

LAKE WORTH DRAINAGE DISTRICT



***ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2014***

LAKE WORTH DRAINAGE DISTRICT

ANNUAL FINANCIAL REPORT

September 30, 2014

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FINANCIAL SECTION

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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Supervisors
Lake Worth Drainage District
Delray Beach, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Lake Worth Drainage District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Lake Worth Drainage District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lake Worth Drainage District, as of September 30, 2014, and the respective changes in financial position for the 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 (pages 9 through 13), the budgetary comparison schedule (page 37) and the schedule of OPEB funding progress (pages 38 through 39) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of Lake Worth Drainage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lake Worth Drainage District's internal control over financial reporting and compliance.

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

December 17, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Lake Worth Drainage District would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities during the fiscal year that ended on September 30, 2014. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by approximately \$58.3 million (net position). Of this amount, \$21.4 (unrestricted net position) may be used to meet the District's ongoing operations.
- The largest portion of the District's net position (63%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), which are used to provide services to landowners.
- The District's total net assets increased by approximately \$674,000. The majority of the increase is attributable to the proceeds from the sales of surplus machinery and equipment.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.2 million, or 31% of total general fund expenditures.

District Highlights

- During the year, the District added seven new vehicles, three passenger vehicles and four dump trucks to their fleet at a cost of \$686,000. The passenger vehicles will be used to monitor the District's water resources as well as transport employees to various job sites within the District and the dump trucks will be used to haul debris from job sites. In addition, the District purchased a tractor and mower arm at a cost of approximately \$88,000. This equipment will be used to mow the various canal banks within the District.
- During the year, the District started/completed various enhancements and renovation projects within the office and shop area for approximately \$366,000.
- Over the last eight years, the collections of non-ad valorem assessments has remained high at 99% despite the economic downturn in the region and the nation.

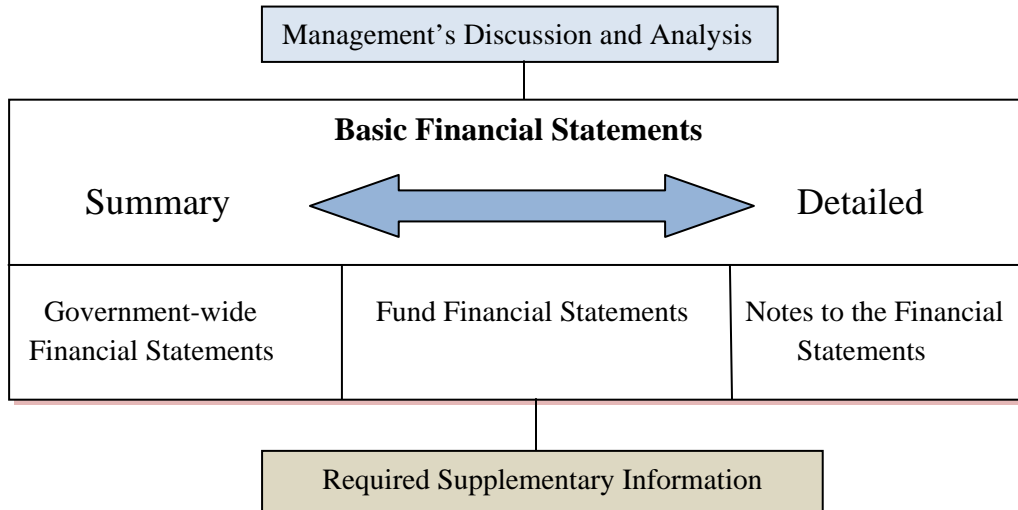
USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to Lake Worth Drainage District's basic financial statements. The District's annual report consists of two parts, the financial section and the compliance section. The financial section includes the following parts: management's discussion and analysis, basic financial statements and required supplementary information. The basic financial statements themselves consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. These statements present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The fund financial statements focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide financial statements.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1
 Required Components of Lake Worth Drainage
 District's Annual Financial Report



Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors should be considered, however, such as the condition of the District's capital assets (canals, pump stations, etc.) to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the 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 17-18 of this report.

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 legal compliance with finance-related legal requirements. The District maintains one governmental fund, the General Fund.

The District's basic services are reported in the governmental fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is 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. The differences between government-wide activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled on separate schedules.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$58,335,727 and \$57,661,584 in 2014 and 2013, respectively. Assets increased, specifically cash and investments due to the proceeds from the sales of surplus machinery and equipment.

The following table highlights the net position as of September 30, 2014 and 2013:

	2014	2013	Percentage Change
Cash and investments	\$ 21,021,344	\$ 19,977,212	5%
Restricted assets	2,293,520	2,224,245	3%
Other assets	239,562	732,086	-67%
Capital assets, net	36,906,772	36,907,933	-0%
Total assets	\$ 60,461,198	\$ 59,841,476	1%
Current liabilities	\$ 415,019	\$ 668,611	-38%
Long-term liabilities	1,710,452	1,511,281	13%
Total liabilities	\$ 2,125,471	\$ 2,179,892	-2%
Net position:			
Net investment in capital assets	\$ 36,906,772	\$ 36,907,933	0%
Unrestricted	21,428,955	20,753,651	3%
Total net position	\$ 58,335,727	\$ 57,661,584	1%

The District uses capital assets to provide services to its residents; accordingly, these assets are not available for future spending. The remaining unrestricted net position (\$21,428,955) may be used to meet the District's ongoing operations.

Changes in Net Position

The District's total revenues increased by approximately \$1.9 million when compared to the prior year, mainly due to the increase in charges for services (non-ad valorem assessments) since the rate per parcel increased from \$38 to \$42. Charges for services (non-ad valorem assessments) account for 95% of the District's total revenues. Total expenses for all of the District's activities were approximately \$13.4 million for the year, an increase of approximately \$1.4 million over the prior year. The majority of the additional costs were incurred in the following subcategories:

- Salaries and benefits
- Repairs and maintenance
- Contracted services

The following table highlights the changes in net position for the years ended September 30, 2014 and 2013:

	2014	2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 13,404,798	\$ 12,041,393	11%
General revenues:			
Investment earnings	59,916	66,433	-10%
Miscellaneous	107,368	94,606	13%
Gain on sales/disposals of capital assets	497,177	-	100%
Total revenues	14,069,259	12,202,432	15%
Program expenses:			
Physical environment	13,395,116	11,942,915	12%
Special item:			
Health care benefit buyout	-	71,742	-100%
Increase in net position	674,143	187,775	259%
Net position, beginning of year	57,661,584	57,473,809	0%
Net position, end of year	\$ 58,335,727	\$ 57,661,584	1%

BUDGETARY HIGHLIGHTS

The District adopted the fiscal year 2013/2014 budget on September 11, 2013. During the year, there were no amendments to the budget. Total expenditures budgeted for the fiscal year ended September 30, 2014, were \$13,277,400. Total revenues, including proceeds from the sale of capital assets, budgeted were \$13,248,700 along with a prior year carryforward of \$28,700.

Total actual revenues and other financing sources were approximately \$1,035,000 over budgeted revenues. This was mainly due to understating the amount of licenses and permits of approximately \$142,000 and sales of surplus equipment of approximately \$670,000. Total expenditures were approximately \$161,000 over budgeted expenditures. This is mainly due to costs related to the following repairs and maintenance accounts: buildings, infrastructure and vehicles.

The budgetary comparison schedule can be found on page 37 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had \$36,907,933, net of accumulated depreciation, invested in a broad range of capital assets, including land, canal revetment and water control structures and pump stations. A net decrease of approximately \$1,200, or .0031%, decreased the total to \$36,906,772, net of accumulated depreciation, by the end of the 2014 fiscal year. The components of the change in capital assets included approximately \$271,000 for improvements and upgrades to buildings within the office and shop area and \$937,000 of new machinery and equipment. Depreciation expense was approximately \$1.5 million.

Significant additions to machinery and equipment included the following:

- Seven new vehicles, three passenger vehicles at a cost of \$99,000 and four dump trucks at a cost of \$587,000.
- One tractor and mower at a cost of \$88,000.
- One disc chipper at a cost of \$41,000.

The following table summarizes the District's capital assets, net of accumulated depreciation, for the years ended September 30, 2014 and 2013:

	2014	2013
Land	\$ 4,023,388	\$ 3,995,092
Construction in progress	150,882	654,122
Buildings and improvements	2,306,575	2,156,249
Machinery and equipment	3,039,761	2,694,687
Canal revetment	18,451,201	18,918,487
Water control structures and pump stations	8,630,611	8,248,465
Furniture, fixtures and office equipment	304,354	240,831
Total capital assets	\$ 36,906,772	\$ 36,907,933

Additional information on the District's capital assets can be found in Note 3 on page 27 of this report.

Debt

The following table presents the District's total outstanding debt for the year ended September 30, 2014:

Other postemployment benefits	\$ 20,904
Capital lease payable	46,861
Compensated absences	522,640
Landfill closure costs	1,120,047
Total outstanding debt	\$ 1,710,452

Additional information on the District's outstanding debt can be found in Note 4 on page 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For fiscal year 2014/2015, the District adopted a budget of \$14,501,950 representing a 10% increase from the prior year budget. The rate per parcel increased from \$42 to \$45, representing a 7% increase from the prior year. The majority of the increase in revenues came from the \$3 increase in the non-ad valorem assessment rate and the increase in the amount of funds carried over from the prior year fund balance from \$28,700 to \$422,150.

The majority of the increase in expenditures is due to the following:

- Increase in funds allocated to capital items from \$1.8 million to \$2.9 million, specifically allocated to:
 - 1) Significant improvements and upgrades to various control structures within the District's canal system
 - 2) Purchase of twelve new various types of vehicles

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the District's finances and to demonstrate 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 Executive Director, Robert M. Brown, 13081 Military Trail, Delray Beach, FL 33484; 561-737-3835.



BASIC FINANCIAL STATEMENTS

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LAKE WORTH DRAINAGE DISTRICT

Statement of Net Position

September 30, 2014

Assets	
Cash and cash equivalents	\$ 21,021,344
Receivables	15,175
Inventories	207,133
Restricted assets:	
Cash and cash equivalents	2,293,520
Prepaid expenses	17,254
Capital assets:	
Capital assets not being depreciated	4,174,270
Capital assets being depreciated, net	32,732,502
Total assets	\$ 60,461,198
Liabilities	
Accounts payable and other current liabilities	\$ 227,322
Contracts payable	29,400
Unearned revenue	158,297
Noncurrent liabilities:	
Due within one year	508,246
Due in more than one year	1,202,206
Total liabilities	\$ 2,125,471
Net Position	
Net investment in capital assets	\$ 36,906,772
Unrestricted	21,428,955
Total net position	\$ 58,335,727

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Statement of Activities

Year Ended September 30, 2014

Function/Program Activities	Expenses	Program Revenues Charges for Services	Net (Expenses)/ Revenue and Change in Net Position
Governmental activities:			
Physical environment	\$ 13,395,116	\$ 13,404,798	\$ 9,682
Total governmental activities	\$ 13,395,116	\$ 13,404,798	9,682
General revenues:			
			59,916
			107,368
			497,177
Total general revenues			664,461
			674,143
			57,661,584
Net position, end of year			\$ 58,335,727

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Balance Sheet

Governmental Fund

September 30, 2014

	General Fund
Assets	
Cash and cash equivalents	\$ 21,021,344
Receivables	15,175
Inventories	207,133
Restricted assets:	
Cash and cash equivalents	2,293,520
Prepaid items	17,254
Total assets	\$ 23,554,426
Liabilities, deferred inflow of resources and fund balance	
Liabilities:	
Accounts payable and other current liabilities	\$ 227,322
Contracts payable	29,400
Total liabilities	256,722
Deferred inflow of resources:	
Unavailable revenue	158,297
Fund balance:	
Nonspendable:	
Inventories	207,133
Prepaid items	17,254
Committed:	
Insurance	2,065,723
Capital expenditures	15,809,446
Canal revetment	400,000
Assigned:	
Subsequent years budget	422,150
Unassigned	4,217,701
Total fund balance	23,139,407
Total liabilities, deferred inflow of resources and fund balance	\$ 23,554,426

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Position
September 30, 2014

Total governmental fund balance (Page 19)		\$ 23,139,407
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of assets	\$ 54,094,467	
Accumulated depreciation	<u>(17,187,695)</u>	
		36,906,772
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year-end consist of:		
Compensated absences	(522,640)	
Landfill closure costs	(1,120,047)	
Other postemployment benefits obligation	(20,904)	
Capital lease payable	<u>(46,861)</u>	
		(1,710,452)
Total net position (Page 17)		\$ 58,335,727

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

Year Ended September 30, 2014

	General Fund
Revenues:	
Non-ad valorem assessments	\$ 13,008,128
Investment earnings	59,916
Licenses and permits	396,671
Miscellaneous	107,367
Total revenues	13,572,082
Expenditures:	
Current:	
Physical environment	11,786,159
Capital outlay	1,628,624
Debt service:	
Principal	23,468
Total expenditures	13,438,251
Excess of revenues over expenditures	133,831
Other financing sources:	
Issuance of capital lease	70,329
Proceeds from sales/disposals of capital assets	670,315
Net change in fund balance	874,475
Fund balance, beginning of year	22,264,932
Fund balance, end of year	\$ 23,139,407

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
Year Ended September 30, 2014

Net change in fund balance - total governmental fund (Page 21)		\$ 874,475
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$ 1,628,624	
Less current year depreciation	<u>(1,456,647)</u>	
		171,977
The net effect of various transactions involving the sales/disposals of capital assets is to decrease net position.		(173,138)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.		
Compensated absences	(75,375)	
Landfill closure costs	(66,143)	
Other postemployment benefits obligation	(10,792)	
Capital lease payable	<u>(46,861)</u>	
		(199,171)
Change in net position (Page 18)		\$ 674,143

See notes to basic financial statements.

LAKE WORTH DRAINAGE DISTRICT

Notes to Basic Financial Statements

September 30, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statements related to *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the District, organizations for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, there were no organizations that met the criteria described above.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the District.

The statement of activities demonstrates the extent to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function, or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Non-ad valorem assessments and interest on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Revenues for expenditure driven grants are recognized when the related expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports its only fund, the General Fund, as a major governmental fund. The General Fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the District.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District elected to follow all pre-November 30, 1989 FASB pronouncements, which are now codified in GASB Statement No. 62.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, time and demand deposits and short-term investments with original maturities of less than three months from the date of acquisition.

The District has adopted an investment policy which authorizes the District to invest any surplus public funds in the Local Government Surplus Funds Trust Fund, certificates of deposit or savings accounts, provided that any such deposits are secured by collateral as prescribed by law, Securities and Exchange Commission registered money market funds, repurchase agreements, and direct obligations of the United States Treasury or any other government agencies.

Receivables

Receivables are recorded and revenues are recognized when earned.

Inventories

Inventories are stated at the lower of cost or market. Inventories are recorded as expenditures when consumed rather than when purchased. In the governmental fund, reported inventories are offset by the nonspendable category of fund balance to indicate that these amounts are not available for appropriation.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. When purchased, acquired or constructed, capital assets are recorded as expenditures in the governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. 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. Lease agreements that qualify as capital leases are recorded at the present value of their future minimum lease payments as of the inception date.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure, such as canals, culverts and drainage systems, are capitalized along with other general capital assets at historical costs.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable capital assets are as follows:

Canal revetment	50 years
Water control structures and pump stations	25-50 years
Buildings and improvements	6-50 years
Furniture, fixtures and office equipment	5-30 years
Machinery and equipment	5-20 years

Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2013. This new standard establishes accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a Statement of Net Position. The implementation of this GASB Statement had no effect on the beginning net position of the District at October 1, 2013.

In addition to assets and liabilities, the Statement of Net Position and the governmental funds Balance Sheet will sometimes report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has no items that qualify for reporting as deferred outflows of resources.

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item, unavailable revenue, which arises only under the modified accrual basis of accounting and is reported as a deferred inflow of resources on the governmental funds Balance Sheet. The unavailable revenue results from mobilization fees for revetment work received by the District in advance of the year for which they will be spent. These amounts are deferred and recognized as an inflow of resources in the year that the amounts become available.

Unearned/Unavailable Revenue

Unearned revenue in the governmental activities and unavailable revenue in the governmental funds includes amounts received in advance by the District for revetment work.

Non-Ad Valorem Assessments

The collection of non-ad valorem assessments is consolidated in the Office of the County Tax Collector. Assessments are levied on November 1st of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1st of the following year. Discounts are allowed for early payment at a maximum rate of 4%. At September 30, 2014, unpaid delinquent assessments are not material and have not been recorded by the District.

Compensated Absences

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Equity in the government-wide Statement of Net Position is displayed in three categories 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. 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. Unrestricted net position consists of net position that does not meet the definition of either of the other two components.

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

Fund Equity

In the fund financial statements, fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities. Governmental accounting principles distinguish fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, the District's fund balance amounts will be reported in the following categories:

Nonspendable Fund Balance – Represents amounts that are not in a spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund Balance – Represents amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

Committed Fund Balance – Represents amounts that can be used only for the specific purposes determined by a formal action of the Board of Supervisors. The Board of Supervisors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Supervisors.

Assigned Fund Balance – Represents amounts that are constrained by the District's intent to be used for a specific purpose. Intent can be expressed by the Board of Supervisors or by a designee to whom the governing body delegates the authority.

Unassigned Fund Balance – Includes all amounts not contained in other classifications and is the residual classification of the General Fund. Unassigned amounts are the portion of fund balance which is not obligated or specifically designated and is available for any purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2) DEPOSITS AND INVESTMENTS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits and investments are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be

2) DEPOSITS AND INVESTMENTS (Continued)

responsible for covering any resulting losses. Accordingly, all amounts reported as deposits and investments are insured or collateralized with securities held by the entity or its agent in the entity's name.

3) CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land and improvements	\$ 3,145,611	\$ 33,219	\$ (4,923)	\$ -	\$ 3,173,907
Land under assignment rights	849,481	-	-	-	849,481
Work in progress:					
Furniture, fixtures, and office equipment	-	42,480	-	-	42,480
Buildings and improvements	13,083	95,407	-	(13,083)	95,407
Water control structures and pump stations	641,039	12,995	-	(641,039)	12,995
Total capital assets not being depreciated	4,649,214	184,101	(4,923)	(654,122)	4,174,270
Capital assets being depreciated:					
Buildings and improvements	3,597,905	271,325	(35,486)	13,083	3,846,827
Machinery and equipment	6,698,599	936,548	(1,638,485)	-	5,996,662
Canal revetment	23,364,303	-	-	-	23,364,303
Water control structures and pump stations	15,276,183	102,746	-	641,039	16,019,968
Furniture, fixtures and office equipment	701,600	167,123	(176,286)	-	692,437
Total capital assets being depreciated	49,638,590	1,477,742	(1,850,257)	654,122	49,920,197
Less accumulated depreciation for:					
Buildings and improvements	(1,441,656)	(118,974)	20,378	-	(1,540,252)
Machinery and equipment	(4,003,912)	(423,516)	1,470,527	-	(2,956,901)
Canal revetment	(4,445,816)	(467,286)	-	-	(4,913,102)
Water control structures and pump stations	(7,027,718)	(361,639)	-	-	(7,389,357)
Furniture, fixtures and office equipment	(460,769)	(85,232)	157,918	-	(388,083)
Accumulated depreciation	(17,379,871)	(1,456,647)	1,648,823	-	(17,187,695)
Total capital assets being depreciated, net	32,258,719	21,095	(201,434)	654,122	32,732,502
Governmental activities capital assets, net	\$ 36,907,933	\$ 205,196	\$ (206,357)	\$ -	\$ 36,906,772

Depreciation expense of \$1,456,647 was charged to Physical Environment for the fiscal year ended September 30, 2014.

4) LONG-TERM DEBT

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences:					
Vacation accrual	\$ 181,302	\$ 669,821	\$ 397,322	\$ 453,801	\$ 453,801
Sick leave accrual	265,963	239,893	437,017	68,839	30,977
	447,265	909,714	834,339	522,640	484,778
Other postemployment benefits	10,112	10,792	-	20,904	-
Landfill closure costs	1,053,904	66,143	-	1,120,047	-
Capital lease payable	-	70,329	23,468	46,861	23,468
Total	\$ 1,511,281	\$ 1,056,978	\$ 857,807	\$ 1,710,452	\$ 508,246

Capital Lease Payable

The District has entered into a lease agreement as lessee for financing the acquisition of computer equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Computer equipment	\$ 70,329
Less accumulated depreciation	(11,723)
Total	\$ 58,606

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30,	
2015	\$ 23,468
2016	23,468
2017	4,305
Total minimum lease payments	51,241
Less amount representing interest	(4,380)
Present value of minimum lease payments	\$ 46,861

5) HORTICULTURAL WASTE LANDFILL SITE

State and Federal laws and regulations require the District to place a final cover on its horticultural landfill waste site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an expense in the government-wide financial statements each period based on capacity used as of each balance sheet date. The \$1,120,047 reported as a landfill closure and post-closure care liability at September 30, 2014,

5) HORTICULTURAL WASTE LANDFILL SITE (Continued)

represents the cumulative amount reported to date based on the approximate use of 87% of the estimated capacity of the landfill. The District will recognize the remaining estimated cost of approximately \$170,111 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2014. The District expects to close the landfill in 2029. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

As a condition for the issuance of the landfill construction permit, the District must describe the financial mechanism to be used to demonstrate proof of financial assurance to the State of Florida Department of Health. The District uses an alternate financial mechanism (financial tests) in lieu of funding an escrow account, and is in compliance with applicable laws and regulations at September 30, 2014.

6) RISK MANAGEMENT

Employee Benefits

In the prior year, the District was self-insured for health coverage which was administered by a third party. The District funded their own losses based on actual claims. As of October 1, 2013, the District was no longer self insured for health coverage. A commercial insurance policy was purchased for health care benefits with an effective date of October 1, 2013.

Property and Casualty

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Specifically, the District purchases commercial insurance for property, medical benefits, worker's compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of certain governmental entities to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last three years.

7) OTHER POSTEMPLOYMENT BENEFITS

Postemployment Benefits

The District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for the fiscal year ended September 30, 2009. The statement establishes the financial reporting and disclosure requirements by employers for other postemployment benefits ("OPEB").

Plan Description

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

Funding Policy

The District is required by Florida Statutes to allow retirees to buy healthcare coverage at the same group insurance rates that current employees are charged resulting in an implicit healthcare benefit and employer liability. The State prohibits the Plan from separately rating retirees and active employees. Because the Plan charges both groups an equal, blended rate, GAAP requires employers to report the cost of those future benefits to retirees during the current time of their employment. The Plan members receiving benefits contribute 100% of the monthly premiums.

7) OTHER POSTEMPLOYMENT BENEFITS (continued)

An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the Plan obligations. For financial reporting purposes, an actuarial valuation is required triennially since the plan has a total membership of fewer than 200. The latest actuarial valuation was made on October 1, 2013. The postemployment benefit plan has no assets and does not issue stand-alone financial reports.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The actuarial accrued liability as of October 1, 2014, is estimated to be \$123,000.

Funding Status and Progress

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
10-1-13	\$ -	\$ 122,675	\$ 122,675	0.00%	\$ 5,381,542	2.28%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9-30-12	\$ 10,005	\$ 12,352	123.50%	\$ 143,290
9-30-13	10,112	-	0.00%	10,112
9-30-14	10,792	-	0.00%	20,904

Annual Required Contribution	\$ 10,771
Interest on Net OPEB Obligation	269
Adjustment on Annual Required Contribution	(248)
Annual OPEB Cost	10,792
Contributions and payments made	-
Increase in Net OPEB Obligation	10,792
Net OPEB Obligation – October 1, 2013	10,112
Net OPEB Obligation – September 30, 2014	\$ 20,904

7) OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

The annual OPEB cost was determined as part of the actuarial valuation. Additional information as of the last actuarial valuation follows:

Valuation Date:	October 1, 2013
Actuarial Valuation Method: ⁽¹⁾	Entry Age Normal
Asset Valuation Method:	Not Applicable
Amortization Method:	Percentage of Covered Payroll on a Closed Basis
Remaining Amortization Period:	26 years
Actuarial Assumptions:	
Discount rate:	6%
Inflation rate:	None
Life expectancies:	RP 2000
Salary scale growth:	3.0% Per Annum
Health care cost trend rate:	Annual medical costs are assumed to increase 10% in the first year of the valuation. Future annual increases are assumed to grade uniformly to 6% over an 8 year period.

⁽¹⁾Effective October 1, 2011, the Plan changed its actuarial method from the Projected Unit Credit Method to the Entry Age Normal Method.

8) PENSION PLAN

Plan Description

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, and 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 includes a statement of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants, and benefit payments, as well as a description of the retirement plan. That report may be obtained by writing to the Division of Retirement, at P.O. Box 9000, Tallahassee, Florida 32315-9000.

Funding Policy

Participating employers are required to make contributions based upon statewide contribution rates. The contribution rates by job class for the District's employees at September 30, 2014, were as follows: regular

8) PENSION PLAN (Continued)

employees 7.37%, deferred retirement option program 12.28%, senior management class 21.14%, and elected officers 43.24%. Effective July 1, 2011, employees were required to contribute 3% of their gross compensation.

The District's contributions to FRS for the years ended September 30, 2014, 2013 and 2012 were \$493,433, \$339,309, and \$273,540 respectively, which were equal to the required contributions for each year.

9) OPERATING LEASES

On February 28, 2014, the District entered into a Master Lease Agreement for three 2014 John Deere 210G excavators. The leases are accounted for as non-cancelable operating leases. Total payments were \$125,962 for the fiscal year ended September 30, 2014. The future minimum lease payments are as follows:

Year Ending September 30,	
2015	\$ 125,962
2016	125,963
Total	\$ 251,925

10) COMMITMENTS AND CONTINGENCIES

Contingencies

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

Contract Commitments

Commitments on major construction contracts consist of the following:

	Total Project Authorization	Expended Through September 30, 2014	Balance to Complete
SCADA System	\$ 478,800	\$31,868	\$ 446,932
Control Structure No. 4	85,710	-	85,710
	\$ 564,510	\$31,868	\$ 532,642

11) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements for governments whose employees receive pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. The requirement of this statement will be effective for the District for the fiscal year ending September 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, provides accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires disclosures to be made about government combinations, and disposals of government. The requirement of this statement will be effective for the District for the fiscal year ending September 30, 2015.

11) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 regarding the reporting of contributions as deferred outflows upon adoption of Statement No. 68. The requirements of this statement will be effective for the District upon adoption of Statement No. 68 for the fiscal year ending September 30, 2015.

The District's management has not yet determined the effect these statements will have on the District's financial statements.



**REQUIRED SUPPLEMENTARY
INFORMATION**

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LAKE WORTH DRAINAGE DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

Year Ended September 30, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Non-ad valorem assessments	\$ 12,922,700	\$ 12,922,700	\$ 13,008,128	\$ 85,428
Investment earnings	10,000	10,000	59,916	49,916
Licenses and permits	255,000	255,000	396,671	141,671
Miscellaneous	51,000	51,000	107,367	56,367
Total revenues	13,238,700	13,238,700	13,572,082	333,382
Expenditures:				
Current:				
Physical environment	11,513,100	11,513,100	11,786,159	(273,059)
Capital outlay	1,764,300	1,764,300	1,628,624	135,676
Debt service:				
Principal	-	-	23,468	(23,468)
Total expenditures	13,277,400	13,277,400	13,438,251	(160,851)
Excess (deficiency) of revenues over				
(under) expenditures	(38,700)	(38,700)	133,831	172,531
Other financing sources:				
Proceeds from sales/disposals of				
capital assets	10,000	10,000	670,315	660,315
Issuance of capital lease	-	-	70,329	70,329
Appropriated fund balance	28,700	28,700	-	(28,700)
Total other financing sources	38,700	38,700	740,644	701,944
Net change in fund balance	-	-	874,475	874,475
Fund balance, beginning of year	-	-	22,264,932	22,264,932
Fund balance, end of year	\$ -	\$ -	\$ 23,139,407	\$ 23,139,407

See notes to required supplementary information.

LAKE WORTH DRAINAGE DISTRICT*Required Supplementary Information**Schedule of OPEB Funding Progress**Year Ended September 30, 2014*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
10-1-11 ⁽¹⁾	\$ -	\$ 225,405	\$ 225,405	0.00%	\$ -	-
10-1-11	-	223,706	223,706	0.00%	-	-
10-1-13	-	116,391	116,391	0.00%	5,224,798	2.23%
10-1-13	-	122,675	122,675	0.00%	5,381,542	2.28%

See notes to required supplementary information.

⁽¹⁾ Effective October 1, 2011, the Plan changed its actuarial method from the Projected Unit Credit Method to the Entry Age Normal Method.

Note: Data not available prior to fiscal year 2009 implementation of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

LAKE WORTH DRAINAGE DISTRICT

Notes to Required Supplementary Information
September 30, 2014

1) BUDGETS AND BUDGETARY ACCOUNTING

State of Florida Statutes require that, for each fiscal year, a special district make appropriations which will not exceed the amount received from taxation and other available sources. The District annually adopts an operating budget for the general fund. The District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

- (a) In the spring of each year, the District Manager submits a proposed operating budget to the Board for the next fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain landowner comments.
- (c) Prior to September 30th, the budget is legally adopted by the Board.

Budgets are adopted on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at fiscal year-end unless specifically designated to be carried forward to the subsequent year. Changes or amendments to the budgeted expenditures of the District must be approved by the Board of Supervisors. There were no supplemental appropriations for the fiscal year ended September 30, 2014.

2) OTHER POSTEMPLOYMENT BENEFIT PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation was as follows:

Valuation Date:	October 1, 2013
Actuarial Valuation Method: ⁽¹⁾	Entry Age Normal
Asset Valuation Method:	Not Applicable
Amortization Method:	Percentage of Covered Payroll on a Closed Basis
Remaining Amortization Period:	26 years
Actuarial Assumptions:	
Discount rate:	6%
Inflation rate:	None
Life expectancies:	RP 2000
Salary growth:	3.0% Per Annum
Health care cost trend rate:	Annual medical costs are assumed to increase 10% in the first year of the valuation. Future annual increases are assumed to grade uniformly to 6% over an 8 year period.

⁽¹⁾ Effective October 1, 2011, the Plan changed its actuarial method from the Projected Unit Credit Method to the Entry Age Normal Method.



COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Lake Worth Drainage District as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Lake Worth Drainage District's basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Worth Drainage 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 Lake Worth Drainage District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Worth Drainage 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 Lake Worth Drainage District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

December 17, 2014



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

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

We have examined Lake Worth Drainage District's compliance with the requirements of Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for Lake Worth Drainage District's compliance with those requirements. Our responsibility is to express an opinion on Lake Worth Drainage 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 Lake Worth Drainage 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 Lake Worth Drainage District's compliance with specified requirements.

In our opinion, Lake Worth Drainage District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

December 17, 2014

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**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Supervisors
Lake Worth Drainage District
Delray Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Lake Worth Drainage District, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated December 17, 2014.

Auditor's Responsibility

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

Other Reports

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 the 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 December 17, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Information regarding the specific legal authority for Lake Worth Drainage District is disclosed in the Notes to the Financial Statements. There are no component units related to Lake Worth Drainage District.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Lake Worth Drainage District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Lake Worth Drainage District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Lake Worth Drainage District's 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.

Annual Financial Report

Section 10.554(1)(i)5.b., rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for Lake Worth Drainage District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that Lake Worth Drainage District is not a component unit of a county, municipality, or special district and was not required to provide financial information necessary for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Rampell + Rampell, P.A.

Rampell & Rampell, P.A.
Palm Beach, Florida

December 17, 2014