



**South Indian River**  
*Water Control District*<sup>TM</sup>

**FINANCIAL STATEMENTS**  
**September 30, 2016**

# South Indian River Water Control District

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# South Indian River Water Control District

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## **INTRODUCTORY SECTION**

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# **South Indian River Water Control District**

## **Board of Supervisors**

**September 30, 2016**

Michael I. Danchuk	President
Thomas Rice, Sr.	Vice President
Thomas H. Powell	Member
Michael J. Ryan	Member
Stephen Hinkle	Member

## **Manager of Operations**

Michael Dillon  
Jupiter, Florida

## **Counsel to the District**

Terry E. Lewis  
William G. Capko  
Lewis, Longman & Walker, P.A.  
West Palm Beach, Florida

## **Treasurer**

Charles F. Haas  
Certified Public Accountant  
Palm Beach Gardens, Florida

## **District Engineer**

Amy E. Eason, PE  
AECOM, Inc.  
Palm City, Florida

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
South Indian River Water Control District  
Jupiter, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Indian River Water Control District, Jupiter, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year partial comparative information has been derived from the District's 2015 financial statements and, in our report dated March 29, 2016, we expressed unmodified opinions on the respective financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information.

### 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows 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 and budgetary comparison information 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, 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 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 27, 2017, 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 27, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of South Indian River Water Control District (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of South Indian River Water Control District for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the District's basic financial statements, which begin on page 9.

### **FINANCIAL HIGHLIGHTS**

#### **Government-Wide**

- At September 30, 2016 the assets and deferred outflows of resources of the District exceeded its liabilities by \$20,249,765. Of this amount, \$538,494 may be used to meet the District's ongoing operations.
- The District's net position increased by \$1,558,603, primarily from the recognition of assessments levied for the 18<sup>th</sup> Plan of Improvements
- The District's total revenues (on an accrual basis) were \$5,580,904 for the year ended September 30, 2016, an increase of \$2,020,292. The increase is primarily due to the recognizing of assessment revenue for new infrastructure improvement projects during the year
- The total cost of all of the District's programs was \$4,022,301 and increase of \$435,485. The increase was largely due to an increase in road maintenance costs.

#### **Governmental Funds**

- At September 30, 2016, the District's governmental funds reported combined ending fund balances of \$4,832,155 an increase of \$1,505,304 from the prior year, primarily from the recognition of assessments levied for the 18<sup>th</sup> Plan of Improvements
- At the end of the current fiscal year, the District's assigned fund balances totaled \$1,375,747 or 28% of total fund balances.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to South Indian River Water Control 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. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. All information is presented utilizing the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the District's assets and deferred outflows of resources and liabilities, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors should be considered, however, such as the condition of the District's capital assets (canals, culverts, buildings, etc.) to assess the overall health of the District.

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 can be found on pages 9 – 11 of this report.

Under Governmental Accounting Standards Board (GASB) Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the District is required to report the cost of benefits to retired employees during the time of their employment and how those benefits will be funded. The State of Florida requires local governments to provide health care insurance to all retirees either funded by the government or by the retiree at the rate that all remaining employees are charged. The rate charged by insurance companies is blended rather than tiered by age. Thus, a retired employee is charged the same rate as a younger employee creating an implicit benefit. This benefit should be expensed, if material, and disclosed in the financial statement. At September 30, 2016, the actuarial accrued liability was zero.

## **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's funds can be divided into two categories: governmental funds and proprietary funds. The two kinds of funds use different accounting approaches. The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We reconcile the differences between government-wide activities (reported in the statement of net position and the statement of activities) and governmental funds on separate schedules following the respective governmental funds.

At September 30, 2016, the District maintained 19 individual governmental funds: 7 special revenue funds, 10 debt service funds, and 2 capital project funds. Some funds are required by state law. However, the District establishes other funds to help it control and manage money for particular purposes or to show that it is meeting its legal and fiduciary responsibilities. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Accordingly, 8 major funds are reported individually in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are reported in these statements as a combined total.

The District uses an internal service fund, (a proprietary fund), to account for services provided to the other funds. Proprietary fund activities are reported in the same accounting basis and measurement focus as the statement of net position and the statement of activities.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, specifically, budgetary comparisons for the District's three major special revenue funds for which budgets are adopted.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining fund statements for nonmajor funds can be found on pages 44 – 55 of this report.

### The District as a Whole (Government-Wide)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of South Indian River Water Control District, assets and deferred outflows of resources exceeded liabilities by \$20,249,765 at the close of the most recent year. The largest portion of the District's net position (46%) reflects its investments in capital assets (land, canals, levees, buildings, machinery and equipment). The District uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending. An additional portion of the District's net position (43%) represents resources that are subject to restrictions on how they may be used. These resources can be used only for debt service or future construction activities. The remaining unrestricted net position, \$538,494, may be used to meet ongoing operations.

The following analysis highlights the net position as of September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	% Change
Current and other assets	\$ 7,582,424	\$ 5,698,917	\$ 1,883,507	33%
Long-term receivables	18,826,291	19,066,608	(240,317)	-1%
Capital assets	15,103,527	15,373,389	(269,862)	-2%
Total assets	<u>41,512,242</u>	<u>40,138,914</u>	<u>1,373,328</u>	<u>3%</u>
Deferred outflows of resources				
Unamortized bond refunding charges	<u>79,448</u>			<u>100%</u>
Current liabilities	2,478,680	2,070,869	407,811	20%
Non-current debt	<u>18,863,245</u>	<u>19,376,883</u>	<u>(513,638)</u>	<u>-3%</u>
Total liabilities	<u>21,341,925</u>	<u>21,447,752</u>	<u>(105,827)</u>	<u>0%</u>
Net position:				
Net Investment in capital assets	9,290,553	8,638,444	652,109	8%
Restricted for:				
Capital projects	1,750,340	289,635	1,460,705	504%
Debt service	8,670,378	8,269,234	401,144	5%
Unrestricted	<u>538,494</u>	<u>1,493,849</u>	<u>(955,355)</u>	<u>-64%</u>
Total net position	<u>\$ 20,249,765</u>	<u>\$ 18,691,162</u>	<u>\$ 1,558,603</u>	<u>8%</u>

The following analysis highlights the changes in net position for the years ended September 30, 2016 and 2015:

	2016	2015	Increase (Decrease)	% Change
Revenues:				
Program revenues:				
Assessments	\$ 5,365,256	\$ 3,374,773	\$ 1,990,483	59%
Charges for services	4,250	50,650	(46,400)	-92%
Connection fees	88,891	85,335	3,556	4%
Restricted investment income	9,320	8,730	590	7%
General revenues:				
Other income	113,187	41,124	72,063	175%
Total revenues	<u>5,580,904</u>	<u>3,560,612</u>	<u>2,020,292</u>	<u>57%</u>
Program expenses including direct expenses:				
Water control	894,884	1,037,395	(142,511)	-14%
Road maintenance	1,988,394	1,450,309	538,085	37%
Recreation	32,676	18,822	13,854	74%
Infrastructure financing	1,106,347	1,080,290	26,057	2%
Total program expenses	<u>4,022,301</u>	<u>3,586,816</u>	<u>435,485</u>	<u>12%</u>
Increase (decrease) in net position	1,558,603	(26,204)	1,584,807	100%
Net position, beginning of year	18,691,162	18,717,366	(26,204)	0%
Net position, end of year	<u>\$ 20,249,765</u>	<u>\$ 18,691,162</u>	<u>\$ 1,558,603</u>	<u>8%</u>

### Significant Activities

The District defeased its 2006 Water Distribution Bonds by issuing a new bond in the amount of \$13,775,000. As a result of the transaction savings of approximately \$ 1,706,000 will be realized in debt service assessments over the remaining term of the original bond.

During the year the District continued its program of upgrading its equipment by acquiring a new backhoe, grader and an excavator. With these purchase improved operations are being realized.

The District initiated a Driveway Improvement Program that together with landowner participation will replace damaged or crushed driveway culverts which impede storm water flow.

The District entered into a licensing agreement with South Florida Water Management District to maintain and use the "Rease Bridge" spanning the C-18 canal. As part of the agreement the District made structural and safety improvements which will allow the movement of equipment between the East and West basins. The use of this bridge is expected to yield significant reduction in the downtime associated with equipment relocation.

## **Contacting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Treasurer: Charles F. Haas, CPA, South Indian River Water Control District, 15600 Jupiter Farms Road, Jupiter Florida, 33478.



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***GOVERNMENT-WIDE***

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***FINANCIAL STATEMENTS***

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## Statements of Net Position

September 30, 2016 and 2015

	2016	2015
<b>Assets:</b>		
Current assets		
Cash and short-term investments - unrestricted	\$ 2,240,766	\$ 2,336,161
Cash and short-term investments - restricted	3,011,335	1,522,670
Receivables:		
Special assessments receivable - current portion - restricted	2,175,317	1,776,480
Accounts receivable	66,713	52,424
Prepaid expenses	88,293	11,182
<b>Total current assets</b>	<b>7,582,424</b>	<b>5,698,917</b>
Noncurrent assets		
Long term receivable - special assessments - restricted	18,826,291	19,066,608
Capital assets not being depreciated:		
Land, canals, easements, and construction in progress	7,254,068	7,244,195
Capital assets being depreciated:		
Accumulated depreciation on depreciable capital assets	(3,828,949)	(3,559,578)
<b>Total noncurrent assets</b>	<b>33,929,818</b>	<b>34,439,997</b>
<b>Total assets</b>	<b>\$ 41,512,242</b>	<b>\$ 40,138,914</b>
<b>Deferred Outflows of Resources</b>		
Unamortized bond refunding charges	79,448	
<b>Total deferred outflow of resources</b>	<b>\$ 79,448</b>	<b>\$ -</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts and contracts payable	\$ 192,083	\$ 132,470
Accrued interest payable	111,280	161,919
Current portion of long-term debt	2,175,317	1,776,480
<b>Total current liabilities</b>	<b>2,478,680</b>	<b>2,070,869</b>
Noncurrent liabilities:		
Bonds payable	12,430,000	12,994,300
Notes payable	6,396,291	6,351,608
Accrued compensated absences	36,954	30,975
<b>Total noncurrent liabilities</b>	<b>18,863,245</b>	<b>19,376,883</b>
<b>Total liabilities</b>	<b>\$ 21,341,925</b>	<b>\$ 21,447,752</b>
<b>Net Position:</b>		
Net investment in capital assets	9,290,553	8,638,444
Restricted for:		
Capital projects	1,750,340	289,635
Debt service	8,670,378	8,269,234
Unrestricted	538,494	1,493,849
<b>Total net position</b>	<b>\$ 20,249,765</b>	<b>\$ 18,691,162</b>

See accompanying notes to financial statements.

**SOUTH INDIAN RIVER WATER CONTROL DISTRICT**

*Statements of Activities*

*Years Ended September 30, 2016 and 2015*

	2016				
	Total	Water Control	Road Maintenance	Park Maintenance	Infrastructure Financing
<b>Expenses:</b>					
Direct expense:					
Physical environment	\$ 844,347	\$ 844,347	\$ -	\$ -	\$ -
Transportation	1,517,885	-	1,517,885	-	-
Recreation	11,989	-	-	11,989	-
Interest on debt	971,572	-	-	-	971,572
Indirect expenses:					
Depreciation	541,733	50,537	470,509	20,687	-
Other	134,775	-	-	-	134,775
<b>Total expenses</b>	<b>4,022,301</b>	<b>894,884</b>	<b>1,988,394</b>	<b>32,676</b>	<b>1,106,347</b>
<b>Revenues:</b>					
Program revenues:					
Assessments	5,365,256	1,063,064	1,056,215	93,835	3,152,142
Connection fees	88,891	-	-	-	88,891
Other income	4,250	-	4,250	-	-
Restricted investment earnings	9,320	1,925	2,906	133	4,356
<b>Total program revenues</b>	<b>5,467,717</b>	<b>1,064,989</b>	<b>1,063,371</b>	<b>93,968</b>	<b>3,245,389</b>
<b>Net program income (expense)</b>	<b>\$ 1,445,416</b>	<b>\$ 170,105</b>	<b>\$ (925,023)</b>	<b>\$ 61,292</b>	<b>\$ 2,139,042</b>
General revenues:					
Gain on sale of equipment	43,631				
Other income	69,556				
<b>Total general revenues</b>	<b>113,187</b>				
Change in net position	1,558,603				
Net position - beginning,	18,691,162				
<b>Net position - ending</b>	<b>\$ 20,249,765</b>				

See accompanying notes to financial statements.

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## Statements of Activities

Years Ended September 30, 2016 and 2015

	2015				
	Total	Water Control	Road Maintenance	Park Maintenance	Infrastructure Financing
<b>Expenses:</b>					
Direct expenses:					
Physical environment	\$ 986,523	\$ 986,523	\$ -	\$ -	\$ -
Transportation	1,000,730	-	1,000,730	-	-
Recreation	10,588	-	-	10,588	-
Interest on debt	992,206	-	-	-	992,206
Indirect expenses:					
Depreciation	508,685	50,872	449,579	8,234	-
Other	88,084	-	-	-	88,084
<b>Total expenses</b>	<b>3,586,816</b>	<b>1,037,395</b>	<b>1,450,309</b>	<b>18,822</b>	<b>1,080,290</b>
<b>Revenues:</b>					
Program revenues:					
Assessments	3,374,773	1,049,913	1,060,366	25,344	1,239,150
Connection fees	85,335	-	-	-	85,335
Other income	50,650	-	32,340	-	18,310
Restricted investment earnings	8,730	1,759	2,681	(11)	4,301
<b>Total program revenues</b>	<b>3,519,488</b>	<b>1,051,672</b>	<b>1,095,387</b>	<b>25,333</b>	<b>1,347,096</b>
<b>Net program income (expense)</b>	<b>\$ (67,328)</b>	<b>\$ 14,277</b>	<b>\$ (354,922)</b>	<b>\$ 6,511</b>	<b>\$ 266,806</b>
General revenues:					
Gain on sale of equipment	7,250				
Other income	33,874				
<b>Total general revenues</b>	<b>41,124</b>				
Change in net position	(26,204)				
Net position - beginning	18,717,366				
<b>Net position - ending</b>	<b>\$ 18,691,162</b>				

See accompanying notes to financial statements.

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***Fund Financial Statements***

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***Governmental Funds***

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Balance Sheet  
Governmental Funds  
September 30, 2016*

	Special Revenue Funds			
	Water Control Eastside	Water Control Westside	Road Maintenance - PBCE	Road Maintenance - Jupiter Farms
<b>Assets:</b>				
Cash and short-term investments	\$ 53,963	\$ 218,855	\$ 406,313	\$ 676,628
Receivables:				
Special assessments	-	-	-	-
Accounts receivable	1,335	4,456	1,734	4,115
Prepaid items				
<b>Total assets</b>	<b>\$ 55,298</b>	<b>\$ 223,311</b>	<b>\$ 408,047</b>	<b>\$ 680,743</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expense	\$ 12,481	\$ 55,916	\$ 10,533	\$ 30,765
Total liabilities	12,481	55,916	10,533	30,765
<b>Deferred inflows of resources:</b>				
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	-	-	-	-
Future construction	-	-	-	-
<b>Committed for:</b>				
Renewal and replacement	-	-	-	-
<b>Assigned for:</b>				
Subsequent years operations	42,817	167,395	397,514	649,978
Total fund balances	42,817	167,395	397,514	649,978
<b>Total liabilities, deferred inflows of resources, and fund balances:</b>	<b>\$ 55,298</b>	<b>\$ 223,311</b>	<b>\$ 408,047</b>	<b>\$ 680,743</b>

*See accompanying notes to financial statements.*

Debt Service Funds			Capital Projects		
Egret Landing Refunding Note	2015 Water Distribution System Bonds	2007 Series A OGEM Road Note	Road Improvement Funds	Other Governmental Funds	Total Governmental Funds
\$ 121,525	\$ 571,321	\$ 121,592	\$ 1,968,092	\$ 751,202	\$ 4,889,491
562,720	13,150,000	2,074,269	-	5,214,619	21,001,608
3,312	37,285	1,330	-	5,146	58,713
	29,002				29,002
<b>\$ 687,557</b>	<b>\$ 13,787,608</b>	<b>\$ 2,197,191</b>	<b>\$ 1,968,092</b>	<b>\$ 5,970,967</b>	<b>\$ 25,978,814</b>
\$ 265	\$ 1,635	\$ 109	\$ 12,780	\$ 20,567	\$ 145,051
265	1,635	109	12,780	20,567	145,051
562,720	13,150,000	2,074,269	-	5,214,619	21,001,608
562,720	13,150,000	2,074,269	-	5,214,619	21,001,608
124,572	635,973	122,813	-	436,638	1,319,996
-	-	-	1,569,240	181,100	1,750,340
-	-	-	386,072	-	386,072
-	-	-	-	118,043	1,375,747
124,572	635,973	122,813	1,955,312	735,781	4,832,155
<b>\$ 687,557</b>	<b>\$ 13,787,608</b>	<b>\$ 2,197,191</b>	<b>\$ 1,968,092</b>	<b>\$ 5,970,967</b>	<b>\$ 25,978,814</b>

See accompanying notes to financial statements.

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## **SOUTH INDIAN RIVER WATER CONTROL DISTRICT**

### *Reconciliation of Governmental Funds Balance Sheet*

#### *to the Statement of Net Position*

*September 30, 2016*

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Total governmental fund balances \$ 4,832,155

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements:

Capital assets	\$ 17,403,007	
Less accumulated depreciation	<u>(2,949,175)</u>	14,453,832

An internal service fund is used by management to charge the costs of certain activities to individual units. The assets and liabilities of the internal service fund are reported in the statement of net position. 995,610

Deferred charges of longterm debt are shown as a deferred outflows/inflows of resources in the government-wide financial statements; however, this amount is expensed in the governmental fund statements. 79,448

Revenue for special assessments is deferred for fund reporting but is recognized in the government-wide statements at the time the assessment is levied. The deferral is not reported on the government-wide statements. 21,001,608

Some liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements. Long term liabilities at year-end are:

Bonds & notes payable	(21,001,608)	
Accrued interest on long-term debt	<u>(111,280)</u>	(21,112,888)

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**Total net position - governmental activities** **\$ 20,249,765**

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*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2016*

Special Revenue Funds				
	Water Control Eastside	Water Control Westside	Road Maintenance - PBCE	Road Maintenance - Jupiter Farms
<b>Revenues:</b>				
Assessments	\$ 240,940	\$ 822,124	\$ 313,275	\$ 742,940
Charges for services	-	-	-	4,250
Reimbursement of Connection Fees	-	-	-	-
Investment income	337	1,588	697	1,527
Miscellaneous	2,652	13,187	2,652	13,187
<b>Total revenues</b>	<b>243,929</b>	<b>836,899</b>	<b>316,624</b>	<b>761,904</b>
<b>Expenditures:</b>				
Current:				
Physical environment	207,439	742,819	-	-
Transportation	-	-	370,793	888,712
Recreation	-	-	-	-
Capital outlay	6,051	88,778	7,590	22,103
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Other debt service	-	-	-	-
<b>Total expenditures</b>	<b>213,490</b>	<b>831,597</b>	<b>378,383</b>	<b>910,815</b>
Excess (deficiency) of revenues over (under) expenditures	30,439	5,302	(61,759)	(148,911)
<b>Other financing sources (uses):</b>				
Proceed from the issuance of debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(18,050)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(18,050)</b>	<b>-</b>	<b>-</b>
Net change in fund balance	30,439	(12,748)	(61,759)	(148,911)
Fund balances, beginning of year	12,378	180,143	459,273	798,889
<b>Fund balances, end of year</b>	<b>\$ 42,817</b>	<b>\$ 167,395</b>	<b>\$ 397,514</b>	<b>\$ 649,978</b>

*See accompanying notes to financial statements.*

Debt Service Funds			Capital Projects		
Egret Landing Refunding Note	2015 Water Distribution System Bonds	2007 Series A OGEM Road Note	Road Improvement Funds	Other Governmental Funds	Total Governmental Funds
\$ 586,742	\$ 1,275,854	\$ 244,775	\$ -	\$ 980,086	\$ 5,206,736
-	-	-	-	-	4,250
-	88,891	-	-	-	88,891
516	1,772	405	940	1,473	9,255
-	-	-	-	-	31,678
<b>587,258</b>	<b>1,366,517</b>	<b>245,180</b>	<b>940</b>	<b>981,559</b>	<b>5,340,810</b>
-	-	-	-	-	950,258
-	-	-	22,986	-	1,282,491
-	-	-	-	11,989	11,989
-	-	-	309,032	-	433,554
547,040	625,000	146,433	-	588,007	1,906,480
31,846	480,533	92,235	-	191,176	795,790
-	194,947	-	27,338	-	222,285
4,095	80,607	1,658	-	48,415	134,775
<b>582,981</b>	<b>1,381,087</b>	<b>240,326</b>	<b>359,356</b>	<b>839,587</b>	<b>5,737,622</b>
4,277	(14,570)	4,854	(358,416)	141,972	(396,812)
-	13,775,000	-	1,500,000	-	15,275,000
-	(13,572,884)	-	-	-	(13,572,884)
-	-	-	285,250	-	285,250
-	-	-	-	(67,200)	(85,250)
-	202,116	-	1,785,250	(67,200)	<b>1,902,116</b>
4,277	187,546	4,854	1,426,834	74,772	1,505,304
120,295	448,427	117,959	528,478	661,009	3,326,851
<b>\$ 124,572</b>	<b>\$ 635,973</b>	<b>\$ 122,813</b>	<b>\$ 1,955,312</b>	<b>\$ 735,781</b>	<b>\$ 4,832,155</b>

See accompanying notes to financial statements.

## **SOUTH INDIAN RIVER WATER CONTROL DISTRICT**

### *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2016*

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Net change in fund balances - total governmental funds \$ 1,505,304

Amounts reported in the statement of activities are different because:

Governmental funds do not include the internal service fund activities which are reported in the statement of activities. 79,292

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (435,380)

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and other related items.

Special assessment debt principal payments	1,906,480	
Amortization of premiums and interest adjustments	46,503	
Total debt adjustments		1,952,983

Governmental funds report annual collections of debt assessments as revenue, including the portion collected for principal repayment. However, in the statement of activities, the principal repayment portion was recognized as revenue upon adoption of the resolutions authorizing the debt. (1,543,596)

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**Change in net position of governmental activities \$ 1,558,603**

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***Proprietary Fund-Internal  
Service Fund***

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

Statement of Net Position

Internal Service Fund

September 30, 2016

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**Assets:**

## Current assets:

Cash and short-term investments	\$	362,610
Accounts receivable		8,000
Prepaid expenses		59,291
<b>Total current assets</b>		<b>429,901</b>

## Noncurrent assets:

Equipment		1,529,469
Accumulated depreciation		(879,774)
<b>Total noncurrent assets</b>		<b>649,695</b>

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<b>Total assets</b>	<b>\$</b>	<b>1,079,596</b>
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**Liabilities:**

## Current liabilities:

Accounts payable and accrued expenses	\$	47,032
<b>Total current liabilities</b>		<b>47,032</b>

## Noncurrent liabilities:

Accrued compensated absences		36,954
<b>Total liabilities</b>		<b>83,986</b>

**Net Position**

Investment in capital assets		649,695
Net position - unrestricted		345,915
<b>Total net position</b>		<b>995,610</b>
<b>Total liabilities and net position</b>	<b>\$</b>	<b>1,079,596</b>

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See accompanying notes to financial statements.

**SOUTH INDIAN RIVER WATER CONTROL DISTRICT**  
*Statement of Revenues, Expenses and Changes in Net Position*  
*Internal Service Fund*  
*Year Ended September 30, 2016*

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<b>Operating revenues:</b>	
Charges for services	\$ 1,595,561
Other	11,888
<b>Total operating revenues</b>	<b>1,607,449</b>
<b>Operating expenses:</b>	
Personal services	785,021
Materials, supplies, services and other operating expenses	516,342
Depreciation	96,480
<b>Total operating expenses</b>	<b>1,397,843</b>
Operating income	209,606
<b>Nonoperating revenues (expenses):</b>	
Investment income	65
Rental income	25,990
Gain on the disposition of equipment	43,631
Transfers out	(200,000)
<b>Total nonoperating expenses</b>	<b>(130,314)</b>
Change in net position	79,292
Net position, beginning of year	916,318
<b>Net position, end of year</b>	<b>\$ 995,610</b>

*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## Statement of Cash Flows

### Internal Service Fund

Year Ended September 30, 2016

<b>Cash flows from operating activities:</b>	
Cash receipts from quasi-external operating transactions	\$ 1,595,561
Cash payments to suppliers for goods and services	(559,244)
Cash payments to employees for services	(779,042)
Other operating revenues	11,888
<b>Net cash provided by operating activities</b>	<b>269,163</b>
<b>Cash flows from capital and related financing activities:</b>	
Purchase of fixed assets	(228,866)
Proceeds from the sale of equipment	10,499
<b>Net cash used by capital and related financing activities</b>	<b>(218,367)</b>
<b>Cash flows from noncapital financing activities</b>	
Interest income	65
Rental income	25,990
Transfers to other funds-net	(200,000)
<b>Net cash used by noncapital financing activities</b>	<b>(173,945)</b>
Net decrease in cash and cash equivalents	(123,149)
Cash and cash equivalents, beginning of year	485,759
<b>Cash and cash equivalents, end of year</b>	<b>362,610</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	<b>209,606</b>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	96,480
Increase in:	
Prepaid expenses	(48,109)
Decrease in:	
Accounts payable and accrued expenses	5,207
Accrued compensated absences	5,979
<b>Total adjustments</b>	<b>59,557</b>
<b>Net cash provided by operating activities</b>	<b>\$ 269,163</b>

See accompanying notes to financial statements.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Organization and Regulatory Requirements***

South Indian River Water Control District (the “District”) was originally incorporated as South Indian River Drainage District on July 3, 1923, by decree of the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, State of Florida, pursuant to Chapter 6458 of the Laws of the State of Florida, approved June 9, 1923. Subsequent legislation has extended the powers granted to the District. The Charter of the District has been codified as Chapter 2001-313, Laws of Florida.

The purpose of the District is to provide surface water management of lands within the District by constructing and maintaining the necessary canals, roads, pumping stations, and other water control structures. The District also has the responsibility for the maintenance and repair of dedicated roads and road rights of way, including swales thereof, within the District, where such maintenance and repair is not performed by other governmental units, and to provide potable water distribution, wastewater collection and park maintenance services in a portion of the District.

The District contains approximately 12,000 acres located in Township 40 South, Range 41 East; Township 41 South, Range 41 East; and Township 41 South, Range 42 East, Palm Beach County, Florida.

### ***Accounting Principles***

The accounting methods and procedures adopted by the District conform to U.S. generally accepted accounting principles as applied to governmental entities. The District follows the requirements of GASB Statement No. 34. This statement requires the following to be presented in the financial statements:

Management’s discussion and analysis;

Basic Financial Statements:

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting,

Fund financial statements, consisting of a series of statements that focus on a government’s major funds,

Notes to the financial statements;

Required Supplementary Information, which requires budgetary comparison schedules to be presented.

Additionally, GASB Statement No. 34 requires the elimination of the effects of internal service activities and the recording of depreciation for general capital assets.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basic Financial Statements***

The basic financial statements include both government-wide and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major individual funds.

**Government-wide Financial Statements**

The government-wide financial statements include a statement of net position and a statement of activities. These statements report information on all of the activities of the District. Inter-fund activity has been eliminated from these statements. The statement of activities demonstrates the extent to which the direct expenses for a given program or function is offset by program revenues. Program revenues include special assessments levied by the District, miscellaneous charges for external services, and restricted investment income. Certain miscellaneous items are reported as general revenues.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, and the internal service fund. Major individual governmental funds are reported as separate columns.

The District reported the following seven major individual governmental funds for the year ended September 30, 2016

***Special Revenue Funds***

Water Control Eastside

Water Control Westside

Road Maintenance - Palm Beach Country Estates (PBCE)

Road Maintenance - Jupiter Farms

***Debt Service Funds***

Egret Landing Refunding Note

2015 Water Distribution System Refunding Bonds

2007 Series A OGEM Road Improvement Note

***Capital Projects Funds***

Road Improvement Funds

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basic Financial Statements*** (Continued)

Since the principal users of internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities in the government-wide statements. This avoids "doubling up" revenues and expenses.

***Basis of Presentation***

**Government-wide Financial Statements**

The government-wide 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 the related cash flows.

Because the government-wide statements are presented on a different measurement focus and basis of accounting than the fund financial statements, reconciliations are presented to explain the adjustments needed to transform the fund-based financial statements into the government-wide presentation.

**Fund Financial Statements**

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 become 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Revenues for expenditure-driven grants or cost sharing arrangements are made when the qualifying expenditures are included.

Assessment and interest revenues associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements (Continued)**

The District uses the County Property Appraiser and Tax Collector to collect assessments. Maintenance assessments are levied on October 1 of each year. Debt assessments are levied at the time the related debt is authorized. Maintenance assessments and annual installments of debt assessments are included with property tax bills which are mailed on or about November 1 and must be paid by the following March. Tax bills not paid are declared delinquent and tax certificates are sold in July to satisfy the lien. Unsold certificates paid after September 30, are recorded as revenue in the fiscal year received.

The District's proprietary fund is accounted for using the economic resources measurement focus and the accrual basis of accounting

***Fund Accounting***

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The reporting model sets forth minimum criteria (percentage of total assets, liabilities, revenues or expenditures of governmental funds) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The District utilizes the following fund types:

**Governmental Funds**

Special Revenue Funds – These funds are used to account for revenues which are restricted to the maintenance of water control facilities, roads and a park.

Debt Service Funds – These funds are used to account for the payment of interest and principal on long-term debt.

Capital Projects Fund – These funds are used to account for resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Fund**

Internal Service Fund – This fund is used to account for the provision of maintenance services to individual units on a cost reimbursement basis.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgets and Budgetary Accounting***

The District adopts annual budgets for the Special Revenue and Debt Service Funds that are funded with special assessments on a basis consistent with generally accepted accounting principles (GAAP). As required by GASB Statement No. 34, budgetary comparison schedules are presented for the major special revenue funds. Budgetary comparison schedules are not required and have not been presented for debt service or capital projects funds or for nonmajor special revenue funds.

***Statement of Cash Flows***

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

***Cash 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.

Investments are separately held and individually accounted for where contractual arrangements or debt covenants provide for and require such arrangements. Investments are stated at fair value (See Note 2).

***Special Assessments Receivable/Unavailable Revenue***

Special assessments receivable recorded in the Debt Service Funds represent the balance of outstanding assessments levied by the District to repay outstanding debt net of available restricted cash and investments. The assessments are levied at the time the related debt issuance is authorized. The receivables are collected in annual installments together with assessments for interest and collection costs in amounts sufficient to meet the annual debt service requirements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Special Assessments Receivable/Unavailable Revenue (Continued)***

The District reports unavailable revenue in the fund financial statements in an amount equal to the special assessments receivable since this revenue will be collected in future years. In the government-wide financial statements the assessment revenue is recognized at the time the assessments are levied.

***Capital Assets and Depreciation***

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received.

Capital assets are defined as assets with a useful life of greater than one year and an acquisition cost of more than \$2,500 for equipment and \$25,000 for infrastructure. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure, such as canals, bridges, culverts and drainage systems, are capitalized along with other general capital assets at historical costs.

Depreciation of most capital assets is computed by the straight-line method. Estimated useful lives range from 5 to 50 years. The District does not depreciate land, canals, or easements because these assets are considered to be inexhaustible.

***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. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Outflows/Inflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). The District has recorded deferred outflow of resources on the statement of net position resulting from a defeasance of debt in a bond refunding where there was a difference between the reacquisition price of the refunding debt and the net carrying amount of the old debt.

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s), and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. Accordingly, the term unavailable revenue is reported in the governmental funds balance sheet to reflect the balance of outstanding assessments levied by the District to repay debt outstanding, but not currently due. These amounts are unavailable and will be recognized as an inflow of resources in the period that the amounts become available.

***Net Position***

Net position equals the difference between assets and deferred outflow of resources and liabilities. In the government-wide financial statements, net position is categorized in one of three categories as either invested in capital assets, restricted, or unrestricted. Net investment in capital assets is equal to capital assets less accumulated depreciation and related debt. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors.

***Fund Equity***

Governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Amounts that are restricted to specific purposes either by: a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Supervisors through a resolution are classified as committed fund balances. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by District's management based on the Board of Supervisors direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Equity (Continued)***

represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes. It is the District's policy to expend restricted funds first when both restricted and unrestricted fund balance is available unless there are legal agreements that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use 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.

***Employee Benefits***

The District's policy is to permit employees to accumulate up to 120 hours vacation and up to 480 hours sick leave. The cost of earned but unused vacation leave is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued to the extent that it is probable, based on the District's experience that the leave will result in cash payments at termination.

***Risk Management***

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omission; injuries to employees, and natural disasters. The District purchases commercial insurance for claims for all material risks of loss to which the District is exposed, including general liability, property, and workers' compensation insurance. The District is also covered by Florida Statutes under the doctrine of sovereign immunity, which effectively limits the amount of liability of the District to individual claims of \$200,000/\$300,000 for all claims relating to the same incident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage.

***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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE 2. CASH AND INVESTMENTS

### *Cash*

At September 30, 2016, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$55,998. All of the District's bank deposits including money market accounts and certificates of deposit are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." (the "QPD"). Under the Act, every qualified public depository shall deposit with the Chief Financial Officer eligible collateral of the depository to be held subject to his order. The Chief Financial Officer by rule has established minimum required collateral pledging levels ranging from 25% to 125% of the average monthly balance of public deposits, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. At year end, the full amount of the District's monetary assets were covered by federal depository insurance or by the QPD program.

### *Investments*

At September 30, 2016 the District's investments were held as follows:

	Amortized Cost	Credit Risk	Maturity
Money Market Funds	\$ 2,592,685	S&P: A-2	Less than 7 days
Certificates of Deposit	2,610,317	S&P: A-2	44 days
<b>Total</b>	<b>\$ 5,203,002</b>		

Money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments reported above are at amortized cost.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of the investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments. The District minimizes the credit risk of its portfolio by only investing with financial institutions who participate in the QPD program

**NOTE 2. CASH AND INVESTMENTS (Continued)**

*Concentration risk* – The District places no limit on the amount it may invest in any one issuer. The District minimizes the concentration risk of its portfolio by only investing with financial institutions who participate in the QPD program

*Interest rate risk* – The District has no formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District attempts to minimize this risk in its portfolio by investing primarily in money market funds and short term certificates of deposits.

**NOTE 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Transfers of resources from a fund receiving revenue to the fund through which the resources will be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and transfers (to) from other funds in the internal service fund. Transfers were made to fund the Road Improvement Renewal and Replacement fund.

During the year ended September 30, 2016, the District had the following transfers between funds:

	<b>Transfers In</b>	<b>Transfers Out</b>
Major fund:		
Water Control Eastside	\$ -	\$
Road Improvement Funds	285,250	
Water Control Westside		18,050
Non Major fund:		
PBCE Park Maintenance		67,200
Proprietary Fund		
Internal Service Fund	-	200,000
<b>Totals</b>	<b>\$ 285,250</b>	<b>\$ 285,250</b>

**NOTE 4. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 388,536	\$ -	\$ -	\$ 388,536
Canal & Dikes	6,835,046	-	-	6,835,046
Construction In Progress	20,613	30,486	(20,613)	30,486
<b>Total Capital Assets Not Being Depreciated</b>	<b>7,244,195</b>	<b>30,486</b>	<b>(20,613)</b>	<b>7,254,068</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	188,153	-	-	188,153
Improvements & Infrastructure:	9,960,786	-	-	9,960,786
Machinery And Equipment	1,539,833	267,866	(278,230)	1,529,469
<b>Total Capital Assets Being Depreciated</b>	<b>11,688,772</b>	<b>267,866</b>	<b>(278,230)</b>	<b>11,678,408</b>
<b>Accumulated Depreciation:</b>				
Buildings	150,525	4,704	-	155,229
Improvements & Infrastructure:	2,353,397	440,549	-	2,793,946
Equipment	1,055,656	96,480	(272,362)	879,774
<b>Total Accumulated Depreciation</b>	<b>3,559,578</b>	<b>541,733</b>	<b>(272,362)</b>	<b>3,828,949</b>
<b>Net Capital Assets Being Depreciated</b>	<b>8,129,194</b>	<b>(273,867)</b>	<b>(5,868)</b>	<b>7,849,459</b>
<b>Total Capital Assets, Net</b>	<b>\$ 15,373,389</b>	<b>\$ (243,381)</b>	<b>\$ (26,481)</b>	<b>\$ 15,103,527</b>

Depreciation was charged to functions as follows:

Water Control	\$ 50,537
Road Maintenance	470,509
Park Maintenance	20,687
<b>Total depreciation expense</b>	<b>\$ 541,733</b>



**NOTE 5. LONG-TERM OBLIGATION**

Changes in long-term obligations for the year ended September 30, 2016, are summarized below:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Special Assessment Bonds	\$ 13,210,000	\$ 13,775,000	\$ 13,835,000	\$ 13,150,000
Special Assessment Notes	7,633,088	1,500,000	1,281,480	7,851,608
<b>Long-term liabilities</b>	<b>\$ 20,843,088</b>	<b>\$ 15,275,000</b>	<b>\$ 15,116,480</b>	<b>\$ 21,001,608</b>

The bonds and notes are limited obligations of the District and are collateralized solely by special assessments levied upon the lands benefited.

***Refunding of Series 2006 Bonds***

On May 24, 2006 the District issued \$18,600,000 of Special Assessment Revenue Improvement Bonds, consisting of Series 2002 A Bonds in the amount of \$15,205,000 with interest rates ranging from 4.00% to 5.00% and Series 2006 B Bonds consisting of \$3,395,000 Term Bonds due with a stepped interest rate from 4.125% incrementing every five years to a maximum of 5.250%. The Series 2006 A Bonds could be called with no call premium on or after August 1, 2016. The 2006 B Bonds could be called in whole or in part on any Interest Payment date without a call premium. The Bonds were issued to finance the construction a water distribution system in Palm Beach Country Estates (PBCE). Interest is due semiannually on each February 1 and August 1. Principal on the Series 2006 A Bonds maturing on August 1, 2031 is payable serially from August 1, 2007 through August 1, 2031. The 2006 B bonds maturing on August 1, 20131 were subject to mandatory redemption beginning on August 1, 2029.

On December 11, 2015, the District advance refunded all of the Series A and Series B PBCE Water Distribution System Bonds by issuing a new bond in the amount of \$13,775,000. The net proceeds of \$13,577,500 plus funds on hand of \$238,514 were used to purchase State and Local Government Securities (SLGS) to fund an escrow account which together with interest earned on the securities was sufficient to pay the debt service through the call date of August 1, 2016. As a result of this transaction, savings of \$1,948,861 will be realized in debt service assessments over the term of the new loan.

The refunding resulted in an economic gain of \$ 1,705,797. For financial reporting purposes, the 2006 Bonds were considered defeased and therefore removed as a liability from the District's government-wide financial statements. On August 1, 2016 all of the outstanding Series 2006 bonds were called.

The District entered into covenants with the bond holder to bill annual assessments sufficient to pay the annual debt service on the Bond. At September 30, 2016, the District was in compliance with such covenants.

**NOTE 5. LONG-TERM OBLIGATION (Continued)**

Long-term debt at September 30, 2016 consisted of the following:

**Special Assessment Bonds**

\$13,775,000 2015 Special Assessment Revenue Improvement Bonds (Palm Beach Country Estates Water Distribution System) due in an annual installments ranging from \$720,000 to \$1,055,000 through August 1, 2031 with interest at 2.75% payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. \$ 13,150,000

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**Total Special Assessment Bonds** \$ 13,150,000

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**Notes Payable**

Terms of the District's Improvement Notes require the District to levy annual assessments on the benefitted property sufficient to pay the debt service on the notes. The notes are secured by and payable solely from these annual assessments.

\$2,200,000 2004 Series A OGEM Road Improvement Note due on April 1, 2017 in the amount of \$221,482. Interest is computed at 3.64% per annum. \$ 221,482

\$400,000 2004 Series B Unit 18 OGEM Road Improvement Note due on April 1, 2017 in the amount of \$40,546. Interest is computed at 3.78% per annum. 40,546

\$400,000 2004 Series C PBCE Road Improvement Note due in level annual installments of principal and interest of \$35,876 payable on April 1<sup>st</sup> of each year. Interest is computed at 3.96% per annum with a final maturity on April 1<sup>st</sup>, 2020. 130,349

\$3,200,000 2007 OGEM Road Improvement Note due in annual installments of \$152,525 to \$229,393 through August 1, 2027, with interest at 4.16% payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. 2,074,269

\$2,330,000 2009 PBCE Hookup Financing Note due in annual installments of \$153,000 to \$196,000 through August 1, 2023 with interest at at 4.17% per annum is payable semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. A final installment of \$198,442 plus interest at 4.17% per annum is due on July 20, 2024. 1,415,442

**NOTE 5. LONG-TERM OBLIGATION (Continued)**

\$1,875,000 2011 Road Improvement Note due in annual installments of \$113,710 to \$162,880 through August 1, 2026, with interest at 4.07% payable semi-annually on February 1 <sup>st</sup> and August 1 <sup>st</sup> of each year.	1,369,760
\$3,150,000, 2011 Egret Landing Refunding Note due on August 1, 2017 in the amount of \$562,720, with interest at 2.86% payable semi-annually on February 1, 2017 and August 1, 2017	562,720
\$680,000, 2013 Road Improvement Note due in annual installments of \$51,270 to \$68,830 through October 1, 2026, payable semi-annually on April 1 <sup>st</sup> and October 1 <sup>st</sup> of each year. Interest is accrued at 3.75% per annum	537,040
\$1,500,000, 2016 Road Improvement Note due in annual installments of \$129,350 to \$172,490 through August 1, 2026, payable semi-annually on April 1 <sup>st</sup> and October 1 <sup>st</sup> of each year. Interest is accrued at 3.25% per annum	1,500,000
<b>Total Long-Term Notes</b>	<b>7,851,608</b>
<b>Total Long-Term Obligations</b>	<b>\$ 21,001,608</b>
Reported in the statement of net assets as:	
Total long-term obligations	\$ 21,001,608
Add deferred charges	-
Less current portion	(2,175,317)
<b>Noncurrent portion</b>	<b>\$ 18,826,291</b>

**NOTE 5. LONG-TERM OBLIGATION (Continued)**

Changes in long-term obligations for the year ended September 30, 2016, are summarized below:

	<b>2006/2015 PBCE Water Distribution System Bonds</b>	<b>2004 Road Improvement Notes Series A, B &amp; C</b>	<b>2007 OGEM Road Resurfacing Notes</b>
Long-term obligations October 1, 2015	\$ 13,210,000	\$ 674,694	\$ 2,220,702
Bonds/notes issued	13,775,000		
Bonds/notes retired	(13,835,000)	(282,317)	(146,433)
<b>Long-term obligations, September 30, 2016</b>	<b>\$ 13,150,000</b>	<b>\$ 392,377</b>	<b>\$ 2,074,269</b>

Debt service requirements to maturity are as follows:

	<b>2015 PBCE Water Distribution System Bonds</b>	<b>2004 Road Improvement Notes Series A, B &amp; C</b>	<b>2007 OGEM Road Resurfacing Notes</b>
2017	\$ 1,081,625	\$ 307,499	\$ 238,815
2018	1,081,825	35,876	238,815
2017	1,081,475	35,876	238,815
2020	1,080,575	35,876	238,815
2021	1,084,125	-	238,814
2022-2026	5,407,013	-	1,194,073
2027-2031	5,409,237	-	238,934
<b>Totals</b>	<b>16,225,875</b>	<b>415,127</b>	<b>2,627,081</b>
Less amount representing interest	3,075,875	22,750	552,812
<b>Totals</b>	<b>\$ 13,150,000</b>	<b>\$ 392,377</b>	<b>\$ 2,074,269</b>

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**NOTE 5. LONG-TERM OBLIGATION (Continued)**

Changes in long-term obligations for the year ended September 30, 2016, are summarized below:

	<b>2009 PBCE Hookup Financing Program</b>	<b>2011 Road Improvement</b>	<b>2011 Egret Landing Refunding</b>
Long-term obligations October 1, 2015	\$ 1,562,442	\$ 1,479,030	\$ 1,109,760
Bonds/notes issued			-
Bonds/notes retired	(147,000)	(109,270)	(547,040)
<b>Long-term obligations, September 30, 2016</b>	<b>\$ 1,415,442</b>	<b>\$ 1,369,760</b>	<b>\$ 562,720</b>

Debt service requirements to maturity are as follows:

	<b>2009 PBCE Hookup Financing Program</b>	<b>2011 Road Improvement</b>	<b>2011 Egret Landing Refunding</b>
2017	\$ 212,844	\$ 174,427	\$ 579,037
2018	213,375	169,461	-
2017	212,610	169,465	-
2020	212,700	169,462	-
2021	213,278	169,466	-
2022-2026	631,949	847,377	-
2027-2031	-	-	-
<b>Totals</b>	<b>1,696,756</b>	<b>1,699,658</b>	<b>579,037</b>
Less amount representing interest	281,314	329,898	16,317
<b>Totals</b>	<b>\$ 1,415,442</b>	<b>\$ 1,369,760</b>	<b>\$ 562,720</b>

**NOTE 5. LONG-TERM OBLIGATION (Continued)**

<b>2013 Road Improvement</b>	<b>2016 Road Improvement</b>	<b>Total Notes and Bonds Payable</b>	<b>Amount Representing Principal</b>
\$ 586,460	\$ -	\$ 20,843,088	\$ 20,843,088
-	1,500,000	15,275,000	15,275,000
(49,420)	-	(15,116,480)	(15,116,480)
<b>\$ 537,040</b>	<b>\$ 1,500,000</b>	<b>\$ 21,001,608</b>	<b>\$ 21,001,608</b>

<b>2013 Road Improvement</b>	<b>2016 Road Improvement</b>	<b>Total Notes and Bonds Payable</b>	<b>Amount Representing Interest</b>	<b>Amount Representing Principal</b>
\$ 71,689	\$ 178,777	\$ 2,844,713	\$ 669,396	\$ 2,175,317
71,669	178,725	1,989,746	593,846	1,395,900
71,637	178,664	1,988,542	547,618	1,440,924
71,638	178,699	1,987,765	500,092	1,487,673
71,572	178,518	1,955,773	450,460	1,505,313
285,982	891,627	9,258,021	1,480,933	7,777,088
-	-	5,648,171	428,778	5,219,393
644,187	1,785,010	25,672,731	4,671,123	21,001,608
107,147	285,010	4,671,123	(4,671,123)	-
<b>\$ 537,040</b>	<b>\$ 1,500,000</b>	<b>\$ 21,001,608</b>	<b>-</b>	<b>\$ 21,001,608</b>

## **NOTE 6. RETIREMENT PLANS**

### ***Defined Benefit Plan***

The District contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan. FRS was created by the Florida Legislature, and is administered by the State of Florida, Department of Administration, Division of Retirement. FRS provides retirement, disability or death benefits for retirees or their designated beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis.

FRS issues a publicly available financial report that may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Since July 1, 2014 plan members are required to contribute 3% of their eligible compensation to the Plan. For the year ended September 30, 2016, the District was required to contribute 7.26% to June 30, 2016 and subsequent to that date, 7.52% of the annual covered salary for the regular member class. The District's contributions to FRS for the years ended September 30, 2016, 2015, and 2014 were \$4,206, \$4,178 and \$3,902, respectively, equal to the required contributions for each year.

This plan was closed for all new employees hired after December 31, 1995. As of September 30, 2016 there are two participants in the plan.

### ***Defined Contribution Plan***

The District participates in a defined contribution pension plan established to provide benefits at retirement to eligible employees hired after January 1, 1996. At September 30, 2016, there were 16 plan members. The District's total payroll for all employees was \$601,708 and those covered by the plan was \$500,053. The District is required to contribute 10% of the annual covered payroll. Plan members are not required to contribute. Plan provisions and contribution requirements are established and may be amended by the District's Board of Supervisors.



## NOTE 7. COMMITMENTS & SUBSEQUENT EVENTS

### *Advance to Town of Jupiter*

In June 2005, the District entered into an agreement with the Town of Jupiter (the "Town") to provide water service to a portion of land within the District, (Palm Beach Country Estates Community located within the Unit of Development RI-13 Project Area). The terms of the agreement required the District to pay approximately 50% of the connection fees, capacity charges and other fees for 1,400 connections totaling \$3,038,952. Pursuant to this agreement and from proceeds of the Series 2006 Bonds, the District paid \$2,488,952 to the Town as prepaid connection charges. This amount represents the total required connection charges due to the Town, less an applied credit of \$550,000 for the District's construction of certain portions of the water system. Upon hookup of each individual connection the landowner will be responsible for the payment of all connection fees on the property. The Town will reimburse the District the portion of the fees paid.

On March 26, 2012 the District and the Town agreed to an extension of their cooperative agreement for a period of three years with an option to renew for an additional three year period. Last year both parties agreed to the optional three year extension. Under the terms of the extension agreement the Town will continue to offer the fee schedule specified in the original agreement and will continue to reimburse the District for new connections. Also as part of the original extension agreement the Town reimbursed the District for costs associated with constructing water lines for the Town.

During the year the District received \$88,891 from this program and at September 30, 2015 the District had received a total of \$2,781,930 from inception from the Town as reimbursement for prepaid connection fees and construction costs. Using funds received from the above agreement and surplus construction funds the District called \$2,150,000 and \$400,000 of the Series 2006B bonds on August 1, 2010 and 2013, respectively.

Also as part of the original extension agreement the Town initiated a program to landowners to facilitate the financing of hookups similar to the Hookup Financing program offered by the District between 2009 and 2011. The District agreed to collect the assessments from the affected landowners and turn the net proceeds over to the Town. The District assumes no liability for the service.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## *Budgetary Comparison Schedule*

### *Water Control Eastside - Special Revenue Fund*

*Year Ended September 30, 2016*

		Budget Original	Budget Final	Actual Amounts	Variance From Final Budget Positive/ (Negative)
<b>Revenues:</b>					
Assessments	\$	240,000	\$ 240,000	\$ 240,940	\$ 940
Investment income		-	-	337	337
Miscellaneous		-	-	2,652	2,652
<b>Total revenues</b>		<b>240,000</b>	<b>240,000</b>	<b>243,929</b>	<b>3,929</b>
<b>Expenditures:</b>					
Current:					
Physical environment		223,902	223,902	207,439	16,463
Capital outlay		-	-	6,051	(6,051)
<b>Total expenditures</b>		<b>223,902</b>	<b>223,902</b>	<b>213,490</b>	<b>10,412</b>
Excess (deficiency) of revenues over (under) expenditures		16,098	16,098	30,439	14,341
Fund balances, beginning of year		67,882	12,378	12,378	-
<b>Fund balances, end of year</b>	<b>\$</b>	<b>83,980</b>	<b>\$ 28,476</b>	<b>\$ 42,817</b>	<b>\$ 14,341</b>

*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## *Budgetary Comparison Schedule*

### *Water Control Westside - Special Revenue Fund*

*Year Ended September 30, 2016*

	Budget Original	Budget Final	Actual Amounts	Variance From Final Budget Positive/ (Negative)
<b>Revenues:</b>				
Assessments	\$ 795,648	\$ 795,648	\$ 822,124	\$ 26,476
Investment income	200	200	1,588	1,388
Miscellaneous		-	13,187	13,187
<b>Total revenues</b>	<b>795,848</b>	<b>795,848</b>	<b>836,899</b>	<b>41,051</b>
<b>Expenditures:</b>				
Current:				
Physical environment	779,605	779,605	742,819	36,786
Capital outlay	-	-	88,778	(88,778)
<b>Total expenditures</b>	<b>779,605</b>	<b>779,605</b>	<b>831,597</b>	<b>(51,992)</b>
Excess (deficiency) of revenues over (under) expenditures	16,243	16,243	5,302	(10,941)
<b>Other financing uses:</b>				
Transfers in	-	-	-	-
Transfers out	(18,050)	(18,050)	(18,050)	-
<b>Total other financing uses</b>	<b>(18,050)</b>	<b>(18,050)</b>	<b>(18,050)</b>	<b>-</b>
Net change in fund balance	(1,807)	(1,807)	(12,748)	(10,941)
Fund balances, beginning of year	243,524	180,143	180,143	-
<b>Fund balances, end of year</b>	<b>\$ 241,717</b>	<b>\$ 178,336</b>	<b>\$ 167,395</b>	<b>\$ (10,941)</b>

*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

## *Budgetary Comparison Schedule*

### *Road Maintenance- PBCE - Special Revenue Fund*

*Year Ended September 30, 2016*

	Budget Original	Budget Final	Actual Amounts	Variance From Final Budget Positive/ (Negative)
<b>Revenues:</b>				
Assessments	\$ 312,000	\$ 312,000	\$ 313,275	\$ 1,275
Charges for services		-		-
Investment income	600	600	697	97
Miscellaneous	-	-	2,652	2,652
<b>Total revenues</b>	<b>312,600</b>	<b>312,600</b>	<b>316,624</b>	<b>4,024</b>
<b>Expenditures:</b>				
Current:				
Transportation	411,442	411,442	370,793	40,649
Capital outlay	-	-	7,590	(7,590)
<b>Total expenditures</b>	<b>411,442</b>	<b>411,442</b>	<b>378,383</b>	<b>33,059</b>
Excess (deficiency) of revenues over (under) expenditures	(98,842)	(98,842)	(61,759)	37,083
Fund balances, beginning of year	342,124	459,273	459,273	-
<b>Fund balances, end of year</b>	<b>\$ 243,282</b>	<b>\$ 360,431</b>	<b>\$ 397,514</b>	<b>\$ 37,083</b>

*See accompanying notes to financial statements.*

**SOUTH INDIAN RIVER WATER CONTROL DISTRICT**  
*Budgetary Comparison Schedule*  
*Road Maintenance- Jupiter Farms - Special Revenue Fund*  
*Year Ended September 30, 2016*

	Budget Original	Budget Final	Actual Amounts	Variance From Final Budget Positive/ (Negative)
<b>Revenues:</b>				
Assessments	\$ 739,200	\$ 739,200	\$ 742,940	\$ 3,740
Charges for services	12,000	12,000	4,250	(7,750)
Investment income	1,300	1,300	1,527	227
Miscellaneous	-	-	13,187	13,187
<b>Total revenues</b>	<b>752,500</b>	<b>752,500</b>	<b>761,904</b>	<b>9,404</b>
<b>Expenditures:</b>				
Current:				
Transportation	934,701	934,701	888,712	45,989
Capital outlay	-	-	22,103	(22,103)
<b>Total expenditures</b>	<b>934,701</b>	<b>934,701</b>	<b>910,815</b>	<b>23,886</b>
Excess (deficiency) of revenues over (under) expenditures	(182,201)	(182,201)	(148,911)	33,290
Fund balances, beginning of year	617,257	798,889	798,889	-
<b>Fund balances, end of year</b>	<b>\$ 435,056</b>	<b>\$ 616,688</b>	<b>\$ 649,978</b>	<b>\$ 33,290</b>

*See accompanying notes to financial statements.*



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**COMBINING FINANCIAL  
STATEMENTS**

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Balance Sheet  
Other Governmental Funds  
September 30, 2016*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total
<b>Assets:</b>				
Cash and short-term investments	\$ 136,326	\$ 433,776	\$ 181,100	\$ 751,202
Receivables:				
Special assessments	-	5,214,619	-	5,214,619
Accounts receivable	520	4,626	-	5,146
<b>Total assets</b>	<b>\$ 136,846</b>	<b>\$ 5,653,021</b>	<b>\$ 181,100</b>	<b>\$ 5,970,967</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expense	\$ 18,803	\$ 1,764	\$ -	\$ 20,567
<b>Total liabilities</b>	<b>18,803</b>	<b>1,764</b>	<b>-</b>	<b>20,567</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue-special assessments	-	5,214,619	-	5,214,619
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>5,214,619</b>	<b>-</b>	<b>5,214,619</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	-	436,638	-	436,638
Future construction	-	-	181,100	181,100
<b>Assigned for:</b>				
Subsequent years operations	118,043			118,043
<b>Total fund balances</b>	<b>118,043</b>	<b>436,638</b>	<b>181,100</b>	<b>735,781</b>
<b>Total liabilities, deferred inflows of resources, and fund balances:</b>	<b>\$ 136,846</b>	<b>\$ 5,653,021</b>	<b>\$ 181,100</b>	<b>\$ 5,970,967</b>

*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Balance Sheet*

*Nonmajor Special Revenue Funds*

*September 30, 2016*

	PBCE Park Maintenance	Egret Landing Maintenance	Jupiter Commerce Park Maintenance
<b>Assets:</b>			
Cash and short-term investments	\$ 49,334	\$ 21,639	\$ 65,353
Receivables:			
Accounts receivable	520	-	-
<b>Total assets</b>	<b>\$ 49,854</b>	<b>\$ 21,639</b>	<b>\$ 65,353</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 102	\$ 18,701	\$ -
Total liabilities	102	18,701	-
Fund balances:			
Assigned for:			
Subsequent years operations	49,752	2,938	65,353
Total fund balances	49,752	2,938	65,353
<b>Total liabilities, deferred inflows of resources, and fund balances:</b>	<b>\$ 49,854</b>	<b>\$ 21,639</b>	<b>\$ 65,353</b>

*See accompanying notes to financial statements.*

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**Total  
Nonmajor  
Special  
Revenue Funds**

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\$ 136,326  
520

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**\$ 136,846**

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\$ 18,803

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18,803

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118,043

---

118,043

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**\$ 136,846**

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Balance Sheet  
Nonmajor Debt Service Funds  
September 30, 2016*

	2004 Series A OGEM Road Improvement Note	2004 Series B Section 18 Road Improvement Note	2004 Series C PBCE Road Improvement Note
<b>Assets:</b>			
Cash and short-term investments	\$ 78,548	\$ 57,141	\$ 21,007
Receivables:			
Special assessments	221,482	40,546	130,349
Accounts receivable	1,327	246	212
<b>Total assets</b>	<b>\$ 301,357</b>	<b>\$ 97,933</b>	<b>\$ 151,568</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 109	\$ 20	\$ 17
<b>Total liabilities</b>	<b>109</b>	<b>20</b>	<b>17</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue-special assessments	221,482	40,546	130,349
<b>Total deferred inflows of resources</b>	<b>221,482</b>	<b>40,546</b>	<b>130,349</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Debt service	79,766	57,367	21,202
<b>Total fund balances</b>	<b>79,766</b>	<b>57,367</b>	<b>21,202</b>
<b>Total liabilities, deferred inflows of resources, and fund balances:</b>	<b>\$ 301,357</b>	<b>\$ 97,933</b>	<b>\$ 151,568</b>

*See accompanying notes to financial statements.*



<b>2009 PBCE Hookup Financing Note</b>	<b>2011 Road Improvement Note</b>	<b>2013 Road Improvement Note</b>	<b>2016 Road Improvement Note</b>	<b>Total Nonmajor Debt Service Funds</b>
\$ 165,004	\$ 72,018	\$ 12,707	\$ 27,351	\$ 433,776
1,415,442	1,369,760	537,040	1,500,000	5,214,619
1,464	958	419	-	4,626
<b>\$ 1,581,910</b>	<b>\$ 1,442,736</b>	<b>\$ 550,166</b>	<b>\$ 1,527,351</b>	<b>\$ 5,653,021</b>
\$ 112	\$ 78	\$ 34	\$ 1,394	\$ 1,764
112	78	34	1,394	1,764
1,415,442	1,369,760	537,040	1,500,000	5,214,619
1,415,442	1,369,760	537,040	1,500,000	5,214,619
166,356	72,898	13,092	25,957	436,638
166,356	72,898	13,092	25,957	436,638
<b>\$ 1,581,910</b>	<b>\$ 1,442,736</b>	<b>\$ 550,166</b>	<b>\$ 1,527,351</b>	<b>\$ 5,653,021</b>

See accompanying notes to financial statements .

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Balance Sheet*

*Nonmajor Capital Projects Funds*

*September 30, 2016*

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	1988 Drainage Plan	Total Nonmajor Capital Projects Funds
<hr/>		
<b>Assets:</b>		
Cash and short-term investments	\$ 181,100	\$ 181,100
<b>Total assets</b>	<b>\$ 181,100</b>	<b>\$ 181,100</b>
<hr/>		
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>		
<b>Fund balances:</b>		
Restricted for:		
Future construction	\$ 181,100	\$ 181,100
Total fund balances	181,100	181,100
<b>Total liabilities, deferred inflows of resources, and fund balances:</b>	<b>\$ 181,100</b>	<b>\$ 181,100</b>
<hr/>		

*See accompanying notes to financial statements.*

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# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Other Governmental Funds  
Year Ended September 30, 2016*

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total
<b>Revenues:</b>				
Assessments	\$ 93,835	\$ 886,251	\$ -	\$ 980,086
Investment income	186	1,176	111	1,473
<b>Total revenues</b>	<b>94,021</b>	<b>887,427</b>	<b>111</b>	<b>981,559</b>
<b>Expenditures:</b>				
Current:				
Recreation	11,989	-	-	11,989
Debt service:				
Principal retirement	-	588,007	-	588,007
Interest and fiscal charges	-	191,176	-	191,176
Other debt service	-	48,415	-	48,415
<b>Total expenditures</b>	<b>11,989</b>	<b>827,598</b>	<b>-</b>	<b>839,587</b>
Excess (deficiency) of revenues over (under) expenditures	82,032	59,829	111	141,972
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(67,200)	-	-	(67,200)
<b>Total other financing sources (uses)</b>	<b>(67,200.00)</b>	<b>-</b>	<b>-</b>	<b>(67,200.00)</b>
Net change in fund balance	14,832	59,829	111	74,772
Fund balances, beginning of year	103,211	376,809	180,989	661,009
<b>Fund balances, end of year</b>	<b>\$ 118,043</b>	<b>\$ 436,638</b>	<b>\$ 181,100</b>	<b>\$ 735,781</b>

*See accompanying notes to financial statements.*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Special Revenue Funds  
Year Ended September 30, 2016*

	PBCE Park Maintenance	Egret Landing Maintenance	Jupiter Commerce Park Maintenance
<b>Revenues:</b>			
Assessments	\$ 93,835	\$ -	\$ -
Investment income	133	13	40
<b>Total revenue</b>	<b>93,968</b>	<b>13</b>	<b>40</b>
<b>Expenditures:</b>			
Current:			
Recreation	11,989	-	-
<b>Total expenditures</b>	<b>11,989</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over (under) <u>expenditures</u>	81,979	13	40
<b>Other financing sources (uses):</b>			
Transfers out	(67,200)	-	-
<b>Total other financing sources (uses)</b>	<b>(67,200)</b>	<b>-</b>	<b>-</b>
Net change in fund balance	14,779	13	40
Fund balances, beginning of year	34,973	2,925	65,313
<b>Fund balances, end of year</b>	<b>\$ 49,752</b>	<b>\$ 2,938</b>	<b>\$ 65,353</b>

*See accompanying notes to financial statements.*

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**Total  
Nonmajor  
Special  
Revenue  
Funds**

---

\$ 93,835  
186

---

**94,021**

---

11,989

---

**11,989**

---

82,032

---

(67,200)

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**(67,200)**

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14,832

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103,211

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**\$ 118,043**

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*See accompanying notes to financial statements .*

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Debt Service Funds  
Year Ended September 30, 2016

	2004 Series A OGEM Road Improvement Note	2004 Series B Section 18 Road Improvement Note	2004 Series C PBCE Road Improvement Note
<b>Revenues:</b>			
Assessments	\$ 242,818	\$ 57,722	\$ 27,860
Investment income	306	110	6
<b>Total revenues</b>	<b>243,124</b>	<b>57,832</b>	<b>27,866</b>
<b>Expenditures:</b>			
Debt service:			
Principal retirement	213,704	39,069	29,544
Interest and fiscal charges	15,841	3,009	6,332
Other debt service	1,656	306	264
<b>Total expenditures</b>	<b>231,201</b>	<b>42,384</b>	<b>36,140</b>
Excess (deficiency) of revenues over (under) expenditures	11,923	15,448	(8,274)
Net change in fund balance	11,923	15,448	(8,274)
Fund balances, beginning of year	67,843	41,919	29,476
<b>Fund balances, end of year</b>	<b>\$ 79,766</b>	<b>\$ 57,367</b>	<b>\$ 21,202</b>

See accompanying notes to financial statements.



<b>2009 PBCE Hookup Financing Note</b>	<b>2011 Road Improvement Note</b>	<b>2013 Road Improvement Note</b>	<b>2016 Road Improvement Note</b>	<b>Total Nonmajor Debt Service Funds</b>
\$ 263,586	\$ 174,473	\$ 75,727	\$ 44,065	\$ 886,251
468	223	66	(3)	1,176
<b>264,054</b>	<b>174,696</b>	<b>75,793</b>	<b>44,062</b>	<b>887,427</b>
147,000	109,270	49,420	-	588,007
66,076	60,090	21,953	17,875	191,176
44,240	1,196	523	230	48,415
<b>257,316</b>	<b>170,556</b>	<b>71,896</b>	<b>18,105</b>	<b>827,598</b>
6,738	4,140	3,897	25,957	59,829
6,738	4,140	3,897	25,957	59,829
159,618	68,758	9,195	-	376,809
<b>\$ 166,356</b>	<b>\$ 72,898</b>	<b>\$ 13,092</b>	<b>\$ 25,957</b>	<b>\$ 436,638</b>

See accompanying notes to financial statements.

# SOUTH INDIAN RIVER WATER CONTROL DISTRICT

*Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Capital Projects Funds  
Year Ended September 30, 2016*

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	1988 Drainage Plan	Total Nonmajor Capital Projects
<hr/>		
<b>Revenues:</b>		
Investment income	\$ 111	\$ 111
<b>Total revenues</b>	<b>111</b>	<b>111</b>
<hr/>		
<b>Expenditures:</b>		
Capital outlay	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>
<hr/>		
Excess (deficiency) of revenues over (under) expenditures	111	111
<hr/>		
Fund balances, beginning of year	180,989	180,989
<b>Fund balances, end of year</b>	<b>\$ 181,100</b>	<b>\$ 181,100</b>

*See accompanying notes to financial statements.*

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## **REQUIRED REPORTS**

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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  
South Indian River Water Control District  
Jupiter, 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, the business-type activities, each major fund, and the aggregate remaining fund information of South Indian River Water Control District, Jupiter, Florida (the "District") as of and for the fiscal year ended September 30, 2016, 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 27, 2017.

**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*.

We noted certain matters that we reported to management of the District in a separate letter dated June 27, 2017.

### **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.

*DeWitt & Associates*

June 27, 2017



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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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  
South Indian River Water Control District  
Jupiter, Florida

We have examined South Indian River Water Control District, Jupiter, Florida's (the "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, 2016. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on 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 and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on 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, 2016.

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 South Indian River Water Control District, Jupiter, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

June 27, 2017





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

To the Board of Supervisors  
South Indian River Water Control District  
Jupiter, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements South Indian River Water Control District, Jupiter, Florida (the "District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 27, 2017.

**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 Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 27, 2017, 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 South Indian River Water Control District, Jupiter, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank South Indian River Water Control District, Jupiter, 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 27, 2017

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2016-01: Procurement documentation

Observation: During our testing, we noted several items for which adequate procurement documentation was not provided. Based on discussions with Accountant and Management, items were indicated to be sole-sourced. However, there was inadequate documentation of sole sourcing justification, including General Manager's certification, posting of the decision as required, and approval by the Board. In addition, in one instance, incomplete procurement document was provided of all quotes received. Based on the quotes provided, it appears that a bid may have been required by the procurement policies; however, only quotes were solicited.

Recommendation: The District should ensure that all procurement policies and procedures are appropriately followed and adequate documentation is maintained to support compliance.

Reference Number for Prior Year Finding: Not applicable

Management Response: We concur with this finding. While the information was orally transmitted to the Board, or in the Manger's written report, it lacked all of the required documentation. In the future these items will be part of the documentation. We note that in the case where the purchasing procedures appear to require a bid, it involved the purchase of a used piece of equipment that was not specifically detailed in the manual. The Manager and the Board deemed it infeasible to advertise for bids for such an item. The District is currently reviewing the purchase procedures and a specific documentation will be developed to cover this type of transaction.

### II. PRIOR YEAR FINDINGS

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, 2015.

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, 2016, except as noted above.

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, 2016, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.



## **REPORT TO MANAGEMENT (Continued)**

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2016. 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.



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June 27, 2017

To the Board of Supervisors  
South Indian River Water Control District  
Jupiter, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Indian River Water Control District ("District") for the fiscal year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 2, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District adopted new accounting standards, Governmental Accounting Standards Board ("GASB") Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the fiscal year is reported in the statement of net position.

We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense and accumulated depreciation is based on the utilization of the straight line methodology to depreciate its assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no such misstatements were noted.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Current year findings were as follows:

#### **2016-01: Procurement documentation**

Observation: During our testing, we noted several items for which adequate procurement documentation was not provided. Based on discussions with Accountant and Management, items were indicated to be sole-sourced. However, there was inadequate documentation of sole sourcing justification, including General Manager's certification, posting of the decision as required, and approval by the Board. In addition, in one instance, incomplete procurement document was provided of all quotes received. Based on the quotes provided, it appears that a bid may have been required by the procurement policies; however, only quotes were solicited.

Recommendation: The District should ensure that all procurement policies and procedures are appropriately followed and adequate documentation is maintained to support compliance.

Reference Number for Prior Year Finding: Not applicable

Management Response: We concur with this finding. While the information was orally transmitted to the Board, or in the Manger's written report, it lacked all of the required documentation. In the future these items will be part of the documentation. We note that in the case where the purchasing procedures appear to require a bid, it involved the purchase of a used piece of equipment that was not specifically detailed in the manual. The Manager and the Board deemed it infeasible to advertise for bids for such an item. The District is currently reviewing the purchase procedures and a specific documentation will be developed to cover this type of transaction.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

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

Very truly yours,



Grau & Associates