

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Management Discussion and Analysis	4-8
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet - Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	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	15-38
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Governmental Funds:	
General Fund.....	39
Project Fund	40
Lands Management Fund.....	41
Regulation Fund.....	42
Mitigation Fund.....	43
Note to Required Supplementary Information.....	44
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System and Health Insurance Subsidy Pension Plans.....	45
Schedule of the District's Contributions – Florida Retirement System and Health Insurance Subsidy Pension Plans	46
Other Postemployment Benefit Plan (OPEB) Retiree Healthcare Plan.....	47

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

TABLE OF CONTENTS
(Concluded)

Additional Information

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 Statement Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Independent Auditors' Report on Compliance For Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, <i>Rules of The Auditor General of The State of Florida</i>	54-55
Schedule of Findings and Questioned Costs.....	56-57
Independent Accountants' Report on Compliance with Section 218.45, Florida Statutes.....	58
Management Letter.....	59-61

INDEPENDENT AUDITORS' REPORT

To the Honorable Governing Board
Northwest Florida Water Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Florida Water Management District (the District), a component unit of the State of Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2015, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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

To the Honorable Governing Board
Northwest Florida Water Management District

INDEPENDENT AUDITORS' REPORT
(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the current year, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require employers participating in defined benefit pension plans to report the net pension liability and other pension related deferred inflows and outflows related to these plans. In connection with the implementation of these statements, the District decreased its beginning net position in the governmental activities by \$3,804,625. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organization*, and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This 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.

To the Honorable Governing Board
Northwest Florida Water Management District

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

April 28, 2016
Tallahassee, Florida

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Northwest Florida Water Management District, we offer readers of the Northwest Florida Water Management District's financial statements this narrative overview and analysis of the financial activities of the Northwest Florida Water Management District for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the Northwest Florida Water Management District exceeded its liabilities at the close of the most recent fiscal year by \$208,165,924 (*net position*). Of this amount, \$26,805,330 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$34,344,034, a decrease of \$5,473,482 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0 and assigned fund balance was \$7,341,152.
- The Northwest Florida Water Management District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 71 requires a state or local government that is transitioning to the new standards to recognize a beginning deferred outflow of resources for its pension contributions made between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The implementation resulted in the restatement of the prior year net position balance by \$3,804,625 in the government activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Northwest Florida Water Management District's basic financial statements. The Northwest Florida Water Management District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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

The government-wide financial statements distinguish functions of the Northwest Florida Water Management District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Northwest Florida Water Management

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Concluded)

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 9 - 10 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 six 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, Projects Fund, Capital Projects Fund, Land Management Fund, Regulation Fund, and Mitigation Fund, all of which are considered to be major funds.

The governmental fund financial statements can be found on pages 11 and 13 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 - 38 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 39 - 44.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Overview of the Financial Statements (Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Northwest Florida Water Management District, assets exceeded liabilities by \$208,165,924 at the close of the most recent fiscal year.

The Northwest Florida Water Management District implemented GASB Statements 68 and 71, which resulted in the restatement of the prior year end net position in the financial statements. The following condensed comparison shows the net position for the two most recent fiscal years. Prior year net position is not restated on this condensed comparison. The detailed statement of net position is presented on page 9 of this report.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION

	2015	2014
Current and Other Assets	\$ 56,203,422	\$ 63,544,140
Capital Assets:		
Land and Other Improvements	172,046,573	171,557,839
Other Capital Assets, Net of Depreciation	6,340,959	4,630,636
Total Assets	234,590,954	239,732,615
Total Deferred Outflows of Resources	1,187,756	0
Long-term Liabilities Outstanding	5,093,623	791,338
Other Liabilities	21,859,388	23,726,624
Total Liabilities	26,953,011	24,517,962
Total Deferred Inflows of Resources	659,775	0
Net Position		
Investment in Capital Assets	178,387,532	176,188,475
Restricted	2,973,062	2,558,016
Unrestricted	26,805,330	36,468,162
Total Net Position	\$ 208,165,924	\$ 215,214,653

(Fiscal year 2014 net position is not restated on this schedule)

By far the largest portion of the Northwest Florida Water Management District's net position (86 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.

An additional portion of the Northwest Florida Water Management District's net position (1.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$26,805,330) may be used to meet the government's ongoing obligations to citizens and creditors.

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

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Government-wide Financial Analysis (Concluded)

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
CHANGE IN NET POSITION**

	2015	2014
Revenues		
Program Revenues:		
Charges for Services	\$ 396,205	\$ 323,815
Operating Grants and Contributions	12,869,191	11,877,956
Capital Grants and Contributions	712,549	98,561
General Revenues:		
Property Taxes	3,258,534	3,245,091
Grants and Contributions not Restricted to Specific Programs	177,979	22,153
Other	3,203,459	1,361,052
Total Revenues	20,617,917	16,928,628
Expenses		
Water Resources Planning and Monitoring	4,300,254	3,652,034
Acquisition, Restoration and Public Works	10,665,770	12,269,800
Operation and Maintenance of Lands and Works	3,213,811	2,958,130
Regulation	3,382,293	3,202,416
Outreach	153,787	137,522
Administration	2,146,106	2,468,464
Total Expenses	23,862,021	24,688,366
Changes in Net Position	(3,244,104)	(7,759,738)
Net Position, Beginning of Year (As Restated)	211,410,028	222,974,391
Net Position, End of Year	\$ 208,165,924	\$ 215,214,653

(Beginning net position for fiscal year 2015 is restated on this schedule)

Governmental activities—Governmental activities at the end of the current fiscal year decreased Northwest Florida Water Management District’s net position by \$3,244,104. The decrease is largely attributed to an increased use of fund balance for water supply development assistance grants.

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 \$34,344,034 a decrease of \$5,473,482 in comparison with the prior year. Approximately \$0 constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is either in nonspendable, restricted, committed, or assigned form to indicate that it is not available for new spending because it has already been committed to activities associated with the general fund, various special revenue funds, and the capital project fund.

MANAGEMENT DISCUSSION AND ANALYSIS *(Concluded)*

Financial Analysis of the Government's Funds (Concluded)

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 \$0 and total fund balance of the general fund was \$24,146,746.

The fund balance of the Northwest Florida Water Management District's general fund decreased by \$6,377,688 during the current fiscal year. The key factors in this decrease were due a \$1,083,255 transfer of fund balance for special projects and water supply development assistance grants of \$5,178,853.

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, 2015, amounts to \$178,387,532 (net of accumulated depreciation). This investment in capital assets includes land, easements, building, infrastructure, vehicles, office equipment, field equipment and computer equipment. There were no significant changes in the Northwest Florida Water Management District's investment in capital assets for the current fiscal year.

Additional information of the Northwest Florida Water Management District's capital assets can be found in Note 4 on page 24 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 general revenue as well as ad valorem (property) taxes.
2. Since fiscal year 2011-2012, the millage rate has been 0.04 mills. This rate was reduced to the roll-back rate of 0.039 in the fiscal year 2014-2015 Adopted Budget. In fiscal year 2015-2016, the rate was further reduced to the current year rolled-back rate of 0.0378 which is 24.4 percent below the constitutional and statutory cap of 0.05 mills.
3. The fiscal year 2015-2016 Adopted Budget is \$55.8 million, an increase of \$2.2 million or 4.0 percent above the fiscal year 2014-2015 Amended Budget. The increase is attributable to additional legislative funds for land acquisition related to springs protection and restoration. Total funding consists of \$32.4 million in new revenue, \$7.8 million in revenue received and/or appropriated in prior years, and \$15.6 million in fund balance. Just over half of the budget, \$29.7 million, is for grants to go toward springs projects, water supply development assistance, and watershed restoration. Just under a third (31.4 percent) of the \$55.8 million represents recurring needs.
4. The District has accumulated resources over the past fiscal years and is spending down those resources for operations and for water resource and supply development projects.

Requests for Information

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 555,101
Investments	52,776,594
Accounts Receivable	69,058
Due from Other Governments	2,791,233
Other Assets	11,436
Capital Assets Not Being Depreciated	172,046,573
Capital Assets Being Depreciated, Net	6,340,959
Total Assets	234,590,954
 Deferred Outflows of Resources	
Pension Related	1,187,756
 Liabilities	
Accounts Payable and Accrued Expenses	3,242,618
Due to Other Governments	897,363
Deposits	254,312
Unearned Revenue	17,465,095
Long-term Liabilities:	
Due Within One Year	758,463
Due in More than One Year	4,335,160
Total Liabilities	26,953,011
 Deferred Inflows of Resources	
Pension Related	659,775
 Net Position	
Investment in Capital Assets	178,387,532
Restricted for:	
Regulatory Permitting, Licensing, and Enforcement Activities	1,523,663
Mitigation Projects	1,449,399
Unrestricted	26,805,330
Total Net Position	\$ 208,165,924

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Water Resources Planning and Monitoring	\$ 4,300,254	\$ 0	\$ 5,058,353	\$ 0	\$ 758,099
Acquisition, Restoration, and Public Works	10,665,770	0	5,575,916	712,549	(4,377,305)
Operation and Maintenance of Lands and Works	3,213,811	0	15,339	0	(3,198,472)
Regulation	3,382,293	396,205	2,219,583	0	(766,505)
Outreach	153,787	0	0	0	(153,787)
Administration	2,146,106	0	0	0	(2,146,106)
Total Governmental Activities	\$ 23,862,021	\$ 396,205	\$ 12,869,191	\$ 712,549	(9,884,076)
General Revenues					
Property Taxes					3,258,534
Unrestricted Investment Earnings					177,979
Miscellaneous					3,203,459
Total General Revenues					6,639,972
Change in Net Position					(3,244,104)
Net Position, Beginning of Year (As Restated)					211,410,028
Net Position, End of Year					\$ 208,165,924

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>Special Revenue Funds</u>					<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Projects Fund</u>	<u>Lands Management Fund</u>	<u>Regulation Fund</u>	<u>Mitigation Fund</u>		
Assets							
Cash and Cash Equivalents	\$ 555,101	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 555,101
Investments	19,542,022	5,043,944	9,538,512	1,525,170	16,457,870	669,076	52,776,594
Accounts Receivable	1,259	0	67,499	300	0	0	69,058
Due from Other Governments	0	2,412,843	339	1,051	0	377,000	2,791,233
Due from Other Funds	5,712,223	0	0	68,733	0	0	5,780,956
Deposits	3,812	0	0	7,624	0	0	11,436
Total Assets	<u>25,814,417</u>	<u>7,456,787</u>	<u>9,606,350</u>	<u>1,602,878</u>	<u>16,457,870</u>	<u>1,046,076</u>	<u>61,984,378</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued Expenses	919,865	1,851,853	170,976	74,351	8,772	216,801	3,242,618
Due to Other Governments	677,513	178,687	19,766	4,864	11,754	4,779	897,363
Due to Other Funds	68,733	1,635,514	3,476,149	0	258,207	342,353	5,780,956
Deposits	1,560	0	252,752	0	0	0	254,312
Unearned Revenue	0	2,455,319	280,038	0	14,729,738	0	17,465,095
Total Liabilities	<u>1,667,671</u>	<u>6,121,373</u>	<u>4,199,681</u>	<u>79,215</u>	<u>15,008,471</u>	<u>563,933</u>	<u>27,640,344</u>
Fund Balances							
Restricted:							
Regulatory Permitting, Licensing, and Enforcement Activities	0	0	0	1,523,663	0	0	1,523,663
Mitigation Projects	0	0	0	0	1,449,399	0	1,449,399
Committed:							
Land Management, Land Acquisition, and Capital Improvements	0	0	5,406,669	0	0	482,143	5,888,812
Water Supply Development Assistance Grants under Contract	14,753,828	0	0	0	0	0	14,753,828
Economic Stabilization	3,387,180	0	0	0	0	0	3,387,180
Assigned:							
Building Renovations and Maintenance	100,000	0	0	0	0	0	100,000
Water Resource Planning and Monitoring	2,905,738	1,335,414	0	0	0	0	4,241,152
General Fund Deficiencies	3,000,000	0	0	0	0	0	3,000,000
Total Fund Balances	<u>24,146,746</u>	<u>1,335,414</u>	<u>5,406,669</u>	<u>1,523,663</u>	<u>1,449,399</u>	<u>482,143</u>	<u>34,344,034</u>
Total Liabilities and Fund Balances	<u>\$ 25,814,417</u>	<u>\$ 7,456,787</u>	<u>\$ 9,606,350</u>	<u>\$ 1,602,878</u>	<u>\$ 16,457,870</u>	<u>\$ 1,046,076</u>	<u>\$ 61,984,378</u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Fund Balances - Total Governmental Funds		\$ 34,344,034
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		178,387,532
Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:		
Deferred Outflows Related to Pensions	\$1,187,756	
Deferred Inflows Related to Pensions	<u>(659,775)</u>	527,981
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Other Postemployment Benefits	(97,961)	
Compensated Absences	(758,463)	
Net Pension Liability	<u>(4,237,199)</u>	<u>(5,093,623)</u>
 Net Position of Governmental Activities		 <u><u>\$ 208,165,924</u></u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Special Revenue Funds</u>					Capital Projects Fund	Total Governmental Funds
	General Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		
Revenues							
Property Taxes	\$ 932,748	\$ 554,293	\$ 0	\$ 1,771,493	\$ 0	\$ 0	\$ 3,258,534
Permits and Licenses	0	0	0	396,205	0	0	396,205
Timber Sales	0	0	3,034,678	0	0	0	3,034,678
Intergovernmental Revenue	0	7,969,375	339	2,211,231	610,267	377,000	11,168,212
Federal Grants	0	1,564,272	15,000	8,352	113,356	0	1,700,980
Investment Income	85,711	0	28,941	4,254	51,843	7,230	177,979
Miscellaneous Revenue	4,514	0	77,870	7,648	2,516	70,000	162,548
Total Revenues	<u>1,022,973</u>	<u>10,087,940</u>	<u>3,156,828</u>	<u>4,399,183</u>	<u>777,982</u>	<u>454,230</u>	<u>19,899,136</u>
Expenditures							
Salaries	1,257,701	1,632,773	874,247	1,905,684	259,444	11,601	5,941,450
Employee Benefits	465,296	608,901	391,717	761,808	90,744	5,673	2,324,139
Professional/Contractual Services	226,629	2,094,490	748,085	240,998	219,949	8,302	3,538,453
Services	393,582	159,969	334,990	391,444	16,311	209	1,296,505
Commodities	56,905	104,729	436,476	76,942	48,045	7,770	730,867
Capital Outlay	125,430	419,404	114,229	94,399	18,322	1,248,612	2,020,396
Grants and Aids	5,178,853	4,340,192	8,000	0	0	0	9,527,045
Administrative Overhead Allocated	(1,388,460)	475,323	269,179	566,613	73,323	4,022	0
(Total Expenditures)	<u>(6,315,936)</u>	<u>(9,835,781)</u>	<u>(3,176,923)</u>	<u>(4,037,888)</u>	<u>(726,138)</u>	<u>(1,286,189)</u>	<u>(25,378,855)</u>
(Deficiency) Excess of Revenues (Under)/Over Expenditures	<u>(5,292,963)</u>	<u>252,159</u>	<u>(20,095)</u>	<u>361,295</u>	<u>51,844</u>	<u>(831,959)</u>	<u>(5,479,719)</u>
Other Financing Sources (Uses)							
Sale of General Fixed Assets	437	0	5,800	0	0	0	6,237
Transfers in	0	1,083,255	0	1,907	0	767,850	1,853,012
Transfers (out)	(1,085,162)	0	(767,850)	0	0	0	(1,853,012)
Total Other Financing Sources (Uses)	<u>(1,084,725)</u>	<u>1,083,255</u>	<u>(762,050)</u>	<u>1,907</u>	<u>0</u>	<u>767,850</u>	<u>6,237</u>
Net Change in Fund Balances	<u>(6,377,688)</u>	<u>1,335,414</u>	<u>(782,145)</u>	<u>363,202</u>	<u>51,844</u>	<u>(64,109)</u>	<u>(5,473,482)</u>
Fund Balances, Beginning of Year	<u>30,524,434</u>	<u>0</u>	<u>6,188,814</u>	<u>1,160,461</u>	<u>1,397,555</u>	<u>546,252</u>	<u>39,817,516</u>
Fund Balances, End of Year	<u>\$ 24,146,746</u>	<u>\$ 1,335,414</u>	<u>\$ 5,406,669</u>	<u>\$ 1,523,663</u>	<u>\$ 1,449,399</u>	<u>\$ 482,143</u>	<u>\$ 34,344,034</u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (5,473,482)

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

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

Capital Assets Acquired with Financial Resources	\$ 2,020,395	
Capital Assets Acquired through Donations	712,549	
Current Year Depreciation	<u>(572,163)</u>	2,160,781

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	38,272
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Certain pension related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:

Deferred Outflows Related to Pensions	246,835	
Deferred Inflows Related to Pensions	1,297,629	1,544,464

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

Other Postemployment Benefits	(18,743)	
Compensated Absences	(46,339)	
Net Pension Liability	<u>(1,449,057)</u>	<u>(1,514,139)</u>

Change in Net Position of Governmental Activities \$ (3,244,104)

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

Note 1 - Summary of Significant Accounting Policies

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

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

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

A. Financial Reporting Entity

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

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

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

B. Financial Reporting Structure

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies *(Continued)*

B. Financial Reporting Structure *(Continued)*

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The District's transactions are recorded in the following fund types:

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

The District reports the following major governmental funds:

- **General Fund**—is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Structure (Concluded)

Fund Financial Statements (Concluded)

The District reports the following major governmental funds: *(Concluded)*

- **Projects Fund**—accounts for all resources management projects and activities funded through dedicated revenue sources from grants and contracts with state, federal, local government entities, or water utility authorities.
- **Lands Management Fund**—accounts for activities associated with the management, improvement, and maintenance of District owned lands. Sales of Timber and use of fund balance provide the primary funding source for District land management activities.
- **Regulation Fund**—accounts for all regulatory activities including consumptive use permitting and monitoring; well construction permitting and plugging, construction and repair of dams; and environmental resource permitting program (ERP). State appropriations from the Water Management Lands Trust Fund provide funding for the ERP program; other activities are funded through a small amount of fees and fines and ad-valorem taxes.
- **Mitigation Fund**—accounts for all resource management mitigation projects and activities funded through dedicated Florida Department of Transportation funding sources. Expenditures include land acquisitions, restorations, monitoring, and other water resource related activities.
- **Capital Projects Fund**—accounts for the acquisition of fixed assets or construction of major capital projects.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are received. 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.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Concluded)

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

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

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

D. Assets, Liabilities, and Fund Balances

Deposits and Investments

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

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

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

Receivables and Payables

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

Property Taxes

The District is authorized by Section 373.503, Florida Statutes, to levy ad valorem taxes on all real and personal property located within the District not to exceed .05 mills. The rate for the 2014-2015 fiscal year was .039 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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Property Taxes (Concluded)

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

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

Capital Assets

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

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	10
Field Equipment	7
Office Equipment	7
Vehicles and Water Craft	7
Lawn Maintenance Equipment	5
Computer Equipment, Technical Equipment, and Software	3

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Long-term Obligation

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

Compensated Absences

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

Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities.

Pension Related Deferred Inflows and Outflows represent the difference between expected and actual experience with regard to economic or demographic factors and changes to assumptions in the measurement of total pension liability, and the differences between expected and actual earnings on pension plan investments, and changes in the District's proportionate share of pension contributions. These amounts are reported as deferred inflows or outflows of resources, to be recognized in expense over time. Also included in deferred outflows are amounts contributed to the pension plans subsequent to the measurement date. See Note 10 for more information on Pension Related Deferred Inflows and Outflows.

Fund Balances

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

- **Nonspendable Fund Balance**—includes amounts that cannot be spent because they are either: (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The District had \$0 in nonspendable resources as of September 30, 2015.
- **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 \$2,973,062 in restricted resources as of September 30, 2015.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Fund Balances (Concluded)

- **Committed Fund Balance**—Includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’s Governing Board. These amounts cannot be used for any other purpose unless the District’s Governing Board removes or changes the specified use by taking the same type of action (Resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had \$24,029,820 in committed resources as of September 30, 2015.

The District established an Economic Stabilization Reserve equal to two months of the tentative operating expenditure budget. Use of the Economic Stabilization Fund is limited to the following circumstances:

- When a state of emergency is declared by the Governor of Florida or the President of the United States that impacts the region served by the District.
 - When the Governing Board determines through the adoption of a resolution that: (a) an emergency or other extreme circumstance has arisen that creates an unanticipated need for additional revenues that are not available through other funding sources; (b) the underlying condition directly impacts the citizens and/or environment within District boundaries; and (c) remedial action cannot wait until the next fiscal year. In the event of an emergency, the Executive Director or his/her designee may take necessary action as a time sensitive matter.
- **Assigned Fund Balance**—Assigned fund balance consists of amounts that are constrained by a less than formal action of the District’s Governing Board, or by an individual body to whom the Governing Board has delegated this responsibility. The District has delegated this responsibility to the Executive Director. Assignment of fund balance may be made for a specific purpose that is narrower than the general purposes of the fund and to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year’s budget including any amendments thereto. The District had \$7,341,152 in assigned resources as of September 30, 2015.
 - **Unassigned Fund Balance**—Includes the residual fund balance to provide for potential general fund deficiencies. The District had no unassigned resources as of September 30, 2015.

Flow Assumption

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

D. Assets, Liabilities and Fund Balances (Concluded)

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.

New Accounting Pronouncements

The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as required in 2015. These statements require employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$3,804,625 due to the adoption of this statement.

Note 2 - Deposits and Investments

Deposits—At year-end, the District had carrying amounts of deposits of \$554,851 and bank balances of \$1,212,427. The District also had cash on hand of \$250. Of the bank balances, \$1,212,427 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 \$52,776,594 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, 2015
(Continued)**

Note 2 - Deposits and Investments (Concluded)

Investments (Concluded)

- **Credit Risk**—The District minimizes credit risk, the risk of loss due to failure of the security, by limiting investments to authorized investments. The Local Government Surplus Funds Trust (PRIME Fund) is rated by Standards & Poors. The current rating is AAAM. The Investment Manager of Florida PRIME managements credit risk by purchasing only high quality securities, performing a credit analysis to develop a database of issuers and securities that meet the Investment manager’s minimum standard and by regularly reviewing the portfolio’s securities financial data, issuer news and developments, and ratings of the nationally recognized statistical rating organizations.

- **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. The weighted average days to maturity of the Local Government Surplus Funds Trust at September 30, 2015, was 29 days. Next interest rate reset dates for floating rate securities are used in the calculation of the weighted average days to maturity.

- **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 has participated in securities lending program in the fiscal year ended September 30, 2015.

Note 3 - Unearned Revenue

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

	Unavailable	Unearned
Grant Drawdowns Prior to Meeting all Eligibility Requirements	\$ 0	\$ 17,465,095
Unearned Revenue for Governmental Funds	\$ 0	\$ 17,465,095

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 4 - Capital Assets

Capital asset activity for the year ending September 30, 2015, was as follows:

	<u>Balance</u> <u>10/1/14</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>9/30/15</u>
Capital Assets Not Being Depreciated				
Land	\$ 151,722,732	\$ 641,016	\$ (24,273)	\$ 152,339,475
Capital Easements	18,872,504	712,549	0	19,585,053
Construction in Progress	<u>962,603</u>	<u>68,060</u>	<u>(908,618)</u>	<u>122,045</u>
Total Capital Assets Not Being Depreciated	<u>171,557,839</u>	<u>1,421,625</u>	<u>(932,891)</u>	<u>172,046,573</u>
Capital Assets Being Depreciated				
Buildings and Improvements	2,685,283	545,104	(32,619)	3,197,768
Infrastructure	1,920,714	1,030,420	0	2,951,134
Machinery and Equipment	<u>5,824,139</u>	<u>738,014</u>	<u>(888,131)</u>	<u>5,674,022</u>
Total Capital Assets Being Depreciated	<u>10,430,136</u>	<u>2,313,538</u>	<u>(920,750)</u>	<u>11,822,924</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,040,843)	(69,607)	21,221	(1,089,229)
Infrastructure	(188,762)	(41,849)	0	(230,611)
Machinery and Equipment	<u>(4,569,895)</u>	<u>(460,707)</u>	<u>868,477</u>	<u>(4,162,125)</u>
Total Accumulated Depreciation	<u>(5,799,500)</u>	<u>(572,163)</u>	<u>889,698</u>	<u>(5,481,965)</u>
Total Capital Assets Being Depreciated, Net	<u>4,630,636</u>	<u>1,741,375</u>	<u>(31,052)</u>	<u>6,340,959</u>
Total Capital Assets	<u>\$ 176,188,475</u>	<u>\$ 3,163,000</u>	<u>\$ (963,943)</u>	<u>\$ 178,387,532</u>

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

Governmental Activities	
Water Resources Planning and Monitoring	\$ 123,133
Operation and Maintenance of Lands and Works	180,538
Regulation	15,206
Administration	<u>253,286</u>
Total Governmental Activities	<u>\$ 572,163</u>

Note 5 - Interfund Receivables and Payables

Interfund receivables/payables represent temporary loans to fund expenditures of other funds. At September 30, 2015, the balances in these accounts consist of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 5,712,223	\$ 68,733
Projects Fund	0	1,635,514
Lands Management Fund	0	3,476,149
Regulation Fund	68,733	0
Mitigation Fund	0	258,207
Capital Projects Fund	<u>0</u>	<u>342,353</u>
Total	<u>\$ 5,780,956</u>	<u>\$ 5,780,956</u>

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 6 - Transfers In/(Out)

Transfers between funds represent transfers to/from other funds for fund expenditures at September 30, 2015; the balances in these accounts consist of the following:

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 0	\$ 1,085,162
Projects Fund	1,083,255	0
Lands Management Fund	0	767,850
Regulation Fund	1,907	0
Capital Projects Fund	<u>767,850</u>	<u>0</u>
Total	<u>\$ 1,853,012</u>	<u>\$ 1,853,012</u>

Note 7 - Leases

The District is committed under a noncancellable operating lease for office space that expires in February of 2018. The District is also committed under a month-to-month lease agreement for office space. Expenditures related to these lease agreements amounted to \$153,551 during the year ended September 30, 2015. Future minimum lease payments for the noncancellable lease are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 88,490
2017	88,490
2018	<u>29,497</u>
Total	<u>\$ 206,477</u>

Note 8 - Long-term Debt

Changes in Long-term Liabilities—Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Balance</u> <u>10/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	\$ 712,120	\$ 565,762	\$ (519,149)	\$ 758,463	\$ 758,463
Other Postemployment Benefits	79,218	144,752	(126,009)	97,961	0
Net Pension Liability	<u>2,788,142</u>	<u>1,449,057</u>	<u>0</u>	<u>4,237,199</u>	<u>0</u>
Total Long-term Debt Payable	<u>\$ 3,579,480</u>	<u>\$ 2,159,571</u>	<u>\$ (645,428)</u>	<u>\$ 5,093,623</u>	<u>\$ 758,463</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

Note 9 - Other Disclosures

Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Contingent Liabilities

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

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

Contractual Commitments

As of September 30, 2015, the District had the following commitments related to unfinished projects:

<u>Projects</u>	<u>Expended as of September 30, 2015</u>	<u>Remaining Commitment</u>
Local Infrastructure Improvement Projects	\$ 12,769,564	\$ 22,705,752
Agricultural Cost Sharing Agreement	768,912	273,645

Note 10 - Retirement Plan

General Information about the Florida Retirement System (FRS)

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

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Continued)

General Information about the Florida Retirement System (FRS) (Concluded)

The District's pension expense totaled \$421,475 for the fiscal year ended September 30, 2015, (all plans).

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Continued)
Benefits Provided. (Concluded)

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
<i>Regular Class Members Initially Enrolled Before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the District's 2014-15 fiscal year were as follows:

Class	Year Ended June 30, 2015		Year Ended June 30, 2016	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	6.07	3.00	5.56
FRS, Senior Management Service	3.00	19.84	3.00	19.73
DROP – Applicable to Members from All of the Above Classes	0.00	11.02	0.00	11.22
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

Notes: (1) Contribution rates are dependent upon retirement class in which reemployed.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Continued)

Contributions. (Concluded)

The District's contributions, including employee contributions, to the Plan totaled \$444,312 for the fiscal year ended September 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the District reported a liability of \$2,426,745 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the fiscal year 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportion was .018788173%, which was an increase of .000427159 from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the District recognized pension expense of \$290,767 related to the FRS Plan. At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 91,897	\$ 0
Difference Between Expected and Actual Experience	256,192	57,555
Changes of Assumptions	161,071	0
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	514,834	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	579,466
Total	<u>\$ 1,023,994</u>	<u>\$ 637,021</u>

The deferred outflows of resources related to pensions, totaling \$91,897, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ (74,705)
2017	(74,705)
2018	(74,705)
2019	403,372
2020	98,145
2021	17,674
Total	<u>\$ 295,076</u>

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

<u>Asset Class</u>	<u>Annual Target Allocation ⁽¹⁾</u>	<u>Annual Arithmetic Return</u>	<u>Geometric Return</u>	<u>Standard Deviation</u>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	<u>100%</u>			
Assumed Inflation – Mean		2.6%		1.9%

Note: (1) As Outlined in the Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.65% in the July 1, 2014 valuation.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

FRS – District:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's Proportionate Share of the Net Pension Liability	\$ 6,288,244	\$ 2,426,745	\$ (786,657)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2016 and 2015, the contribution rates were 1.66% and 1.26% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Continued)

HIS Pension Plan (Continued)

Contributions. *(Concluded)*

a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$72,571 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the District reported a net pension liability of \$1,810,454 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.017752284%, which was a decrease of 0.000085213 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$130,708 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer Contributions after Measurement Date	\$ 20,346	\$ 0
Changes of Assumptions	142,435	0
Changes in Proportion and Difference between District Contributions and Proportionate Share of Contributions	0	22,754
Net Difference between Projected and Actual Earnings on Pension Plan Investments	980	0
Total	<u>\$ 163,761</u>	<u>\$ 22,754</u>

The deferred outflows of resources related to pensions, totaling \$20,346, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Continued)

HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

Fiscal Year	Amount
Ending	Amount
2016	\$ 20,634
2017	20,634
2018	20,634
2019	20,435
2020	20,339
2021-2022	17,985
Total	\$ 120,661

Actuarial Assumptions. The total pension liability for the HIS Pension Plan was determined by an actuarial valuation as of July 1, 2014, and recalculated as of June 30, 2015, using a standard actuarial roll-forward technique. The following actuarial assumptions, applied to all periods included in the measurement, were used to determine the total pension liability:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	3.80% Net of Pension Plan Investment Expense, Including Inflation

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

The actuarial assumptions used to determine the total pension liability as of June 30, 2015, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

Note 10 - Retirement Plan (Continued)

HIS Pension Plan (Concluded)

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

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's Proportionate Share of the Net Pension Liability	\$ 2,062,928	\$ 1,810,454	\$ 1,599,928

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

FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)

Note 10 - Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

Payables to the Pension Plans. At September 30, 2015, the District reported a payable of \$49,931 for the outstanding amount of contributions (employer and employee share) to the three Plans described above for the fiscal year ended September 30, 2015.

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

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

Plan Description

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

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

Benefits Provided

In accordance with Section 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.

Membership

At September 30, 2015, membership consisted of:

Active Employees	89
Inactive Employees	16

Funding Policy

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

Annual OPEB Costs, Net OPEB Obligation

The Employer's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the calculation of Annual Required Contribution and Net OPEB Obligation for the fiscal year ended September 30, 2015:

Annual Required Contribution (ARC)	\$	148,216
Net OPEB Obligation (NOO) at Beginning of Year		79,218
Interest on Net OPEB Obligation		2,377
Adjustment to Annual Required Contribution (ARC)		(5,841)
Annual OPEB Cost (Expense)		144,752
Employer Contributions Made		126,009
Increase (Decrease) in Net OPEB Obligation		18,743
Net OPEB Obligation (NOO) at the End of Year		97,961

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Continued)**

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

Annual OPEB Costs, Net OPEB Obligation (Concluded)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions Toward the OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2015	\$ 144,752	\$ 126,009	87%	\$ 97,961
09/30/2014	143,360	122,752	86%	79,218
09/30/2013	142,313	114,672	81%	58,609
09/30/2012	74,524	58,400	78%	30,968

Funded Status and Funding Progress

The funded status of the plan is as follows:

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

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

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.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(Concluded)**

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

Methods and Assumptions (Concluded)

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

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

Note 12 - Mitigation Bank Financial Responsibility Assurances

The District is authorized by Section 373.4136, Florida Statutes, to permit the establishment of mitigation banks. As part of the permit application, the establishment of a mitigation bank is required to demonstrate the financial ability to conduct the mitigation activities, any necessary management of the site, monitoring of the mitigation, and any necessary correction action indicated by the monitoring. The mitigation banks can provide the demonstrated financial assurance by obtaining a surety bond, performance bond, irrevocable letter of credit, or establishing a trust fund. If a bond or an irrevocable letter of credit is used, a standby trust fund shall be established in which all payments under the bonds or letters of credit shall be directly deposited. If the mitigation bank fails to comply with the terms and conditions of the permit, the District may draw upon the financial assurance provided by the mitigation bank. As of September 30, 2015, the District had \$0 of financial assurances provided by the various mitigation banks.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 822,202	\$ 986,594	\$ 932,748	\$ (53,846)
Investment Income	68,000	68,000	85,711	17,711
Miscellaneous	1,500	1,500	4,514	3,014
Total Revenues	<u>891,702</u>	<u>1,056,094</u>	<u>1,022,973</u>	<u>(33,121)</u>
Expenditures				
Salaries	1,269,855	1,265,532	1,257,701	7,831
Employee Benefits	489,028	491,347	465,296	26,051
Professional/Contractual Services	259,266	295,136	226,629	68,507
Services	674,439	650,889	393,582	257,307
Commodities	105,027	101,407	56,905	44,502
Capital Outlay	248,091	195,091	125,430	69,661
Grants and Aids	15,000,000	14,990,000	5,178,853	9,811,147
Administrative Overhead Allocated	(1,738,501)	(1,648,261)	(1,388,460)	(259,801)
(Total Expenditures)	<u>(16,307,205)</u>	<u>(16,341,141)</u>	<u>(6,315,936)</u>	<u>10,025,205</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(15,415,503)</u>	<u>(15,285,047)</u>	<u>(5,292,963)</u>	<u>9,992,084</u>
Other Financing Sources (Uses)				
Sale of General Fixed Assets	0	0	437	437
Transfers (out)	(1,710,772)	(1,861,402)	(1,085,162)	776,240
Total Other Financing Sources (Uses)	<u>(1,710,772)</u>	<u>(1,861,402)</u>	<u>(1,084,725)</u>	<u>776,677</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	<u>(17,126,275)</u>	<u>(17,146,449)</u>	<u>(6,377,688)</u>	<u>10,768,761</u>
Fund Balance, Beginning of Year	<u>30,524,434</u>	<u>30,524,434</u>	<u>30,524,434</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 13,398,159</u>	<u>\$ 13,377,985</u>	<u>\$ 24,146,746</u>	<u>\$ 10,768,761</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)**

	Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 449,582	\$ 447,589	\$ 554,293	\$ 106,704
Intergovernmental	17,036,348	17,783,916	7,969,375	(9,814,541)
Federal Grants	4,027,928	3,980,514	1,564,272	(2,416,242)
Total Revenues	<u>21,513,858</u>	<u>22,212,019</u>	<u>10,087,940</u>	<u>(12,124,079)</u>
Expenditures				
Salaries	1,531,063	1,634,099	1,632,773	1,326
Employee Benefits	614,698	636,395	608,901	27,494
Professional/Contractual Services	6,515,049	6,688,174	2,094,490	4,593,684
Services	328,444	329,644	159,969	169,675
Commodities	171,805	173,265	104,729	68,536
Capital Outlay	335,749	632,949	419,404	213,545
Grants and Aids	13,045,515	13,285,621	4,340,192	8,945,429
Administrative Overhead Allocated	591,351	568,827	475,323	93,504
(Total Expenditures)	<u>(23,133,674)</u>	<u>(23,948,974)</u>	<u>(9,835,781)</u>	<u>14,113,193</u>
Excess of Revenues Over Expenditures	<u>(1,619,816)</u>	<u>(1,736,955)</u>	<u>252,159</u>	<u>1,989,114</u>
Other Financing Sources (Uses)				
Transfers in	1,619,816	1,736,955	1,083,255	(653,700)
Total Other Financing Sources (Uses)	<u>1,619,816</u>	<u>1,736,955</u>	<u>1,083,255</u>	<u>(653,700)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	0	0	1,335,414	1,335,414
Fund Balance, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,335,414</u>	<u>\$ 1,335,414</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)**

	Lands Management Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Timber Sales	\$ 1,500,000	\$ 1,500,000	\$ 3,034,678	\$ 1,534,678
Intergovernmental	0	0	339	339
Federal	0	15,000	15,000	0
Investment Income	21,830	21,830	28,941	7,111
Miscellaneous	114,902	144,902	77,870	(67,032)
Total Revenues	<u>1,636,732</u>	<u>1,681,732</u>	<u>3,156,828</u>	<u>1,475,096</u>
Expenditures				
Salaries	800,647	901,746	874,247	27,499
Employee Benefits	370,060	366,125	391,717	(25,592)
Professional/Contractual Services	966,146	970,435	748,085	222,350
Services	435,923	435,923	334,990	100,933
Commodities	591,858	592,838	436,476	156,362
Capital Outlay	321,810	321,810	114,229	207,581
Grants and Aids	8,000	8,000	8,000	0
Administrative Overhead Allocated	304,867	281,507	269,179	12,328
(Total Expenditures)	<u>(3,799,311)</u>	<u>(3,878,384)</u>	<u>(3,176,923)</u>	<u>701,461</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(2,162,579)</u>	<u>(2,196,652)</u>	<u>(20,095)</u>	<u>2,176,557</u>
Other Financing Sources (Uses)				
Sale of General Fixed Assets	186,400	186,400	5,800	(180,600)
Transfers in	(905,000)	(888,000)	(767,850)	120,150
Total Other Financing Sources (Uses)	<u>(718,600)</u>	<u>(701,600)</u>	<u>(762,050)</u>	<u>(60,450)</u>
(Deficiency) of Revenues and Other Financing Sources (Under)				
Expenditures and Other Financing (Uses)	(2,881,179)	(2,898,252)	(782,145)	2,116,107
Fund Balance, Beginning of Year	<u>6,188,814</u>	<u>6,188,814</u>	<u>6,188,814</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 3,307,635</u>	<u>\$ 3,290,562</u>	<u>\$ 5,406,669</u>	<u>\$ 2,116,107</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Continued)**

	Regulation Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 2,109,949	\$ 1,947,550	\$ 1,771,493	\$ (176,057)
Licenses and Permits	360,250	360,250	396,205	35,955
Intergovernmental	2,211,231	2,200,931	2,211,231	10,300
Federal	37,845	37,845	8,352	(29,493)
Investment Income	5,000	5,000	4,254	(746)
Miscellaneous	20,500	20,500	7,648	(12,852)
Total Revenues	4,744,775	4,572,076	4,399,183	(172,893)
Expenditures				
Salaries	2,065,905	1,905,791	1,905,684	107
Employee Benefits	955,274	918,138	761,808	156,330
Professional/Contractual Services	273,462	325,691	240,998	84,693
Services	552,607	544,925	391,444	153,481
Commodities	158,307	149,587	76,942	72,645
Capital Outlay	156,733	156,733	94,399	62,334
Administrative Overhead Allocated	737,548	695,240	566,613	128,627
(Total Expenditures)	(4,899,836)	(4,696,105)	(4,037,888)	658,217
Excess of Revenues Over				
Expenditures	(155,061)	(124,029)	361,295	485,324
Other Financing Sources (Uses)				
Transfers in	90,956	114,447	1,907	(112,540)
Total Other Financing Sources (Uses)	90,956	114,447	1,907	(112,540)
Excess of Revenues and Other Financing Sources Over				
Expenditures and Other Financing (Uses)	(64,105)	(9,582)	363,202	372,784
Fund Balance, Beginning of Year	1,160,461	1,160,461	1,160,461	0
Fund Balance, End of Year	\$ 1,096,356	\$ 1,150,879	\$ 1,523,663	\$ 372,784

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Concluded)**

	Mitigation Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,173,029	\$ 2,118,572	\$ 610,267	\$ (1,508,305)
Federal Grants	0	0	113,356	113,356
Investment Income	40,000	40,000	51,843	11,843
Miscellaneous	0	0	2,516	2,516
Total Revenues	<u>2,213,029</u>	<u>2,158,572</u>	<u>777,982</u>	<u>(1,380,590)</u>
Expenditures				
Salaries	275,487	242,424	259,444	(17,020)
Employee Benefits	110,467	109,729	90,744	18,985
Professional/Contractual Services	1,392,007	1,376,688	219,949	1,156,739
Services	68,678	68,678	16,311	52,367
Commodities	236,007	231,913	48,045	183,868
Capital Outlay	27,693	31,787	18,322	13,465
Administrative Overhead Allocated	102,690	97,353	73,323	24,030
(Total Expenditures)	<u>(2,213,029)</u>	<u>(2,158,572)</u>	<u>(726,138)</u>	<u>1,432,434</u>
Excess of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>51,844</u>	<u>51,844</u>
Fund Balance, Beginning of Year	<u>1,397,555</u>	<u>1,397,555</u>	<u>1,397,555</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 1,397,555</u>	<u>\$ 1,397,555</u>	<u>\$ 1,449,399</u>	<u>\$ 51,844</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
SEPTEMBER 30, 2015**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	2015
District's Proportion of the FRS Net Pension Liability	0.018788173%
District's Proportion Share of the FRS Net Pension Liability	\$ 2,426,745
District's Covered-Employee Payroll (FYE 9/30)	5,371,658
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	45.18%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	2015
District's Proportion of the HIS Net Pension Liability	0.017752284%
District's Proportionate Share of the HIS Net Pension Liability	\$ 1,810,454
District's Covered-Employee Payroll (FYE 9/30)	5,371,658
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	33.70%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%

Notes to Schedule:

The amounts shown above as reported on the date indicated, have a measurement date of 6/30.
Covered-employee payroll is for the fiscal year shown.
This schedule will build to 10 years of data as information becomes available.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	2015
Contractually Required Contribution	\$ 444,312
FRS Contribution in Relation to the Contractually Required Contribution	(444,312)
FRS Contribution Deficiency (Excess)	\$ 0
District's Covered-Employee Payroll (FYE 9/30)	\$ 5,371,658
FRS Contributions as a Percentage of Covered-Employee Payroll	8.27%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	2015
Contractually Required Contribution	\$ 72,571
HIS Contribution in Relation to the Contractually Required Contribution	(72,571)
HIS Contribution Deficiency (Excess)	\$ 0
District's Covered-Employee Payroll (FYE 9/30)	\$ 5,371,658
HIS Contributions as a Percentage of Covered-Employee Payroll	1.35%

Notes to Schedule:

This schedule will build to 10 years of data as information becomes available.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)
RETIREE HEALTHCARE PLAN
SEPTEMBER 30, 2015**

Schedule of Funding Progress

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

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions Toward the OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2015	\$ 144,752	\$ 126,009	87%	\$ 97,961
09/30/2014	143,360	122,752	86%	79,218
09/30/2013	142,313	114,672	81%	58,609
09/30/2012	74,524	58,400	78%	30,968
09/30/2011	73,407	58,563	80%	14,844
09/30/2010	306,907	191,916	63%	114,991

ADDITIONAL INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OFFICIALS
SEPTEMBER 30, 2015**

GOVERNING BOARD MEMBERS

George Roberts, Chairman

Jerry Pate, Vice Chairman

John Alter, Secretary

Gus Andrews

Jon Costello

Marc Dunbar

Ted Everett

Nicholas Patronis

Bo Spring

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-Through Grantor/ Grant Program	CFDA Number	Grant ID Number	Expenditures
Federal Awards			
U.S. Department of Homeland Security			
Cooperating Technical Partners	97.045	EMA-2008-CA-5886	\$ 4,629
Cooperating Technical Partners	97.045	EMA-2009-CA-5937	617,656
Cooperating Technical Partners	97.045	EMA-2010-CA-5085	333,826
Cooperating Technical Partners	97.045	EMA-2011-CA-5142	210,117
Cooperating Technical Partners	97.045	EMA-2012-CA-5261	109,563
Cooperating Technical Partners	97.045	EMA-2013-CA-5352	66,305
Cooperating Technical Partners	97.045	EMA-2014-CA-00047	1,845
			<u>1,343,941</u>
U.S. Department of Commerce, National Oceanic and Atmospheric Administration			
Passed through the Nature Conservancy Econfine Creek WMA	15.663	SA-021215-3937	<u>15,000</u>
U.S. Environmental Protection Agency			
Passed through State of Florida Department of Environmental Protection: Water Quality Management Planning	66.454	G0373	69,268
Water Pollution Control State, Interstate, and Tribal Program Support	66.605	G0368	<u>80,796</u>
Total U.S. Environmental Protection Agency			<u>150,064</u>
U.S. Department of Transportation			
Passed through State of Florida Department of Transportation: Highway Planning and Construction	20.205		113,356
Highway Planning and Construction	20.205	BDN58	8,352
			<u>121,708</u>
Total Federal Expenditures			<u><u>\$ 1,630,713</u></u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(Concluded)**

State Grantor/Program Title	CSFA Number	Grantor Number	Expenditures
State Financial Assistance			
State of Florida Department of Transportation			
Mitigation Water Management Districts	55.031		\$ 610,267
State of Florida Department of Environmental Protection			
Water Management Districts - Land Acquisition			
Water Management Lands Trust Fund	37.037		4,639,845
State-wide Surface Water Restoration and Wastewater Projects			
Wastewater Projects	37.039	G0423	27,402
Wastewater Projects	37.039		2,503,281
			<u>2,530,683</u>
Florida Springs Grant Program	37.052	S0676	1,025,693
Florida Springs Grant Program	37.052	S0809	146,322
Florida Springs Grant Program	37.052	S0810	22,425
Florida Springs Grant Program	37.052	S0775	276,038
			<u>1,470,478</u>
MOEX Funding	37.082		9,166
Total Department of Environmental Protection			<u>8,650,172</u>
Total State Financial Assistance			<u>\$ 9,260,439</u>
Total Federal Awards and State Financial Assistance			<u>\$ 10,891,152</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2015**

Note 1 - Basis of Presentation

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

Note 2 - Sub-recipients

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

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Amount Provided to Sub-recipients</u>
Water Management Lands Trust Fund	37.037	\$ 1,159,889
State-wide Surface Water and Wastewater Projects	37.039	2,249,239
Florida Springs Grant Program	37.052	139,332

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

To the Honorable Governing Board
Northwest Florida Water Management District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Northwest Florida Water Management District, (the District) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Certified Public Accountants

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To the Honorable Governing Board
Northwest Florida Water Management District

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

(Concluded)

Purpose of this Report

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

Purvis, Gray and Company, LLP

April 28, 2016
Tallahassee, Florida

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

To the Honorable Governing Board
Northwest Florida Water Management District

Report on Compliance for Each Major Federal Program and State Project

We have audited Northwest Florida Water Management District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the State of Florida, Department of Financial Services State Projects, *Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended September 30, 2015. The District's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program and State Project

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

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To the Honorable Governing Board
Northwest Florida Water Management District

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

Report on Internal Control Over Compliance

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

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

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

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

Durvis, Gray and Company, LLP

April 28, 2016
Tallahassee, Florida

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2015**

1. Summary of Audit Results

Financial Statements

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion.

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

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

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

Federal Awards Programs

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

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

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

Unmodified Opinion.

VI. Audit Findings Relative to Major Programs and State Projects

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

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

■ Federal Programs	<u>CFDA No.</u>
● Cooperating Technical Partners	97.045
■ State Projects	<u>CFSA No.</u>
● Water Management Lands Trust Fund	37.037
● Wastewater Projects	37.039
● Florida Springs Grant Program	37.052
● Mitigation Water Management Districts	55.031

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2015
(Concluded)**

1. Summary of Audit Results (Concluded)

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

Federal Programs: \$300,000
State Projects: \$300,000

IX. Low Risk Auditee

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

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

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

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

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

4. Status of Prior Audit Findings

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

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Honorable Governing Board
Northwest Florida Water Management District

We have examined the Northwest Florida Water Management District's (the District) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

Purvis, Gray and Company, LLP

April 28, 2016
Tallahassee, Florida

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MANAGEMENT LETTER

To the Honorable Governing Board
Northwest Florida Water Management District

Report on the Financial Statements

We have audited the financial statements of the Northwest Florida Water Management District, (the District), as of and for the year ended September 30, 2015, and have issued our report thereon dated April 28, 2016.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 28, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. The findings in the preceding annual financial report have been corrected.

Official Title and Legal Authority

Section 10.554(1)(i)4, *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Continued)

Financial Condition (Concluded)

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Monthly Financial Statements

Sections 10.554(1)(i)6.a. and 10.556(9), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the District provided monthly financial statements to its Governing Board and made such monthly statements available for public access on its web site. In connection with our audit, we determined that the District provided monthly financial statements to its Governing Board and made such monthly statements available for public access on its web site.

Transparency

Sections 10.554(1)(i)6.b and 10.556(9), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the District provided a link on its web site to the Florida Department of Financial Service's Web site to view the District's annual financial report submitted to the Department. In connection with our audit, we determined that the District provided a link on its web site to the Florida Department of Financial Service's web site.

Sections 10.554(1)(i)6.c. and 10.556(9), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the District posted its tentative and final budgets on its Web site. In connection with our audit, we determined that the District posted its tentative and final budgets on its Web site.

Other Matters

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

Section 10.554(1)(i)3, *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Concluded)

Purpose of this Letter

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

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

Purvis, Gray and Company, LLP

April 28, 2016
Tallahassee, Florida