# *LAKE WORTH DRAINAGE DISTRICT*

***ANNUAL FINANCIAL REPORT***
***SEPTEMBER 30, 2017***

# LAKE WORTH DRAINAGE DISTRICT

ANNUAL FINANCIAL REPORT

**September 30, 2017**

## TABLE OF CONTENTS

### FINANCIAL SECTION:


Independent Auditor's Report ........ 5
Management's Discussion and Analysis ........ 9


### BASIC FINANCIAL STATEMENTS:


Government-Wide Financial Statements:
Statement of Net Position ........ 17
Statement of Activities ........ 18
Fund Financial Statements:
Balance Sheet – Governmental Fund ........ 19
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position ........ 20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund ........ 21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities ........ 22
Notes to Basic Financial Statements ........ 23


### REQUIRED SUPPLEMENTARY INFORMATION:


Budgetary Comparison Schedule – General Fund ........ 43
Schedule of OPEB Funding Progress ........ 44
Schedule of Proportionate Share of Net Pension Liability, the Florida Retirement System ........ 45
Schedule of Contributions, the Florida Retirement System ........ 46
Schedule of Proportionate Share of Net Pension Liability, the Health Insurance Subsidy Program ........ 47
Schedule of Contributions, the Health Insurance Subsidy Program ........ 48
Notes to Required Supplementary Information ........ 49


### COMPLIANCE SECTION:


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* ........ 53
Independent Accountant's Report on an Examination Conducted in Accordance with *AICPA Professional Standards,* AT-C, Section 315, Regarding Compliance Requirements in Accordance With Chapter 10.550, Rules of the Auditor General ........ 55
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida ........ 57

# FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, 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, 2017, 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 43), the schedule of OPEB funding progress (page 44), the pension information (pages 45 through 48) and the related notes to the required supplementary information (pages 49 and 50), 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 May 3, 2018, 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.

Morrison, Brown, Argiz & Farra

Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

May 3, 2018

# MANAGEMENT’S DISCUSSION AND ANALYSIS

## 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, 2017. 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 $60.0 million (net position). Of this amount, $16.9 (unrestricted net position) may be used to meet the District's ongoing operations.
- The District's net position of $60.0 million increased by approximately $1.6 million when compared to the prior year.
- The largest portion of the District's net position (71%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), which are used to provide services to landowners.
- Total expenses for all the District's activities were approximately $13.8 million for the year, an increase of approximately $831,000 over the prior year. This is primarily due to the increase in costs related to the District's canal rehabilitation project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately $3.9 million, or 23% of total general fund expenditures.

### District Highlights

- During the year, the District purchased four additional excavators at a cost of approximately $830,000. This equipment is used for canal maintenance and reshaping the canal banks within the District.
- During the year, the District installed three new radial gates at Control Structure #11 at a cost of $215,000.
- Over the last ten years, collection of non-ad valorem assessments has remained extremely high at 99%.

## 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.

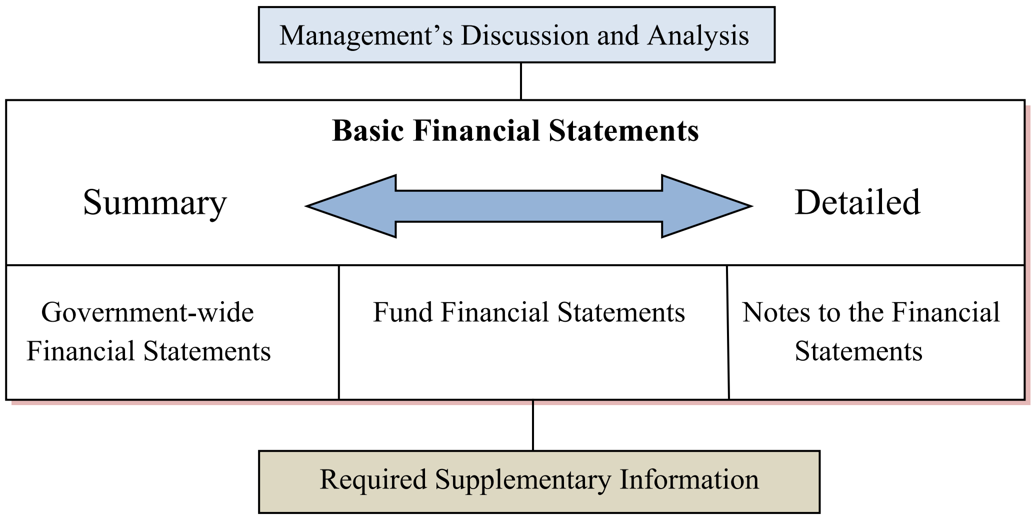
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

- 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 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 District 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 regarding 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 a single 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 $60,000,786 and $58,383,040 in 2017 and 2016, respectively. Liabilities increased by approximately $1.1 million, specifically due to an increase in contracts and retainage payable of $641,000 and leases payable of $388,000.

The following table highlights the net position as of September 30, 2017 and 2016:

| | 2017 | 2016 | Percentage Change |
|---|---|---|---|
| Cash and investments | **$ 22,342,381** | $ 22,963,031 | -3% |
| Restricted assets | **2,281,050** | 2,278,541 | 0% |
| Other assets | **291,756** | 170,081 | 72% |
| Capital assets, net | **43,058,423** | 39,513,677 | 9% |
| **Total assets** | **$ 67,973,610** | **$ 64,925,330** | **5%** |
| **Total deferred outflows of resources** | **$ 2,630,743** | $ 2,442,221 | **8%** |
| Current liabilities | **$ 1,110,001** | $ 548,742 | 102% |
| Long-term liabilities | **8,882,236** | 8,267,647 | 7% |
| **Total liabilities** | **$ 9,992,237** | **$ 8,816,389** | **13%** |
| **Total deferred inflows of resources** | **$ 611,330** | $ 168,122 | **264%** |
| Net position: | | | |
| Net investment in capital assets | **$ 43,058,423** | $ 39,513,677 | 9% |
| Unrestricted | **16,942,363** | 18,869,363 | -10% |
| **Total net position** | **$ 60,000,786** | **$ 58,383,040** | **3%** |

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 ($16,942,363) may be used to meet the District's ongoing operations.

### Changes in Net Position

The District's total revenues increased by approximately $753,000 when compared to the prior year, mainly due to the increase in charges for services (non-ad valorem assessments). The rate per parcel increase from $45.00 to 46.50. Charges for services (non-ad valorem assessments) account for 98% of the District's total revenues. Total expenses for all of the District's activities were approximately $13.8 million for the year, an increase of approximately $831,000 over the prior year. The majority of the increase in costs is related to the District's canal rehabilitation project.

The following table highlights the changes in net position for the years ended September 30, 2017 and 2016:

| | 2017 | 2016 | Percentage Change |
|---|---|---|---|
| **Revenues:** | | | |
| Program revenues: | | | |
| Charges for services | **$ 15,196,149** | $ 14,458,444 | 5% |
| General revenues: | | | |
| Investment earnings | **67,957** | 53,957 | 26% |
| Miscellaneous | **81,243** | 72,031 | 13% |
| Gain on sales/disposals of capital assets | **112,780** | 120,550 | -6% |
| **Total revenues** | **15,458,129** | **14,704,982** | **5%** |
| **Program expenses:** | | | |
| Physical environment | **13,840,156** | 13,007,149 | 6% |
| Interest on long-term debt | **227** | 1,484 | -85% |
| **Total expenses** | **13,840,383** | **13,008,633** | **6%** |
| Increase in net position | **1,617,746** | 1,696,349 | -5% |
| Net position, beginning of year | **58,383,040** | 56,686,691 | 3% |
| **Net position, end of year** | **$ 60,000,786** | **$ 58,383,040** | **3%** |

## BUDGETARY HIGHLIGHTS

The District adopted the fiscal year 2016/2017 budget on August 17, 2016. During the year, there were no amendments to the budget. Total expenditures budgeted for the fiscal year ended September 30, 2017, were $17,660,525. Total revenues, including proceeds from the sale of capital assets of $10,000 and appropriated fund balance of $2,820,225, budgeted were $17,660,525.

Total expenditures were approximately $546,000 under budgeted expenditures. This is due primarily to the decrease in salaries and benefits of approximately $260,000, decrease in property / casualty insurance of approximately $93,000, decrease in engineering costs of approximately $85,000 and a decrease in the costs of fuel of approximately $78,000.

The budgetary comparison schedule can be found on page 43 of this report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

On September 30, 2016, the District had $39,513,677, 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 increase of $3,544,746 or 9.0%, increased the total to $43,058,423, net of accumulated depreciation, by the end of the 2017 fiscal year. The components of the change in capital assets included approximately $3,753,000 in work in process related to the Supervisory Control and Data Acquisition, more commonly known as SCADA and an associated electrical upgrade construction project for Control Structures 1, 2, 3, 4, 6, 8, 11, 12 and 17W. Depreciation expense was approximately $1.8 million.

Significant additions to machinery and equipment included the following:

- Five new vehicles, consisting of four passenger vehicles at a cost of $134,000 and an articulating boom truck at a cost of $194,000
- Four excavators at a cost of $830,000
- Three Fecon mulching heads at a cost of $84,000

The following table summarizes the District's capital assets, net of accumulated depreciation, for the years ended September 30, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Land | **$ 4,224,362** | $ 4,225,253 |
| Construction in progress | **4,417,056** | 663,351 |
| Buildings and improvements | **3,408,286** | 3,480,929 |
| Machinery and equipment | **4,936,632** | 4,312,309 |
| Canal revetment | **17,049,342** | 17,516,628 |
| Water control structures and pump stations | **8,824,387** | 9,051,385 |
| Furniture, fixtures and office equipment | **198,358** | 263,822 |
| **Total capital assets** | **$ 43,058,423** | **$ 39,513,677** |

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 years ended September 30, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| Other postemployment benefits | **$ 43,002** | $ 37,446 |
| Capital lease payable | **392,430** | 4,078 |
| Compensated absences | **524,463** | 524,025 |
| Landfill closure costs | **1,312,545** | 1,278,023 |
| Net pension liability | **6,609,796** | 6,424,075 |
| **Total outstanding debt** | **$ 8,882,236** | **$ 8,267,647** |

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 2017/2018, the District adopted a budget of $17,046,700 representing a 2.6% decrease from the prior year budget. While the total the budget decreased, the rate per parcel increased from $46.50 to $48.00, representing a 3.2% increase from the prior year. The majority of the decrease in revenues and other financing sources came from the decrease in the appropriated fund balance from $2,820,225 to $1,888,000.

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

- Decrease in funds allocated to capital items from $5.3 million to $3.6 million, specifically allocated to:

    1) Significant improvements and upgrades to various control structures within the District's canal system, including the Supervisory Control and Data Acquisition System, known as SCADA.

## 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.

LAKE WORTH DRAINAGE DISTRICT

LWDD

Water Managers Since 1915

# BASIC FINANCIAL STATEMENTS

## LAKE WORTH DRAINAGE DISTRICT

*Statement of Net Position*

*September 30, 2017*

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 22,342,381 |
| Receivables | | 31,423 |
| Inventories | | 114,669 |
| Restricted assets: | | |
| Cash and cash equivalents | | 2,281,050 |
| Prepaid expenses | | 145,664 |
| Capital assets: | | |
| Capital assets not being depreciated | | 8,641,418 |
| Capital assets being depreciated, net | | 34,417,005 |
| **Total assets** | **$** | **67,973,610** |
| **Deferred outflows of resources** | | |
| Deferred amount related to pensions | $ | 2,630,743 |
| **Liabilities** | | |
| Accounts payable and other current liabilities | $ | 252,573 |
| Contracts and retainage payable | | 651,451 |
| Unearned revenue | | 205,977 |
| Noncurrent liabilities: | | |
| Due within one year | | |
| Capital lease payable | | 85,362 |
| Compensated absences | | 438,747 |
| Due in more than one year | | |
| Capital lease payable | | 307,068 |
| Compensated absences | | 85,716 |
| Other postemployment benefits payable | | 43,002 |
| Landfill closure costs | | 1,312,545 |
| Net pension liability | | 6,609,796 |
| **Total liabilities** | **$** | **9,992,237** |
| **Deferred inflows of resources** | | |
| Deferred amount related to pensions | $ | 611,330 |
| **Net position** | | |
| Net investment in capital assets | $ | 43,058,423 |
| Unrestricted | | 16,942,363 |
| **Total net position** | **$** | **60,000,786** |

*See notes to basic financial statements.*

**LAKE WORTH DRAINAGE DISTRICT**

*Statement of Activities*

*Year Ended September 30, 2017*

| Function/Program Activities | Expenses | Program Revenues<br>Charges for Services | Net (Expenses)/ Revenue and Change in Net Position |
|---|---|---|---|
| **Governmental activities:** | | | |
| Physical environment | $ 13,840,156 | $ 15,196,149 | $ 1,355,993 |
| Interest on long-term debt | 227 | - | (227) |
| **Total governmental activities** | **$ 13,840,383** | **$ 15,196,149** | **1,355,766** |
| **General revenues:** | | | |
| Investment earnings | | | 67,957 |
| Miscellaneous | | | 81,243 |
| Gain on sales/disposals of capital assets | | | 112,780 |
| **Total general revenues** | | | **261,980** |
| Change in net position | | | 1,617,746 |
| Net position, beginning of year | | | 58,383,040 |
| **Net position, end of year** | | | **$ 60,000,786** |

*See notes to basic financial statements.*

## LAKE WORTH DRAINAGE DISTRICT

*Balance Sheet*
*Governmental Fund*
*September 30, 2017*

| | | General Fund |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 22,342,381 |
| Receivables | | 31,423 |
| Inventories | | 114,669 |
| Restricted assets: | | |
| Cash and cash equivalents | | 2,281,050 |
| Prepaid items | | 145,664 |
| **Total assets** | **$** | **24,915,187** |
| **Liabilities, deferred inflow of resources and fund balance** | | |
| Liabilities: | | |
| Accounts payable and other current liabilities | $ | 252,573 |
| Contracts and retainage payable | | 651,451 |
| Total liabilities | **$** | **904,024** |
| Deferred inflow of resources: | | |
| Unavailable revenue | $ | 205,977 |
| Fund balance: | | |
| Nonspendable: | | |
| Inventories | $ | 114,669 |
| Prepaid items | | 145,664 |
| Committed: | | |
| Insurance | | 2,072,573 |
| Capital expenditures | | 14,998,271 |
| Canal revetment | | 675,000 |
| Assigned: | | |
| Subsequent years budget | | 1,888,000 |
| Unassigned | | 3,911,009 |
| Total fund balance | $ | 23,805,186 |
| **Total liabilities, deferred inflow of resources and fund balance** | **$** | **24,915,187** |

*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, 2017*

| | | |
|---|---|---|
| Total governmental fund balance (Page 19) | | $ 23,805,186 |
| | | |
| 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 | $ 63,706,856 | |
| Accumulated depreciation | (20,648,433) | |
| | | 43,058,423 |
| Deferred outflows/inflows of resources related to pensions are reported in the statement of net position but are not reported in the governmental funds. | | |
| Deferred outflows of resources related to pensions | $ 2,630,743 | |
| Deferred inflows of resources related to pensions | (611,330) | |
| | | 2,019,413 |
| | | |
| 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: | | |
| Net pension liability | $ (6,609,796) | |
| Landfill closure costs | (1,312,545) | |
| Compensated absences | (524,463) | |
| Other postemployment benefits obligation | (43,002) | |
| Capital lease payable | (392,430) | |
| | | (8,882,236) |
| **Total net position (Page 17)** | | **$ 60,000,786** |

*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, 2017*

| | General Fund |
|---|---|
| **Revenues:** | |
| Non-ad valorem assessments | $ 14,531,690 |
| Investment earnings | 67,957 |
| Licenses and permits | 664,459 |
| Miscellaneous | 81,243 |
| **Total revenues** | **15,345,349** |
| **Expenditures:** | |
| Current: | |
| Physical environment | 11,512,091 |
| Capital outlay | 5,502,825 |
| Debt service: | |
| Principal | 99,066 |
| Interest | 227 |
| **Total expenditures** | **17,114,209** |
| Excess (deficiency) of revenues over expenditures | (1,768,860) |
| **Other financing sources:** | |
| Proceeds from sales/disposals of capital assets | 223,717 |
| Capital lease | 487,418 |
| Net change in fund balance | (1,057,725) |
| Fund balance, beginning of year | 24,862,911 |
| **Fund balance, end of year** | **$ 23,805,186** |

*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, 2017*

| | | |
|---|---|---|
| Net change in fund balance - total governmental fund (Page 21) | | $ (1,057,725) |
| | | |
| 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 | $ 5,502,825 | |
| Less current year depreciation | (1,847,142) | |
| | | 3,655,683 |
| The net effect of various transactions involving the sales/disposals of capital assets is to decrease net position. | | (110,937) |
| | | |
| 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 | $ (438) | |
| Landfill closure costs | (34,522) | |
| Other postemployment benefits obligation | (5,556) | |
| Capital lease payable | (388,352) | |
| Pension expense | (440,407) | |
| | | (869,275) |
| **Change in net position (Page 18)** | | **$ 1,617,746** |

*See notes to basic financial statements.*

## 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.

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 measureable 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.

For purposes of measuring the net pension liability, deferred inflows/outflows of resources related to its pension and pension expense, information about fiduciary net position of the Florida Retirement System (FRS) and the additions to/deductions from the fiduciary net position have been determined on the same basis as it is reported by the FRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

### 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 (first-in, first-out) 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.

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

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
In addition to assets and liabilities, the government-wide Statement of Net Position and the governmental funds Balance Sheet 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's deferred outflows of resources are related to its pension obligations.

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's deferred inflows are related to its pension obligations. In addition, the District has another 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 fees for revetment work and pipe replacement 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 consists mainly of amounts received in advance by the District for revetment work and pipe replacement.

### 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 1$^{st}$ of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1$^{st}$ of the following year. Discounts are allowed for early payment at a maximum rate of 4%. At September 30, 2017, 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.

### 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.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2017, was as follows:

| | Beginning Balance | Additions | Deletions | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | | |
| Land and improvements | $ 3,375,772 | $ - | $ (891) | $ - | $ 3,374,881 |
| Land under assignment rights | 849,481 | - | - | - | 849,481 |
| Work in progress: | | | | | |
| Furniture, fixtures, and office equipment | 506,789 | 153,925 | - | - | 660,714 |
| Buildings and improvements | 45,233 | 511,845 | - | - | 557,078 |
| Water control structures and pump stations | 111,329 | 3,303,267 | - | (215,332) | 3,199,264 |
| **Total capital assets not being depreciated** | **4,888,604** | **3,969,037** | **(891)** | **(215,332)** | **8,641,418** |
| **Capital assets being depreciated:** | | | | | |
| Buildings and improvements | 5,344,629 | 161,040 | (83,572) | - | 5,422,097 |
| Machinery and equipment | 7,274,182 | 1,346,774 | (355,320) | - | 8,265,636 |
| Canal revetment | 23,364,303 | - | - | - | 23,364,303 |
| Water control structures and pump stations | 17,220,235 | 6,400 | - | 215,332 | 17,441,967 |
| Furniture, fixtures and office equipment | 608,249 | 19,574 | (56,388) | - | 571,435 |
| **Total capital assets being depreciated** | **53,811,598** | **1,533,788** | **(495,280)** | **215,332** | **55,065,438** |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (1,863,700) | (199,475) | 49,364 | - | (2,013,811) |
| Machinery and equipment | (2,961,873) | (653,070) | 285,939 | - | (3,329,004) |
| Canal revetment | (5,847,675) | (467,286) | - | - | (6,314,961) |
| Water control structures and pump stations | (8,168,850) | (448,730) | - | - | (8,617,580) |
| Furniture, fixtures and office equipment | (344,427) | (78,581) | 49,931 | - | (373,077) |
| Accumulated depreciation | (19,186,525) | (1,847,142) | 385,234 | - | (20,648,433) |
| **Total capital assets being depreciated, net** | **34,625,073** | **(313,354)** | **(110,046)** | **215,332** | **34,417,005** |
| **Governmental activities capital assets, net** | **$ 39,513,677** | **$ 3,655,683** | **$ (110,937)** | **$ -** | **$ 43,058,423** |

Depreciation expense of $1,847,142 was charged to Physical Environment for the fiscal year ended September 30, 2017.

## 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, 2017:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences: | | | | | |
| Vacation accrual | $ 412,032 | $ 407,237 | $ 419,032 | $ 400,237 | $ 400,237 |
| Sick leave accrual | 111,993 | 228,491 | 216,258 | 124,226 | 38,510 |
| | 524,025 | 635,728 | 635,290 | 524,463 | 438,747 |
| Other postemployment benefits | 37,446 | 5,556 | - | 43,002 | - |
| Landfill closure costs | 1,278,023 | 34,522 | - | 1,312,545 | - |
| Capital lease payable | 4,078 | 487,418 | 99,066 | 392,430 | 85,362 |
| Net pension liability | 6,424,075 | 2,454,890 | 2,269,169 | 6,609,796 | - |
| **Total** | **$ 8,267,647** | **$ 3,618,114** | **$ 3,003,525** | **$ 8,882,236** | **$ 524,109** |

### Capital Lease Payable

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

Assets acquired through capital leases are as follows:

| | |
|---|---|
| Computer equipment | $ 70,329 |
| Excavators | 487,418 |
| Less accumulated depreciation | (68,535) |
| **Total** | **$ 489,212** |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

| Year Ending September 30, | |
|---|---|
| 2018 | $ 94,988 |
| 2019 | 94,988 |
| 2020 | 225,000 |
| Total minimum lease payments | 414,976 |
| Less amount representing interest | (22,546) |
| **Present value of minimum lease payments** | **$ 392,430** |

## 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

## 5) HORTICULTURAL WASTE LANDFILL SITE (Continued)

expense in the government-wide financial statements each period based on capacity used as of each balance sheet date. The $1,312,545 reported as a landfill closure and post-closure care liability at September 30, 2017, represents the cumulative amount reported to date based on the approximate use of 98% of the estimated capacity of the landfill. The District will recognize the remaining estimated cost of approximately $24,609 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. The District expects to close the landfill in 2029. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

As a condition for the issuance of the landfill construction permit, the District must describe the financial mechanism to be used to demonstrate proof of financial assurance to Florida Department of Health. The District uses an alternate financial mechanism (financial tests) in lieu of funding an escrow account, and is in compliance with applicable laws and regulations at September 30, 2017.

## 6) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 material settlements that exceeded insurance coverage in the last three years.

## 7) OTHER POSTEMPLOYMENT BENEFITS

### 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.

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, 2016. 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, 2017, is estimated to be $59,000.

## 7) OTHER POSTEMPLOYMENT BENEFITS (continued)

### 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 |
| 10-1-16 | $ - | $ 58,966 | $ 58,966 | 0.00% | $ 5,556,000 | 1.06% |

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 |
|---|---|---|---|---|
| 9-30-15 | $ 11,191 | $ - | 0.00% | $ 32,095 |
| 9-30-16 | 5,351 | - | 0.00% | 37,446 |
| 9-30-17 | 5,556 | - | 0.00% | 43,002 |

| | |
|---|---|
| Annual Required Contribution | $ 5,506 |
| Interest on Net OPEB Obligation | 1,501 |
| Adjustment on Annual Required Contribution | (1,451) |
| Annual OPEB Cost | 5,556 |
| Contributions and payments made | - |
| Increase in Net OPEB Obligation | 5,556 |
| Net OPEB Obligation – October 1, 2016 | 37,446 |
| **Net OPEB Obligation – September 30, 2017** | **$ 43,002** |

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.

## 7) OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2016 |
| 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: | 30 years |
| Actuarial Assumptions: | |
| Discount rate: | 4.5% per annum |
| Inflation rate: | None |
| Life expectancies: | RP 2014 adjusted to 2006, projected to 2016, using scale MP-2016 |
| Salary scale growth: | 3.0% Per Annum |
| Health care cost trend rate: | Annual medical costs are assumed to increase 8% in the first year of the valuation. Future annual increases are assumed to grade uniformly to 5% over an 6 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) RETIREMENT PLAN

### Florida Retirement System - Pension Plan

The District participates in the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Trust Fund, both of which are multiple-employer, cost-sharing, defined benefit public employee retirement plans administered by the State of Florida.

The net pension liability and related deferred outflows and inflows of resources related to these retirement plans at September 30, 2017 are summarized as follows:

| | FRS | HIS | Total |
|---|---|---|---|
| **Net pension liability** | $ 4,814,462 | $ 1,795,334 | $ 6,609,796 |
| **Deferred outflows/inflows of resources related to pensions** | | | |
| Deferred outflows of resources | 2,356,405 | 274,338 | 2,630,743 |
| Deferred inflows of resources | 332,273 | 279,057 | 611,330 |

General Information

The District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Website:

www.dms.myflorida.com/workforce_operations/retirement/publications.

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, and Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members. Also, the final average compensation for these members will be based on the eight highest years of salary.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017 fiscal year were as follows:

| | Percent of Gross Salary October 1, 2016 to June 30, 2017 | | Percent of Gross Salary July 1, 2017 to September 30, 2017 | |
|---|---|---|---|---|
| **Class** | **Employee** | **Employer** | **Employee** | **Employer** |
| FRS, Regular | 3.00 | 7.52 | 3.00 | 7.92 |
| FRS, Elected Local Officers | 3.00 | 42.47 | 3.00 | 45.50 |
| FRS, Senior Management Service Class | 3.00 | 21.77 | 3.00 | 22.71 |
| DROP – Applicable to all members in the above classes | 0.00 | 12.99 | 0.00 | 13.26 |

The employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively.

The District and employee contributions to the Pension Plan were $424,985 and $130,549, respectively, for the fiscal year ended September 30, 2017. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the District reported a liability of $4,814,462 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.016276440 percent, which was a decrease of 0.000937030 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of $839,431. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| **Description** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ 441,852 | $ 26,670 |
| Change in assumptions | 1,617,999 | - |
| Net difference between projected and actual earnings on FRS investments | - | 119,314 |
| Changes in proportion and differences between District FRS contributions and proportionate share of contributions | 195,722 | 186,289 |
| District FRS contributions subsequent to the measurement date | 100,832 | - |
| **Total** | **$ 2,356,405** | **$ 332,273** |

The deferred outflows of resources related to the Pension Plan, totaling $100,832 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. The net amount of the remaining deferred outflows of resources and deferred inflows of resources in the amount of $1,923,299 will be recognized in pension expense as follows:

| Fiscal Year Ending September 30, | Amount |
|---|---|
| 2018 | $ 287,360 |
| 2019 | 701,525 |
| 2020 | 450,349 |
| 2021 | 72,430 |
| 2022 | 300,562 |
| Thereafter | 111,073 |
| **Total** | **$ 1,923,299** |

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60 % |
| Salary increases | 3.25%, average, including inflation |
| Investment rate of return | 7.10%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

| Asset Class | Target Allocation (1) | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.00% | 3.00% | 3.00% | 1.80% |
| Fixed Income | 18.00% | 4.50% | 4.40% | 4.20% |
| Global Equity | 53.00% | 7.80% | 6.60% | 17.00% |
| Real Estate (Property) | 10.00% | 6.60% | 5.90% | 12.80% |
| Private Equity | 6.00% | 11.50% | 7.80% | 30.00% |
| Strategic Investments | 12.00% | 6.10% | 5.60% | 9.70% |
| **Total** | **100.00%** | | | |
| Assumed Inflation – Mean | | 2.60% | | 1.90% |

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

| | **1% Decrease (6.10%)** | **Current Discount Rate (7.10%)** | **1% Increase (8.10%)** |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 8,713,885 | $ 4,814,462 | $ 1,577,047 |

Pension Plan Fiduciary Net Position

Detailed information regarding the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2017, the District had no outstanding contributions to the Plan required for the fiscal year ended September 30, 2017.

### Florida Retirement System - HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution rate for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66% and 1.66%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding five years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled $89,015 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the District reported a liability of $1,795,334 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and updated procedures were used to determine liabilities as of June 30, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.016790650 percent, which was a decrease of 0.00104 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of $114,976. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| **Description** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 3,739 |
| Change of assumptions | 252,362 | 155,244 |
| Net difference between projected and actual earnings on HIS Plan investments | 996 | - |
| Changes in proportion and differences between District HIS Plan contributions and proportionate share of HIS contributions | 710 | 120,074 |
| District HIS Plan contributions subsequent to the measurement date | 20,270 | - |
| **Total** | **$ 274,338** | **$ 279,057** |

The deferred outflows of resources related to the HIS Plan, totaling $20,270 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

## 8) RETIREMENT PLAN (continued)

| Fiscal Year Ending September 30, | Amount |
|---|---|
| 2018 | $ 7,841 |
| 2019 | 7,653 |
| 2020 | 7,563 |
| 2021 | 91 |
| 2022 | (7,214) |
| Thereafter | (40,923) |
| **Total** | **$ (24,989)** |

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60% |
| Salary increases | 3.25%, average, including inflation |
| Municipal bond rate | 3.58% |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

| | 1% Decrease (2.58%) | Current Discount Rate (3.58%) | 1% Increase (4.58%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 2,048,714 | $ 1,795,334 | $ 1,584,282 |

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2017, the District had no outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

### Florida Retirement System - Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-2017 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Senior Management Service class 7.67% and Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled $30,689 for the fiscal year ended September 30, 2017.

At September 30, 2017, the District reported no payables to the Investment Plan required for the fiscal year ended September 30, 2017.

## 9) COMMITMENTS AND CONTINGENCIES

### Contingencies

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

### Contract Commitments

Commitments on major construction contracts consist of the following:

| | Total Project Authorization | Expended Through September 30, 2017 | Balance to Complete |
|---|---|---|---|
| SCADA<br>CH2M Hill Engineers, Inc. | $ 650,345 | $ 507,299 | $ 143,046 |
| SCADA<br>Electron Corp. of South Florida | 4,254,848 | 2,944,051 | 1,310,797 |
| | **$ 4,905,193** | **$ 3,451,350** | **$ 1,453,843** |

## 10) SUBSEQUENT EVENTS

On February 6, 2018, the Board approved the sale of 5.165 acres of property (S-4E) for $977, 791. The sale closed on February 28, 2018.

On February 27, 2018, the Board approved a contract for $722,850 with Mock, Roos and Associates, Inc. to provide engineering design and engineering construction services for the Water Control Structure No. 9 replacement project.

## 11) PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* issued June 2015, is effective for the District beginning with its fiscal year ending September 30, 2018. This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements.

GASB Statement No. 87, *Leases,* is effective for the District beginning with its fiscal year ending September 30, 2021. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset.

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

LAKE WORTH DRAINAGE DISTRICT

LWDD

Water Managers Since 1915

# REQUIRED SUPPLEMENTARY INFORMATION

**LAKE WORTH DRAINAGE DISTRICT**

*Required Supplementary Information*

*Budgetary Comparison Schedule - General Fund*

*Year Ended September 30, 2017*

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Non-ad valorem assessments | $ 14,446,800 | $ 14,446,800 | $ 14,531,690 | $ 84,890 |
| Investment earnings | 10,000 | 10,000 | 67,957 | 57,957 |
| Licenses and permits | 322,500 | 322,500 | 664,459 | 341,959 |
| Miscellaneous | 51,000 | 51,000 | 81,243 | 30,243 |
| **Total revenues** | **14,830,300** | **14,830,300** | **15,345,349** | **515,049** |
| **Expenditures:** | | | | |
| Current: | | | | |
| Physical environment | 12,203,900 | 12,203,900 | 11,512,091 | 691,809 |
| Capital outlay | 5,352,320 | 5,352,320 | 5,502,825 | (150,505) |
| Debt service: | | | | |
| Principal | 104,073 | 104,073 | 99,066 | 5,007 |
| Interest | 232 | 232 | 227 | 5 |
| **Total expenditures** | **17,660,525** | **17,660,525** | **17,114,209** | **546,316** |
| Excess (deficiency) of revenues over (under) expenditures | (2,830,225) | (2,830,225) | (1,768,860) | 1,061,365 |
| **Other financing sources:** | | | | |
| Proceeds from sales/disposals of capital assets | 10,000 | 10,000 | 223,717 | 213,717 |
| Capital lease | - | - | 487,418 | 487,418 |
| Appropriated fund balance | 2,820,225 | 2,820,225 | - | (2,820,225) |
| **Total other financing sources** | **2,830,225** | **2,830,225** | **711,135** | **(2,119,090)** |
| Net change in fund balance | - | - | (1,057,725) | (1,057,725) |
| Fund balance, beginning of year | - | - | 24,862,911 | 24,862,911 |
| **Fund balance, end of year** | **$ -** | **$ -** | **$ 23,805,186** | **$ 23,805,186** |

*See notes to required supplementary information.*

**LAKE WORTH DRAINAGE DISTRICT**

*Required Supplementary Information*
*Schedule of OPEB Funding Progress*
*Year Ended September 30, 2017*

| 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 | - | $ 126,687 | $ 126,687 | 0.00% | $ 5,542,988 | 2.29% |
| 10-1-16 | - | 58,181 | 58,181 | 0.00% | 5,394,175 | 1.08% |
| 10-1-16 | - | 58,966 | 58,966 | 0.00% | 5,556,000 | 1.06% |

*See notes to required supplementary information.*

## LAKE WORTH DRAINAGE DISTRICT

*Required Supplementary Information*
*Schedule of Proportionate Share of Net Pension Liability, the Florida Retirement System*
*Last Four Fiscal Years (1)*

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| District's proportion of the net pension liability (asset) | 0.016276440% | 0.017213469% | 0.016938156% | 0.017718447% |
| District's proportionate share of the net pension liability (asset) | $ 4,814,462 | $ 4,346,414 | $ 2,187,790 | $ 1,081,086 |
| District's covered-employee payroll | 5,361,257 | 5,288,984 | 5,412,225 | 5,479,320 |
| District's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll | 89.80% | 82.18% | 40.42% | 19.73% |
| FRS plan fiduciary net position as a percentage of the total pension liability | 83.89% | 84.88% | 92.00% | 96.09% |

*See notes to required supplementary information.*

(1) The amounts presented for each measurement year were determined as of June 30. GASB Statement No. 68 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

## LAKE WORTH DRAINAGE DISTRICT

*Required Supplementary Information*

*Schedule of Contributions, the Florida Retirement System*

*Last Four Fiscal Years (1)*

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually required FRS contribution | $ 423,716 | $ 419,778 | $ 412,967 | $ 388,109 |
| FRS contributions in relation to the contractually required contribution | 423,716 | 419,778 | 412,967 | 388,109 |
| **FRS contribution deficiency (excess)** | **$ -** | **$ -** | **$ -** | **$ -** |
| District's covered-employee payroll | $ 5,361,257 | $ 5,288,984 | $ 5,412,225 | $ 5,479,320 |
| FRS contributions as a percentage of covered-employee payroll | 7.9% | 7.9% | 7.6% | 7.1% |

*See notes to required supplementary information.*

(1) The amounts presented for each measurement year were determined as of June 30. GASB Statement No. 68 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

## LAKE WORTH DRAINAGE DISTRICT

*Required Supplementary Information*
*Schedule of Proportionate Share of Net Pension Liability,*
*the Health Insurance Subsidy Program*
*Last Four Fiscal Years (1)*

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| District's proportion of the net pension liability (asset) | 0.016790650% | 0.017826981% | 0.017839586% | 0.018435882% |
| District's proportionate share of the net pension liability (asset) | $ 1,795,334 | $ 2,077,661 | $ 1,819,357 | $ 1,723,800 |
| District's covered-employee payroll | 5,361,257 | 5,288,984 | 5,412,225 | 5,479,320 |
| District's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll | 33.49% | 39.28% | 33.62% | 31.46% |
| HIS plan fiduciary net position as a percentage of the total pension liability | 1.64% | 0.97% | 0.50% | 0.99% |

*See notes to required supplementary information.*

(1) The amounts presented for each measurement year were determined as of June 30. GASB Statement No. 68 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

## LAKE WORTH DRAINAGE DISTRICT

*Required Supplementary Information*

*Schedule of Contributions, the Health Insurance Subsidy Program*

*Last Four Fiscal Years (1)*

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| Contractually required HIS contribution | $ 88,861 | $ 91,375 | $ 68,194 | $ 63,155 |
| HIS contributions in relation to the contractually required contribution | 88,861 | 91,375 | 68,194 | 63,155 |
| **HIS contribution deficiency (excess)** | **$ -** | **$ -** | **$ -** | **$ -** |
| District's covered-employee payroll | $ 5,361,257 | $ 5,288,984 | $ 5,412,225 | $ 5,479,320 |
| HIS contributions as a percentage of covered-employee payroll | 1.7% | 1.7% | 1.3% | 1.2% |

*See notes to required supplementary information.*

(1) The amounts presented for each measurement year were determined as of June 30. GASB Statement No. 68 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

## 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, 2017.

## 2) FLORIDA RETIREMENT SYSTEM PENSION PLAN AND HEALTH INSURANCE SUBSIDY PROGRAM

The amounts presented for each fiscal year were determined as of the preceding fiscal year ended June 30 that occurred within the District's fiscal year.

Changes in Benefits: There were no changes in benefits for FRS during 2017.

Changes in Assumptions:
FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%.
HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

Information prior to adoption of GASB Statement No. 67 by FRS in fiscal year 2014 is not available.

## 3) 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, 2016 |
| 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: | 30 years |
| Actuarial Assumptions: | |
| Discount rate: | 4.5% per annum |
| Inflation rate: | None |
| Life expectancies: | RP 2014 adjusted to 2006, projected to 2016, using scale MP-2016. |

## 3) OTHER POSTEMPLOYMENT BENEFIT PLAN (continued)

| | |
|---|---|
| Salary scale growth: | 3.0% Per Annum |
| Health care cost trend rate: | Annual medical costs are assumed to increase 8% in the first year of the valuation. Future annual increases are assumed to grade uniformly to 5% over a 6 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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Lake Worth Drainage District as of and for the year ended September 30, 2017, 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 May 3, 2018.

**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.

Morrison, Brown, Argiz & Farra

Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

May 3, 2018

## INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION CONDUCTED IN ACCORDANCE WITH *AICPA PROFESSIONAL STANDARDS*, AT-C, SECTION 315, REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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 for the year ended September 30, 2017. Management is responsible for Lake Worth Drainage District's compliance with the specified requirements. Our responsibility is to express an opinion on Lake Worth Drainage District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Lake Worth Drainage District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Lake Worth Drainage District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on 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, 2017.

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

Morrison, Brown, Argiz & Farra

Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

May 3, 2018

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

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

**Report on the Financial Statements**

We have audited the financial statements of Lake Worth Drainage District, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated May 3, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards,* AT-C, Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 3, 2018, 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 Note 1 to the Financial Statements. There are no component units related to Lake Worth Drainage District.

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for Lake Worth Drainage District. 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.

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

**Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for Lake Worth Drainage District for the fiscal year ended September 30, 2017, 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, 2017. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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.

Morrison, Brown, Argiz & Farra

Morrison, Brown, Argiz & Farra, LLC
Palm Beach, Florida

May 3, 2018