



**FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018**

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Lake Worth Drainage District  
Delray Beach, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Lake Worth Drainage District, Delray Beach, Florida (the "District") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2018, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the required supplementary information as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 13, 2019, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



June 13, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lake Worth Drainage District, Delray Beach, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of \$62,710,261.
- The change in the District's total net position in comparison with the prior fiscal year was \$2,738,696, an increase. The key components of the District's net position and change in net position are reflected in the table in the following section.
- At September 30, 2018, the District's governmental fund reported ending fund balance of \$25,853,122, an increase of \$2,047,936 in comparison with the prior fiscal year. A portion of fund balance is nonspendable for inventories and prepaid items, committed for insurance, capital expenditures, and canal revetment, assigned to subsequent years expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.
- Implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions reduced beginning net position by \$29,221 as explained further in Note 2.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements include all governmental activities that are principally supported by non-advalorem assessments. The District does not have any business-type activities. The governmental activities of the District include the physical environment function.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow 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 District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### 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.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

NET POSITION SEPTEMBER 30,		
	2018	2017
Current and other assets	\$ 26,713,285	\$ 24,915,187
Capital assets, net of depreciation	43,435,257	43,058,423
Total assets	70,148,542	67,973,610
Deferred outflows of resources	2,379,917	2,630,743
Current liabilities	1,412,560	1,110,001
Long-term liabilities	7,441,431	8,882,236
Total liabilities	8,853,991	9,992,237
Deferred inflows of resources	964,207	611,330
Net position		
Net investment in capital assets	43,081,178	43,058,423
Unrestricted	19,629,083	16,942,363
Total net position	\$ 62,710,261	\$ 60,000,786

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District'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.

The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2018	2017
Revenues:		
Program revenues		
Charges for services	\$ 15,891,218	\$ 15,196,149
General revenues		
Unrestricted investment earnings	133,209	67,957
Miscellaneous income	144,762	81,243
Gain on sale of capital assets	1,113,558	112,780
Total revenues	17,282,747	15,458,129
Expenses:		
Physical environment	14,534,425	13,840,156
Interest	9,626	227
Total expenses	14,544,051	13,840,383
Change in net position	2,738,696	1,617,746
Net position - beginning, as previously stated	60,000,786	58,383,040
Effect of adoption of GASB No. 75 (Note 2)	(29,221)	-
Net position - beginning, restated	59,971,565	-
Net position - ending	\$ 62,710,261	\$ 60,000,786

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2018 was \$14,544,051. The costs of the District's activities were primarily funded by program revenues and general revenues. Program revenues are comprised primarily of non-ad valorem assessments. General revenues increased in the current fiscal year primarily as the result of gains recognized on the sale of capital assets.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2018 did not exceed appropriations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The following table presents the District's capital assets, net of accumulated depreciation, for the years ended September 30, 2018 and 2017:

	2018	2017
Land	\$ 4,224,351	\$ 4,224,362
Construction in progress	733,993	4,417,056
Buildings and improvements	3,838,211	3,408,286
Machinery and equipment	4,353,428	4,936,632
Canal revetment	16,582,056	17,049,342
Water control structures and pump stations	13,396,602	8,824,387
Furniture, fixtures and office equipment	306,616	198,358
	<u>\$ 43,435,257</u>	<u>\$ 43,058,423</u>

### Capital Debt

The following table presents the District's total outstanding debt for the years ended September 30, 2018 and 2017:

	2018	2017
Other postemployment benefits	\$ 73,595	\$ 72,223
Capital lease payable	354,079	392,430
Compensated absences	538,594	524,463
Landfill closure costs	639,758	1,312,545
Net pension liability	6,387,802	6,609,796
	<u>\$ 7,993,828</u>	<u>\$ 8,911,457</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

For fiscal year 2018/2019, the District adopted a budget of \$18,276,700 representing a 7.2% increase from the prior year budget. The rate per parcel increased from \$48.00 to \$49.50, representing a 3.1% increase from the prior year. The majority of the increase in revenues and other financing sources came from the increase in the amount of funds carried over from the prior year fund balance from \$1,888,000 to \$2,511,300.

The majority of the increase in expenditures is due to the increase in funds allocated to capital items from \$3.6 million to \$4.1 million specifically for the relocation of Control Structure No. 9.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Lake Worth Drainage District at 13081 Military Trail, Delray Beach, FL 33484; 561-737-3835.



**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 26,237,244
Accounts receivables	109,240
Inventories	82,098
Interest receivable	2,454
Prepaid items	84,384
Restricted assets:	
Cash	197,865
Capital assets:	
Nondepreciable	4,958,344
Depreciable, net	38,476,913
Total assets	<u>70,148,542</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	<u>2,379,917</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	317,951
Contracts and retainage payable	344,347
Unearned revenue	197,865
Non-current liabilities:	
Due within one year	
Capital lease payable	110,693
Compensated absences	441,704
Due in more than one year	
Capital lease payable	243,386
Compensated absences	96,890
OPEB	73,595
Landfill closure costs	639,758
Net pension liability	6,387,802
Total liabilities	<u>8,853,991</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	<u>964,207</u>
 <b>NET POSITION</b>	
Net investment in capital assets	43,081,178
Unrestricted	19,629,083
Total net position	<u>\$ 62,710,261</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:			
Governmental activities:			
Physical environment	\$ 14,534,425	\$ 15,891,218	\$ 1,356,793
Interest on long-term debt	9,626	-	(9,626)
Total governmental activities	<u>14,544,051</u>	<u>15,891,218</u>	<u>1,347,167</u>
General revenues:			
Investment earnings			133,209
Miscellaneous			144,762
Gain on sales/disposals of capital assets			<u>1,113,558</u>
Total general revenues			<u>1,391,529</u>
Change in net position			2,738,696
Net position - beginning, as previously stated			60,000,786
Effect of adoption of GASB No. 75 (Note 2)			(29,221)
Net position - beginning, restated			<u>59,971,565</u>
Net position - ending			<u><u>\$ 62,710,261</u></u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Major Fund General	Total Governmental Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,237,244	\$ 26,237,244
Accounts receivables	109,240	109,240
Inventories	82,098	82,098
Interest receivable	2,454	2,454
Prepaid items	84,384	84,384
Restricted cash and cash equivalents	197,865	197,865
Total assets	<u>\$ 26,713,285</u>	<u>\$ 26,713,285</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 317,951	\$ 317,951
Contracts and retainage payable	344,347	344,347
Unearned revenue	197,865	197,865
Total liabilities	<u>860,163</u>	<u>860,163</u>
 Fund Balances:		
Nonspendable:		
Inventories	82,098	82,098
Prepaid items	84,384	84,384
Committed:		
Insurance	2,076,031	2,076,031
Capital expenditures	13,642,084	13,642,084
Canal revetment	850,000	850,000
Assigned to:		
Subsequent years expenditures	2,511,300	2,511,300
Unassigned	6,607,225	6,607,225
Total fund balances	<u>25,853,122</u>	<u>25,853,122</u>
 Total liabilities and fund balances	<u>\$ 26,713,285</u>	<u>\$ 26,713,285</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

Fund balance - governmental funds	\$ 25,853,122
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	65,922,751	
Accumulated depreciation	<u>(22,487,494)</u>	43,435,257

Deferred outflows of resources related to pensions are recorded in the statement of net position.	2,379,917
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Deferred inflows of resources related to pensions are recorded in the statement of net position.	(964,207)
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Net pension liability	(6,387,802)	
Landfill closure costs	(639,758)	
Compensated absences	(538,594)	
OPEB Liability	(73,595)	
Capital lease payable	<u>(354,079)</u>	(7,993,828)

Net position of governmental activities	<u>\$ 62,710,261</u>
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**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Major Fund</u> General	<u>Total Governmental Funds</u>
REVENUES		
Assessments	15,023,299	\$ 15,023,299
Investment earnings	133,209	133,209
Licenses and permits	867,919	867,919
Miscellaneous	144,762	144,762
Total revenues	<u>16,169,189</u>	<u>16,169,189</u>
EXPENDITURES		
Current:		
Physical environment	12,722,849	12,722,849
Debt service:		
Principal	108,597	108,597
Interest	9,626	9,626
Capital outlay	2,485,813	2,485,813
Total expenditures	<u>15,326,885</u>	<u>15,326,885</u>
Excess of revenues over expenditures	842,304	842,304
OTHER FINANCING SOURCES (USES)		
Proceeds from sales/disposals of capital assets	1,135,386	1,135,386
Capital lease	70,246	70,246
Total other financing sources	<u>1,205,632</u>	<u>1,205,632</u>
Net change in fund balances	2,047,936	2,047,936
Fund balances - beginning	<u>23,805,186</u>	<u>23,805,186</u>
Fund balances - ending	<u>\$ 25,853,122</u>	<u>\$ 25,853,122</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	\$ 2,047,936
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	2,485,813
The net effect of various transactions involving the sales/disposals of capital assets is to increase (decrease) net position	(21,828)
The change in compensated absences between the current and prior fiscal year is reported in the statement of activities but is not reported as expenditures in governmental funds.	(14,131)
Governmental funds report capital leases as financial resources when debt is first issued, whereas these amounts are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net position.	(70,246)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	108,597
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Change in net pension liability and deferred inflows and outflows of resources related to pension	(381,709)
Landfill closure costs	672,787
Depreciation of capital assets	(2,087,151)
Change in OPEB liability	(1,372)
Change in net position of governmental activities	<u>\$ 2,738,696</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Lake Worth Drainage District ("District") was originally incorporated and created under Chapter 6458 of the laws of the State of Florida by decree of the Circuit Court of Palm Beach County on June 15, 1915, and now exists under Chapter 09-258, Laws of Florida and amendments thereto. The District was created for the purpose of reclaiming the lands within its boundaries and for the purpose of water control and water supply and to improve said lands and make these lands available, acceptable and habitable for settlement and agriculture.

The District is governed by the Board of Supervisors ("Board"), which is composed of owners of land in the District. The Supervisors are elected by the owners of the property within the District. The supervisors are each elected to a three-year term. Length of service is staggered so that one or more supervisors is elected or re-elected at the annual landowners meeting in January.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of District Manager.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

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

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (operating-type non-advalorem assessments for maintenance and debt service are treated as charges for services) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

### **Assessments**

The collection of non-ad valorem assessments is consolidated in the Office of the County Tax Collector. Assessments are levied on November 1<sup>st</sup> of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1<sup>st</sup> of the following year. Discounts are allowed for early payment at a maximum rate of 4%. At September 30, 2018, unpaid delinquent assessments are not material and have not been recorded by the District.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period.

The District reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources.

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

### **New Accounting Standards Adopted**

During fiscal year 2018, the District adopted the following new accounting standard:

*GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The implementation of GASB 75 had the following effect on beginning net position in fiscal year 2018:

	Governmental Activities
Net position - beginning, as previously stated	\$ 60,000,786
Effect of adoption of GASB No. 75	(29,221)
Net position - beginning, restated	<u>\$ 59,971,565</u>



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity

#### Restricted Assets

These assets represent cash and investments set aside pursuant to debt covenants or other contractual restrictions.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### Receivables

Receivables are recorded and revenues are recognized when earned.

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Lease agreements that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset</u>	<u>Years</u>
Canal revetment	50
Water control structures and pump stations	10-50
Buildings and improvements	5-50
Furniture, fixtures and office equipment	5-30
Machinery and equipment	5-20

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Capital Assets (Continued)

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Compensated Absences

It is the District's policy to permit employees to accumulate vacation and sick leave. Accrued vacation hours are compensated in full at separation at the employee's current rate of pay up to 240 hours. Sick leave hours may be accumulated without limit for the duration of employment. At the time of separation, employees are paid 25% of their sick leave balance at their current rate of pay, up to 240 hours.

#### Unearned Revenue

Governmental funds and governmental activities report unearned revenue in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Position or Equity (Continued)**

#### Fund Equity/Net Position (Continued)

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

### **Other Disclosures**

#### Use of Estimates

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

## **NOTE 3 – BUDGETARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the Board.
- d) All budget changes must be approved by the Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 4 – DEPOSITS**

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<u>Governmental activities</u>					
Capital assets, not being depreciated					
Land and improvements	\$ 3,374,881	\$ -	\$ (11)	\$ -	\$ 3,374,870
Land under assignment rights	849,481	-	-	-	849,481
Work in progress:					
Furniture, fixtures, and office equipment	660,714	146,502	-	(782,216)	25,000
Buildings and improvements	557,078	247,386	-	(612,903)	191,561
Water control structures and pump stations	3,199,264	1,696,545	-	(4,378,377)	517,432
Total capital assets, not being depreciated	8,641,418	2,090,433	(11)	(5,773,496)	4,958,344
Capital assets, being depreciated					
Buildings and improvements	5,422,097	53,371	(7,276)	612,903	6,081,095
Machinery and equipment	8,265,636	81,730	(124,163)	-	8,223,203
Canal revetment	23,364,303	-	-	-	23,364,303
Water control structures and pump stations	17,441,967	129,787	(3,684)	5,070,610	22,638,680
Furniture, fixtures, and office equipment	571,435	130,492	(134,784)	89,983	657,126
Total capital assets, being depreciated	55,065,438	395,380	(269,907)	5,773,496	60,964,407
Less accumulated depreciation for:					
Buildings and improvements	(2,013,811)	(233,460)	4,387	-	(2,242,884)
Machinery and equipment	(3,329,004)	(664,935)	124,164	-	(3,869,775)
Canal revetment	(6,314,961)	(467,286)	-	-	(6,782,247)
Water control structures and pump stations	(8,617,580)	(625,419)	921	-	(9,242,078)
Furniture, fixtures, and office equipment	(373,077)	(96,051)	118,618	-	(350,510)
Total accumulated depreciation	(20,648,433)	(2,087,151)	248,090	-	(22,487,494)
Total capital assets, being depreciated, net	34,417,005	(1,691,771)	(21,817)	5,773,496	38,476,913
Governmental activities capital assets	\$ 43,058,423	\$ 398,662	\$ (21,828)	\$ -	\$ 43,435,257

Depreciation expense was charged to the Physical Environment function. During the fiscal year ended September 30, 2018 the District sold approximately 5.6 acres of surplus land with a cost basis of \$11 for approximately \$1,132,000.

## NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance - as previously stated	Prior period adjustment (See Note 2)	Beginning Balance - restated	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>							
Compensated absences:							
Vacation accrual	\$ 400,237	\$ -	\$ 400,237	\$ 414,612	\$ 406,774	\$ 408,075	\$ 408,075
Sick leave accrual	124,226	-	124,226	198,533	192,240	130,519	33,629
Other postemployment benefits	43,002	29,221	72,223	1,372	-	73,595	-
Landfill closure costs	1,312,545	-	1,312,545	-	672,787	639,758	-
Capital lease payable	392,430	-	392,430	70,246	108,597	354,079	110,693
Net pension liability	6,609,796	-	6,609,796	-	221,994	6,387,802	-
Total	\$8,882,236	\$ 29,221	\$8,911,457	\$684,763	\$1,602,392	\$7,993,828	\$ 552,397

## NOTE 7 – CAPITAL LEASES

The District has entered into lease agreements as a lessee for financing the acquisition of computer equipment and excavators. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Computer equipment	\$ 70,246
Excavators	487,418
Less: Accumulated depreciation	(56,472)
Total	<u>\$ 501,192</u>

The future minimum lease payments as of September 30, 2018 are as follows:

Year ending September 30,	Governmental Activities
2019	\$ 118,226
2020	<u>254,393</u>
Total minimum lease payments	372,619
Less: amount representing interest	(18,540)
Present value of minimum lease payments	<u>\$ 354,079</u>

## NOTE 8 – HORTICULTURAL WASTE LANDFILL SITE

State and Federal laws and regulations require the District to place a final cover on its horticultural landfill waste site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an expense in the government-wide financial statements each period based on capacity used as of each balance sheet date. The \$639,758 reported as a landfill closure and post-closure care liability at September 30, 2018, represents the cumulative amount reported to date based on the approximate use of 47% of the estimated capacity of the landfill. The District will recognize the remaining estimated cost of approximately \$721,465 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. The District expects to close the landfill in 2029. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

As a condition for the issuance of the landfill construction permit, the District must describe the financial mechanism to be used to demonstrate proof of financial assurance to Florida Department of Health. The District uses an alternate financial mechanism (financial tests) in lieu of funding an escrow account, and is in compliance with applicable laws and regulations at September 30, 2018.

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the District is required to permit eligible retirees and their eligible dependents to participate in the District's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

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. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

### Plan Description

The District administers a single-employer defined benefit health care plan that provides health care benefits to eligible retired employees (the “Plan”). The Board of Supervisors is authorized to establish and amend benefit levels, subject to the minimum requirements set forth by Florida Statutes, and to approve the actuarial assumptions used in the determination of contribution levels. The District determines the required contribution on a pay-as-you-go basis.

At October 1, 2016, the date of the most recent valuation, the following employees were covered by benefit terms:

Actives (covered)	84
Actives (not covered)	2
Retirees (covered)	<u>1</u>
	<u>87</u>

### Changes in Net OPEB Liability

Sources of changes in the net OPEB liability were as follows:

	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance as of September 30, 2017	\$ 72,223	\$ -	\$ 72,223
Changes due to:			
Service cost	3,404	-	3,404
Expected interest growth	2,386	-	2,386
Benefit payments and refunds	(4,418)	-	(4,418)
Balance as of September 30, 2018	<u>\$ 73,595</u>	<u>\$ -</u>	<u>\$ 73,595</u>

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

### Actuarial Methods and Assumptions

Significant actuarial assumptions used to calculate the total OPEB were as follows:

Valuation date	October 1, 2016
Measurement date	September 30, 2017
Actuarial valuation method	Entry age normal
Retirement Rates	
<b>Age</b>	<b>Percent</b>
56-61	10%
61-64	20%
65	100%
Discount Rate	3.35% per annum
Salary increases	3.00% per annum
Plan participation	10% of future eligible retirees are assumed to elect medical coverage upon retirement.
Marital status	Actual spouse participation and dates of birth were used.
Medical claims cost, pre-65	Retiree/spouse \$12,627
Age variance	Claims were adjusted downward 3% each year for aging for attained ages 64 to 55
Healthcare cost trend rate	Medical: 8% increase in the first year of the valuation and increases are assumed to grade uniformly to 5% over 6 year period
Retiree contributions - medical plan	Retirees and their spouses are assumed to contribute the full group premium rate. A blended group premium rate was calculated based on actual plan election information in the census data. Retiree contributions were assumed to increase at the health care cost trend rate.
	<b>Retiree</b> <b>Spouse</b>
Pre-65	\$7,515            \$10,382
Administrative expenses	Administrative costs are assumed to be included in the medical claims cost.
Retirement eligibility	Employees become eligible for benefits under the plan upon attainment of 30 years of service or age 62 if employed prior to July 1, 2011; if employed after July 1, 2011, the employee must be age 65 or have attained 33 years of service to retire. Actives must be covered at the time of retirement to be eligible for post-employment benefits.
Spouse coverage	Benefits for spouses cease at the earlier of spouse age 65 or cessation of retiree coverage. Actual retiree spousal information was provided in the census data and used for valuation purposes.
Funding policy	Benefits of the plan are provided through a fully-insured medical program through Cigna Healthcare. Contributions by participating retired employees, at rates determined by the District, are required for continued participation. The employer has not contributed any amounts to finance future benefits under the plan for either current or future retirees.
Amortization period	20 years (closed). Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 8 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

## NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is a 1-percentage-point lower (2.35%) or 1-percentage-point higher (4.35%) than the current discount rate:

1% Decrease (2.35%)	Current Discount Rate (3.35%)	1% Increase (4.35%)
\$ 77,557	\$ 73,595	\$ 69,731

### Sensitivity of the Net OPEB Liability Using Alternative Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7% decreasing to 4%) or 1-percentage-point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

1% Decrease (7% decreasing to 4% over 6 years)	Healthcare Cost Trend Rates (8% decreasing to 5% over 6 years)	1% Increase (9% decreasing to 6% over 6 years)
\$ 66,595	\$ 73,595	\$ 82,003

## NOTE 10 – RETIREMENT PLAN

### Florida Retirement System (FRS)

#### **General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the District are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense totaled \$949,561 for the fiscal year ended September 30, 2018.



## **NOTE 10 – RETIREMENT PLAN (Continued)**

### **Florida Retirement System (FRS) (Continued)**

#### **FRS Pension Plan**

*Plan Description* – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the District are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Elected Local Officers – Members who hold specified elective offices in local government.
- Senior Management Service Class – Members who hold senior management positions within the District.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided* – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

## NOTE 10 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### **FRS Pension Plan (Continued)**

The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
<b>Special Risk Class</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions** – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Salary October 1, 2017 to June 30, 2018</b>		<b>Percent of Gross Salary July 1, 2018 to September 30, 2018</b>	
	<b>Employee</b>	<b>Employer (1)</b>	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	7.92	3.00	8.26
FRS, Elected Local Officers	3.00	45.50	3.00	48.70
FRS, Senior Management Service Class	3.00	22.71	3.00	24.06
DROP - Applicable to all members in the above classes	0.00	13.26	0.00	14.03

The District's contributions to the Plan totaled \$435,420 for the fiscal year ended September 30, 2018. This excludes the HIS defined benefit pension plan contributions.

## NOTE 10 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2018, the District reported a liability of \$4,659,522 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2018 relative to the contributions made during the year ended June 30, 2017 of all participating members. At June 30, 2018, the District's proportionate share was .015%, which remains materially unchanged from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018 the District recognized pension expense of \$814,181 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394,732	\$ (14,327)
Change of assumptions	1,522,505	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(360,005)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	116,158	(265,666)
District FRS contributions subsequent to the measurement date	105,853	-
Total	<u>\$ 2,139,248</u>	<u>\$ (639,998)</u>

The deferred outflows of resources related to pensions, totaling \$105,853, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2019	\$ 612,858
2020	371,583
2021	11,975
2022	228,905
2023	150,087
Thereafter	17,989
Total	<u>\$ 1,393,397</u>

## NOTE 10 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean		2.6%		1.9%

(1) As outlined in the Plan's investment policy

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of net pension liability	\$ 8,503,824	\$ 4,659,522	\$ 1,466,603

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

## NOTE 10 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### HIS Pension Plan

Plan Description – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll from October 1, 2017 through September 30, 2018 pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$81,783 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the District reported a net pension liability of \$1,728,280 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the year ended June 30, 2018 contributions relative to the year ended June 30, 2017 contributions of all participating members. At June 30, 2018, the District's proportionate share was .016%, which remains materially unchanged from the prior fiscal year.

For the fiscal year ended September 30, 2018, the District recognized pension expense of \$100,522 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,459	\$ (2,936)
Change of assumptions	192,206	(182,728)
Net difference between projected and actual earnings on HIS pension plan investments	1,043	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	488	(138,545)
District HIS contributions subsequent to the measurement date	20,473	-
Total	<u>\$ 240,669</u>	<u>\$ (324,209)</u>

## NOTE 10 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### HIS Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – The deferred outflows of resources related to pensions, totaling \$20,473, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2019	\$ (4,298)
2020	(4,386)
2021	(11,656)
2022	(18,598)
2023	(43,839)
Thereafter	(21,237)
<b>Total</b>	<b>\$ (104,014)</b>

Actuarial Assumptions – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.87%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of net pension liability	\$ 1,968,409	\$ 1,728,280	\$ 1,528,118

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

## **NOTE 10 – RETIREMENT PLAN (Continued)**

### **Florida Retirement System (FRS) (Continued)**

#### **FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2018 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Compensation</b>
FRS, Regular	6.30%
FRS, Elected Local Officers	11.34%
FRS, Senior Management Service Class	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$34,858 for the fiscal year ended September 30, 2018.

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

As of September 30, 2018, the District had open contracts for various construction projects. The contracts totaled \$974,317, of which \$625,231 was uncompleted at September 30, 2018.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)**

The District is subject to various lawsuits incidental to its operations, the outcome of which is not presently determinable. In the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 12 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no material settlements that exceeded insurance coverage in the last three years.



**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
FLORIDA RETIREMENT SYSTEM NET PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2018  
(UNAUDITED)**

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan  
Last 5 Years (1) (2)**

	2018	2017	2016	2015	2014
District's proportion of the FRS net pension liability	0.015%	0.016%	0.017%	0.017%	0.018%
District's proportionate share of the FRS net pension liability	\$ 4,659,522	\$ 4,814,462	\$ 4,346,414	\$ 2,187,790	\$ 1,081,086
District's covered payroll	\$ 4,916,291	\$ 4,966,652	\$ 5,299,353	\$ 5,170,005	\$ 5,223,039
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	94.78%	96.94%	82.02%	42.32%	20.70%
FRS plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan  
Last 5 Years (1) (2)**

	2018	2017	2016	2015	2014
District's proportion of the HIS net pension liability	0.016%	0.017%	0.018%	0.018%	0.018%
District's proportionate share of the HIS net pension liability	\$ 1,728,280	\$ 1,795,334	\$ 2,077,661	\$ 1,819,357	\$ 1,723,800
District's covered payroll	\$ 4,916,291	\$ 4,966,652	\$ 5,299,353	\$ 5,170,005	\$ 5,223,039
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.15%	36.15%	39.21%	35.19%	33.00%
HIS plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

(1) The amounts presented for each year were determined as of the measurement date, June 30.

(2) Information is only available for the years presented.

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
FLORIDA RETIREMENT SYSTEM NET PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2018  
(UNAUDITED)**

**Schedule of the District Contributions -  
Florida Retirement System Pension Plan  
Last 5 Fiscal Years (1) (2)**

	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 435,420	\$ 423,716	\$ 419,778	\$ 412,967	\$ 388,109
FRS contributions in relation to the contractually required contribution	(435,420)	(423,716)	(419,778)	(412,967)	(388,109)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,926,658	\$ 4,959,317	\$ 5,066,334	\$ 5,165,195	\$ 5,214,663
FRS contributions as a percentage of covered payroll	8.84%	8.54%	8.29%	8.00%	7.44%

**Schedule of the District Contributions -  
Health Insurance Subsidy Pension Plan  
Last 5 Fiscal Years (1) (2)**

	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 81,783	\$ 88,861	\$ 91,375	\$ 68,194	\$ 63,155
HIS contributions in relation to the contractually required contribution	(81,783)	(88,861)	(91,375)	(68,194)	(63,155)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,926,658	\$ 4,959,317	\$ 5,066,334	\$ 5,165,195	\$ 5,214,663
HIS contributions as a percentage of covered payroll	1.66%	1.79%	1.80%	1.32%	1.21%

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
NET OPEB LIABILITY AND RELATED RATIOS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

	<u>2018</u>
<b>Total OPEB Liability</b>	
Beginning balance	\$ 72,223
Service cost	3,404
Expected interest growth	2,386
Benefit payments and refunds	(4,418)
Ending balance	<u>\$ 73,595</u>
 <b>Plan Fiduciary Net Position</b>	
Beginning balance	<u>\$ -</u>
Ending balance	<u>\$ -</u>
 <b>Net OPEB Liability</b>	 <u>\$ 73,595</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%
 Covered payroll	 \$ 4,926,658
 Net OPEB liability as a percentage of covered payroll	 1.49%

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Amounts	Actual	Variance with Final Budget - Positive (Negative)
	Original & Final	Amounts	
<b>REVENUES</b>			
Assessments	\$ 14,755,200	\$ 15,023,299	\$ 268,099
Investment earnings	10,000	133,209	123,209
Licenses and permits	250,000	867,919	617,919
Miscellaneous	133,500	144,762	11,262
Total revenues	<u>15,148,700</u>	<u>16,169,189</u>	<u>1,020,489</u>
<b>EXPENDITURES</b>			
Current:			
Physical environment	13,252,700	12,722,849	529,851
Capital outlay	3,635,000	2,485,813	1,149,187
Debt service			
Principal	149,374	108,597	40,777
Interest	9,626	9,626	-
Total expenditures	<u>17,046,700</u>	<u>15,326,885</u>	<u>1,719,815</u>
Excess (deficiency) of revenues over (under) expenditures	(1,898,000)	842,304	2,740,304
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sales/disposals of capital assets	10,000	1,135,386	1,125,386
Lease proceeds	-	70,246	70,246
Use of fund balance	1,888,000	-	(1,888,000)
Total other financing sources	<u>1,898,000</u>	<u>1,205,632</u>	<u>(692,368)</u>
Net change in fund balance	<u>\$ -</u>	<u>2,047,936</u>	<u>\$ 2,047,936</u>
Fund balances - beginning		<u>23,805,186</u>	
Fund balance - ending		<u>\$ 25,853,122</u>	

See notes to required supplementary information

**LAKE WORTH DRAINAGE DISTRICT  
DELRAY BEACH, FLORIDA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2018 did not exceed appropriations.



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

To the Board of Supervisors  
Lake Worth Drainage District  
Delray Beach, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Lake Worth Drainage District, Delray Beach, Florida ("District") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Brian J. Associates".

June 13, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Lake Worth Drainage District  
Delray Beach, Florida

We have examined Lake Worth Drainage District, Delray Beach, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Supervisors of Lake Worth Drainage District, Delray Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 13, 2019





# Grau & Associates

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## MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Board of Supervisors  
Lake Worth Drainage District  
Delray Beach, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Worth Drainage District, Delray Beach, Florida ("District"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 13, 2019.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 13, 2019, should be considered in conjunction with this management letter.

### Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. **Current year findings and recommendations.**
- II. **Status of prior year findings and recommendations.**
- III. **Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Supervisors of Lake Worth Drainage District, Delray Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Lake Worth Drainage District, Delray Beach, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

June 13, 2019

## **REPORT TO MANAGEMENT**

### **I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

None

### **II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

None

### **III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2017.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2018.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2018.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2018. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.