

Lake Worth Drainage District
Monthly Board Meeting
June 12, 2024
FINAL Meeting Materials



FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

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

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Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Lake Worth Drainage District, Delray Beach, Florida (the "District") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2023, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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

Required Supplementary Information

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

Other Information Included in the Financial Report

Management is responsible for the other information included in the financial report. The other information comprises the information for compliance with FL Statute 218.39 (3) (c) but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 Brian J. Associates

May 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lake Worth Drainage District, Delray Beach, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of \$91,861,543.
- The change in the District's total net position increased by \$1,777,433. The key components of the District's net position and change in net position are reflected in the table in the following section.
- At September 30, 2023, the District's governmental fund reported ending fund balance of \$56,613,219, an increase of \$1,201,940 in comparison with the prior fiscal year. A portion of fund balance is nonspendable for inventories and prepaid items, committed for insurance, capital expenditures, and canal revetment, assigned to subsequent years expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

USING THIS ANNUAL REPORT

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 8-9 of this report.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The District maintains a single governmental fund, the General Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

NET POSITION SEPTEMBER 30,			
	2023	2022	Percentage Change
Current and other assets	\$ 59,014,469	\$ 58,265,737	1%
Capital assets, net of depreciation	42,630,645	41,065,435	4%
Total assets	101,645,114	99,331,172	2%
Deferred outflows of resources	1,579,047	1,704,608	-7%
Current liabilities	835,666	1,183,444	-29%
Long-term liabilities	7,972,645	6,950,730	15%
Total liabilities	8,808,311	8,134,174	8%
Deferred inflows of resources	2,554,307	2,817,496	-9%
Net position			
Investment in capital assets	42,630,645	41,065,435	4%
Unrestricted	49,230,898	49,018,675	0%
Total net position	\$ 91,861,543	\$ 90,084,110	2%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

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

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense. The increase in general revenues is primarily due to an increase in investment earnings from new investments and rising interest rates. In the prior fiscal year the District received nonrecurring proceeds from the sale of development rights attached to approximately 262.661 acres of certain property in the Palm Beach County Agricultural Reserve for \$18,385,990.

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

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2023	2022	Percentage Change
Revenues:			
Program revenues			
Charges for services	\$ 16,655,060	\$ 16,597,158	0%
General revenues			
Unrestricted investment earnings	1,809,993	178,570	914%
Miscellaneous income	92,554	81,214	14%
Gain (loss) on sales/disposal of capital assets	3,642	179,317	-98%
Total revenues	18,561,249	17,036,259	9%
Expenses:			
Physical environment	16,783,816	15,199,256	10%
Total expenses	16,783,816	15,199,256	10%
Special Items	-	18,385,990	n/a
Change in net position	1,777,433	20,222,993	-91%
Net position - beginning	90,084,110	69,861,117	29%
Net position - ending	\$ 91,861,543	\$ 90,084,110	2%

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2023 did not exceed appropriations.

The budgetary comparison schedule can be found on page 36 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table presents the District's capital assets, net of accumulated depreciation, for the years ended September 30, 2023 and 2022:

	2023	2022
Land	\$ 4,222,413	\$ 4,222,413
Construction in progress	477,270	1,303,422
Buildings and improvements	3,577,109	3,725,519
Machinery and equipment	4,734,098	4,083,158
Canal revetment	14,245,626	14,712,912
Water control structures and pump stations	15,047,073	12,702,066
Furniture, fixtures and office equipment	327,056	315,945
	<u>\$ 42,630,645</u>	<u>\$ 41,065,435</u>

Additional information on the District's capital assets can be found in Note 5 on page 21 of this report.

Debt

The following table presents the District's total long-term liabilities for the years ended September 30, 2023 and 2022:

	2023	2022
Other postemployment benefits	\$ 120,432	\$ 154,727
Compensated absences	493,370	496,429
Net pension liability	7,773,332	6,722,321
	<u>\$ 8,387,134</u>	<u>\$ 7,373,477</u>

Additional information on the District's long-term liabilities can be found in Note 6 on page 22 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For fiscal year 2023/2024, the District adopted a budget of \$16,494,000 representing a 10.8% decrease from the prior year budget. The rate per parcel remained the same at \$49.50, the last rate increase occurred in 2019.

The majority of the decrease in revenues and other financing sources came from the decrease in the amount of funds carried over from the prior year fund balance from \$2,680,600 to \$649,900.

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

- Decrease in funds allocated to capital expenditures from \$3.7 million to \$1.4 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, landowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Lake Worth Drainage District at 13081 Military Trail, Delray Beach, FL 33484; 561-498-5363.

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 4,772,827
Investments	50,513,965
Accounts receivables	919,967
Lease receivable	2,017,519
Inventories	469,389
Prepaid items	132,452
Restricted assets:	
Cash and cash equivalents	188,350
Capital assets:	
Nondepreciable	4,699,683
Depreciable, net	37,930,962
Total assets	<hr/> 101,645,114 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,480,191
OPEB	98,856
Total deferred outflows of resources	<hr/> 1,579,047 <hr/>
LIABILITIES	
Accounts payable and accrued expenses	232,827
Unearned revenue	188,350
Non-current liabilities:	
Due within one year	
Compensated absences	414,489
Due in more than one year	
Compensated absences	78,881
OPEB	120,432
Net pension liability	7,773,332
Total liabilities	<hr/> 8,808,311 <hr/>
DEFERRED INFLOWS OF RESOURCES	
Pension	561,350
OPEB	12,884
Lease related	1,980,073
Total deferred outflows of resources	<hr/> 2,554,307 <hr/>
NET POSITION	
Investment in capital assets	42,630,645
Unrestricted*	49,230,898
Total net position	<hr/> <hr/> \$ 91,861,543 <hr/> <hr/>

See notes to the financial statements

*See page 10 regarding committed fund balance

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:			
Governmental activities:			
Physical environment	\$ 16,783,816	\$ 16,655,060	\$ (128,756)
Total governmental activities	<u>16,783,816</u>	<u>16,655,060</u>	<u>(128,756)</u>
General revenues:			
Investment earnings			1,809,993
Miscellaneous			92,554
Gain (loss) on sales/disposal of capital assets			<u>3,642</u>
Total general revenues			<u>1,906,189</u>
Change in net position			1,777,433
Net position - beginning			<u>90,084,110</u>
Net position - ending			<u><u>\$ 91,861,543</u></u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	Major Fund General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 4,772,827	\$ 4,772,827
Investments	50,513,965	50,513,965
Accounts receivables	919,967	919,967
Lease receivable	2,017,519	2,017,519
Inventories	469,389	469,389
Prepaid items	132,452	132,452
Restricted cash and cash equivalents	188,350	188,350
Total assets	<u>\$ 59,014,469</u>	<u>\$ 59,014,469</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 232,827	\$ 232,827
Unearned revenue	188,350	188,350
Total liabilities	<u>421,177</u>	<u>421,177</u>
Deferred Inflows of Resources:		
Lease related	<u>1,980,073</u>	<u>1,980,073</u>
Fund Balances:		
Nonspendable:		
Inventories	469,389	469,389
Prepaid items	132,452	132,452
Committed:		
Insurance	2,141,921	2,141,921
Capital expenditures	27,291,490	27,291,490
Hazard mitigation	17,673,085	17,673,085
Canal revetment	1,051,920	1,051,920
Assigned to:		
Subsequent years expenditures	649,900	649,900
Unassigned	7,203,062	7,203,062
Total fund balances	<u>56,613,219</u>	<u>56,613,219</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,014,469</u>	<u>\$ 59,014,469</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Fund balance - governmental funds	\$ 56,613,219
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Amounts reported for governmental activities in the statement of net position are different because:

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

Cost of capital assets	74,023,754	
Accumulated depreciation	<u>(31,393,109)</u>	42,630,645

Deferred outflows of resources related to pensions and OPEB are recorded in the statement of net position.	1,579,047
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Deferred inflows of resources related to pensions and OPEB are recorded in the statement of net position.	(574,234)
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Net pension liability	(7,773,332)	
Compensated absences	(493,370)	
OPEB Liability	<u>(120,432)</u>	(8,387,134)

Net position of governmental activities	<u>\$ 91,861,543</u>
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See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	Major Fund General	Total Governmental Funds
REVENUES		
Assessments	\$ 15,587,483	\$ 15,587,483
Investment earnings	1,809,993	1,809,993
Licenses and permits	1,067,577	1,067,577
Miscellaneous	92,554	92,554
Total revenues	<u>18,557,607</u>	<u>18,557,607</u>
EXPENDITURES		
Current:		
Physical environment	13,381,579	13,381,579
Capital outlay	4,108,764	4,108,764
Total expenditures	<u>17,490,343</u>	<u>17,490,343</u>
Excess of revenues over expenditures	1,067,264	1,067,264
OTHER FINANCING SOURCES (USES)		
Proceeds from sales/disposals of capital assets	134,676	134,676
Total other financing sources	<u>134,676</u>	<u>134,676</u>
Net change in fund balances	1,201,940	1,201,940
Fund balances - beginning	<u>55,411,279</u>	<u>55,411,279</u>
Fund balances - ending	<u>\$ 56,613,219</u>	<u>\$ 56,613,219</u>

See notes to the financial statements

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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

Net change in fund balance - total governmental funds	\$ 1,201,940
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	4,108,764
The net effect of various transactions involving the sales/disposals of capital assets is to increase (decrease) net position	(131,034)
The change in compensated absences between the current and prior fiscal year is reported in the statement of activities but is not reported as expenditures in governmental funds.	3,059
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Change in net pension liability and deferred inflows and outflows of resources related to pension	(994,742)
Change in net OPEB liability, deferred inflows, and deferred outflows of resources related to OPEB	1,966
Depreciation of capital assets	<u>(2,412,520)</u>
Change in net position of governmental activities	<u>\$ 1,777,433</u>

See notes to the financial statements

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

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

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

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

The Board has the responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

The collection of non-ad valorem assessments is consolidated in the Office of the County Tax Collector. Assessments are levied on November 1st of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1st of the following year. Discounts are allowed for early payment at a maximum rate of 4%. At September 30, 2023, unpaid delinquent assessments are not material and have not been recorded by the District.

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

The District reports the following major governmental funds:

General Fund

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

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

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

Deposits and Investments

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

The District has adopted an investment policy in accordance with Florida Statutes to establish guidelines for the efficient management of its cash reserves. The District is authorized to invest in obligations of the U.S. Treasury, Federal agencies and instrumentalities, certificates of deposit and savings accounts, money market funds with the highest credit quality rating from a nationally recognized statistical rating organizations (NRSRO), Intergovernmental Pools (LGIPs) with highest quality rating by all NRSROs, Government National Mortgage Association (GNMA) bonds, Other U.S. Government Guaranteed bonds (e.g. AID, GTC), Federal Agency/GSE bonds, Supranationals where the United States is a shareholder and voting member, Corporate Bonds, Municipal Bonds, Agency Mortgage-Backed Securities, Commercial Paper, Asset-Backed Securities, Mutual Funds and Exchange Traded Funds, Florida Local Government Surplus Funds Trust Funds ("Florida Prime"), and other professionally managed mutual funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

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

Receivables

Receivables are recorded and revenues are recognized when earned.

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets (Continued)

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

Leases

Lessor: The District is a lessor for a noncancellable ground and tower lease. The District recognizes lease receivables and a deferred inflows of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

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

Unearned Revenue

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

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

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

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

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

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

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

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

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2023:

	Amortized Cost	Fair Value	Level	Credit Risk	Weighted Average Maturities
FL PALM Term	\$ 23,000,000	\$ -	N/A	Fitch AA Af/S1	1/19/2024
FL PALM	4,112,180	-	N/A	S&P AAAm	44 days
GS Sq Govt Capital SHS#1859	152,167	-	N/A	S&P AAAm	35 days
US Treasury Notes	-	879,516	1	AA+	11/30/2024
US Treasury Notes	-	968,242	1	AA+	1/31/2025
US Treasury Notes	-	999,721	1	AA+	3/31/2025
US Treasury Notes	-	995,966	1	AA+	4/30/2025
US Treasury Notes	-	967,270	1	AA+	6/30/2025
US Treasury Notes	-	968,881	1	AA+	8/15/2025
US Treasury Notes	-	701,616	1	AA+	8/31/2025
US Treasury Notes	-	1,004,124	1	AA+	10/15/2025
US Treasury Notes	-	1,006,567	1	AA+	11/15/2025
US Treasury Notes	-	984,813	1	AA+	1/15/2026
US Treasury Notes	-	826,609	1	AA+	2/15/2026
US Treasury Notes	-	990,096	1	AA+	4/15/2026
US Treasury Notes	-	491,556	1	AA+	5/15/2026
US Treasury Notes	-	874,484	1	AA+	6/15/2026
US Treasury Notes	-	1,100,438	1	AA+	7/15/2026
US Treasury Notes	-	571,117	1	AA+	8/15/2026
Federal Home Loan Bank	-	2,021,644	2	AA+	6/14/2024
Federal Home Loan Bank	-	996,548	2	AA+	9/13/2024
Federal Home Loan Bank	-	1,004,675	2	AA+	12/13/2024
Federal Home Loan Bank	-	999,723	2	AA+	2/28/2025
Federal Home Loan Bank	-	990,844	2	AA+	3/14/2025
Federal Home Loan Mortgage Corporation	-	192,148	2	AA+	7/25/2025
Federal National Mortgage Association	-	151,408	2	AA+	11/25/2026
Federal Farm Credit Bank Notes	-	993,285	2	AA+	3/2/2026
State of CT Note	-	65,666	2	AA-	5/15/2026
Corporate Notes					
Apple	-	335,643	2	AA+	2/3/2026
Microsoft	-	339,889	2	AAA	11/3/2025
Asset-backed securities					
Ally	-	232,485	2	AAA	5/17/2027
John Deere Own TR	-	109,973	2	Fitch AAA	5/15/2028
Fifth Third Auto TR	-	159,931	2	AAA	8/15/2028
American Exp Cred	-	164,962	2	AAA	9/15/2028
Chase Issuance TR	-	159,778	2	AAA	9/15/2028
Total Investments	\$ 27,264,347	\$ 23,249,618			

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District requires all investment securities to be held in the District's name by a third party safekeeping institution.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

The District's investment policy limits investments in corporate and municipal bonds, asset-backed securities, money market funds, and intergovernmental investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSRO) of the United States

Concentration risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places limits on the amount the District may invest in any one issuer.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investment maturities by investment type as a means of managing exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments in FL Palm have been reported at amortized cost above.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<u>Governmental activities</u>					
Capital assets, not being depreciated					
Land and improvements	\$ 3,372,932	\$ -	\$ -		\$ 3,372,932
Land under assignment rights	849,481	-	-		849,481
Work in progress:					
Furniture, fixtures, and office equipment	6,025	96,250	-	(9,775)	92,500
Buildings and improvements	2,900	120,211	-	(123,111)	-
Water control structures and pump stations	1,294,497	2,370,034	-	(3,279,761)	384,770
Total capital assets, not being depreciated	5,525,835	2,586,495	-	(3,412,647)	4,699,683
Capital assets, being depreciated					
Buildings and improvements	6,957,547	21,698	(28,397)	123,111	7,073,959
Machinery and equipment	9,365,816	1,384,386	(925,393)		9,824,809
Canal revetment	23,364,303	-	-		23,364,303
Water control structures and pump stations	25,195,214	24,680	(272,134)	3,279,761	28,227,521
Furniture, fixtures, and office equipment	823,066	91,505	(90,867)	9,775	833,479
Total capital assets, being depreciated	65,705,946	1,522,269	(1,316,791)	3,412,647	69,324,071
Less accumulated depreciation for:					
Buildings and improvements	(3,232,028)	(288,318)	23,496	-	(3,496,850)
Machinery and equipment	(5,282,658)	(711,787)	903,734	-	(5,090,711)
Canal revetment	(8,651,391)	(467,286)	-	-	(9,118,677)
Water control structures and pump stations	(12,493,148)	(859,165)	171,865	-	(13,180,448)
Furniture, fixtures, and office equipment	(507,121)	(85,964)	86,662	-	(506,423)
Total accumulated depreciation	(30,166,346)	(2,412,520)	1,185,757	-	(31,393,109)
Total capital assets, being depreciated, net	35,539,600	(890,251)	(131,034)	3,412,647	37,930,962
Governmental activities capital assets	\$ 41,065,435	\$ 1,696,244	\$ (131,034)	\$ -	\$ 42,630,645

Depreciation expense was charged to the Physical Environment function.

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liability activity for the fiscal year ended September 30, 2023 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Compensated absences:					
Vacation accrual	\$ 385,489	\$ 404,475	\$ 410,708	\$ 379,256	\$ 379,256
Sick leave accrual	110,940	272,307	269,133	114,114	35,233
Other postemployment benefits	154,727	-	34,295	120,432	-
Net pension liability	6,722,321	1,051,011	-	7,773,332	-
Total	\$ 7,373,477	\$ 1,727,793	\$ 714,136	\$ 8,387,134	\$ 414,489

NOTE 7 – LEASES

Through a series of agreements with various cell phone companies and ATC Sequoia LLC (American Tower), the District has entered into a ground and tower lease agreement with American Tower, who has assumed the responsibility for managing the parcel and any further lease agreement with cell phone companies. The current agreement is a five-year agreement with three additional options for five-year renewals, at an approximate annual revenue of \$120,000. As of September 30, 2023, the value of the lease receivable is \$2,017,519. The value of the deferred inflow of resources as of September 30, 2023 was \$1,980,073, and the District recognized lease revenue and interest revenue related to the lease of \$113,688 and \$77,595, respectively, during the fiscal year.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

At September 30, 2023, the date of the most recent valuation, the following employees were covered by benefit terms:

Actives (covered)	83
Actives (not covered)	5
Retirees (covered)	3
	<u>91</u>

Changes in Net OPEB Liability

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

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance as of September 30, 2022	\$ 154,727	\$ -	\$ 154,727
Changes due to:			
Service cost	3,991	-	3,991
Interest	3,193	-	3,193
Experience losses (gains)	(222)	-	(222)
Changes of assumptions	(13,950)	-	(13,950)
Benefit payments and refunds	(27,307)	-	(27,307)
Balance as of September 30, 2023	<u>\$ 120,432</u>	<u>\$ -</u>	<u>\$ 120,432</u>

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

Valuation date	September 30, 2023						
Measurement date	September 30, 2023						
Actuarial valuation method	Entry age normal						
Retirement Rates							
Age	Percent						
56-61	10%						
61-64	20%						
65	100%						
Discount Rate	4.87% per annum						
Salary increases	3.00% per annum						
Plan participation	10% of future eligible retirees are assumed to elect medical coverage upon retirement.						
Marital status	Actual spouse participation and dates of birth were used for retirees. For actives, 50% of future retirees are assumed to elect spouse coverage at retirement. Actual spouse dates of birth were used where available, otherwise male spouses were assumed to be three years older than female spouses.						
Medical claims cost, pre-65	Retiree/spouse \$19,568						
Healthcare cost trend rate	Medical:6.25% graded uniformly to 5.20% over 2 years and following the Getzen model thereafter to an ultimate rate of 3.94% in the year 2075.						
Retiree contributions - medical plan	Retirees and their spouses are assumed to contribute the full group premium rate. A blended group premium rate was calculated based on actual plan election information in the census data. Retiree contributions were assumed to increase at the health care cost trend rate.						
	<table><tr><td></td><td>Retiree</td><td>Spouse</td></tr><tr><td>Pre-65</td><td>\$8,926</td><td>\$11,788</td></tr></table>		Retiree	Spouse	Pre-65	\$8,926	\$11,788
	Retiree	Spouse					
Pre-65	\$8,926	\$11,788					
Administrative expenses	Administrative costs are assumed to be included in the medical claims cost.						
Retirement eligibility	Employees become eligible for benefits under the plan upon attainment of 30 years of service or age 62 if employed prior to July 1, 2011; if employed after July 1, 2011, the employee must be age 65 or have attained 33 years of service to retire. Actives must be covered at the time of retirement to be eligible for post-employment benefits.						
Spouse coverage	Benefits for spouses cease at the earlier of spouse age 65 or cessation of retiree coverage. Actual retiree spousal information was provided in the census data and used for valuation purposes.						
Funding policy	Benefits of the plan are provided through a fully-insured medical program through Cigna Healthcare. Contributions by participating retired employees, at rates determined by the District, are required for continued participation. The employer has not contributed any amounts to finance future benefits under the plan for either current or future retirees.						
Amortization period	20 years (closed). Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 10 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.						

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred outflows and inflows of resources

At September 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
Experience losses (gains)	92,009	(202)	91,807
Changes of assumptions	6,847	(12,682)	(5,835)
	<u>\$ 98,856</u>	<u>\$ (12,884)</u>	<u>\$ 85,972</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,	Net Deferred Outflows and Inflows of Resources
2024	\$ 18,157
2025	18,157
2026	18,156
2027	8,844
2028	8,844
Thereafter	13,814
	<u>\$ 85,972</u>

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is a 1-percentage-point lower (3.87%) or 1-percentage-point higher (5.87%) than the current discount rate:

1% Decrease (3.87%)	Current Discount Rate (4.87%)	1% Increase (5.87%)
\$ 125,537	\$ 120,432	\$ 115,557

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

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

1% Decrease 5.25% decreasing to 4.2% over 2 years and following the Getzen model thereafter	Current Healthcare cost rates 6.25% decreasing to 5.2% over 2 years and following the Getzen model thereafter	1% Increase 7.25% decreasing to 6.2% over 2 years and following the Getzen model thereafter
\$ 113,846	\$ 120,432	\$ 128,227

NOTE 9 – RETIREMENT PLAN

Florida Retirement System (FRS)

General Information about the FRS

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

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

The District's pension expense totaled \$1,876,157 for the fiscal year ended September 30, 2023.

FRS Pension Plan

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
Elected Officers' Class	
Service as elected official of a special district that chose EOC membership for its elected officials	3.00
Senior Management Service Class	2.00

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

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2023 fiscal year were as follows:

Class	Percent of Gross Salary October 1, 2022 to June 30, 2023		Percent of Gross Salary July 1, 2023 to September 30, 2023	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	11.91	3.00	13.57
FRS, Elected Local Officers	3.00	57.00	3.00	58.68
FRS, Senior Management Service Class	3.00	31.57	3.00	34.52
DROP - Applicable to all members in the above classes	0.00	18.60	0.00	21.13

(1) Employer rates include a postemployment HIS contribution rate of 1.66% and 2.00% from July 1, 2023 to September 2023. Also, employer rates include .06% for administrative costs of the Investment plan.

The District's contributions to the Plan totaled \$705,792 for the fiscal year ended September 30, 2023. This excludes the HIS defined benefit pension plan contributions.

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the District reported a liability of \$5,675,513 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2023 relative to the contributions made during the year ended June 30, 2022 of all participating members. At June 30, 2023, the District's proportionate share was .014%, which increased .0002% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023 the District recognized pension expense of \$1,084,891 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 532,882	\$ -
Change of assumptions	369,977	-
Net difference between projected and actual earnings on FRS pension plan investments	237,025	-
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	16,042	(173,739)
District FRS contributions subsequent to the measurement date	208,498	-
Total	\$ 1,364,424	\$ (173,739)

The deferred outflows of resources related to pensions, totaling \$208,498, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2024	\$ 87,327
2025	(118,849)
2026	905,208
2027	82,222
2028	26,279
Thereafter	-
Total	\$ 982,187

Actuarial Assumptions – The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

FRS Pension Plan (Continued)

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

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	2.6%	2.9%	1.1%
Fixed income	19.8%	4.4%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate (property)	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Total	100.0%			
Assumed inflation - mean			2.4%	1.4%

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

Discount Rate – The discount rate used to measure the total pension liability was 6.7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
District's proportionate share of net pension liability	\$ 9,694,932	\$ 5,675,513	\$ 2,312,788

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

HIS Pension Plan

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

Benefits Provided – For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

HIS Pension Plan (Continued)

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, 2023, the contribution rate was 1.66% of payroll from October 1, 2022 through July 30, 2023 and 2.0 of payroll from July 1, 2023 through September 30, 2023, pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan totaled \$82,864 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the District reported a net pension liability of \$2,097,819 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the year ended June 30, 2023 contributions relative to the year ended June 30, 2022 contributions of all participating members. At June 30, 2023, the District's proportionate share was .013%, a decrease of .001% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the District recognized pension expense of \$715,650 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,711	\$ (4,924)
Change of assumptions	55,151	(181,783)
Net difference between projected and actual earnings on HIS pension plan investments	1,083	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	(200,904)
District HIS contributions subsequent to the measurement date	28,822	-
Total	<u>\$ 115,767</u>	<u>\$ (387,611)</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – The deferred outflows of resources related to pensions, totaling \$28,822, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	Amount
2024	\$ (77,899)
2025	(63,005)
2026	(68,232)
2027	(59,301)
2028	(28,516)
Thereafter	(3,713)
Total	<u>\$ (300,666)</u>

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

HIS Pension Plan (Continued)

Actuarial Assumptions – The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.65%

Mortality rates were based on the PUB-2010 base table, with variations by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate – The discount rate used to measure the total pension liability was 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
District's proportionate share of net pension liability	\$ 2,393,284	\$ 2,097,819	\$ 1,852,898

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

FRS – Defined Contribution Pension Plan

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

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

NOTE 9 – RETIREMENT PLAN (Continued)

Florida Retirement System (FRS) (Continued)

FRS – Defined Contribution Pension Plan (Continued)

Allocations to the investment member's accounts during the 2023 fiscal year were as follows:

Class	Percent of Gross Compensation October 1, 2022 to June 30, 2023	Percent of Gross Compensation July 1, 2023 to September 30, 2023
FRS, Regular	9.30%	11.30%
FRS, Elected Local Officers	14.34%	16.34%
FRS, Senior Management Service Class	10.67%	12.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members.

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

The District's Investment Plan pension expense totaled \$75,616 for the fiscal year ended September 30, 2023.

NOTE 10 – COMMITMENTS AND 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.

NOTE 11 – RISK MANAGEMENT

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

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

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan
Last 10 Years (1)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the FRS net pension liability	0.014%	0.014%	0.015%	0.015%	0.016%	0.015%	0.016%	0.017%	0.017%	0.018%
District's proportionate share of the FRS net pension liability	\$ 5,675,513	\$ 5,278,235	\$ 1,100,070	\$ 6,438,661	\$ 5,349,186	\$ 4,659,522	\$ 4,814,462	\$ 4,346,414	\$ 2,187,790	\$ 1,081,086
District's covered payroll	\$ 4,690,528	\$ 4,425,102	\$ 4,413,391	\$ 4,607,086	\$ 4,941,138	\$ 4,916,291	\$ 4,966,652	\$ 5,299,353	\$ 5,170,005	\$ 5,223,039
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	121.00%	119.28%	24.93%	139.76%	108.26%	94.78%	96.94%	82.02%	42.32%	20.70%
FRS plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Health Insurance Subsidy Pension Plan
Last 10 Years (1)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the HIS net pension liability	0.013%	0.014%	0.014%	0.015%	0.016%	0.016%	0.017%	0.018%	0.018%	0.018%
District's proportionate share of the HIS net pension liability	\$ 2,097,819	\$ 1,444,086	\$ 1,717,301	\$ 1,828,457	\$ 1,822,297	\$ 1,728,280	\$ 1,795,334	\$ 2,077,661	\$ 1,819,357	\$ 1,723,800
District's covered payroll	\$ 4,690,528	\$ 4,425,102	\$ 4,413,391	\$ 4,607,086	\$ 4,941,138	\$ 4,916,291	\$ 4,966,652	\$ 5,299,353	\$ 5,170,005	\$ 5,223,039
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	44.72%	32.63%	38.28%	39.69%	36.88%	35.15%	36.15%	39.21%	35.19%	33.00%
HIS plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.00%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

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

**Schedule of the District Contributions -
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 705,792	\$ 605,438	\$ 539,407	\$ 502,792	\$ 477,973	\$ 435,420	\$ 423,716	\$ 419,778	\$ 412,967	\$ 388,109
FRS contributions in relation to the contractually required contribution	(705,792)	(605,438)	(539,407)	(502,792)	(477,973)	(435,420)	(423,716)	(419,778)	(412,967)	(388,109)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,730,192	\$ 4,498,503	\$ 4,368,641	\$ 4,718,084	\$ 4,904,012	\$ 4,926,658	\$ 4,959,317	\$ 5,066,334	\$ 5,165,195	\$ 5,214,663
FRS contributions as a percentage of covered payroll	14.92%	13.46%	12.35%	10.66%	9.75%	8.84%	8.54%	8.29%	8.00%	7.44%

**Schedule of the District Contributions -
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 82,864	\$ 74,676	\$ 72,520	\$ 78,321	\$ 81,407	\$ 81,783	\$ 88,861	\$ 91,375	\$ 68,194	\$ 63,155
HIS contributions in relation to the contractually required contribution	(82,864)	(74,676)	(72,520)	(78,321)	(81,407)	(81,783)	(88,861)	(91,375)	(68,194)	(63,155)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,730,192	\$ 4,498,503	\$ 4,368,641	\$ 4,718,084	\$ 4,904,012	\$ 4,926,658	\$ 4,959,317	\$ 5,066,334	\$ 5,165,195	\$ 5,214,663
HIS contributions as a percentage of covered payroll	1.75%	1.66%	1.66%	1.66%	1.66%	1.66%	1.79%	1.80%	1.32%	1.21%

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

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Beginning balance	\$ 154,727	\$ 184,428	\$ 111,168	\$ 129,543	\$ 73,595	\$ 72,223
Service cost	3,991	3,801	4,174	3,901	3,646	3,404
Interest	3,193	3,671	3,175	3,904	2,096	2,386
Difference between expected and actual experience	(222)	-	94,015	-	69,865	-
Assumption changes	(13,950)	-	7,299	-	4,638	-
Benefit payments and refunds	(27,307)	(37,173)	(35,403)	(26,180)	(24,297)	(4,418)
Ending balance	<u>\$ 120,432</u>	<u>\$ 154,727</u>	<u>\$ 184,428</u>	<u>\$ 111,168</u>	<u>\$ 129,543</u>	<u>\$ 73,595</u>
Plan Fiduciary Net Position						
Beginning balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 120,432</u>	<u>\$ 154,727</u>	<u>\$ 184,428</u>	<u>\$ 111,168</u>	<u>\$ 129,543</u>	<u>\$ 73,595</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 5,545,120	\$ 4,870,836	\$ 4,728,967	\$ 5,260,660	\$ 5,107,437	\$ 4,926,658
Net OPEB liability as a percentage of covered payroll	2.17%	3.18%	3.90%	2.11%	2.54%	1.49%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Assessments	\$ 15,406,900	\$ 15,587,483	\$ 180,583
Investment earnings	10,000	1,809,993	1,799,993
Licenses and permits	372,500	1,067,577	695,077
Miscellaneous	1,000	92,554	91,554
Total revenues	<u>15,790,400</u>	<u>18,557,607</u>	<u>2,767,207</u>
EXPENDITURES			
Current:			
Physical environment	14,711,000	13,381,579	1,329,421
Capital outlay	3,770,000	4,108,764	(338,764)
Total expenditures	<u>18,481,000</u>	<u>17,490,343</u>	<u>990,657</u>
Excess (deficiency) of revenues over (under) expenditures	(2,690,600)	1,067,264	3,757,864
OTHER FINANCING SOURCES			
Proceeds from sales/disposals of capital	10,000	134,676	124,676
Use of fund balance	2,680,600	-	(2,680,600)
Total other financing sources	<u>2,690,600</u>	<u>134,676</u>	<u>(2,555,924)</u>
Net change in fund balance	<u>\$ -</u>	1,201,940	<u>\$ 1,201,940</u>
Fund balances - beginning		<u>55,411,279</u>	
Fund balance - ending		<u>\$ 56,613,219</u>	

See notes to required supplementary information

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

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures for the fiscal year ended September 30, 2023 did not exceed appropriations.

**LAKE WORTH DRAINAGE DISTRICT
DELRAY BEACH, FLORIDA
OTHER INFORMATION – DATA ELEMENTS
REQUIRED BY FL STATUTE 218.39(3)(C)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
(UNAUDITED)**

<u>Element</u>	<u>Comments</u>
Number of District employees compensated in the last pay period of the District's fiscal year being reported.	87
Number of independent contractors compensated to whom nonemployee compensation was paid in the last month of the District's fiscal year being reported.	35
Employee compensation in fiscal year being reported	\$5,549,684
Independent contractor compensation in fiscal year being reported	\$4,299,877
Construction projects to begin on or after October 1; (\$65K)	Not applicable
Budget variance report	See page 36 of annual financial report
Ad Valorem taxes;	Not applicable
Outstanding Bonds:	Not applicable
Non ad valorem special assessments;	
Special assessment rate	\$49.50 per acre
Special assessments collected	\$15,587,483
Outstanding Bonds:	Not applicable



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Lake Worth Drainage District, Delray Beach, Florida ("District") as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 30, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bhav & Associates

May 30, 2024



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

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

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

We have examined Lake Worth Drainage District, Delray Beach, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2023. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2023.

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

Grau & Associates

May 30, 2024



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

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lake Worth Drainage District, Delray Beach, Florida ("District"), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated Xxxxx, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 30, 2024, should be considered in conjunction with this management letter.

Purpose of this Letter

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

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

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

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

Grau & Associates

May 30, 2024

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2022.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2023.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2023.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2023. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
7. Management has provided the specific information required by Section 218.39(3)(c) in the Other Information section of the financial statements on page 38.



Surplus and Disposal

Governing Board Meeting
June 12, 2024

Karen Hoyt, Director of Finance

Surplus and Disposal

- Pursuant to Chapter 274, Florida Statutes, the District has the discretion to surplus property that is obsolete or the continued use of which is uneconomical, unsafe, inefficient, or which serves no useful function
- Staff has identified items that meets this criteria and requests that they be declared surplus, and disposed of through the recommended disposal method

Listing of Items

Asset ID Description			Original Cost	Acquisition Date	Recommended Disposal Method
Buildings & Improvements					
1	B54	Roof - Minor Building	2,401.20	4/11/2007	Garbage / Recycling Program
2	B57	A/C Unit, Trane 5 Ton	2,876.00	6/18/2008	Garbage / Recycling Program
Machinery & Equipment					
3	07300	Dock Crane - Western Mule	3,179.99	11/19/2012	Garbage / Recycling Program
4	07381	Dock Crane - Western Mule	3,156.27	1/15/2014	Garbage / Recycling Program
5	07382	Dock Crane - Western Mule	3,156.27	3/13/2014	Garbage / Recycling Program
6	07652	Pump & Engine-Spray Rig, Boat 22	2,484.24	7/8/2019	Garbage / Recycling Program
7	M-034	Forklift - Caterpillar, GC15 3000LB Hours - 685	14,340.00	7/26/1994	Online Auction Website/Employee Sale/Recycling Program
8	M-076	Tractor - Kubota M108S Hours - 9,516	48,068.00	5/12/2014	Online Auction Website/Employee Sale/Recycling Program
9	M-079	Tractor - Kubota, M9960 Hours - 8,513	40,452.13	2/27/2015	Online Auction Website/Employee Sale/Recycling Program
10	M-080	Loader-Compact Track, 299D XHP Hours - 2,854	75,737.00	3/19/2015	Online Auction Website/Employee Sale/Recycling Program
11	T-123A	ROLL & LOCK BED COVER	1,200.00	6/3/2011	Online Auction Website/Employee Sale/Recycling Program
12	T-124	2012 FORD F150 Mileage - 112,029	30,460.00	3/1/2012	Online Auction Website/Employee Sale/Recycling Program
13	T-138	2015 Ford Taurus Mileage - 27,153	24,757.00	4/24/2015	Online Auction Website/Employee Sale/Recycling Program

Listing of Items (Continued)

Asset ID Description		Original Cost	Acquisition Date	Recommended Disposal Method
Office Furniture, Fixtures & Equipment				
14	07039 Panel Divider (Room Partition)	1,550.00	8/31/2005	Garbage / Recycling Program
15	07580 Computer Tower - Dell	2,750.00	2/1/2018	Online Auction Website/Employee Sale/Recycling Program
16	07612 Computer Workstation - Dell	1,187.88	2/1/2018	Online Auction Website/Employee Sale/Recycling Program
17	07616 Computer Laptop - Dell	1,750.00	2/1/2018	Online Auction Website/Employee Sale/Recycling Program
18	07617 Computer Laptop - Dell	1,750.00	2/1/2018	Online Auction Website/Employee Sale/Recycling Program
19	07619 Computer Laptop- Dell Latitude	2,052.14	4/12/2018	Online Auction Website/Employee Sale/Recycling Program
20	07634 Switch -Adtran, NetVanta 1638P	3,383.74	9/18/2018	Online Auction Website/Employee Sale/Recycling Program
21	07676 Computer Laptop- Dell Latitude 5500	2,033.00	4/28/2020	Online Auction Website/Employee Sale/Recycling Program
22	07677 Computer Laptop- Dell Latitude 5500	2,033.00	4/28/2020	Online Auction Website/Employee Sale/Recycling Program
23	07678 Computer Laptop- Dell Latitude 5500	2,033.00	4/28/2020	Online Auction Website/Employee Sale/Recycling Program
24	07686 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
25	07687 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
26	07689 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
27	07690 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
28	07691 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
29	07692 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
30	07693 Computer Laptop- Dell Latitude 5500	1,833.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
31	07695 Computer Laptop- Dell Precision 7740	3,011.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program
32	07696 Computer Laptop- Dell Precision 7740	3,011.00	7/1/2020	Online Auction Website/Employee Sale/Recycling Program

291,643.86

Staff Recommendation

Declare listed items surplus and authorize disposal of items through the recommended disposal method.



Grau & Associates

CERTIFIED PUBLIC ACCOUNTANTS

951 Yamato Road • Suite 280
Boca Raton, Florida 33431
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Fax (561) 994-5823
www.graucpa.com

June 3, 2024

Board of Supervisors
Lake Worth Drainage District
13081 Military Trail
Delray Beach, FL 33484

In this document the use of the word "you" refers to Lake Worth Drainage District, Delray Beach, Florida. The use of the words "we", "our", and "us" refers to Grau & Associates.

We are pleased to confirm our understanding of the services we are to provide Lake Worth Drainage District, Delray Beach, Florida ("the District") for the fiscal year ended September 30, 2024. We will audit the financial statements of the governmental activities and the major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of Lake Worth Drainage District for the fiscal year ended September 30, 2024. In addition, we will examine the District's compliance with the requirements of Section 218.415 Florida Statutes. This letter serves to renew our agreement and establish the terms and fee for the 2024 audit.

Accounting principles generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's 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. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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.

The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis
2. Budgetary comparison schedule for the general fund
3. Pension schedules, as applicable
4. OPEB schedules, as applicable
5. The related notes to the required supplementary information

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information:

- 1) Compliance with FL Statute 218.39 (3) (c)

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of additional information, if applicable, when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter paragraphs.

If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Examination Objective

The objective of our examination is the expression of an opinion as to whether the District is in compliance with Florida Statute 218.415 in accordance with Rule 10.556(10) of the Auditor General of the State of Florida. Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and will include tests of your records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our examination of the District's compliance. The report will include a statement that the report is intended solely for the information and use of management, those charged with governance, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion on the District's compliance is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or issue a report, or may withdraw from this engagement.

Other Services

We will assist in preparing the financial statements and related notes of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for compliance with Florida Statute 218.415 and will provide us with the information required for the examination. The accuracy and completeness of such information is also management's responsibility. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. In addition, you will be required to make certain representations regarding compliance with Florida Statute 218.415 in the management representation letter. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for designing, implementing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, if applicable. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Audit Administration, Fees, and Other

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

For the purposes of the following paragraph the words "audit documentation" does not include the financial statements and related notes of the District referred to in the section "Other Services".

The audit documentation for this engagement is the property of Grau & Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Grau & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. Notwithstanding the foregoing, the parties acknowledge that various documents reviewed or produced during the conduct of the audit may be public records under Florida law. The District agrees to notify Grau & Associates of any public record request it receives that involves audit documentation.

Our fee for these services will not exceed \$42,000 for the September 30, 2024 audit. This agreement provides for a contract period of one year respectively, unless there is a change in activity by the District which results in additional audit work or debt is issued.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Invoices will be submitted in sufficient detail to demonstrate compliance with the terms of this agreement. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our responsibilities as described in this engagement letter will be deemed to have been terminated upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

Lake Worth Drainage District may terminate this agreement by providing a ten day termination notice. If you elect to terminate this agreement, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date notice of your desire to terminate is received by us.

This agreement may be renewed each year thereafter subject to the mutual agreement by both parties to all terms and fees. The fee for each annual renewal will be agreed upon separately.

We will provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2023 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Lake Worth Drainage District and believe this letter accurately summarizes the terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Grau & Associates

David Caplivski
David Caplivski

RESPONSE:

This letter correctly sets forth the understanding of Lake Worth Drainage District.

By: _____

Title: _____

Date: _____



FICPA Peer Review Program
Administered in Florida
by The Florida Institute of CPAs



Peer Review
Program

AICPA Peer Review Program
Administered in Florida
by the Florida Institute of CPAs

March 17, 2023

Antonio Grau
Grau & Associates
951 Yamato Rd Ste 280
Boca Raton, FL 33431-1809

Dear Antonio Grau:

It is my pleasure to notify you that on March 16, 2023, the Florida Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is December 31, 2025. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

FICPA Peer Review Committee

Peer Review Team
FICPA Peer Review Committee

850.224.2727, x5957

cc: Daniel Hevia, Racquel McIntosh

Firm Number: 900004390114

Review Number: 594791