

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
TABLE OF CONTENTS
SEPTEMBER 30, 2012**

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10 – 11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12 – 13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15 – 35
Required Supplementary Information	36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Governmental Funds	37 – 44
Note to Required Supplementary Information	45
Other Post–Employment Benefit Plan Retiree Healthcare Plan Schedule of Funding Progress and Schedule of Employer Contributions	46
Additional Information	47
Officials	48
Schedule of Expenditures of Federal Awards and State Financial Assistance	49 – 50
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	51
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Accounting Standards	52 – 53
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules the of State of Florida, Office of the Auditor General	54 – 55
Schedule of Findings and Questioned Costs – Federal Programs and State Projects	56 – 57
Independent Auditors' Management Letter Required By Chapter 10.550, Rules of the State of Florida, Office of the Auditor General	58 – 59

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Florida Water Management District, a component unit of the State of Florida, as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northwest Florida Water Management District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Northwest Florida Water Management District, as of September 30, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report April 26, 2013, on our consideration of Northwest Florida Water Management 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* and should be considered in assessing the results of our audit.

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and other post-employment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions on pages 3 – 7, 37 – 44, and 46 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwest Florida Water Management District's financial statements as a whole. 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, and is also not a required part of the 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.

James Moore & Co., P.L.C.

Tallahassee, Florida
April 26, 2013

Management's 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, 2012.

Financial Highlights

- The assets of the Northwest Florida Water Management District exceeded its liabilities at the close of the most recent fiscal year by \$225,189,584 (*net assets*). Of this amount, \$43,104,921 (*unrestricted net assets*) 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 \$46,786,665, a decrease of \$5,322,537.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$830,790 and assigned fund balance was \$9,518,905.

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 assets presents information on all of the Northwest Florida Water Management District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

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 basic governmental fund financial statements can be found on pages 10 – 14 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 15 – 35 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 37 – 44.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$225,189,584 at the close of the most recent fiscal year.

By far the largest portion of the Northwest Florida Water Management District's net assets (79 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 ASSETS

	2012	2011
Current and other assets	\$ 75,322,100	\$ 81,168,720
Capital assets		
Land and other improvements	174,306,166	174,201,275
Other capital assets, net of depreciation	4,675,257	4,928,874
Total assets	254,303,523	260,298,869
Long-term liabilities outstanding	578,504	658,202
Other liabilities	28,535,435	29,059,518
Total liabilities	29,113,939	29,717,720
Net assets		
Invested in capital assets	178,981,423	179,130,149
Restricted	3,103,240	4,348,866
Unrestricted	43,104,921	47,102,134
Total net assets	\$ 225,189,584	\$ 230,581,149

An additional portion of the Northwest Florida Water Management District's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$43,104,921) 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 assets.

Governmental activities. Governmental activities decreased Northwest Florida Water Management District's net assets by \$5,391,565. A key element of this decrease was decreased revenue from the State of Florida resulting in the use of fund balance.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT'S CHANGE IN
NET ASSETS**

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 486,752	\$ 492,600
Operating grants and contributions	11,439,638	11,870,886
Capital grants and contributions	-	6,450,423
General revenues:		
Property taxes	3,227,919	3,788,875
Grants and contributions not restricted to specific programs	217,717	783,695
Other	1,195,510	851,242
Total revenues	16,567,536	24,237,721
Expenses:		
Water resources planning and monitoring	3,105,764	3,418,023
Acquisition, restoration and public works	8,745,535	3,012,475
Operation and maintenance of lands and works	2,795,801	3,930,954
Regulation	3,401,621	4,435,973
Outreach	102,228	95,106
Administration	3,808,152	5,508,993
Total expenses	21,959,101	20,401,524
Change in net assets	(5,391,565)	3,836,197
Net assets, beginning of year	230,581,149	226,744,952
Net assets, ending of year	\$ 225,189,584	\$ 230,581,149

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 \$46,786,665, a decrease of \$5,322,537 in comparison with the prior year. Approximately \$830,000 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.

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 \$830,790 and total fund balance of the general fund was \$34,154,901.

The fund balance of the Northwest Florida Water Management District's general fund decreased by \$4,303,886 during the current fiscal year. The key factor in this decrease was due to the significant 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, 2012, amounts to \$178,981,423 (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 III.C. on page 26 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 for the fiscal year decreased from 0.045 mills in FY 2010–2011 to 0.040 mills in FY 2011–2012, and is expected to remain unchanged in the near term. While taxable values declined again in FY 2011–2012, the rate of decline slowed.
3. In fiscal year 2010-2011 the District was appropriated \$6,100,000 from the State Water Management Lands Trust Fund, for fiscal year 2011-2012 only \$360,000 was appropriated and in fiscal year 2012-2013 \$1,800,000 for the Environmental Resource Permitting program was appropriated in addition to the \$360,000.
4. The District has accumulated resources over the past fiscal years and is spending down those resources for operations and for water resource or 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, FL 32333.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

		<u>Governmental Activities</u>
Assets		
Cash and cash equivalents		\$ 477,285
Investments		71,209,351
Receivables		3,621,708
Other assets		13,756
Capital assets		
Land and improvements	155,253,942	
Capital easements	18,823,620	
Construction in progress	228,604	
Other capital assets, net of depreciation	<u>4,675,257</u>	178,981,423
Total Assets		<u><u>254,303,523</u></u>
Liabilities		
Accounts payable and accrued expenses		1,280,359
Unearned revenue		27,166,795
Deposits		88,281
Long-term liabilities		
Due within one year		547,536
Due in more than one year		<u>30,968</u>
Total Liabilities		<u><u>29,113,939</u></u>
Net Assets		
Invested in capital assets		178,981,423
Restricted for:		
Regulatory permitting, licensing and enforcement activities		1,779,107
Mitigation projects		1,324,133
Unrestricted		43,104,921
Total Net Assets		<u><u>\$ 225,189,584</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Programs/Function</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
Water resources planning and monitoring	\$ 3,105,764	\$ -	\$ 3,383,394	\$ -	\$ 277,630
Acquisition, restoration and public works	8,745,535	-	4,683,853	-	(4,061,682)
Operation and maintenance of lands and works	2,795,801	-	2,991,759	-	195,958
Regulation	3,401,621	486,752	321,981	-	(2,592,888)
Outreach	102,228	-	58,651	-	(43,577)
Administration	3,808,152	-	-	-	(3,808,152)
Total governmental activities	<u>\$ 21,959,101</u>	<u>\$ 486,752</u>	<u>\$ 11,439,638</u>	<u>\$ -</u>	<u>(10,032,711)</u>
General revenues:					
Property taxes					3,227,919
Unrestricted investment earnings					217,717
Miscellaneous					<u>1,195,510</u>
Total general revenues					<u>4,641,146</u>
Changes in net assets					<u>(5,391,565)</u>
Net assets, beginning of year					230,581,149
Net assets, end of year					<u><u>\$ 225,189,584</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>Special Revenue Funds</u>							Total Governmental Funds	
	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		Capital Projects Fund
ASSETS									
Cash and cash equivalents	\$ 477,285	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,285
Investments	32,035,072	6,204,812	8,907,323	-	296,863	1,779,108	15,856,145	6,130,028	71,209,351
Accounts receivable	29,819	-	200,358	-	25,318	24,178	-	-	279,673
Due from other governments	-	172,364	-	1,355,414	1,732,135	80,977	-	1,145	3,342,035
Due from other funds	3,603,826	-	-	-	-	-	797,447	-	4,401,273
Deposits	13,756	-	-	-	-	-	-	-	13,756
Total Assets	<u>\$ 36,159,758</u>	<u>\$ 6,377,176</u>	<u>\$ 9,107,681</u>	<u>\$ 1,355,414</u>	<u>\$ 2,054,316</u>	<u>\$ 1,884,263</u>	<u>\$ 16,653,592</u>	<u>\$6,131,173</u>	<u>\$ 79,723,373</u>

The accompanying notes to financial statements
are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012
(Continued)**

	<u>Special Revenue Funds</u>							Total Governmental Funds	
	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		Capital Projects Fund
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 1,187,194	\$ -	\$ -	\$ -	\$ 600	\$ 1,223	\$ -	\$ -	\$ 1,189,017
Unearned revenue	-	6,096,594	16,000	1,396	271,347	-	15,303,366	5,478,092	27,166,795
Deposits	1,560	-	-	-	86,721	-	-	-	88,281
Due to other governments	18,656	10,095	-	-	13,293	17,600	26,093	5,605	91,342
Due to other funds	797,447	270,487	209,488	1,354,018	1,682,355	86,333	-	1,145	4,401,273
Total liabilities	<u>2,004,857</u>	<u>6,377,176</u>	<u>225,488</u>	<u>1,355,414</u>	<u>2,054,316</u>	<u>105,156</u>	<u>15,329,459</u>	<u>5,484,842</u>	<u>32,936,708</u>
Fund balances									
Restricted:									
Restricted for regulatory permitting, licensing and enforcement activities	-	-	-	-	-	1,779,107	-	-	1,779,107
Restricted for mitigation projects	-	-	-	-	-	-	1,324,133	-	1,324,133
Committed:									
Committed for land management, land acquisition, and capital improvements	-	-	8,882,193	-	-	-	-	646,331	9,528,524
Committed for water supply projects	20,750,456	-	-	-	-	-	-	-	20,750,456
Committed for economic stabilization fund	3,054,750	-	-	-	-	-	-	-	3,054,750
Assigned:									
Litigation and expert witnesses	800,000	-	-	-	-	-	-	-	800,000
Small community water supply	2,900,000	-	-	-	-	-	-	-	2,900,000
Subsequent years budget	1,646,224	-	-	-	-	-	-	-	1,646,224
MFLs & data collection & analysis	4,172,681	-	-	-	-	-	-	-	4,172,681
Unassigned	830,790	-	-	-	-	-	-	-	830,790
Total fund balances	<u>34,154,901</u>	<u>-</u>	<u>8,882,193</u>	<u>-</u>	<u>-</u>	<u>1,779,107</u>	<u>1,324,133</u>	<u>646,331</u>	<u>46,786,665</u>
Total Liabilities and Fund Balances	<u>\$ 36,159,758</u>	<u>\$ 6,377,176</u>	<u>\$ 9,107,681</u>	<u>\$ 1,355,414</u>	<u>\$ 2,054,316</u>	<u>\$ 1,884,263</u>	<u>\$ 16,653,592</u>	<u>\$ 6,131,173</u>	

Amounts reported for governmental activities in the statement of net assets are different because:
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds 178,981,423
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds (578,504)
Net assets of governmental activities \$ 225,189,584

The accompanying notes to financial statements are an integral part of this statement.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue Funds								
	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund	Capital Projects Fund	Total Governmental Funds
Revenues									
Property taxes	\$ 3,227,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,227,919
Permits and licenses	-	-	-	-	-	421,605	-	-	421,605
Timber sales	-	-	836,511	-	-	-	-	-	836,511
Intergovernmental revenue	-	797,466	-	784,976	2,991,759	321,982	1,168,518	90,070	6,154,771
Federal grants	-	-	-	2,754,933	-	-	2,529,936	-	5,284,869
Investment income	217,716	46,075	47,049	-	1,734	5,773	87,440	29,902	435,689
Miscellaneous revenue	704	-	5,489	-	32,205	35,200	34,593	-	108,191
Total revenues	<u>3,446,339</u>	<u>843,541</u>	<u>889,049</u>	<u>3,539,909</u>	<u>3,025,698</u>	<u>784,560</u>	<u>3,820,487</u>	<u>119,972</u>	<u>16,469,555</u>
Expenditures									
Salaries	1,975,712	293,797	-	758,572	656,583	1,961,950	360,566	14,374	6,021,554
Employee benefits	1,224,165	61,227	-	141,418	161,895	430,356	63,808	1,984	2,084,853
Professional/contractual services	201,609	137,580	-	1,850,549	1,124,462	222,004	606,990	59,682	4,202,876
Services	618,398	8,467	-	24,424	237,623	679,313	7,745	-	1,575,970
Commodities	187,586	19,146	-	73,017	248,259	57,372	2,365,004	-	2,950,384
Capital outlay	67,729	12,503	-	177,631	58,489	-	7,999	-	324,351
Grants and aids	4,677,450	30,000	-	-	22,637	-	-	-	4,730,087
Administrative overhead allocated	(2,124,503)	152,044	-	398,119	341,499	1,032,483	192,118	8,240	-
Secondary fringe allocated	(1,310,601)	88,752	-	253,352	194,604	639,284	128,817	5,792	-
Total expenditures	<u>5,517,545</u>	<u>803,516</u>	<u>-</u>	<u>3,677,082</u>	<u>3,046,051</u>	<u>5,022,762</u>	<u>3,733,047</u>	<u>90,072</u>	<u>21,890,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,071,206)</u>	<u>40,025</u>	<u>889,049</u>	<u>(137,173)</u>	<u>(20,353)</u>	<u>(4,238,202)</u>	<u>87,440</u>	<u>29,900</u>	<u>(5,420,520)</u>

The accompanying notes to financial statements
are an integral part of this statement.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012
 (Continued)

	Special Revenue Funds							Total Governmental Funds	
	General Fund	Surface Water Improvement and Management Fund	Lands Fees Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		Capital Projects Fund
Other financing sources (uses)									
Sale of general fixed assets	\$ 51,721	\$ -	\$ -	\$ -	\$ 22,088	\$ 24,174	\$ -	\$ -	\$ 97,983
Operating transfers in	601,861	6,050	-	172,132	-	2,880,212	-	-	3,660,255
Operating transfers out	(2,886,262)	(46,075)	-	(34,959)	(2,160)	-	-	(690,799)	(3,660,255)
Total other financing sources (uses)	(2,232,680)	(40,025)	-	137,173	19,928	2,904,386	-	(690,799)	97,983
Excess of revenues and other financing sources over expenditures and other financing uses	(4,303,886)	-	889,049	-	(425)	(1,333,816)	87,440	(660,899)	(5,322,537)
Fund balances, beginning of year	38,458,787	-	7,993,144	-	425	3,112,923	1,236,693	1,307,230	52,109,202
Fund balances, end of year	<u>\$ 34,154,901</u>	<u>\$ -</u>	<u>\$ 8,882,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,779,107</u>	<u>\$ 1,324,133</u>	<u>\$ 646,331</u>	<u>\$ 46,786,665</u>

The accompanying notes to financial statements
are an integral part of this statement.

**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, 2012**

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Net change in fund balance - total governmental funds (page 13)		\$ (5,322,537)
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	522,116	
Current year depreciation	(592,568)	(70,452)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		
		(78,272)
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.		
		79,696
Changes in net assets of governmental activities (page 9)		<u>\$ (5,391,565)</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. 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.

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. 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. Summary of Significant Accounting Policies: (Continued)

B. Financial Reporting Structure

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 non-major funds.

The Districts transactions are recorded in the following fund types:

The *General Fund* is the principal operating fund used to account for most of the District's general activities.

Special Revenue Funds account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.

The *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, 2012**

I. Summary of Significant Accounting Policies: (Continued)

Financial Reporting Structure (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The *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.

The *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 Improvement and Management Act created by the State of Florida Legislature.

The *Lands Fees Fund* accounts for revenue from sale of licenses, leases and right of way easements, timber sales and other revenues generated from District owned lands. Funds are transferred to other Lands division funds and used only for land acquisitions, land management activities or capital improvements on District owned lands. Beginning on October 1, 2013, the *Lands Fees Fund* will be eliminated and closed into the *Lands Management Fund*.

The *Projects Fund* accounts for all resource management projects and activities funded through dedicated revenue sources from grants and contracts with state, federal or local government entities or water utility authorities.

The *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.

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *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.

The *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.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. 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. Non-exchange 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 so 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

D. Assets, Liabilities and Equity

1. 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.

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.

2. 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. 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 2011-2012 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 Collectors according to Florida Statute under the following calendar:

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Equity (Continued)

4. 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.

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

5. Long-term Obligations

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 assets.

6. 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Equity

Beginning with fiscal year 2011, the District 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, 2012.

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 \$3,103,240 in restricted resources as of September 30, 2012.

Committed fund balance—includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board. These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (ordinance or 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 and the District's Economic Stabilization Reserve. The District had \$33,333,730 in committed resources as of September 30, 2012.

Assigned fund balance—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 \$9,518,905 in assigned resources as of September 30, 2012.

Unassigned fund balance—includes the residual fund balance to provide for potential general fund deficiencies. The District had \$830,790 in unassigned resources as of September 30, 2012.

The District does not have a formal minimum fund balance policy. 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

I. Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Fund Equity (Continued)

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.

The District established an Economic Stabilization Reserve 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 the Economic Stabilization 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.

8. 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.

II. Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balances – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, are not due and payable in the current period and therefore are not reported in the fund.” The details of this difference are as follows:

Compensated absences	\$ 547,536
Other post-employment benefits	30,968
<i>Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities</i>	\$ 578,504

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

II. Reconciliation of Government-Wide and Fund Financial Statements: (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances (deficits) and the government-wide statement of activities

Another element of that reconciliation states that “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.” The details of this difference are as follows:

Compensated absences	\$ 95,820	
Other post-employment benefits	(16,124)	
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 79,696</td> </tr> </table>	\$ 79,696
\$ 79,696		

III. Detailed Notes On All Funds:

A. Deposits and Investments

Deposits. At year end, the District had carrying amounts of deposits of \$477,285 and bank balances of \$598,517. Of the bank balances, \$598,517, 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.

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 \$70,208,527 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. Detailed Notes On All Funds: (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

Investments of \$1,000,824 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 .94896811 at September 30, 2012.

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 and 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, 2012 was 39 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, 2012 was 4.08 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

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 a securities lending program in the fiscal year ending September 30, 2012.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. Detailed Notes On All Funds: (Continued)

B. Receivables

Receivables as of September 30, 2012 for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>SWIM Fund</u>	<u>Lands Fees Fund</u>	<u>Projects Fund</u>	<u>Lands Management Fund</u>	<u>Capital Projects Fund</u>	<u>Regulation Fund</u>	<u>Total</u>
Receivables:								
Accounts	\$ 29,819	\$ -	\$ 200,358	\$ -	\$ 25,318	\$ -	\$ 24,178	\$ 279,673
Intergovernmental	-	172,364	-	1,355,414	1,732,135	1,145	80,977	3,342,035
Gross receivables	<u>29,819</u>	<u>172,364</u>	<u>200,358</u>	<u>1,355,414</u>	<u>1,757,453</u>	<u>1,145</u>	<u>105,155</u>	<u>3,621,708</u>
Less: allowance for uncollectibles	-	-	-	-	-	-	-	-
Net total receivables	<u>\$ 29,819</u>	<u>\$ 172,364</u>	<u>\$ 200,358</u>	<u>\$ 1,355,414</u>	<u>\$ 1,757,453</u>	<u>\$ 1,145</u>	<u>\$ 105,155</u>	<u>\$3,621,708</u>

Governmental funds report deferred 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	\$ -	\$ 27,166,795
Total deferred/unearned revenue for governmental funds	<u>\$ -</u>	<u>\$ 27,166,795</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. Detailed Notes On All Funds: (Continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

<u>Governmental Activities</u>	<u>Balance 10/01/11</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Balance 09/30/12</u>
Capital assets, not being depreciated:					
Land	\$155,251,280	\$ 2,662	\$ -	\$ -	\$ 155,253,942
Capital easements	18,823,620	-	-	-	18,823,620
Construction in progress	126,375	102,229	-	-	228,604
Total capital assets, not being depreciated	<u>174,201,275</u>	<u>104,891</u>	<u>-</u>	<u>-</u>	<u>174,306,166</u>
Capital assets, being depreciated:					
Buildings and improvements	2,691,195	23,997	-	-	2,715,192
Infrastructure	1,663,935	94,575	-	-	1,758,510
Machinery and equipment	5,327,623	298,650	(428,968)	-	5,197,305
Total capital assets, being depreciated	<u>9,682,753</u>	<u>417,222</u>	<u>(428,968)</u>	<u>-</u>	<u>9,671,007</u>
Less accumulated depreciation for:					
Buildings and improvements	(914,413)	(79,873)	-	-	(994,286)
Infrastructure	(80,660)	(33,436)	-	-	(114,096)
Machinery and equipment	(3,758,806)	(479,258)	350,696	-	(3,887,368)
Total accumulated depreciation	<u>(4,753,879)</u>	<u>(592,567)</u>	<u>350,696</u>	<u>-</u>	<u>(4,995,750)</u>
Total capital assets being depreciated, net	<u>\$ 4,928,874</u>	<u>\$ (175,345)</u>	<u>\$ (78,272)</u>	<u>\$ -</u>	<u>\$ 4,675,257</u>

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

Governmental Activities:

Water resources planning and monitoring	\$ 85,632
Acquisition, restoration and public works	195
Operation and maintenance of lands and works	205,193
Regulation	50,625
Outreach	2,567
Administration	248,355
	<u>\$ 592,567</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. Detailed Notes On All Funds: (Continued)

D. Interfund Balances and Activity

Due to the General Fund from the Projects Fund for expenditures related to project activities.	\$ 1,354,018
Due to the General Fund from the Surface Water Improvement Fund for expenditures related to surface water improvement activities.	270,487
Due to the General Fund from the Lands Fees fund for expenditures related to District land activities.	209,488
Due to the General Fund from the Lands Management Fund for expenditures related to lands management activities.	1,682,355
Due to the General Fund from the Regulation Fund for expenditures related to District environmental resource permitting.	86,333
Due to the General Fund from the Capital Projects Fund for expenditures related to land acquisition activities.	1,145
Due to the Mitigation Fund from the General Fund for expenditures related to mitigation activities.	797,447
	<u>\$4,401,273</u>

Transfers To/From Other Funds

Transfers to/from other funds at September 30, 2012 consist of the following:

From the General Fund to the Surface Water Improvement Fund for expenditures related to surface water improvement activities.	\$ 6,050
From the SWIM Fund to the General Fund for expenditures related to operating activities.	46,075
From the Lands Management Fund to the General Fund for expenditures related to lands management activities.	2,160
From the Projects Fund to the General Fund for expenditures related to operating activities.	34,959
From the General Fund to the Regulation Fund for expenditures related to District environmental resource permitting.	2,880,212
From the Capital Projects Fund to the General Fund for expenditures related to project activities.	690,799
	<u>\$ 3,660,255</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

III. Detailed Notes On All Funds: (Continued)

E. Leases

The District is committed under noncancellable operating leases for office space. Expenditures related to these lease agreements amounted to \$308,397 during the year ended September 30, 2012. Future minimum lease payments for these leases for the next five years are as follows:

Year Ending September 30	Total
2013	\$ 111,258
2014	153,551
2015	153,551
2016	153,551
2017	153,551

F. Long-term Debt

Changes in Long-term Liabilities. Long term liability activity for the year ended September 30, 2012, was as follows:

	Balance 10/01/11	Additions	Deductions	Balance 09/30/12	Due within one year
Governmental activities					
Compensated absences	\$ 643,358	\$ 593,346	\$ 689,168	\$ 547,536	\$ 547,536
Other post-employment benefits	14,844	74,524	58,400	30,968	-
Total	\$ 658,202	\$ 667,870	\$ 747,568	\$ 578,504	\$ 547,536

IV. Other Information:

A. 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. Other Information: (Continued)

B. 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, if any, of expenditures 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.

C. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

D. Employee Retirement Systems and Plans

Statewide 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, F.S, 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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. Other Information: (Continued)

D. Employee Retirement Systems and Plans (Continued)

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 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, F.S. 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. Other Information: (Continued)

D. Employee Retirement Systems and Plans (Continued)

Funding Policy: Effective July 1, 2011, the District was required to contribute 4.91% for regular annual covered employee's salary, 6.27% for senior management annual covered employee's salary, and 4.42% for employees participating in the Deferred Retirement Option Program (DROP). Effective July 1, 2011, employees are required to make a 3% contribution toward their retirement account. 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). The contribution requirements of the District may be changed by the Florida Retirement System. For each of the three years ended September 30, 2012, 2011 and 2010, 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, 2012, 2011, and 2010 were \$302,028, \$643,290, and \$687,472, respectively.

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan:

The cost of post-employment 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 post-employment 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.

(a) 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%. 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.

(b) Benefits Provided:

In accordance with s. 112.0801, 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. Other Information: (Continued)

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan: (Continued)

(c) Membership:

At September 30, 2012, membership consisted of:

Active employees	90
Inactive employees	19

(d) 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.

(e) 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, 2012:

Annual Required Contribution (ARC)	\$	79,888
Net OPEB Obligation (NOO) at beginning of year		14,844
Interest on Net OPEB Obligation		3,895
Adjustment to Annual Required Contribution (ARC)		(9,260)
Annual OPEB Cost (Expense)		74,524
Employer Contributions Made		58,400
Increase (decrease) in Net OPEB Obligation		16,124
Net OPEB Obligation (NOO) at the end of the year		30,968

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	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 73,407	\$ 58,563	80%	\$ 14,844
9/30/2012	\$ 74,524	\$ 58,400	78%	\$ 30,968

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. Other Information: (Continued)

E. Other Post-Employment Benefits (OPEB) Retiree Healthcare Plan: (Continued)

(f) Funded Status and Funding Progress:

As of September 30, 2012, the plan assets were \$0, the actuarial accrued liability for benefits is \$862,511, the total unfunded actuarial liability is \$862,511, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$6,248,982, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14%.

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.

(g) 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.

A discount rate of 3.0% was used. A general price inflation of 2.80% was assumed. In addition, the Entry Age Normal Cost actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2012 was 14 years.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. Other Information: (Continued)

F. Mitigation Bank Financial Responsibility Assurances

The District is authorized by Section 373.4136, F.S. to permit the establishment of mitigation banks. As permit application proposing 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, 2012, the District had \$0 of financial assurances provided by the various mitigation banks.

G. New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the District's fiscal year beginning October 1, 2012. The objective of Statement No. 60 is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (government or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. The District is currently evaluating the effect this Statement will have on its financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements*, effective for the District's fiscal year beginning October 1, 2012. The objective of Statement No. 61 is to improve financial reporting for a governmental financial entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The District is currently evaluating the effect this Statement will have on its financial statements.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. Other Information: (Continued)

G. New Accounting Pronouncements (Continued)

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the District's fiscal year beginning October 1, 2012. 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. The District is currently evaluating the effect this Statement will have on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the District's fiscal year beginning October 1, 2012. The objective of Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The District is currently evaluating the effect this Statement will have on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for the District's fiscal year beginning October 1, 2011. The objective of Statement No. 64 is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District is currently evaluating the effect this Statement will have on its financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>				<u>Surface Water Improvement and Management Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Revenues								
Property taxes	\$ 3,371,815	\$ 3,371,815	\$ 3,227,919	\$ (143,896)	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-	-	-	-	-
Timber sales	-	-	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	2,830,819	2,830,819	797,466	(2,033,353)
Federal grants	-	-	-	-	-	-	-	-
Investment income (loss)	320,000	320,000	217,716	(102,284)	-	-	46,075	46,075
Miscellaneous revenue	2,000	2,000	704	(1,296)	-	-	-	-
Total revenues	<u>3,693,815</u>	<u>3,693,815</u>	<u>3,446,339</u>	<u>(247,476)</u>	<u>2,830,819</u>	<u>2,830,819</u>	<u>843,541</u>	<u>(1,987,278)</u>
Expenditures								
Salaries	1,887,089	2,030,564	1,975,712	54,852	500,436	516,472	293,797	222,675
Employee benefits	1,719,783	1,416,249	1,224,165	192,084	76,780	98,308	61,227	37,081
Professional/contractual services	672,981	360,981	201,609	159,372	1,169,845	1,169,845	137,580	1,032,265
Services	902,020	852,020	618,398	233,622	50,195	50,195	8,467	41,728
Commodities	514,750	464,750	187,586	277,164	91,025	91,025	19,146	71,879
Capital outlay	2,261,350	2,153,350	67,729	2,085,621	68,600	68,600	12,503	56,097
Grants and aids	7,565,000	7,565,000	4,677,450	2,887,550	260,000	260,000	30,000	230,000
Administrative overhead allocated	(3,067,683)	(3,152,683)	(2,124,503)	(1,028,180)	360,571	360,571	152,044	208,527
Secondary fringe allocated	(2,143,753)	(1,588,694)	(1,310,601)	(278,093)	253,367	215,803	88,752	127,051
Total expenditures	<u>10,311,537</u>	<u>10,101,537</u>	<u>5,517,545</u>	<u>4,583,992</u>	<u>2,830,819</u>	<u>2,830,819</u>	<u>803,516</u>	<u>2,027,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,617,722)</u>	<u>(6,407,722)</u>	<u>(2,071,206)</u>	<u>4,336,516</u>	<u>-</u>	<u>-</u>	<u>40,025</u>	<u>40,025</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	General Fund				Surface Water Improvement and Management Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ 51,721	\$ 51,721	\$ -	\$ -	\$ -	\$ -
Operating transfers in	4,996,436	4,526,377	601,861	(3,924,516)	-	-	6,050	6,050
Operating transfers out	(7,534,195)	(4,421,947)	(2,886,262)	1,535,685	-	-	(46,075)	(46,075)
Total other financing sources (uses)	(2,537,759)	104,430	(2,232,680)	(2,337,110)	-	-	(40,025)	(40,025)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(9,155,481)	(6,303,292)	(4,303,886)	1,999,406	-	-	-	-
Fund balances, beginning of year	38,458,787	38,458,787	38,458,787	-	-	-	-	-
Fund balances, end of year	<u>\$ 29,303,306</u>	<u>\$ 32,155,495</u>	<u>\$ 34,154,901</u>	<u>\$ 1,999,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)

	Lands Fees Fund				Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-	-	-	-	-
Timber sales	2,000,000	2,000,000	836,511	(1,163,489)	-	-	-	-
Intergovernmental revenue	-	-	-	-	1,089,825	1,089,825	784,976	(304,849)
Federal grants	-	-	-	-	5,173,957	5,173,957	2,754,933	(2,419,024)
Investment income (loss)	20,830	20,830	47,049	26,219	-	-	-	-
Miscellaneous revenue	1,050	1,050	5,489	4,439	-	-	-	-
Total revenues	<u>2,021,880</u>	<u>2,021,880</u>	<u>889,049</u>	<u>(1,132,831)</u>	<u>6,263,782</u>	<u>6,263,782</u>	<u>3,539,909</u>	<u>(2,723,873)</u>
Expenditures								
Salaries	-	-	-	-	853,214	901,321	758,572	142,749
Employee benefits	-	-	-	-	134,257	205,414	141,418	63,996
Professional/contractual services	-	-	-	-	4,081,339	4,046,339	1,850,549	2,195,790
Services	-	-	-	-	53,449	53,449	24,424	29,025
Commodities	-	-	-	-	57,272	92,272	73,017	19,255
Capital outlay	-	-	-	-	189,600	189,600	177,631	11,969
Grants and aids	-	-	-	-	65,000	65,000	-	65,000
Administrative overhead allocated	-	-	-	-	614,298	614,298	398,119	216,179
Secondary fringe allocated	-	-	-	-	430,353	311,089	253,352	57,737
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,478,782</u>	<u>6,478,782</u>	<u>3,677,082</u>	<u>2,801,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,021,880</u>	<u>2,021,880</u>	<u>889,049</u>	<u>(1,132,831)</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>(137,173)</u>	<u>77,827</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	<u>Lands Fees Fund</u>				<u>Projects Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-	215,000	215,000	172,132	(42,868)
Operating transfers out	(264,500)	(264,500)	-	264,500	-	-	(34,959)	(34,959)
Total other financing sources (uses)	<u>(264,500)</u>	<u>(264,500)</u>	<u>-</u>	<u>264,500</u>	<u>215,000</u>	<u>215,000</u>	<u>137,173</u>	<u>(77,827)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>1,757,380</u>	<u>1,757,380</u>	<u>889,049</u>	<u>(868,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	7,993,144	7,993,144	7,993,144	-	-	-	-	-
Fund balances, end of year	<u>\$ 9,750,524</u>	<u>\$ 9,750,524</u>	<u>\$ 8,882,193</u>	<u>\$ (868,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)

	Lands Management Fund				Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and licenses	-	-	-	-	-	-	-	-
Timber sales	-	-	-	-	-	-	-	-
Intergovernmental revenue	4,612,941	4,612,941	2,991,759	(1,621,182)	7,048,117	7,048,117	90,070	(6,958,047)
Federal grants	-	-	-	-	-	-	-	-
Investment income (loss)	8,223	8,223	1,734	(6,489)	7,741	7,741	29,902	22,161
Miscellaneous revenue	28,000	91,777	32,205	(59,572)	-	-	-	-
Total revenues	<u>4,649,164</u>	<u>4,712,941</u>	<u>3,025,698</u>	<u>(1,687,243)</u>	<u>7,055,858</u>	<u>7,055,858</u>	<u>119,972</u>	<u>(6,935,886)</u>
Expenditures								
Salaries	585,749	625,838	656,583	(30,745)	23,463	23,463	14,374	9,089
Employee benefits	112,193	196,035	161,895	34,140	4,532	4,532	1,984	2,548
Professional/contractual services	2,904,200	2,844,200	1,124,462	1,719,738	627,000	627,000	59,682	567,318
Services	323,850	323,850	237,623	86,227	8,075	8,075	-	8,075
Commodities	967,750	967,750	248,259	719,491	1,825	1,825	-	1,825
Capital outlay	520,500	520,500	58,489	462,011	-	-	-	-
Grants and aids	79,000	79,000	22,637	56,363	6,356,103	6,356,103	-	6,356,103
Administrative overhead allocated	423,631	423,631	341,499	82,132	16,084	16,084	8,240	7,844
Secondary fringe allocated	290,968	227,037	194,604	32,433	11,035	11,035	5,792	5,243
Total expenditures	<u>6,207,841</u>	<u>6,207,841</u>	<u>3,046,051</u>	<u>3,161,790</u>	<u>7,048,117</u>	<u>7,048,117</u>	<u>90,072</u>	<u>6,958,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,558,677)</u>	<u>(1,494,900)</u>	<u>(20,353)</u>	<u>1,474,547</u>	<u>7,741</u>	<u>7,741</u>	<u>29,900</u>	<u>22,159</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	<u>Lands Management Fund</u>				<u>Capital Projects Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ 22,088	\$ 22,088	\$ -	\$ -	\$ -	\$ -
Operating transfers in	1,494,900	1,494,900	-	(1,494,900)	-	-	-	-
Operating transfers out	-	-	(2,160)	(2,160)	-	-	(690,799)	(690,799)
Total other financing sources (uses)	<u>1,494,900</u>	<u>1,494,900</u>	<u>19,928</u>	<u>(1,474,972)</u>	<u>-</u>	<u>-</u>	<u>(690,799)</u>	<u>(690,799)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(63,777)</u>	<u>-</u>	<u>(425)</u>	<u>(425)</u>	<u>7,741</u>	<u>7,741</u>	<u>(660,899)</u>	<u>(668,640)</u>
Fund balances, beginning of year	425	425	425	-	1,307,230	1,307,230	1,307,230	-
Fund balances (deficits), end of year	<u>\$ (63,352)</u>	<u>\$ 425</u>	<u>\$ -</u>	<u>\$ (425)</u>	<u>\$ 1,314,971</u>	<u>\$ 1,314,971</u>	<u>\$ 646,331</u>	<u>\$ (668,640)</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	Regulation Fund				Mitigation Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final		
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and licenses	498,500	498,500	421,605	(76,895)	-	-	-	-
Timber sales	-	-	-	-	-	-	-	-
Intergovernmental revenue	360,000	360,000	321,982	(38,018)	20,238,683	5,527,511	1,168,518	(4,358,993)
Federal grants	-	-	-	-	-	-	2,529,936	2,529,936
Investment income (loss)	-	-	5,773	5,773	400,000	400,000	87,440	(312,560)
Miscellaneous revenue	90,000	90,000	35,200	(54,800)	-	-	34,593	34,593
Total revenues	<u>948,500</u>	<u>948,500</u>	<u>784,560</u>	<u>(163,940)</u>	<u>20,638,683</u>	<u>5,927,511</u>	<u>3,820,487</u>	<u>(2,107,024)</u>
Expenditures								
Salaries	2,175,615	2,279,846	1,961,950	317,896	286,705	424,767	360,566	64,201
Employee benefits	344,966	571,060	430,356	140,704	46,103	87,016	63,808	23,208
Professional/contractual services	984,800	684,800	222,004	462,796	4,468,909	4,208,909	606,990	3,601,919
Services	551,940	851,940	679,313	172,627	75,683	75,683	7,745	67,938
Commodities	80,400	80,400	57,372	23,028	849,804	3,042,204	2,365,004	677,200
Capital outlay	131,000	131,000	-	131,000	4,599,819	2,407,419	7,999	2,399,420
Grants and aids	500,000	500,000	-	500,000	125,000	125,000	-	125,000
Administrative overhead allocated	1,460,381	1,460,381	1,032,483	427,898	192,718	277,718	192,118	85,600
Secondary fringe allocated	1,023,193	692,868	639,284	53,584	134,837	130,862	128,817	2,045
Total expenditures	<u>7,252,295</u>	<u>7,252,295</u>	<u>5,022,762</u>	<u>2,229,533</u>	<u>10,779,578</u>	<u>10,779,578</u>	<u>3,733,047</u>	<u>7,046,531</u>
Excess (deficiency) of revenues over expenditures	<u>(6,303,795)</u>	<u>(6,303,795)</u>	<u>(4,238,202)</u>	<u>2,065,593</u>	<u>9,859,105</u>	<u>(4,852,067)</u>	<u>87,440</u>	<u>4,939,507</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(Continued)**

	<u>Regulation Fund</u>				<u>Mitigation Fund</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Other financing sources (uses)								
Sale of general fixed assets	\$ -	\$ -	\$ 24,174	\$ 24,174	\$ -	\$ -	\$ -	\$ -
Operating transfers in	6,303,795	3,191,547	2,880,212	(311,335)	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>6,303,795</u>	<u>3,191,547</u>	<u>2,904,386</u>	<u>(287,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>-</u>	<u>(3,112,248)</u>	<u>(1,333,816)</u>	<u>1,778,432</u>	<u>9,859,105</u>	<u>(4,852,067)</u>	<u>87,440</u>	<u>4,939,507</u>
Fund balances, beginning of year	3,112,923	3,112,923	3,112,923	-	1,236,693	1,236,693	1,236,693	-
Fund balances, end of year	<u>\$3,112,923</u>	<u>\$ 675</u>	<u>\$1,779,107</u>	<u>\$ 1,778,432</u>	<u>\$11,095,798</u>	<u>\$(3,615,374)</u>	<u>\$1,324,133</u>	<u>\$ 4,939,507</u>

The accompanying note to required supplementary information
is an integral part of this schedule.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012**

I. Stewardship, Compliance and Accountability

A. 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:

1. 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 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.

2. Public hearings are conducted to allow for taxpayer comment.
3. Prior to September 30, the budget is legally enacted through adoption of a resolution by the District's Governing Board in a public hearing.
4. The Director of Administration is required by the District to present a monthly financial report and schedule of disbursements to the Board.
5. 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 Governing Board meeting. Budget amendments must be approved under the requirement of Chapter 373 and 189, Florida Statutes.
6. Formal budgetary integration is employed as a management control device during the year.
7. 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 POST-EMPLOYMENT BENEFIT PLAN (OPEB) RETIREE HEALTHCARE PLAN
SEPTEMBER 30, 2012**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age Normal Cost (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2010	\$ –	\$ 3,192,967	\$ 3,192,967	0%	\$6,041,315	56%
9/30/2011	\$ –	\$ 862,511	\$ 862,511	0%	\$ 6,248,982	14%
9/30/2012	\$ –	\$ 862,511	\$ 862,511	0%	\$ 6,248,982	14%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual OPEB Cost	Expected Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 306,907	\$ 191,916	63%	\$ 114,991
9/30/2011	\$ 73,407	\$ 58,563	80%	\$ 14,844
9/30/2012	\$ 74,524	\$ 58,400	78%	\$ 30,968

ADDITIONAL INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OFFICIALS
SEPTEMBER 30, 2012**

GOVERNING BOARD MEMBERS

George Roberts, Chairman
Jerry Pate, Vice Chairman
Joyce Estes, Secretary/Treasurer
John Alter
Stephanie Bloyd
Nicholas Patronis
Angus Andrews
Stephanie Bloyd
Jon Costello

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-Through Grantor/ State Grantor/Program Title	Federal CFDA Number	State CSFA Number	Contract Number	Expenditures
FEDERAL AWARDS				
U. S. Department of Homeland Security				
Direct				
Cooperating Technical Partners	97.045	--	EMA-2010-CA-5085	\$ 212,292
Cooperating Technical Partners	97.045	--	EMA-2011-CA-5142	188,153
Cooperating Technical Partners	97.045	--	EMA-2012-CA-5261	1,293
Cooperating Technical Partners	97.045	--	EMA-2008-CA-5886	139,230
Cooperating Technical Partners	97.045	--	EMA-2009-CA-5937	1,617,565
				<u>2,158,533</u>
Passed through the State of Florida, Division of Emergency Management				
Hazard Mitigation Grant	97.039	--	11HF-5A-13-00-16-346	<u>191,918</u>
U.S. Department of Commerce, National Oceanic and Atmospheric Administration				
Passed through the University of Central Florida				
Center for Sponsored Coastal Ocean Research_Coastal Ocean Program	11.478	--	NA10NOS4780146	<u>18,483</u>
Passed through the University of Southern Mississippi				
Habitat Conservation	11.463	--	NA10NMF4630080	<u>11,934</u>
U.S. Environmental Protection Agency				
Passed through State of Florida, Department of Environmental Protection				
Water Quality Management Planning	66.454	--	G0330	<u>108,624</u>
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	--	G0325	<u>155,045</u>
U.S. Department of Transportation				
Passed through the State of Florida, Department of Transportation				
Highway Planning and Construction	20.205	--	--	2,529,936
Highway Planning and Construction	20.205	--	BDN58	<u>22,088</u>
				<u>2,552,024</u>
Total Federal Awards				<u>5,196,561</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-Through Grantor/ State Grantor/Program Title	Federal CFDA Number	State CSFA Number	Contract Number	Expenditures
STATE FINANCIAL ASSISTANCE				
State of Florida, Department of Transportation				
Mitigation Water Mangement Districts	--	55.031	--	\$ 1,168,517
State of Florida, Department of Enviornmental Protection				
Water Management Districts - Land Acquisition				
Water Management Lands Trust Fund	--	37.022	--	4,336,507
Water Management Districts - Land Acquisition				
Florida Forever Trust Fund	--	37.022	--	56,613
				<u>4,393,120</u>
Statewide Surface Water Restoration and Wastewater Projects	--	37.039	--	<u>327,777</u>
Water Protection and Sustainability Program	--	37.066	--	<u>44,071</u>
Water Management District Permitting	--	37.030	S0542	<u>21,981</u>
Total State Financial Assistance				<u>5,955,466</u>
Total Federal Awards and State Financial Assistance				<u>\$ 11,152,027</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. 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 State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

II. Sub-recipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State CSFA Number</u>	<u>Amount Provided to Sub-recipients</u>
Florida Forever Trust Fund	-	37.022	\$ 56,613

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

To the Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the financial statements of the governmental activities and each major fund of Northwest Florida Water Management District, as of and for the year ended September 30, 2012, which collectively comprise the Northwest Florida Water Management District's basic financial statements and have issued our report thereon dated April 26, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Florida Water Management District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Florida Water Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northwest Florida Water Management District's internal control over financial reporting.

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

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Florida Water Management 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*.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of Northwest Florida Water Management District's management, the Board of Governors, State awarding agencies, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Tallahassee, Florida
April 26, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable Board of Governors,
Northwest Florida Water Management District:

Compliance

We have audited Northwest Florida Water Management District's 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 Northwest Florida Water Management District's major Federal programs and State projects for the year ended September 30, 2012. Northwest Florida Water Management 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of Northwest Florida Water Management District's management. Our responsibility is to express an opinion on Northwest Florida Water Management District's compliance based on our audit.

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 State of Florida, Office of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General 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 Northwest Florida Water Management 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. Our audit does not provide a legal determination of Northwest Florida Water Management District's compliance with those requirements.

In our opinion, Northwest Florida Water Management District, complied, in all material respects, with the 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, 2012.

- 54 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Internal Control Over Compliance

Management of Northwest Florida Water Management District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered Northwest Florida Water Management District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program or State project to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, 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 Northwest Florida Water Management 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.

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.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of Northwest Florida Water Management District's management, the Board of Governors, State awarding agencies, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.C.

Tallahassee, Florida
April 26, 2013

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2012**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Types of auditor's report issued on compliance for major Federal programs: *Unqualified*

Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Cooperating Technical Partners	97.045
Highway Planning and Construction	20.205
 Dollar threshold used to distinguish between Type A and Type B programs:	 \$ 300,000
 Auditee qualified as a low risk auditee?	 <u> X </u> yes _____ no

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable Board of Governors,
Northwest Florida Water Management District:

We have audited the financial statements of Northwest Florida Water Management District, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated April 26, 2013.

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 Florida Auditor General. 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 with Requirements That Could Have a Direct and Material Effect on each major Federal program and State project and on Internal Control over Compliance in accordance with OMB circular A-133 and Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 26, 2013, 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, 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, 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, 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 Northwest Florida Water Management District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- 58 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, 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 Northwest Florida Water Management District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Northwest Florida Water Management District for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Northwest Florida Water Management 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, the District provided monthly financial statements to its governing board and made such monthly statements available for public access on its web site.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Northwest Florida Water Management District's management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
April 26, 2013