receivable	482,174
Restricted assets:	
Cash and cash equivalents	688,078
Other assets:	
Closing costs	8,750
Total Assets	\$ 2,397,541
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 138,683
Accrued salaries and leave	129,329
Deferred revenues	859,886
Tenant deposits	8,232
Total Liabilities	1,136,130
 Fund balance:	
Unrestricted	573,333
Restricted	688,078
Total fund balance	1,261,411
 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 fund.	2,779,253
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(1,875,738)
	\$ 2,164,926

See accompanying notes to financial statements.

Northeast Florida Regional Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended September 30, 2009

	Council
Revenues	
County assessments	\$ 623,091
Federal grants	2,065,933
State grants	346,028
Local government	1,290,249
North Florida Procurement	29,264
Regional Leadership Academy	2,100
Regional Community Institute	262,379
Tenant revenue	113,325
Interest income	3,774
Other	62,776
Total Revenues	4,798,919
Expenditures	
Personnel service	1,379,655
Direct charges	2,696,860
Debt service:	
Principal	67,724
Interest	76,999
Capital outlay:	
Property, plant and equipment	525,858
Common/Indirect	603,188
Total Expenditures	5,350,284
Excess Revenues Over Expenditures	(551,365)
Net Change in Fund Balance	(551,365)
Fund Balance, beginning of year	1,812,776
Fund Balance, end of year	\$ 1,261,411

See accompanying notes to financial statements.

Northeast Florida Regional Council
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2009

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net Change in fund balance - governmental funds (page 16)	\$ (551,365)
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 is reported as depreciation expense.	525,858
Depreciation expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	(159,648)
Governmental funds do not show long-term debt on the balance sheet. However, the current principal payments and the current interest paid related to the debt are reported on the statement of revenues, expenditures and changes in fund balance. This is the amount by which the principal balance was reduced for current year.	<u>67,724</u>
Changes in net assets of governmental activities (page 14)	<u><u>\$ (117,431)</u></u>

See accompanying notes to financial statements.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note A – Summary of Significant Accounting Policies

The accounting policies of the Northeast Florida Regional Council (the Council) conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies.

1. Financial Reporting Entity

The Council was organized pursuant to Chapter 186 of the Florida Statutes, as amended, and specifically created by an interlocal agreement pursuant to Chapter 163, Florida Statutes, in order to provide local governments with a means of conducting a regional planning process to ensure orderly and balanced growth and development within the Northeast Florida Region (including the counties of Baker, Clay, Duval, Flagler, Nassau, Putnam and St. Johns).

The Council has considered for inclusion all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete. In accordance with GASB 14, *The Financial Reporting Entity*, the GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Council to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council. There are no other entities to consider for inclusion as a component unit within the Council's reporting entity.

2. Fund Structure

The Council's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financing resources, together with liabilities and residual equities or balances, and changes therein. For financial statement presentation, funds with similar characteristics, including those component units referenced above, are grouped into generic fund types as required by GAAP. A brief description of these fund types, account groups, and categories into which they are grouped, follows.

Governmental Funds

Governmental funds financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Council considers revenues to be available if they are collected within 60 days of the fiscal year-end. Expenditures are recorded when the related fund liability is incurred.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

3. Basis of Presentation – Basis of Accounting

Basis of Presentation

Government-wide Statements : The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the governmental activities of the Council. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Fund Financial Statements: The fund financial statements provide information about the Council's funds. The emphasis of fund financial accounting is on major governmental funds, each displayed in a separate column.

Fund Types and Major Funds

Governmental Funds

The Council reports the following major governmental fund:

General Fund – reports as primary fund for the Council.

Measurements Focus, Basis of Accounting

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally 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 Governmental Accounting Standards Board.

4. Cash and Cash Equivalents

The Council considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

5. Investments

Investments are stated at fair value.

6. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

7. Capital Assets

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist and are reported in the government-wide financial statements. Donated fixed assets are valued at their estimated fair market value on the date received. Generally, capital assets costing more than \$500 and having a useful life of more than one year are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The estimated useful lives for the major classes of depreciable fixed assets are as follows:

Office equipment	3-5 years
Other equipment	5-7 years
Software	5 years
Building	40 years
Improvements	20 years

8. Compensated Absences

Council employees may accumulate earned annual leave benefits (compensated absences) at various rates within limits specified in the personnel manual. For all funds, this liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. At their option, employees may receive payment for accrued annual leave for hours in excess of 160. This payout option is allowed a maximum of twice a year.

All fund types report this liability as a fund liability as the benefits accrue to the employees. No liability is recorded for non-vesting, accumulated sick pay benefits. Compensated absences liability is determined based on current rates of pay.

9. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

10. Pension and Investment Plans

Substantially all permanent, full-time employees of the Council are covered under a defined benefit pension plan that is administered by the Florida Retirement System. Employer contributions are recorded as pension expenditures/expenses when the related payroll is accrued based on actuarially determined rates set by the Florida Retirement System. The pension plan expenditures/expenses are reported in accordance with Governmental Accounting Standards Board No. 27, *Accounting for Pensions by State and Local Governments*.

11. Budgetary Data

An annual budget is adopted for the general fund by the Council by the July meeting preceding the fiscal year. All annual appropriations lapse at the fiscal year end. Mid-year and year-end amendments are made to the budget as necessary. The budget is prepared and controlled at the project activity level.

Note B – Cash and Investments

1. Cash on Deposit

At September 30, 2009, the Council's cash on deposit in its bank accounts was \$1,901,632 which is placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts and certificates of deposit and is defined as public deposits. All the Council's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security of Public Deposits Act", and covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the Act. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level.

The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

2. Investments and Investment Practices

The Council is authorized to invest in certificates of deposit, money market certificates, obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements collateralized by U.S. securities, the Florida Counties Investment Trust, and the Local Government Surplus Funds Trust Fund. No derivative or similar investment transactions were used, held, or written by the Council during the fiscal year. As of September 30, 2009, the Council had investments with the Florida Local Government Investment TRUST of \$15,265. The carrying value equals the fair value at September 30, 2009.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note C – Property, Plant and Equipment

Activity for the Council’s capital assets is summarized below:

	Balance 9/30/08	Additions	Disposals	Balance 9/30/09
Governmental Activities:				
Capital assets, non-depreciable:				
Land	\$ 271,910	\$ -	\$ -	\$ 271,910
Construction in progress	1,040	-	(1,040)	-
Total capital assets, non-depreciable	<u>272,950</u>	-	(1,040)	<u>271,910</u>
Capital Assets, depreciable:				
Office furniture	8,716	-	-	8,716
Other equipment	711,650	63,983	(98,017)	677,616
Software	115,200	-	-	115,200
Building	1,928,090	-	-	1,928,090
Improvements	467,166	461,875	1,040	930,081
Total capital assets, depreciable	<u>3,230,822</u>	<u>525,858</u>	<u>(96,977)</u>	<u>3,659,703</u>
Less accumulated depreciation	<u>(1,090,729)</u>	<u>(159,648)</u>	<u>98,017</u>	<u>(1,152,360)</u>
Total capital assets, depreciable, net	<u>2,140,093</u>	<u>366,210</u>	<u>1,040</u>	<u>2,507,343</u>
Governmental activities capital assets, net	<u>\$ 2,413,043</u>	<u>\$ 366,210</u>	<u>\$ -</u>	<u>\$ 2,779,253</u>

Government -wide depreciation expense for the year ended September 30, 2009 totaled \$159,648.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note D – Long-Term Obligations

Notes Payable

Notes payable at September 30, 2009, consist of:

\$1,960,000 note dated June 3, 2008, payable in 120 monthly installments of \$11,621 including interest at 3.75% until June 3, 2018, at which time the Council will make a balloon payment in the amount of \$1,169,316. Pledged revenues collateralize this loan.	\$ 1,875,738
Less current portion	<u>(70,307)</u>
Long-term portion	<u>\$ 1,805,431</u>

The aggregate amounts of principal payments due in each of the years subsequent to September 30, 2009, are:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2011	\$ 72,999
2012	75,774
2013	78,665
2014	81,666
Thereafter	<u>1,496,327</u>
Total	<u>\$ 1,805,431</u>

Note E – Cost Allocation

The following is a summary of significant cost allocation policies and results used in the preparation of the financial statements.

Cost allocation operates in accordance with an Indirect Cost Proposal (the Proposal) developed annually. Although the Council receives direct federal funding, it does not rise to the dollar amount defining a “Cognizant Agency”; therefore, under the guidelines established by Circular A-87, approval of the Indirect Cost Proposal and Rate is not mandated. The Proposal identifies shared costs and the financial bases for cost sharing. It also identifies various non-financial bases for allocating certain joint or common costs as direct costs. The concepts in the Proposal are utilized in the accounting system and produced the following actual results shown below for the fiscal year.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note E – Cost Allocation (continued)

Leave benefits consist of accrued annual leave and other types of leave granted (i.e., sick, holiday and administrative leave). Leave costs are accumulated in an organizational leave pool and distributed to activities based on year-to-date regular time salary costs. This results in all activities bearing an equitable share of leave costs and diminishes the circumstantial effects of timing associated with leave usage.

Actual leave costs and the leave rate percentage for the year ended September 30, 2009, are shown below:

Annual leave taken	\$ 93,016
Sick leave taken	45,589
Holiday leave granted	71,669
Personal leave taken	5,189
Administrative leave granted	1,053
Net change in accrued leave liability	<u>(23,517)</u>
Total leave costs	<u>\$ 192,999</u>
Leave benefit costs	<u>\$ 192,999</u>
In-service salaries	<u>\$1,315,981</u>

Actual leave rates by employee classification (which reflect leave eligibility) are developed and applied to the year-to-date base of regular time salaries in each project to determine its share of leave costs. In the aggregate, \$192,999, accounting for 14.67% of in-service salaries, was charged among all programs operated during the fiscal year. Separate classifications are necessary because leave benefit eligibility differs among employees.

Employees are defined by class based upon fringe benefit eligibility. Employee fringe benefit costs are accumulated in an organization pool as they are incurred. Fringe benefit costs are prorated by employee class (i.e., eligibility) based on the class year-to-date proportionate share of salaries to total year-to-date organizational salaries. The classification of costs conforms to the organization's Proposal for the year in which final rates of 30.32% (Class 1), 8.17% (Class 3), and 8.20% (Class 4) were computed. The fringe benefit eligibility matrix and actual fringe benefit costs and final rates for the year ended September 30, 2009, are as follows:

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note E – Cost Allocation (continued)

	Class 1	Class 3	Class 4	Totals
FICA	\$ 109,778	\$ 68	\$ 73	\$ 109,919
FRS	162,621	-	-	162,621
Health Ins.	156,114	-	-	156,114
Life Ins.	6,772	-	-	6,772
Disability Ins.	8,348	-	-	8,348
Workers Comp.	8,365	5	5	8,375
Unemp. Comp.	5,647	3	4	5,654
Total Fringe Ben. Costs	457,645	76	82	457,803
Total Salaries	\$ 1,509,600	\$ 930	\$ 1,000	\$ 1,511,530
Final Rate	30.32%	8.17%	8.20%	30.29%

These final rates were applied to the year-to-date salaries base by class in each project to determine its share of fringe benefit costs. In the aggregate, \$457,803 was charged among all programs operated during the fiscal year. The use of the pool and year-to-date financial activity results in an equitable distribution among all activities regardless of individual contract periods or monthly expenditure levels.

Common costs consist of occupancy and other facility costs that support all programs, including central management and administration functions. Common costs are allocated among programs and the indirect cost pool on the basis of salaries and fringe benefit costs. A portion of common costs is thereby allocated to indirect costs representing its share of common costs. The classification of common costs conforms to the organization's Proposal for the year in which a \$12.14 per hour common cost rate was used for budgeting purposes.

Common costs were accumulated in an organizational pool and distributed to activities/programs based on year-to-date direct salaries and fringe benefits in conformity with the organization's Proposal. Actual common costs and the final rate for the year ended September 30, 2009, are as follows:

Common cost rate (final)	<u>\$ 11.75</u>
Actual year-to-date common costs	<u>\$ 481,137</u>
Base (hours)	<u>40,931</u>

The final rate was applied to the year-to-date base in each project to determine its share of common costs. In the aggregate, actual costs of \$481,137 were charged among all programs operated during the fiscal year.

Indirect costs consist of salaries and fringe benefits of central organization personnel who perform management and administrative functions necessary and beneficial to all activities, non-

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note E – Cost Allocation (continued)

salary support costs related to central management and administration functions, and a share of the organization’s common costs. These categories of costs are developed individually and then are combined to compute a single rate. The classification of costs conforms to the organization’s Indirect Cost Proposal for the year in which a \$10.60 per hour Provisional Indirect Cost Rate was used for budgeting purposes.

Indirect costs were accumulated in an organizational pool and distributed to activities/programs based on year-to-date direct salaries and fringe benefits in conformity with the organization’s Indirect Cost Proposal. Actual indirect costs and the final rate for the year ended September 30, 2009, are as follows:

Indirect cost rate (final)	\$ <u>11.28</u>
Actual year-to-date indirect costs	\$ <u>384,193</u>
Base (hours)	<u>34,067</u>

The final rate was applied to the year-to-date base in each project to determine its share of indirect costs. In the aggregate, actual costs of \$384,193 were charged among all programs operated during the fiscal year. The use of year-to-date financial information applies costs equitably regardless of individual contract periods or monthly expenditure levels.

Financial Report projects completed during the fiscal year may have reported interim costs to grantor agencies pending the determination of final costs at September 30, 2009. Interim reports may show higher or lower allocated costs which reflect changing rates after project termination. Final costs for completed projects can only be determined at the end of the organization’s fiscal year.

Note F – Deferred Revenue

The amount recorded as deferred revenue relates to projects for which funding was received prior to the performance of the service. The amounts will be recognized as revenue when the related service is performed. Deferred revenues at September 30, 2009, were \$859,886 for the Council.

Note G – Lease Receivables

Future minimum rental receivables required under operating leases, for building space located at the Council, which have an initial non-cancelable lease term in excess of one year, are as follows at September 30, 2009:

Fiscal Year Ended	Amount
2010	\$ 81,215
2011	<u>23,177</u>
Total minimum receivables	<u>\$ 104,392</u>

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note H – Retirement Plan

1. Plan Description

The Northeast Florida Regional Council contributes to the Florida Retirement System (FRS), a cost-sharing, multiple-employer public employee retirement system (PERS) available to governmental units within the State. In accordance with Florida laws, the Council participates in the FRS that presently covers all qualified Council employees. The FRS was created by the Florida Legislature and is administered by the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing the Florida Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315.

2. Funding Policy

The Council is required to contribute a fixed portion of their covered payroll as provided in various acts of the Florida Legislature. The required contribution rate for regular class employees was 9.85% from October 1, 2008 to September 30, 2009. The required contribution rate for the senior management was 13.12% from October 1, 2008 to September 30, 2009. Two employees of the Council are enrolled in the Deferred Retirement Option Program (DROP), which requires a 10.91% contribution. The Council's contribution to Florida Retirement System for the years ended September 30, 2009, 2008, and 2007 were \$162,621, \$186,893, and \$234,284, respectively, equal to the required contributions for each year.

Note I – Litigation, Contingencies and Commitments

The Council participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of the Council.

The Council is required to comply with various federal and state regulations issued by the U.S. Office of Management and Budget if such agency or department is a recipient of federal and state grants, contracts, or their sponsored agreements. Failure to comply may result in questions concerning the allocability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Council.

Note J – Organizational Restructure

Prior to May 2009, Business Development Corporation (BDC) was considered a component unit of Northeast Florida Regional Council, as such BDC operated under a contractual agreement with Northeast Florida Regional Council in which the Council provided substantially all personnel and other services necessary to administer BDC's duties. The BDC separated from Northeast Florida Regional Council in May 2009.

Northeast Florida Regional Council
Notes to Financial Statements
Year Ended September 30, 2009

Note K – Prior Year Restatement

The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance as of September 30, 2008 have been restated to properly reflect the interfund balances of the Council and the Business Development Corporation.

The restatement reduces the previously reported revenues, expenses, and net change in fund balance of the Council as reflected in the summarized restatement below:

Statement of Revenues, Expenditures, and Changes in Fund Balance

	As of September 30, 2008	
	Corrected	Previously Reported
Revenues	\$ 4,705,645	\$ 4,705,645
Expenditures	4,720,884	4,679,176
Excess revenues over expenditures	(15,239)	26,469
Other financing sources	470,745	470,745
Net change in fund balance	455,506	497,214
Fund balance, beginning of year	1,357,270	1,357,270
Fund balance, end of year	\$ 1,812,776	\$ 1,854,484

Required Supplementary Information

Northeast Florida Regional Council

Year Ended September 30, 2009

Northeast Florida Regional Council
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
County assessments	\$ 623,091	\$ 623,091	\$ 623,091	\$ -
Federal grants	2,628,439	2,962,737	2,065,933	(896,804)
State grants	388,909	351,404	346,028	(5,376)
Local government and DRI fees	1,433,881	1,263,222	1,290,249	27,027
Data center	140,000	-	-	-
North Florida Procurement	36,000	20,000	29,264	9,264
Regional Leadership Alliance	30,500	2,400	2,100	(300)
Regional Community Institute	175,000	337,715	262,379	(75,336)
Tenant revenue	106,000	112,000	113,325	1,325
Other	187,300	94,664	62,776	(31,888)
Total Revenues	<u>5,749,120</u>	<u>5,767,233</u>	<u>4,795,145</u>	<u>(972,088)</u>
Expenditures				
Personnel service	2,241,297	1,858,192	1,860,461	2,269
Direct charges	3,174,727	3,789,358	2,696,860	(1,092,498)
Common/Indirect	333,096	354,600	282,030	(72,570)
Total Expenditures	<u>5,749,120</u>	<u>6,002,150</u>	<u>4,839,351</u>	<u>(1,162,799)</u>
Excess Revenues over Expenditures	-	(234,917)	(44,206)	190,711
Other Financing Sources (Uses)				
Interest income	-	-	3,774	3,774
Interest expense	-	-	(76,999)	(76,999)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(73,225)</u>	<u>(73,225)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (234,917)</u>	(117,431)	<u>\$ 117,486</u>
Fund Balance, beginning of year			<u>2,282,357</u>	
Fund Balance, end of year			<u>\$2,164,926</u>	

Supplemental Financial Information

Northeast Florida Regional Council

Year Ended September 30, 2009

Northeast Florida Regional Council
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

	CFDA No.	Contract Grant No.	Grant Expenditures
Federal/State Agency, Pass-through Entity			
<u>FEDERAL AWARDS</u>			
DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION			
Direct Program			
Economic Development Support for Planning Organizations	11.302	04-86-06078	\$ 24,374
TOTAL DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION			<u>24,374</u>
DEPARTMENT OF HOMELAND SECURITY			
Indirect Programs			
Passed through the State of Florida Emergency Management			
Homeland Security Grant Program-FL Homeland Security Workshop #3	97.067	09-DS-21-13-00-21-036	14,782
Homeland Security Grant Program-State Training and Exercise Plan	97.067	08-DS-01-13-00-22-345	32,726
Homeland Security Grant Program-SHSGP 08	97.067	08-DS-60-13-00-21-201	49,072
Homeland Security Grant Program-SHSGP 09	97.067	09-DS-51-13-00-21-368	26,391
Homeland Security Grant Program-TEPW	97.067	09-DS-05-13-00-21-392	51,820
Homeland Security Grant Program-Statewide Exercises 2008	97.067	08-DS-60-13-00-22-248	260,100
Hazard Mitigation Grant-Hurricane Evacuation Study	97.039	07-HS-32-13-00-21-355	1,174,368
Homeland Security Grant Program-FHS Workshop #4	97.067	10-DS-50-13-00-22-037	36,133
Homeland Security Grant Program-DEM T.A. 08	97.067	08-DS-01-13-00-21-026	47,230
Homeland Security Grant Program-DEM T.A. 09	97.067	09-DS-12-13-00-21-390	97,187
Homeland Security Grant Program-Miami FRB HSEEP	97.067	09-DS-05-13-00-21-391	49,977
Emergency Management Performance Grant-SHEE 09	97.042	09-PR-24-13-00-22-438	98,741
Homeland Security Grant Program-LSA Assessments	97.067	09-DS-20-13-00-21-224	24,371
Emergency Management Performance Grant-State COG Template	97.042	10-PR-24-12-00-22-002	3,951
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>1,966,849</u>
DEPARTMENT OF COMMERCE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION			
Indirect Programs			
Passed through the State of Florida Emergency Management			
Public Safety Interoperable Communication Grant Program-TIC Plan	11.555	10-PR-31-13-00-22-019	7,280
Public Safety Interoperable Communication Grant Program-Interoperable Communication	11.555	10-PR-31-13-00-22-045	8,526
TOTAL DEPARTMENT OF COMMERCE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION			<u>15,806</u>
DEPARTMENT OF TRANSPORTATION			
Indirect Program			
Interagency Hazardous Materials Public Sector Training and Planning Grant-HMEP 07/08	20.703	08-DT-72-13-00-21-269	6,586
Interagency Hazardous Materials Public Sector Training and Planning Grant-HMEP 08/09	20.703	09-DT-04-13-00-21-200	52,319
TOTAL DEPARTMENT OF TRANSPORTATION			<u>58,905</u>
DEPARTMENT OF LABOR EMPLOYMENT TRAINING ADMINISTRATION			
Indirect Program			
Employment Service/Wagner-Peyser Funded Activities-Reality Check	17.207	N/A	25,000
TOTAL DEPARTMENT OF LABOR EMPLOYMENT TRAINING ADMINISTRATION			<u>25,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,090,934</u>

See accompanying note to schedule.

Notes to Schedule of Expenditures
of Federal Awards

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Northeast Florida Regional Council
Schedule of Public Service Grant Activity
For the Year Ended September 30, 2009

	Jacksonville Urban Area Security Initiative Grant
Amount of award	\$ 390,000
Actual funds received from City in last audit period	(8,060)
Actual amount received this period	(381,940)
Amount remaining to be distributed	\$ -

Jacksonville Urban Area Security Initiative Grant - \$390,000

	<u>Budgeted</u>	<u>Actual</u> 4/07/08-9/30/08	<u>Actual</u> 10/01/08-6/26/09	<u>Carry forward</u>
Software and Equipment	390,000	8,060	381,940	-
Total	\$ 390,000	\$ 8,060	\$ 381,940	\$ -

Additional Information

Northeast Florida Regional Council

Year Ended September 30, 2009



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 Board of Directors
Northeast Florida Regional Council
Jacksonville, Florida

We have audited the financial statements of Northeast Florida Regional Council (the Council) as of and for the year ended September 30, 2009, and have issued our report thereon dated January 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 Council'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*.

Board of Directors
Northeast Florida Regional Council
Page Two

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

[Magers & Associates, LLC](#)

MAGERS & ASSOCIATES, LLC
Orange Park, Florida
January 7, 2010



INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH FEDERAL MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Northeast Florida Regional Council
Jacksonville, Florida

Compliance

We have audited the compliance of Northeast Florida Regional Council, (the Council), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Circular A-133 Compliance Supplement", that are applicable to each of its major federal programs for the year ended September 30, 2009. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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

In our opinion, Northeast Florida Regional Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

Maggers & Associates, LLC

MAGERS & ASSOCIATES. LLC
Orange Park, Florida
January 7, 2010

Northeast Florida Regional Council
Schedule of Findings and Questioned Costs
Federal Programs
For the Year Ended September 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting: Material weakness identified ?	No
Significant deficiency identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness identified?	No
Significant deficiency identified that are not considered to be material weaknesses	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?	No

Northeast Florida Regional Council
 Schedule of Findings and Questioned Costs
 Federal Awards
 For the Year Ended September 30, 2009
 -Continued -

Identification of major programs:

Federal Program	Federal CFDA No.
Department of Homeland Security	
Hazard Mitigation Grant	97.039
Homeland Security Grant	97.067
Dollar threshold used to distinguish between type A and type B programs:	
Federal Programs	\$ 300,000
Auditee qualified as low-risk auditee?	Yes
Prior findings and questioned costs relative to federal awards which require auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB A-133?	None
B. FINANCIAL STATEMENT FINDINGS	None
C. FINDINGS AND QUESTIONED COSTS-	
MAJOR FEDERAL PROGRAMS	None

Northeast Florida Regional Council
Schedule of Findings and Questioned Costs
Federal Awards
For the Year Ended September 30, 2009
-Continued -

D. OTHER ISSUES

Management Letter	There are no findings to be reported; therefore, a Management letter is not required.
Summary of Prior Audit Findings	Not required because there were no prior year findings
Corrective Action Plan	Not required because there were no findings required to be reported under Federal Single Audit Acts