

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Honorable Governing Board
Northwest Florida Water Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Florida Water Management District (the District), a component unit of the State of Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2013, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Honorable Governing Board
Northwest Florida Water Management District

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and other postemployment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions on pages 3 through 7, 31 through 37, and 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organization*, and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2014, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

February 21, 2014
Tallahassee, Florida

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Northwest Florida Water Management District, we offer readers of the Northwest Florida Water Management District's financial statements this narrative overview and analysis of the financial activities of the Northwest Florida Water Management District for the fiscal year ended September 30, 2013.

Financial Highlights

- The assets of the Northwest Florida Water Management District exceeded its liabilities at the close of the most recent fiscal year by \$222,974,391 (*net position*). Of this amount, \$42,949,256 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$44,814,099, a decrease of \$1,972,566 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,814,524 and assigned fund balance was \$14,719,981.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Northwest Florida Water Management District's basic financial statements. The Northwest Florida Water Management 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.

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

The statement of net position presents information on all of the Northwest Florida Water Management District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Northwest Florida Water Management District is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the Northwest Florida Water Management District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Northwest Florida Water Management District include: water resources planning and monitoring; acquisition, restoration and public works; operation and maintenance of lands and works; regulation; outreach; and administration.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The government-wide financial statements include only the Northwest Florida Water Management District, a component unit of the State of Florida.

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

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Florida Water Management District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Northwest Florida Water Management District are in one category: governmental funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government'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 Northwest Florida Water Management District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Surface Water Improvement and Management Fund, Land Fees Fund, Projects Fund, Capital Projects Fund, Land Management Fund, Regulation Fund, and Mitigation Fund, all of which are considered to be major funds.

The governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 30 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Northwest Florida Water Management District's budgetary comparison for its major funds as well as the other post-employment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions. The Northwest Florida Water Management District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund and each major fund to demonstrate compliance with this budget and can be found on pages 31 - 39.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Northwest Florida Water Management District, assets exceeded liabilities by \$222,974,391 at the close of the most recent fiscal year.

By far the largest portion of the Northwest Florida Water Management District's net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Northwest Florida Water Management District uses these capital assets to protect environmentally sensitive lands and to provide services to citizens; consequently, these assets are not available for future spending.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT'S NET POSITION

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 73,595,351	\$ 75,322,100
Capital Assets:		
Land and Other Improvements	174,450,717	174,306,166
Other Capital Assets, Net of Depreciation	<u>4,496,234</u>	<u>4,675,257</u>
Total Assets	<u>252,542,302</u>	<u>254,303,523</u>
 Long-term Liabilities Outstanding	 786,659	 578,504
Other Liabilities	<u>28,781,252</u>	<u>28,535,435</u>
Total Liabilities	<u>29,567,911</u>	<u>29,113,939</u>
 Net Position		
Investment in Capital Assets	178,946,951	178,981,423
Restricted	1,078,184	3,103,240
Unrestricted	<u>42,949,256</u>	<u>43,104,921</u>
Total Net Position	<u>\$ 222,974,391</u>	<u>\$ 225,189,584</u>

An additional portion of the Northwest Florida Water Management District's net position (0.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$42,949,256) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Northwest Florida Water Management District is able to report positive balances in all three categories of net position.

Governmental activities—Governmental activities decreased Northwest Florida Water Management District's net position by \$2,215,193. A key element of this decrease was decreased revenue from the State of Florida resulting in the use of fund balance.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

CHANGE IN NET POSITION

	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues:		
Charges for Services	312,768	\$ 486,752
Operating Grants and Contributions	5,328,637	11,439,638
Capital Grants and Contributions	49,000	0
General Revenues:		
Property Taxes	3,139,750	3,227,919
Grants and Contributions not		
Restricted to Specific Programs	115,698	217,717
Other	2,101,250	1,195,510
Total Revenues	<u>11,047,103</u>	<u>16,567,536</u>
Expenses		
Water Resources Planning and Monitoring	2,523,662	3,105,764
Acquisition, Restoration and Public Works	2,674,921	8,745,535
Operation and Maintenance of Lands and Works	2,687,569	2,795,801
Regulation	3,139,928	3,401,621
Outreach	127,026	102,228
Administration	2,109,190	3,808,152
Total Expenses	<u>13,262,296</u>	<u>21,959,101</u>
Change in Net Position	(2,215,193)	(5,391,565)
Net Position, Beginning of Year	<u>225,189,584</u>	<u>230,581,149</u>
Net Position, End of Year	<u><u>\$ 222,974,391</u></u>	<u><u>\$ 225,189,584</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Northwest Florida Water Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the Northwest Florida Water Management District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Northwest Florida Water Management District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$44,814,099 a decrease of \$1,972,566 in comparison with the prior year. Approximately \$3,814,500 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either in non-spendable, restricted, committed, or assigned form to indicate that it is not available for new spending because it has already been committed to activities associated with the general fund, various special revenue funds, and the capital project fund.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The general fund is the chief operating fund of the Northwest Florida Water Management District. At the end of the current fiscal year, unassigned fund balance was \$3,814,524 and total fund balance of the general fund was \$33,288,688.

The fund balance of the Northwest Florida Water Management District's general fund decreased by \$866,213 during the current fiscal year. The key factor in this decrease was due to the reduction in funding from the State of Florida, resulting in the use of fund balance.

General Fund Budgetary Highlights

There were no significant differences between the original and final adopted budgets of the District during the year.

Capital Asset and Debt Administration

Capital assets—The Northwest Florida Water Management District's investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$178,946,951 (net of accumulated depreciation). This investment in capital assets includes land, easements, building, infrastructure, vehicles, office equipment, field equipment and computer equipment. There were no significant changes in the Northwest Florida Water Management District's investment in capital assets for the current fiscal year.

Additional information of the Northwest Florida Water Management District's capital assets can be found in Note 4 on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

1. The District's primary revenue sources are state grants derived from documentary stamp taxes and ad valorem (property) taxes.
2. The millage rate decreased from 0.045 mills in FY 2010–2011 to 0.040 mills in FY 2011–2012, the rate did not change in FY 2012–2013, and is expected to remain unchanged in the near term. While taxable values declined again in FY 2012–2013, the rate of decline slowed and has stabilized with the FY 2013–2014 projections.
3. Over the last seven years revenue from state appropriations have been as high as \$24.2 million in fiscal year 2007–2008 and as low as \$360,000 in fiscal year 2011–2012. For fiscal year 2012–2013, the District received \$2,211,231 from the State Water Management Lands Trust Fund (WMLTF) for the environmental resource permitting, wetlands and abandoned wells programs. For fiscal year 2013–2014 the WMLTF program funding was provided plus \$4,129,287 for specified springs restoration projects and water quality improvement projects.
4. The District has accumulated resources over the past fiscal years and is spending down those resources for operations and for water resource and supply development projects.

Requests for Information

This financial report is designed to provide a general overview of the Northwest Florida Water Management District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northwest Florida Water Management District, 81 Water Management Drive, Havana, Florida 32333.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 390,665
Investments	72,411,610
Accounts Receivable	785,620
Other Assets	7,456
Capital Assets Not Being Depreciated	174,450,717
Capital Assets Being Depreciated, Net	4,496,234
Total Assets	252,542,302
Liabilities	
Accounts Payable and Accrued Expenses	821,324
Unearned Revenue	27,686,483
Deposits	273,445
Long-term Liabilities:	
Due Within One Year	728,050
Due in More than One Year	58,609
Total Liabilities	29,567,911
Net Position	
Investment in Capital Assets	178,946,951
Restricted for:	
Regulatory Permitting, Licensing, and Enforcement Activities	1,078,184
Unrestricted	42,949,256
Total Net Position	\$ 222,974,391

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Water Resources Planning and Monitoring	\$ 2,523,662	\$ 0	\$ 1,530,223	\$ 0	\$ (993,439)
Acquisition, Restoration, and Public Works	2,674,921	0	2,235,622	0	(439,299)
Operation and Maintenance of Lands and Works	2,687,569	0	466,464	49,000	(2,172,105)
Regulation	3,139,928	312,768	1,096,328	0	(1,730,832)
Outreach	127,026	0	0	0	(127,026)
Administration	2,109,190	0	0	0	(2,109,190)
Total Governmental Activities	<u>\$ 13,262,296</u>	<u>\$ 312,768</u>	<u>\$ 5,328,637</u>	<u>\$ 49,000</u>	<u>(7,571,891)</u>
General Revenues					
Property Taxes					3,139,750
Unrestricted Investment Earnings					115,698
Miscellaneous					2,101,250
Total General Revenues					<u>5,356,698</u>
Change in Net Position					(2,215,193)
Net Position, Beginning of Year					<u>225,189,584</u>
Net Position, End of Year					<u>\$ 222,974,391</u>

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Special Revenue Funds							Total Governmental Funds
	General Fund	Surface Water Improvement and Management Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund	Capital Projects Fund	
Assets								
Cash and Cash Equivalents	\$ 390,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,665
Investments	32,041,395	5,850,482	0	9,199,914	1,078,184	18,101,498	6,140,137	72,411,610
Accounts Receivable	0	0	0	0	0	0	0	0
Due from Other Governments	0	0	477,649	0	7,971	0	300,000	785,620
Due from Other Funds	925,690	9,731	0	0	19,585	0	0	955,006
Deposits	(168)	0	0	0	7,624	0	0	7,456
Total Assets	33,357,582	5,860,213	477,649	9,199,914	1,113,364	18,101,498	6,440,137	74,550,357
Liabilities and Fund Balances								
Liabilities								
Accounts Payable	37,805	264,432	192,728	176,527	34,898	85,499	4,975	796,864
Unearned Revenue	0	5,592,222	0	222,725	0	16,401,353	5,470,183	27,686,483
Deposits	1,560	0	0	271,885	0	0	0	273,445
Due to Other Governments	213	3,559	0	14,954	282	2,096	3,356	24,460
Due to Other Funds	29,316	0	284,921	70,882	0	232,679	337,208	955,006
Total Liabilities	68,894	5,860,213	477,649	756,973	35,180	16,721,627	5,815,722	29,736,258
Fund Balances								
Restricted:								
Regulatory Permitting, Licensing, and Enforcement Activities	0	0	0	0	1,078,184	0	0	1,078,184
Committed:								
Land Management, Land Acquisition, and Capital Improvements	0	0	0	8,442,941	0	0	624,415	9,067,356
Water Supply Projects	14,754,183	0	0	0	0	0	0	14,754,183
Mitigation Projects	0	0	0	0	0	1,379,871	0	1,379,871
Assigned:								
IT and Building Renovations	1,886,704	0	0	0	0	0	0	1,886,704
Regulations	62,225	0	0	0	0	0	0	62,225
MFLs and Data Collection and Analysis	12,771,052	0	0	0	0	0	0	12,771,052
Unassigned	3,814,524	0	0	0	0	0	0	3,814,524
Total Fund Balances	33,288,688	0	0	8,442,941	1,078,184	1,379,871	624,415	44,814,099
Total Liabilities and Fund Balances	\$ 33,357,582	\$ 5,860,213	\$ 477,649	\$ 9,199,914	\$ 1,113,364	\$ 18,101,498	\$ 6,440,137	\$ 74,550,357

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Fund Balances - Total Governmental Funds

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

\$ 44,814,099

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental
funds.

178,946,951

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the governmental funds:

Other Postemployment Benefits
Compensated Absences

\$ 58,609

728,050

(786,659)

Net Position of Governmental Activities

\$ 222,974,391

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds							Total Governmental Funds
	General Fund	Surface Water Improvement and Management Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund	Capital Projects Fund	
Revenues								
Property Taxes	\$ 3,139,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,139,750
Permits and Licenses	0	0	0	0	301,800	0	0	301,800
Timber Sales	0	0	0	1,822,661	0	0	0	1,822,661
Intergovernmental Revenue	0	634,373	204,587	466,463	1,107,296	858,365	396,500	3,667,584
Federal Grants	0	0	1,254,022	0	0	417,882	0	1,671,904
Investment Income	115,698	21,064	0	29,761	4,853	55,739	12,357	239,472
Miscellaneous Revenue	1,409	0	0	71,529	6,115	67,900	7,537	154,490
Total Revenues	3,256,857	655,437	1,458,609	2,390,414	1,420,064	1,399,886	416,394	10,997,661
Expenditures								
Salaries	1,380,307	457,796	775,185	732,495	1,704,643	254,425	7,401	5,312,252
Employee Benefits	453,191	145,554	244,858	291,479	646,369	84,715	3,259	1,869,425
Professional/Contractual Services	136,291	245,335	748,478	799,582	159,241	478,578	115,793	2,683,298
Services	535,209	15,081	54,531	271,003	401,715	8,962	368	1,286,869
Commodities	53,936	80,983	36,760	217,337	49,649	311,119	0	749,784
Capital Outlay	5,475	64,323	21,362	94,185	7,138	68,736	15,000	276,219
Grants and Aids	341,785	140,311	0	10,724	0	0	300,000	792,820
Administrative Overhead Allocated	(2,178,641)	246,697	416,791	418,854	954,290	137,613	4,398	2
(Total Expenditures)	(727,553)	(1,396,080)	(2,297,965)	(2,835,659)	(3,923,045)	(1,344,148)	(446,219)	(12,970,669)
Excess (Deficiency)of Revenues Over (Under) Expenditures	2,529,304	(740,643)	(839,356)	(445,245)	(2,502,981)	55,738	(29,825)	(1,973,008)
Other Financing Sources (Uses)								
Sale of General Fixed Assets	442	0	0	0	0	0	0	442
Transfers in	21,064	761,707	839,356	5,993	1,802,058	0	7,909	3,438,087
Transfers (out)	(3,417,023)	(21,064)	0	0	0	0	0	(3,438,087)
Total Other Financing Sources (Uses)	(3,395,517)	740,643	839,356	5,993	1,802,058	0	7,909	442
Net Change in Fund Balances	(866,213)	0	0	(439,252)	(700,923)	55,738	(21,916)	(1,972,566)
Fund Balances, Beginning of Year	34,154,901	0	0	8,882,193	1,779,107	1,324,133	646,331	46,786,665
Fund Balances, End of Year	\$ 33,288,688	\$ 0	\$ 0	\$ 8,442,941	\$ 1,078,184	\$ 1,379,871	\$ 624,415	\$ 44,814,099

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (1,972,566)

**Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Assets Acquired with Financial Resources	\$	500,166	
Capital Assets Acquired through Donations		49,000	
Current Year Depreciation		(522,189)	26,977

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (61,449)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Other Postemployment Benefits		27,641	
Compensated Absences		180,514	(208,155)

Change in Net Position of Governmental Activities \$ (2,215,193)

The accompanying notes are an integral part of the financial statements.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Note 1 - Summary of Significant Accounting Policies

The Northwest Florida Water Management District (the District) was established by the Florida Water Resources Act of 1972, Chapter 72-299, Laws of Florida, and operates under Chapter 373, Florida Statutes. It was the State of Florida Legislature's stated intent in establishing the District and other Districts to: provide for the management of water and related land resources; promote the conservation, development, and proper utilization of surface and ground water; develop and regulate dams, impoundments, reservoirs, and other works, and to provide water storage for beneficial purposes; prevent damage from floods, soil erosion, and excessive drainage; preserve natural resources, fish and wildlife; promote recreational development, protect public lands, and assist in maintaining the navigability of rivers and harbors; and otherwise promote the health, safety, and the general welfare of the people of the State of Florida.

The District encompasses all or part of sixteen counties in the northwestern part of Florida. There are nine members of the District Governing Board. Each member resides within the District and is appointed by the Governor and confirmed by the Senate. The Board members are appointed for a four-year term.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in accounting principles generally accepted in the United States of America and used by the District are discussed below:

A. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the District as a component unit of the State of Florida. Based on the criteria listed below the State of Florida is considered the primary government.

A primary government is financially accountable for an organization if: (1) it appoints a voting majority of the organization's governing board; (2) it is able to impose its will on the organization; or (3) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based upon these criteria, the District is considered to be a component unit of the State of Florida and is disclosed in the State of Florida's financial statements.

The accompanying financial statements present the primary government only since there are no component units for which the government is considered to be financially accountable.

B. Financial Reporting Structure

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Structure (Continued)

Government-wide 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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The focus of the government-wide statements is on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported.

The governmental-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Administrative overhead, including centralized expenses, are directly allocated to specific functions and are included in direct expenses. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Program revenues are netted within program expenses in the statement of activities to present the net cost of each program.

Fund Financial Statements

The emphasis of fund financial statements is on the District's major funds, each presented in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Districts transactions are recorded in the following fund types:

- **General Fund**—is the principal operating fund used to account for most of the District's general activities.
- **Special Revenue Fund**—accounts for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.
- **Capital Projects Fund**—accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Structure (Concluded)

Fund Financial Statements (Concluded)

The District reports the following major governmental funds:

- **General Fund**—is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.
- **Surface Water Improvement and Management (S.W.I.M) Fund**—accounts for expenditures of state and local funds legally restricted for restoration and preservation of surface waters under the Surface Water and Management Act by the State of Florida Legislature.
- **Projects Fund**—accounts for all resources management projects and activities funded through dedicated revenue sources from grants and contracts with state, federal, local government entities, or water utility authorities.
- **Lands Management Fund**—accounts for activities associated with the management, improvement, and maintenance of District owned lands. State appropriations from the Water Management Lands Trust Fund provide the primary funding source for District land management activities.
- **Regulation Fund**—accounts for all regulatory activities including consumptive use permitting and monitoring; well construction permitting and plugging, construction and repair of dams; and environmental resource permitting program (ERP). State appropriations from the Water Management Lands Trust Fund provide funding for the ERP program; other activities are funded through a small amount of fees and fines and primarily by transfers from the General Fund.
- **Mitigation Fund**—accounts for all resource management mitigation projects and activities funded through dedicated Florida Department of Transportation funding sources. Expenditures include land acquisitions, restorations, monitoring, and other water resource related activities.
- **Capital Projects Fund**—accounts for the acquisition of fixed assets or construction of major capital projects.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. 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. Nonexchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Assets, Liabilities, and Fund Balances

Deposits and Investments

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

State statutes authorize the District to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1968, SEC registered money market funds with the highest credit quality rating and savings and interest-bearing time deposits or savings accounts in qualified public depositories.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Deposits and Investments (Concluded)

Investments for the District are reported at fair value. The Local Government Surplus Fund Investment Pool (Florida PRIME) and the Fund B Surplus Funds Trust Fund (Fund B) operates in accordance with appropriate state laws and regulations. As a Florida PRIME and Fund B Pool participant, the entity invests in pools of investments whereby the District owns a share of the respective pool, not the underlying securities.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Property Taxes

The District is authorized by Section 373.503, Florida Statutes, to levy ad valorem taxes on all real and personal property located within the District not to exceed .05 mills. The rate for the 2012-2013 fiscal year was .040 mills. The property assessment and tax collection functions are performed by appropriate officials of county government in each of the sixteen counties comprising the District. Commissions are paid to the counties for these appraisal and collection services.

Taxes are billed and collected for the District by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date	January 1
Levy Date	October 1
Due Date	November 1
Delinquency Date	April 1

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as equipment assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life of one year or more, and other assets with an initial, individual cost of more than \$50,000 (amount not rounded) and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost, plus any ancillary charges (freight and transportation charges, site preparation costs, installation costs, and professional fees) necessary to place the asset into its intended location and condition for use. Donated capital assets are recorded at estimated fair market value at the date of donation.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Capital Assets (Concluded)

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	40
Leasehold Improvements	15
Field Equipment	7
Office Equipment	7
Vehicles and Water Craft	7
Lawn Maintenance Equipment	5
Computer Equipment, Technical Equipment, and Software	3

Long-term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Balances

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance**—includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The District had \$0 in nonspendable resources as of September 30, 2013.
- **Restricted Fund Balance**—includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District had \$1,078,184 in restricted resources as of September 30, 2013.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Fund Balances (Concluded)

- **Committed Fund Balance**—Includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Governing Board. These amounts cannot be used for any other purpose unless the District's Governing Board removes or changes the specified use by taking the same type of action (Resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had \$25,201,410 in committed resources as of September 30, 2013.
- **Assigned Fund Balance**—Assigned fund balance consists of amounts that are constrained by a less than formal action of the District's Governing Board, or by an individual body to whom the Governing Board has delegated this responsibility. The District has delegated this responsibility to the Executive Director. Assignment of fund balance may be made for a specific purpose that is narrower than the general purposes of the fund and to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget including any amendments thereto. The District had \$14,719,981 in assigned resources as of September 30, 2013.
- **Unassigned Fund Balance**—Includes the residual fund balance to provide for potential general fund deficiencies. The District had \$3,814,524 in unassigned resources as of September 30, 2013.

The District established a fund balance reserve policy from the Unassigned General Fund Balance to maintain sufficient working capital for a two-month period. The amount of the reserve is established annually in the budget process for the next fiscal year, and will fluctuate based on the adopted operating budget. The purpose of this reserve is to provide sufficient funds for unforeseen and unexpected events, which are not expected to occur routinely and meet major emergencies to ensure the District's continued orderly operational and financial stability.

Flow Assumption

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made, with the exception of the Economic Stabilization Reserve established by the District's Governing Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

D. Assets, Liabilities and Fund Balances (Concluded)

New Accounting Pronouncements

During the year, the District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board (FASB) *Statements and Interpretations*; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

During the year, the District also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This standard establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the residual amount of the other elements). This Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. In addition, the terminology used in the financial statements changed from "Net Assets" to "Net Position", including changing the name of the government-wide financial statement from "Statement of Net Assets" to "Statement of Net Position."

Fund Reclassification

On October 1, 2012, the Lands Fees Fund was eliminated and closed into the Lands Management Fund. The result of this transaction was to increase beginning fund balance in the Lands Management fund by \$8,882,193. This transaction had no effect on the government-wide financial statements.

Note 2 - Deposits and Investments

Deposits—At year-end, the District had carrying amounts of deposits of \$390,415 and bank balances of \$444,817. The District also had cash on hand of \$250. Of the bank balances, \$444,817 was covered by Federal depository insurance or by collateral held by the District's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 2 - Deposits and Investments (Continued)

Investments—The foremost objective of the District’s investment policy is the safety of capital and liquidity of funds. Achieving an optimal rate of return is of secondary importance as compared to the safety and liquidity of funds. The District’s investment policy limits investments to those relatively low risk securities authorized in anticipation of earning a fair return relative to the risk being assumed. How the District manages credit risk, interest rate risk, and custodial credit risk is as follows:

Investments of \$71,864,761 represent amounts held with the Florida State Board of Administration, Local Government Surplus Funds Trust (PRIME Fund). This fund is structured as a “2a-7 like” fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment’s value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value. A “2a-7 like” fund is not registered with the SEC as an investment company, but never the less has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

Investments of \$546,849 represent amounts held with the Florida State Board of Administration, Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund is accounted for as a fluctuating net asset value pool. Therefore, fair value for this fund must be calculated using a fair value factor, which was 1.13262284 at September 30, 2013.

- **Credit Risk**—The District minimizes credit risk, the risk of loss due to failure of the security, by limiting investments to authorized investments. Investments of the Florida State Board of Administration Pool are divided into two funds: Florida PRIME and Fund B. The Local Government Surplus Funds Trust (PRIME Fund) is rated by Standards & Poors. The current rating is AAAM. The Investment Manager of Florida PRIME managements credit risk by purchasing only high quality securities, performing a credit analysis to develop a database of issuers and securities that meet the Investment manager’s minimum standard and by regularly reviewing the portfolio’s securities financial data, issuer news and developments, and ratings of the nationally recognized statistical rating organizations. The Fund B Surplus Funds Trust Fund is not rated by any nationally recognized statistical rating agency.
- **Interest Rate Risk**—The District manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities and the Florida State Board of Administration’s Florida PRIME and Fund B. The weighted average days to maturity of the Local Government Surplus Funds Trust at September 30, 2013, was 44 days. Next interest rate reset dates for floating rate securities are used in the calculation of the weighted average days to maturity. The weighted average life of Fund B Surplus Funds Trust Fund at September 30, 2013, was 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 2 - Deposits and Investments (Concluded)

Investments (Concluded)

- **Custodial Credit Risk**—Investments are subject to custodial credit risk if the securities are uninsured, not registered in the District's name, and are held by the party that either sells to or buys for the District. No investments held at year-end were subject to custodial credit risk. The Florida State Board of Administration Florida PRIME does participate in securities lending, but the District owns shares of the Florida PRIME and not the underlying investments. Neither the District nor Florida Prime or Fund B has participated in securities lending program in the fiscal year ended September 30, 2013.

Note 3 - Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant Drawdowns Prior to Meeting all Eligibility Requirements	\$ 0	\$ 27,686,483
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 0</u>	<u>\$ 27,686,483</u>

Note 4 - Capital Assets

Capital asset activity for the year ending September 30, 2013, was as follows:

	<u>Balance 10/1/12</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance 9/30/13</u>
Capital Assets Not Being Depreciated				
Land	\$ 155,253,942	\$ 88,319	\$ 0	\$ 155,342,261
Capital Easements	18,823,620	49,000	(116)	18,872,504
Construction in Progress	<u>228,604</u>	<u>7,348</u>	<u>0</u>	<u>235,952</u>
Total Capital Assets Not Being Depreciated	<u>174,306,166</u>	<u>144,667</u>	<u>(116)</u>	<u>174,450,717</u>
Capital Assets Being Depreciated				
Buildings and Improvements	2,715,192	6,675	(160,000)	2,561,867
Infrastructure	1,758,510	162,204	0	1,920,714
Machinery and Equipment	<u>5,197,305</u>	<u>235,620</u>	<u>0</u>	<u>5,432,925</u>
Total Capital Assets Being Depreciated	<u>9,671,007</u>	<u>404,499</u>	<u>(160,000)</u>	<u>9,915,506</u>
Less Accumulated Depreciation				
Buildings and Improvements	(994,286)	(80,407)	98,667	(976,026)
Infrastructure	(114,096)	(36,252)	0	(150,348)
Machinery and Equipment	<u>(3,887,368)</u>	<u>(405,530)</u>	<u>0</u>	<u>(4,292,898)</u>
Total Accumulated Depreciation	<u>(4,995,750)</u>	<u>(522,189)</u>	<u>98,667</u>	<u>(5,419,272)</u>
Total Capital Assets Being Depreciated, Net	<u>4,675,257</u>	<u>(117,690)</u>	<u>(61,333)</u>	<u>4,496,234</u>
Total Capital Assets	<u>\$ 178,981,423</u>	<u>\$ 26,977</u>	<u>\$ (61,449)</u>	<u>\$ 178,946,951</u>

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 4 - Capital Assets (Concluded)

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Water Resources Planning and Monitoring	\$ 97,811
Operation and Maintenance of Lands and Works	199,927
Regulation	48,718
Outreach	2,567
Administration	173,166
Total Governmental Activities	\$ 522,189

Note 5 - Interfund Receivables and Payables

Interfund receivables/payables represent temporary loans to fund expenditures of other funds. At September 30, 2013, the balances in these accounts consist of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 925,690	\$ 29,316
Surface Water Improvement and Management Fund	9,731	0
Projects Fund	0	284,921
Lands Management Fund	0	70,882
Regulation Fund	19,585	0
Mitigation Fund	0	232,679
Capital Projects Fund	0	337,208
Total	\$ 955,006	\$ 955,006

Note 6 - Transfers In/(Out)

Transfers between funds represent transfers to/from other funds for fund expenditures at September 30, 2013; the balances in these accounts consist of the following:

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 21,064	\$ 3,417,023
Surface Water Improvement and Management Fund	761,707	21,064
Projects Fund	839,356	0
Lands Management Fund	5,993	0
Regulation Fund	1,802,058	0
Capital Projects Fund	7,909	0
Total	\$ 3,438,087	\$ 3,438,087

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 7 - Leases

The District is committed under noncancellable operating leases for office space. Expenditures related to these lease agreements amounted to \$118,632 during the year ended September 30, 2013. Future minimum lease payments for these leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 153,551
2015	153,551
2016	153,551
2017	153,551
2018	94,557
Total	<u>\$ 708,761</u>

Note 8 - Long-term Debt

Changes in Long-term Liabilities—Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	\$ 547,536	\$ 533,250	\$ (352,736)	\$ 728,050	\$ 728,050
Other Postemployment Benefits	<u>30,968</u>	<u>142,313</u>	<u>(114,672)</u>	<u>58,609</u>	<u>0</u>
Total Long-term Debt Payable	<u>\$ 578,504</u>	<u>\$ 675,563</u>	<u>\$ (467,408)</u>	<u>\$ 786,659</u>	<u>\$ 728,050</u>

Note 9 - Other Disclosures

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 for which the government carries commercial insurance.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, if any, which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 9 - Other Disclosures (Concluded)

Contractual Commitments

As of September 30, 2013, the District had the following commitments related to unfinished projects:

<u>Projects</u>	<u>Expended as of September 30, 2013</u>	<u>Remaining Commitment</u>
Continuing Service Agreements/Spring Complex	\$ 550,561	\$ 44,713
Sand Hill Lakes Mitigation Bank	423,608	90,120
Rental and Service of Portable Toilets	169,702	105,251
Prescribed Burning	379,370	22,590
Streambank Restoration	0	200,000
Continuing Service and Map Modernization	8,953,332	3,758,385
Inland Groundwater Source Development	0	5,470,000
Coastal Model Development and Analysis	1,181,100	8,000
Watson Bayou	0	200,000
Minimum Flows and Levels Development	57,258	9,898

Budget

During the year, the Surface Water Improvement and Management Fund incurred a transfer out in excess of the amounts appropriated in the amount of \$21,064. This resulted from the Surface Water Improvement and Management Fund earning unbudgeted investment income and subsequently transferring those earnings to the General Fund.

Note 10 - Employee Retirement Systems and Plans

State-wide Local Government Retirement System (SLGRS)

Plan Description—The District participates in the State of Florida Retirement System Pension Plan, a cost sharing, multiple-employer public employee retirement system administrated by the State of Florida Department of Management Services, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions.

The Pension Plan issues a publicly available financial report that includes financial statements, 10-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida, Department of Management Services
Division of Retirement
4050 Esplanade Way
Tallahassee, Florida 32399-0950

The Pension Plan provides vesting of benefits after six years of creditable service for those enrolled prior to July 1, 2011. For those enrolled on or after July 1, 2011, eight years of creditable service are required for vesting. Regular members are eligible for normal retirement

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 10 - Employee Retirement Systems and Plans (Concluded)

Plan Description (Concluded)

after six years of service and attaining age 62, or 30 years of service regardless of age for those enrolled prior to July 1, 2011, and age 65 or 33 years of service for those enrolled on or after July 1, 2011. Early retirement may be taken at any time after completing the required years of service for vesting; however, there is a 5% benefit reduction for each year prior to normal retirement.

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. This was reduced to 1.3% per year for any member whose DROP participation date is effective on or after July 1, 2011. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested and have reached the normal retirement age or years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

As of June 1, 2003, the FRS offered members the option of participating in the Florida Retirement Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Management Services, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions. The Investment Plan provides vesting of benefits after one year of creditable service. Employees were eligible to make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees were able to make the election beginning December 1, 2003. New employees could make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by "buying back" into the Pension Plan. The rates for the Investment Plan are the same as the Pension Plan.

Funding Policy—Effective July 1, 2012, the District was required to contribute 5.18% for regular annual covered employee's salary, 6.30% for senior management annual covered employee's salary, and 5.44% for employees participating in the Deferred Retirement Option Program (DROP). Effective July 1, 2013, the District was required to contribute 6.95% for regular annual covered employee's salary, 18.31% for senior management annual covered employee's salary, and 12.84% for employees participating in the Deferred Retirement Option Program (DROP). The contribution requirements of the District may be changed by the Florida Retirement System. Effective July 1, 2011, employees are required to make a 3% contribution toward their retirement account. For each of the three years ended September 30, 2013, 2012, and 2011, the District and District employees contributed 100% of the required contribution to the Florida Retirement System. The District's contributions to the Florida Retirement System for the years ended September 30, 2013, 2012, and 2011, were \$328,639, \$302,028, and \$643,290, respectively.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 11 - Other Postemployment Benefits (OPEB) Retiree Healthcare Plan

The cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the cost of postemployment healthcare benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows.

Plan Description

The District provides health insurance plan options for full time employees provided through Blue Cross Blue Shield of Florida (BCBS) or Capital Health Plan (CHP). The District contributes 87% of the premium for employee and dependent coverage and the employee contributes 13%. The District contributes 98% of the premium for senior management and dependent coverage and the senior manager contributes 2%. Retirees and their dependents have the option to stay on the plan after retirement but must pay 100% of the premium. The healthcare plan is a single-employer plan with the option of coverage with BCBS or CHP. The CHP participation is restricted by CHP depending on the county of residence.

Benefits Provided

In accordance with Chapter 112, Section 0801, Florida Statutes, the District allows its employees who have retired under the Florida Retirement System (FRS) to continue group insurance benefits for themselves and their dependents. The benefit levels are the same as those afforded to active employees. The District does not contribute to the premiums for the retirees but they do qualify for a premium contribution of up to \$150 per month from the FRS depending on years of service. Upon reaching the age of 65, Medicare becomes the primary insurer for CHP plan participants. BCBS participants are allowed to select either Medicare or the traditional plan.

Membership

At September 30, 2013, membership consisted of:

Active Employees	81
Inactive Employees	14

Funding Policy

Effective October 1, 2011, the District no longer contributes premiums for retired senior management employees or regular class employees. The District's Blue Cross and Blue Shield contract establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the District from separately rating retired employees and active employees. As a result, the District's premium charges to retired employees can be no more than the premium cost applicable to active employees.

Annual OPEB Costs, Net OPEB Obligation

The Employer's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the calculation of Annual Required Contribution and Net OPEB Obligation for the fiscal year ended September 30, 2013:

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Continued)

Note 11 - Other Postemployment Benefits (OPEB) Retiree Healthcare Plan (Continued)

Annual OPEB Costs, Net OPEB Obligation (Concluded)

Annual Required Contribution (ARC)	\$ 143,667
Net OPEB Obligation (NOO) at Beginning of Year	30,968
Interest on Net OPEB Obligation	929
Adjustment to Annual Required Contribution (ARC)	(2,283)
Annual OPEB Cost (Expense)	142,313
Employer Contributions Made	114,672
Increase (Decrease) in Net OPEB Obligation	27,641
Net OPEB Obligation (NOO) at the End of Year	58,609

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions Toward the OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2013	\$ 142,313	\$ 114,672	81%	\$ 58,609
09/30/2012	74,524	58,400	78%	30,968
09/30/2011	73,407	58,563	80%	14,844

Funded Status and Funding Progress

The funded status of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2013	\$ 0	\$ 1,673,612	\$ 1,673,612	0.00%	\$ 4,663,252	36%
9/30/2011	0	862,511	862,511	0.00%	6,248,982	14%
9/30/2010	0	3,192,967	3,192,967	0.00%	6,041,315	56%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(Concluded)

Note 11 - Other Postemployment Benefits (OPEB) Retiree Healthcare Plan (Concluded)

Methods and Assumptions

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

Because the plan has fewer the 100 members, it meets the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, to use the alternative measurement method. This method allows the District to use a simplified model for estimating the OPEB liability. Actuarial methods and assumptions using the alternative measurement method include the following:

Actuarial Valuation Date:	September 30, 2013
Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Amortization Period:	15 Years
Asset Valuation Method:	Unfunded
Discount Rate:	3.0%
Price Inflation Rate:	2.8%
Payroll Growth Rate:	1.5%
Health Care Trend Rate:	6.9% Initial Trend Rate Dropping to 3% Ultimate Trend Rate After 10 years

Note 12 - Mitigation Bank Financial Responsibility Assurances

The District is authorized by Chapter 373, Section 4136, Florida Statutes, to permit the establishment of mitigation banks. As part of the permit application, the establishment of a mitigation bank is required to demonstrate the financial ability to conduct the mitigation activities, any necessary management of the site, monitoring of the mitigation, and any necessary correction action indicated by the monitoring. The mitigation banks can provide the demonstrated financial assurance by obtaining a surety bond, performance bond, irrevocable letter of credit, or establishing a trust fund. If a bond or an irrevocable letter of credit is used, a standby trust fund shall be established in which all payments under the bonds or letters of credit shall be directly deposited. If the mitigation bank fails to comply with the terms and conditions of the permit, the District may draw upon the financial assurance provided by the mitigation bank. As of September 30, 2013, the District had \$0 of financial assurances provided by the various mitigation banks.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 3,287,425	\$ 3,287,425	\$ 3,139,750	\$ (147,675)
Investment Income	88,553	88,553	115,698	27,145
Miscellaneous	50,000	50,000	1,409	(48,591)
Total Revenues	3,425,978	3,425,978	3,256,857	(169,121)
Expenditures				
Salaries	1,607,517	1,589,220	1,380,307	208,913
Employee Benefits	614,867	608,912	453,191	155,721
Professional/Contractual Services	470,981	475,981	136,291	339,690
Services	734,295	710,713	535,209	175,504
Commodities	154,686	151,289	53,936	97,353
Capital Outlay	90,100	90,100	5,475	84,625
Grants and Aids	2,130,500	2,130,500	341,785	1,788,715
Administrative Overhead Allocated	0	0	(2,178,641)	2,178,641
(Total Expenditures)	(5,802,946)	(5,756,715)	(727,553)	5,029,162
Excess of Revenues Over Expenditures	(2,376,968)	(2,330,737)	2,529,304	4,860,041
Other Financing Sources (Uses)				
Sale of General Fixed Assets	0	0	442	442
Transfers in	2,143,478	2,143,478	21,064	(2,122,414)
Transfers (out)	(2,634,632)	(3,715,222)	(3,417,023)	298,199
Total Other Financing Sources (Uses)	(491,154)	(1,571,744)	(3,395,517)	(1,823,773)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(2,868,122)	(3,902,481)	(866,213)	3,036,268
Fund Balance, Beginning of Year	34,154,901	34,154,901	34,154,901	0
Fund Balance, End of Year	\$ 31,286,779	\$ 30,252,420	\$ 33,288,688	\$ 3,036,268

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

Surface Water Improvement and Management Fund			
	Budgeted Amounts		Variance With
	Original	Final	Final Budget
			Positive
			(Negative)
Revenues			
Intergovernmental	\$ 1,267,787	\$ 1,448,213	\$ 634,373
Investment Income	0	0	21,064
Total Revenues	<u>1,267,787</u>	<u>1,448,213</u>	<u>655,437</u>
			<u>(792,776)</u>
Expenditures			
Salaries	278,926	495,902	457,796
Employee Benefits	95,373	175,373	145,554
Professional/Contractual Services	559,500	747,625	245,335
Services	14,560	49,714	15,081
Commodities	21,670	101,628	80,983
Capital Outlay	56,350	157,150	64,323
Grants and Aids	280,000	461,500	140,311
Administrative Overhead Allocated	122,263	122,263	246,697
(Total Expenditures)	<u>(1,428,642)</u>	<u>(2,311,155)</u>	<u>(1,396,080)</u>
			<u>915,075</u>
(Deficiency) of Revenues (Under)			
Expenditures	<u>(160,855)</u>	<u>(862,942)</u>	<u>(740,643)</u>
			<u>122,299</u>
Other Financing Sources (Uses)			
Transfers in	160,855	862,942	761,707
Transfers (out)	0	0	(21,064)
Total Other Financing Sources (Uses)	<u>160,855</u>	<u>862,942</u>	<u>740,643</u>
			<u>(122,299)</u>
Excess (Deficiency) of Revenues and Other			
Financing Sources Over (Under)	0	0	0
Expenditures and Other Financing (Uses)	0	0	0
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

	Projects Fund			Variance With Final Budget
	Budgeted Amounts		Actual Amounts	Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 171,202	\$ 212,580	\$ 204,587	\$ (7,993)
Federal Grants	3,793,421	3,312,696	1,254,022	(2,058,674)
Total Revenues	3,964,623	3,525,276	1,458,609	(2,066,667)
Expenditures				
Salaries	1,094,808	936,282	775,185	161,097
Employee Benefits	394,123	327,469	244,858	82,611
Professional/Contractual Services	2,340,800	2,277,000	748,478	1,528,522
Services	134,609	160,646	54,531	106,115
Commodities	121,896	145,040	36,760	108,280
Capital Outlay	53,350	121,840	21,362	100,478
Administrative Overhead Allocated	481,237	481,237	416,791	64,446
(Total Expenditures)	(4,620,823)	(4,449,514)	(2,297,965)	2,151,549
(Deficiency) of Revenues (Under)				
Expenditures	(656,200)	(924,238)	(839,356)	84,882
Other Financing Sources (Uses)				
Transfers in	656,200	924,238	839,356	(84,882)
Total Other Financing Sources (Uses)	656,200	924,238	839,356	(84,882)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)				
Expenditures and Other Financing (Uses)	0	0	0	0
Fund Balance, Beginning of Year	0	0	0	0
Fund Balance, End of Year	\$ 0	\$ 0	\$ 0	\$ 0

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

	Lands Management Fund			
	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Timber Sales	\$ 2,000,000	\$ 2,000,000	\$ 1,822,661	\$ (177,339)
Intergovernmental	975,008	975,008	466,463	(508,545)
Investment Income	29,053	29,053	29,761	708
Miscellaneous	107,957	107,957	71,529	(36,428)
Total Revenues	3,112,018	3,112,018	2,390,414	(721,604)
Expenditures				
Salaries	691,582	775,810	732,495	43,315
Employee Benefits	272,304	283,821	291,479	(7,658)
Professional/Contractual Services	1,184,078	1,284,078	799,582	484,496
Services	354,850	358,889	271,003	87,886
Commodities	669,350	669,350	217,337	452,013
Capital Outlay	251,500	251,500	94,185	157,315
Grants and Aids	42,000	42,000	10,724	31,276
Administrative Overhead Allocated	366,472	366,472	418,854	(52,382)
(Total Expenditures)	(3,832,136)	(4,031,920)	(2,835,659)	1,196,261
(Deficiency) of Revenues (Under)				
Expenditures	(720,118)	(919,902)	(445,245)	474,657
Other Financing Sources (Uses)				
Transfers in	0	0	5,993	5,993
Total Other Financing Sources (Uses)	0	0	5,993	5,993
(Deficiency) of Revenues and Other				
Financing Sources (Under)				
Expenditures and Other Financing (Uses)	(720,118)	(919,902)	(439,252)	480,650
Fund Balance, Beginning of Year	8,882,193	8,882,193	8,882,193	0
Fund Balance, End of Year	\$ 8,162,075	\$ 7,962,291	\$ 8,442,941	\$ 480,650

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 6,217,100	\$ 6,517,100	\$ 396,500	\$ (6,120,600)
Investment Income (Loss)	7,741	7,741	12,357	4,616
Miscellaneous	0	0	7,537	7,537
Total Revenues	6,224,841	6,524,841	416,394	(6,108,447)
Expenditures				
Salaries	23,463	8,551	7,401	1,150
Employee Benefits	9,520	3,837	3,259	578
Professional/Contractual Services	249,400	249,400	115,793	133,607
Services	3,600	3,600	368	3,232
Capital Outlay	0	15,000	15,000	0
Grants and Aids	6,056,200	6,356,200	300,000	6,056,200
Administrative Overhead Allocated	12,533	12,533	4,398	8,135
(Total Expenditures)	(6,354,716)	(6,649,121)	(446,219)	6,202,902
(Deficiency) of Revenues (Under)				
Expenditures	(129,875)	(124,280)	(29,825)	94,455
Other Financing Sources (Uses)				
Transfers in	0	0	7,909	7,909
Total Other Financing Sources (Uses)	0	0	7,909	7,909
(Deficiency) of Revenues and Other Financing Sources (Under)				
Expenditures and Other Financing (Uses)	(129,875)	(124,280)	(21,916)	102,364
Fund Balance, Beginning of Year	646,331	646,331	646,331	0
Fund Balance, End of Year	\$ 516,456	\$ 522,051	\$ 624,415	\$ 102,364

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Continued)**

	Regulation Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and Permits	\$ 358,500	\$ 358,500	\$ 301,800	\$ (56,700)
Intergovernmental	2,211,231	2,211,231	1,107,296	(1,103,935)
Investment Income (Loss)	0	0	4,853	4,853
Miscellaneous	43,000	43,000	6,115	(36,885)
Total Revenues	2,612,731	2,612,731	1,420,064	(1,192,667)
Expenditures				
Salaries	1,887,909	1,855,876	1,704,643	151,233
Employee Benefits	695,881	734,600	646,369	88,231
Professional/Contractual Services	215,800	190,800	159,241	31,559
Services	374,920	441,106	401,715	39,391
Commodities	88,900	69,657	49,649	20,008
Capital Outlay	22,000	13,535	7,138	6,397
Administrative Overhead Allocated	981,840	981,840	954,290	27,550
(Total Expenditures)	(4,267,250)	(4,287,414)	(3,923,045)	364,369
(Deficiency) of Revenues (Under)				
Expenditures	(1,654,519)	(1,674,683)	(2,502,981)	(828,298)
Other Financing Sources (Uses)				
Transfers in	1,817,577	1,928,042	1,802,058	(125,984)
Total Other Financing Sources (Uses)	1,817,577	1,928,042	1,802,058	(125,984)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)				
Expenditures and Other Financing (Uses)	163,058	253,359	(700,923)	(954,282)
Fund Balance, Beginning of Year	1,779,107	1,779,107	1,779,107	0
Fund Balance, End of Year	\$ 1,942,165	\$ 2,032,466	\$ 1,078,184	\$ (954,282)

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Concluded)**

	Mitigation Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 633,366	\$ 950,366	\$ 858,365	\$ (92,001)
Federal Grants	0	0	417,882	417,882
Investment Income (Loss)	40,800	40,800	55,739	14,939
Miscellaneous	0	0	67,900	67,900
Total Revenues	674,166	991,166	1,399,886	408,720
Expenditures				
Salaries	406,152	291,076	254,425	36,651
Employee Benefits	151,061	136,757	84,715	52,042
Professional/Contractual Services	1,969,991	2,049,191	478,578	1,570,613
Services	84,019	88,750	8,962	79,788
Commodities	244,200	476,000	311,119	164,881
Capital Outlay	605,000	611,000	68,736	542,264
Administrative Overhead Allocated	179,133	179,133	137,613	41,520
(Total Expenditures)	(3,639,556)	(3,831,907)	(1,344,148)	2,487,759
(Deficiency) of Revenues (Under)				
Expenditures	(2,965,390)	(2,840,741)	55,738	2,896,479
Excess of Revenues and Other				
Financing Sources Over				
Expenditures and Other Financing (Uses)	(2,965,390)	(2,840,741)	55,738	2,896,479
Fund Balance, Beginning of Year	1,324,133	1,324,133	1,324,133	0
Fund Balance, End of Year	\$ (1,641,257)	\$ (1,516,608)	\$ 1,379,871	\$ 2,896,479

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013**

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end.

The Board generally follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with Florida Statutes, as amended July 1, 2012, prior to January 15 of each year, Water Management Districts must submit a Preliminary budget for the next fiscal year for legislative review. The preliminary budget will be used as the basis for developing the tentative budget. The tentative budget must be submitted to the District's Governing Board prior to July 15 and to the Executive Office of the Governor (EOG) and Legislature no later than August 1. The tentative budget proposes the operating budget for the fiscal year commencing the following October 1. The budget included the proposed expenditures and the means of financing them for the upcoming year, along with the estimates for the current year and actual data for the prior year.

The budget is prepared at the Program and Activity level per the requirements of s. 373.536, Florida Statutes and presented to the Board by fund and budget category as required by Chapters 373 and 189, Florida Statutes.

- Public hearings are conducted to allow for taxpayer comment.
- Prior to September 30, the budget is legally enacted through adoption of a resolution by the District's Governing Board in a public hearing.
- The Director of Administration is required by the District to present a monthly financial report and schedule of disbursements to the Board.
- Revisions that alter the total expenditures of any fund or increase an activity by a cumulative amount in excess of \$1,000,000 must be approved by the Executive Office of the Governor and noticed to the Legislative Budget Commission prior to noticing the budget amendment for a District's Governing Board meeting. Budget amendments must be approved under the requirement of Chapter 373 and 189, Florida Statutes.
- Formal budgetary integration is employed as a management control device during the year.
- Budgets for the governmental fund types are presented on a basis consistent with accounting principles generally accepted in the United States of America.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)
RETIREE HEALTHCARE PLAN
SEPTEMBER 30, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as Percentage of Covered Payroll
09/30/2013	\$ 0	\$ 1,673,612	\$ 1,673,612	0.0%	\$ 4,663,252	36%
09/30/2011	0	862,511	862,511	0.0%	6,248,982	14%
09/30/2010	0	3,192,967	3,192,967	0.0%	6,041,315	56%

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions Toward the OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2013	\$ 142,313	\$ 114,672	81%	\$ 58,609
09/30/2012	74,524	58,400	78%	30,968
09/30/2011	73,407	58,563	80%	14,844
09/30/2010	306,907	191,916	63%	114,991

ADDITIONAL INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OFFICIALS
SEPTEMBER 30, 2013**

GOVERNING BOARD MEMBERS

George Roberts, Chairman

Jerry Pate, Vice Chairman

John Alter

Gus Andrews

Stephanie Bloyd

Gary Clark

Jon Costello

Nicholas Patronis

Bo Spring

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/Pass-Through Grantor/ Grant Program	CFDA Number	Grant ID Number	Expenditures
Federal Awards			
U.S. Department of Homeland Security			
Cooperating Technical Partners	97.045	EMA-2008-CA-5886	\$ 117,719
Cooperating Technical Partners	97.045	EMA-2009-CA-5937	497,554
Cooperating Technical Partners	97.045	EMA-2010-CA-5085	64,321
Cooperating Technical Partners	97.045	EMA-2011-CA-5142	152,204
Cooperating Technical Partners	97.045	EMA-2012-CA-5261	32,369
			<u>864,167</u>
Passed through the State of Florida, Division of Emergency Management			
Hazard Mitigation Grant	97.039	11HF-5A-13-00-16-3446	<u>44,452</u>
Total U.S. Department of Homeland Security			<u>908,619</u>
U.S. Environmental Protection Agency			
U.S. Department of Commerce, National Oceanic and Atmospheric Administration Passed through the University of Southern Mississippi			
Habitat Conservation	11.463	NA10NMF4630080	<u>35,566</u>
U.S. Environmental Protection Agency			
Passed through State of Florida Department of Protection:			
Water Quality Management Planning	66.454	G0330	<u>115,422</u>
Water Pollution Control State, Interstate, and Tribal Program Support	66.605	G0154 & G00368	<u>188,176</u>
Total U.S. Environmental Protection Agency			<u>339,164</u>
U.S. Department of Transportation			
Passed through State of Florida Department of Transportation:			
Highway Planning and Construction	20.205		417,881
Highway Planning and Construction	20.205	BDN58	<u>6,240</u>
			<u>424,121</u>
Total Federal Expenditures			<u><u>\$ 1,671,904</u></u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Concluded)**

<u>State Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Grantor Number</u>	<u>Expenditures</u>
State Financial Assistance			
State of Florida Department of Transportation			
Mitigation Water Management Districts	55.031		\$ 858,365
State of Florida Department of Environmental Protection			
Water Management Districts - Land Acquisition			
Water Management Lands Trust Fund	37.002		1,680,118
Water Management Districts - Land Acquisition			
Florida Forever Trust Fund	37.022		396,500
			<u>2,076,618</u>
State-wide Surface Water Restoration and			
Wastewater Projects	37.039		<u>504,373</u>
MOEX Funding	37.082		<u>18,762</u>
Total Department of Environmental Protection			<u>2,599,753</u>
State of Florida Department of State			
Historic Preservation Grant	45.031		<u>23,641</u>
Total State Financial Assistance			<u>\$ 3,481,759</u>
Total Federal Awards and State Financial Assistance			<u>\$ 5,153,663</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2013**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State Award activity of the Northwest Florida Water Management District, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Sub-recipients

Of the Federal and State expenses presented in this schedule, Northwest Florida Water Management District provided State Financial Assistance to sub-recipients as follows:

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Amount Provided to Sub-recipients</u>
Florida Forever Trust Fund	37.022	\$ 300,000

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

To the Honorable Governing Board
Northwest Florida Water Management District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Northwest Florida Water Management District, (the District) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting. 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 District'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 over financial reporting 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 significant material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Certified Public Accountants

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To the Honorable Governing Board
Northwest Florida Water Management District

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Concluded)**

Compliance and Other Matters (Concluded)

We noted certain other matters that we reported to management of the District in our separate management letter dated February 21, 2014.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 21, 2014
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Governing Board
Northwest Florida Water Management District

Report on Compliance for Each Major Federal Program and State Project

We have audited Northwest Florida Water Management District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, and the requirements described in the State of Florida, Department of Financial Services State Projects, *Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended September 30, 2013. The District's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Each Major Federal Program and State Project

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Certified Public Accountants

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To the Honorable Governing Board
Northwest Florida Water Management District

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA
(Concluded)**

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 21, 2014
Tallahassee, Florida

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013**

1. Summary of Audit Results

Financial Statements

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion.

II. Significant Deficiency and/or Material Weaknesses in Internal Control

Audit disclosed no significant deficiencies in internal control over financial reporting.

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

Federal Awards Programs

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Awards Programs or State Projects

Audit disclosed no significant deficiencies and/or material weaknesses in internal control over major federal award programs or state projects that are required to be reported in the schedule of findings and questioned costs.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Awards Programs and State Projects

Unmodified Opinion.

VI. Audit Findings Relative to Major Programs and State Projects

The audit disclosed no findings required to be reported in under Section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

VII. Programs Tested as Major Federal Awards Programs and State Projects Included:

■ Federal Programs	<u>CFDA No.</u>
● Cooperating Technical Partners	97.045
■ State Projects	<u>CFSA No.</u>
● Water Management Districts – Land Acquisition	37.022

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs

\$300,000

IX. Low Risk Auditee

The District qualified as a low-risk auditee pursuant to OMB Circular A-133.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013
(Concluded)

2. Findings Related to the Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

The audit disclosed no findings, which are required to be reported under GAGAS.

3. Findings and Questioned Costs for Major Federal Awards Programs and State Projects

The audit disclosed no findings for federal awards programs, which are required to be reported under OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

4. Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

MANAGEMENT LETTER

To the Honorable Governing Board
Northwest Florida Water Management District

We have audited the financial statements of Northwest Florida Water Management District (the District) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated February 21, 2014.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance For Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, *Rules of The Auditor General of The State of Florida*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 21, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General, of the State of Florida*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General of the State of Florida*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General of the State of Florida*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General of the State of Florida*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we offer the following recommendation:

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To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Continued)

2013-1—Information Technology Policies and Procedures

As part of our audit, we performed a limited review of Information Technology (IT) policies and related controls in order to identify any risks that may have a material effect on the financial statements. As part of this review, we recommend the District implement a formal, comprehensive set of IT policies and procedures that describe the process, policies, procedures and controls over the following areas at a minimum:

- User Access to Financial Applications
- Program Change Process (includes updates to applications, configuration changes, report changes, etc.)
- Password and Security Settings
- Back-up Procedures and Disaster Recovery Planning

These procedures should be reviewed periodically and evaluated against an established IT General Control framework, such as the IT Governance Institute's Control Objectives for IT (COBIT) framework. As part of this process, the District should establish and formalize a policy review process, which includes annual review, management approval, and criteria for redistribution of policies upon change.

- Section 10.554(1)(i)4., *Rules of the Auditor General of the State of Florida*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General of the State of Florida*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General of the State of Florida*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General of the State of Florida*, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Concluded)

- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General of the State of Florida*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Pursuant to Section 215.985(12), Florida Statutes, and Section 10.554(1)(i)9, *Rules of the Auditor General of the State of Florida*, the District provided monthly financial statements to its Governing Board and made such monthly statements available for public access on its web site.

This letter is intended solely for the information and use of the Board of Governors, management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal and state granting agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

February 21, 2014
Tallahassee, Florida



Jonathan P. Stevenson
Executive Director

Northwest Florida Water Management District

81 Water Management Drive, Havana, Florida 32333-4712

(U.S. Highway 90, 10 miles west of Tallahassee)

Phone: (850) 539-5999 • Fax: (850) 539-2777

February 21, 2014

Mr. David W. Martin, CPA, Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32333-4712

September 30, 2013 Financial Statement Audit

Finding: 2013-1 Information Technology Policies and Procedures

As part of the audit, we performed limited review of Information Technology (IT) controls in order to identify any risks that may have a material effect on the financial statements. As part of this process, we recommend the District implement a formal, comprehensive set of IT policies and procedures that describe the process, policies, procedures and controls over the following areas at a minimum:

- User access to financial applications
- Program change process (includes updates to applications, configuration changes, report changes, etc.)
- Password and security settings
- Back-up procedures and disaster recovery planning

These procedures should be reviewed periodically and evaluated against an established IT General Control framework, such as the IT Governance Institute's Control Objectives for IT (COBIT) framework. As part of this process, the District should establish and formalize a policy review process which includes annual review, management approval and criteria for redistribution of policies upon change.

District Response:

District management concurs with the importance of comprehensive IT policies and procedures and the periodic review of the procedures to ensure they meet a changing environment and needs.

The IT Chief position was vacated in July 2012. After a lengthy search a new Chief of Information Technology joined the District in August 2013. The written policies and controls were outdated and significantly deficient at that time. The new IT Chief has significant experience in IT Governance, Risk and Compliance and holds a Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC) certifications from ISACA. The new IT Chief is conducting a comprehensive evaluation of existing controls, identification of missing controls, completing a gap analysis and implementing a remediation plan. The new controls will be based on COBIT/COSO framework and will include logical access, physical access, security configuration, change control, backup, DR and other controls as deemed necessary.

The Chief of Accounting is responsible for user access to financial applications, where controls are in place further documentation will be developed to enhance the controls as well as a process for monitoring user access and usage.

Signature: _____

Title: Executive Director

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Chair
Panama City

JERRY PATE
Vice Chair
Pensacola

JOHN ALTER
Malone

GUS ANDREWS
DeFuniak Springs

STEPHANIE BLOYD
Panama City Beach

GARY CLARK
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JON COSTELLO
Tallahassee

NICK PATRONIS
Panama City Beach

BO SPRING
Port Saint Joe