

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Sunshine Water Control District
Coral Springs, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Sunshine Water Control District, Coral Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sunshine Water Control District, Coral Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2009 and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grau & Associates

March 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Sunshine Water Control District, Coral Springs, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2009 resulting in a net asset balance of \$2,345,260.
- The District's total net assets increased by \$602,225 in comparison with the prior year. The key components of the District's net assets and change in net assets are reflected in the table in the following section.
- At September 30, 2009, the District's governmental fund reported ending fund balance of \$2,577,183, a decrease of (\$235,962) in comparison with the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all governmental activities that are principally supported by assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow 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 District's near-term financing requirements.

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

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$2,345,260 at the close of the fiscal year ended September 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2009	2008
Assets, excluding capital assets	\$ 2,708,684	\$ 3,727,260
Capital assets, net of depreciation	1,681,690	1,463,946
Total assets	4,390,374	5,191,206
Liabilities, excluding long-term liabilities	261,092	964,140
Long-term liabilities	1,876,522	2,484,031
Total liabilities	2,137,614	3,448,171
Net Assets		
Invested in capital assets, net of related debt	1,681,690	1,463,946
Unrestricted	663,570	279,089
Total net assets	\$ 2,345,260	\$ 1,743,035

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net assets increased by \$602,225 during the fiscal year ended September 30, 2009. The increase represents the degree to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,				
	2009		2008	
Revenues:				
Program revenues				
Charges for services	\$	2,090,930	\$	1,920,363
Operating grants and contributions		199,343		1,465,782
General revenues				
Investment earnings (loss)		(10,394)		47,610
Total revenues		2,279,879		3,433,755
Expenses:				
General government		668,417		467,373
Maintenance and operations		908,218		2,388,602
Interest		101,019		133,175
Total expenses		1,677,654		2,989,150
Change in net assets		602,225		444,605
Net assets beginning		1,743,035		1,298,430
Net assets ending	\$	2,345,260	\$	1,743,035

Program revenues comprised primarily of assessments and federal grants. Assessments increased by \$170,567 (9 percent), whereas federal grants decreased by \$1,266,439 (86 percent) during the fiscal year ended September 30, 2009. The majority of the decrease of the federal grants is the result of completion of federal project. The majority of the decrease in maintenance and operations was due to hurricane related expenses paid in the prior year which were not required in the current year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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.

The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	2009		2008		
General government	\$	665,945	26%	\$ 462,043	13%
Maintenance and operations		865,595	34%	2,326,546	66%
Capital outlay		260,367	10%	-	0%
Principal and interest on long-term debt		788,003	30%	720,387	21%
Total	\$	2,579,910	100%	\$ 3,508,976	100%

As noted above, maintenance and operations and debt service comprise the majority of expenditures for total government activities for the current year, while maintenance and operations comprised the majority in the prior year.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2009 general fund budget was amended to increase revenues by \$208,142 and appropriations by \$479,672. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2009, the District had \$3,936,726 invested in land, infrastructure and equipment. In the government-wide financial statements depreciation of \$2,255,036 has been taken, which resulted in a net book value of \$1,681,690. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2009, the District had total debt outstanding of \$1,876,522. Of that amount, \$1,774,235 is for Capital improvement Notes; \$61,019 is for a capital lease and \$41,268 is for accrued compensated absences. More detailed information about the District's capital debt is presented in the notes of the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Sunshine Water Control District at 6131 Lyons Road, Suite 100, Coconut Creek, Florida, 33073.

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

	Governmental Activities
ASSETS	
Cash	\$ 1,783,926
Investments	829,321
Receivable	27
Prepays	2,910
Restricted assets:	
Cash	92,500
Capital assets:	
Nondepreciable	934,298
Depreciable, net	747,392
Total assets	4,390,374
LIABILITIES	
Accounts payable and accrued expenses	131,501
Accrued interest payable	37,091
Deposits payable	92,500
Non-current liabilities:	
Due within one year	573,454
Due in more than one year	1,303,068
Total liabilities	2,137,614
NET ASSETS	
Invested in capital assets, net of related debt	1,681,690
Unrestricted	663,570
Total net assets	\$ 2,345,260

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Changes in Net Assets</u> <u>Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 668,417	\$ 467,373	\$ -	\$ (201,044)
Maintenance and operations	908,218	1,623,557	199,343	914,682
Interest on long-term debt	101,019	-	-	(101,019)
Total governmental activities	<u>1,677,654</u>	<u>2,090,930</u>	<u>199,343</u>	<u>612,619</u>
General revenues:				
Unrestricted investment (loss)				<u>(10,394)</u>
Total general revenues				<u>(10,394)</u>
Change in net assets				602,225
Net assets - beginning				<u>1,743,035</u>
Net assets - ending				<u>\$ 2,345,260</u>

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Major Fund
	General
ASSETS	
Cash	\$ 1,876,426
Investments	829,321
Receivable	27
Prepays	2,910
Cash-restricted	92,500
Total assets	\$ 2,801,184
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 131,501
Deposits payable	92,500
Total liabilities	224,001
 Fund balance:	
Reserved for:	
Other	2,910
Unreserved, designated for:	
Repairs and maintenance:	
Canal dredging and repair	243,800
Pump station improvements	333,500
Monitoring stations and telemetry	25,000
Working capital	300,000
Subsequent years expenditures	1,097,000
Unreserved, reported in:	
General fund	574,973
Total fund balance	2,577,183
 Total liabilities and fund balance	 \$ 2,801,184

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

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

Fund balance - governmental funds		\$ 2,577,183
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, in the net assets of the government as a whole.

Cost of capital assets	3,936,726	
Accumulated depreciation	<u>(2,255,036)</u>	1,681,690

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(37,091)	
Capital lease payable	(61,019)	
Bonds payable	<u>(1,774,235)</u>	(1,872,345)

Compensated absences not due and payable within the next fiscal year are not reported as a liability on the balance sheet.

Net assets of governmental activities		<u><u>\$ 2,345,260</u></u>
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See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Fund General	Total Governmental Funds
REVENUES		
Assessments	\$ 2,087,080	\$ 2,087,080
Federal grants	199,343	199,343
Investment income (loss)	(10,394)	(10,394)
Miscellaneous	3,850	3,850
Total revenues	2,279,879	2,279,879
EXPENDITURES		
Current:		
General government	665,945	665,945
Maintenance and operations	865,595	865,595
Debt Service:		
Principal	674,050	674,050
Interest	113,953	113,953
Capital outlay	260,367	260,367
Total expenditures	2,579,910	2,579,910
Excess (deficiency) of revenues over (under) expenditures	(300,031)	(300,031)
OTHER FINANCING SOURCES		
Capital leases	64,069	64,069
Total other financing sources	64,069	64,069
Net change in fund balances	(235,962)	(235,962)
Fund balance - beginning	2,813,145	2,813,145
Fund balance - ending	\$ 2,577,183	\$ 2,577,183

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

Net change in fund balance - total governmental funds	\$ (235,962)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	260,367
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(42,623)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds and are reported as financing sources in the governmental fund statement but such amounts increase liabilities in the statement of net assets.	(64,069)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	674,050
The change in compensated absences between the current and prior fiscal year is reported in the statement of activities but is not reported as expenditures in governmental funds.	(2,472)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	<u>12,934</u>
Change in net assets of governmental activities	<u><u>\$ 602,225</u></u>

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Sunshine Water Control District ("District") was created on January 23, 1963 by Chapter 63-609, Laws of Florida, under the provisions of Chapter 298.36, Florida Statutes. The District was established for the purposes of constructing and maintaining systems of drainage, flood control and irrigation within the District in Coral Springs, Florida. The District is governed by the Board of Supervisors ("Board"), which is composed of three members.

The Board has the responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash set aside pursuant to other contractual provisions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Deposits and Investments (Continued)

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, fences, canals and dikes and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5 -25
Infrastructure	5 - 50

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

Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government, except for one employee's sick time which was grandfathered in when the District reversed its policy regarding payment for accumulated sick pay benefits. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages payable, if any.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt.

Other Disclosures

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The District's investments were held as follows at September 30, 2009:

	Fair Value	Credit Risk	Maturities
Money Market Mutual Funds-Fidelity Funds FND #542	\$ 276,586	S&P AAAM	Weighted average of the fund portfolio: 53 days
Money Market Mutual Funds-Institutional Treasury MMKT	500,562	S&P AAAM	Weighted average of the fund portfolio: 15 days
Investment in Local Government Surplus Trust Funds Investment Pool - Fund A	3,115	S&P AAAM	*
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	49,058	Not rated	*
Total Investments	<u>\$ 829,321</u>		

* The State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool") was restructured on December 4, 2007 into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B and certain restrictions were implemented. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool Fund A. Fund B is not rated by any nationally recognized statistical rating agency.

There are two options for accounting and reporting for money market investment pools either "2a-7 like" or fluctuating net asset value ("NAV"). "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless 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. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Local Government Surplus Funds Trust Fund Investment Pool is considered a 2a7-like fund and the District has reported its investment in Fund A at the same value as the pooled shares allocated to the District. The estimated weighted average maturity of the fund portfolio is 33 days. Fund B is accounted for as a fluctuating NAV pool and the fair value factor for September 30, 2009 was .54915069. The District has multiplied its account balance by the factor to determine the investment balance to be reported. The NAV balance in Fund B was \$49,058 for a net unrealized loss of approximately (\$40,276). The weighted average life of the fund is 6.69 years. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

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

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 738,000	\$ -	\$ -	\$ 738,000
Infrastructure under construction	-	196,298	-	196,298
Total capital assets, not being depreciated	738,000	196,298	-	934,298
Capital assets, being depreciated				
Equipment	956,066	64,069	-	1,020,135
Infrastructure	1,982,293	-	-	1,982,293
Total capital assets, being depreciated	2,938,359	64,069	-	3,002,428
Less accumulated depreciation for:				
Equipment	230,120	42,623	-	272,743
Infrastructure - water control and other	1,982,293	-	-	1,982,293
Total accumulated depreciation	2,212,413	42,623	-	2,255,036
Total capital assets, being depreciated, net	725,946	21,446	-	747,392
Governmental activities capital assets	\$ 1,463,946	\$ 217,744	\$ -	\$ 1,681,690

NOTE 5 – LONG-TERM LIABILITIES

Capital Improvement Revenue Notes, Series 2006

On April 11, 2006, the District authorized a loan agreement with SunTrust Bank for Capital Improvement Revenue Notes, Series 2006 for \$4,965,000. The initial maturity date was April 1, 2007. In June 2007, the District reset the terms with a maturity date of May 1, 2012 and a fixed interest rate of 4.91%. Principal and interest payments are due each May 1st and November 1st.

The Note established other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with those requirements of the Bond Indenture at September 30, 2009.

Long-term Debt activity

Changes in long-term liability activity for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Notes payable:					
Capital Improvement Notes	\$ 2,445,235	\$ -	\$ 671,000	\$ 1,774,235	\$ 562,333
Capital lease	-	64,069	3,050	61,019	11,121
Compensated absences	38,796	2,472	-	41,268	-
Total	\$ 2,484,031	\$ 66,541	\$ 674,050	\$ 1,876,522	\$ 573,454

NOTE 5 – LONG – TERM LIABILITIES (Continued)

At September 30, 2009, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 562,333	\$ 81,259	\$ 643,592
2011	591,257	52,335	643,592
2012	620,645	22,948	643,592
Total	<u>\$ 1,774,235</u>	<u>\$ 156,541</u>	<u>\$ 1,930,776</u>

NOTE 6 – CAPITAL LEASES

During the fiscal year ended September 30, 2009, the District entered into one new lease with an option to purchase equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Machinery and Equipment	\$ 64,069
Less: Accumulated depreciation	(3,203)
Total	<u>\$ 60,866</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, are as follows:

Year ending September 30,	Governmental Activities		
	Total	Principal	Interest
2010	\$ 14,872	\$ 11,121	\$ 3,751
2011	14,840	11,979	2,861
2012	14,804	12,902	1,902
2013	14,767	13,897	870
2014	11,168	11,120	48
Total minimum lease payments	70,451	<u>\$ 61,019</u>	<u>\$ 9,432</u>
Less: amount representing interest	(9,432)		
Present value of minimum lease payments	<u>\$ 61,019</u>		

NOTE 7 – FEDERAL GRANTS

In November 2007, the District entered into an agreement with the United States Department of Agriculture's Nature Resource Conservation Service (NRCS), in the amount not to exceed \$1.9 million for installing emergency watershed protection measures to relieve hazards and damages created by Hurricane Wilma. The grant was for reimbursement of approximately 75% of the actual remediation cost plus 11.5% of the remediation cost for related engineering cost. The project was finished in the fiscal year 2009, and the District received approximately \$199,343 federal grants.

NOTE 8 – PENSION PLAN AND SUBSEQUENT EVENT

The District participates in Coral Springs Improvement District Money Purchase Pension Plan & Trust during the fiscal year 2009. The plan is subject to federal laws, such as the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and other federal and state laws. The plan covers all employees who meet the length-of-service requirements and also allow for voluntary employee contributions. The required contribution rate for qualified participants is 6% of their compensation. The total compensation for the qualified participants for the year was \$191,669, while the total payroll for the year was \$252,310. For the fiscal year ended September 30, 2009, the market value of plan assets increased 7% in comparison with the prior year and the total vested amount was \$131,352. Total plan contributions for qualified participants were \$11,500.

Subsequent to September 30, 2009, the District adopted a 401a Defined Contribution Plan as managed by ICMA-RC Services, LLC. The Plan covers all permanent full-time employees with vesting requirements varying between one and five years. The District's contribution to the plan is 10% of each eligible employee's regular pay. The District also adopted a deferred compensation plan, which was created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The plans are administered through ICMA Retirement Corporation and the District has elected to serve as Trustee for each.

NOTE 9 – INTERLOCAL AGREEMENT

In October 2008 (amended December 15, 2008) the District entered into an Interlocal Agreement with Coral Springs Improvement District to provide human resource administration and rental of facilities for the District.

NOTE 10 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hart, Hunt and Associates, LLC to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
REVENUES				
Assessments	\$ 2,051,500	\$ 2,087,054	\$ 2,087,080	\$ 26
Federal grants	-	199,343	199,343	-
Interest	32,055	9,850	(10,394)	(20,244)
Miscellaneous	8,400	3,850	3,850	-
Total revenues	<u>2,091,955</u>	<u>2,300,097</u>	<u>2,279,879</u>	<u>(20,218)</u>
EXPENDITURES				
Current:				
General government	371,132	862,246	665,945	196,301
Maintenance and operations	1,090,791	975,922	865,595	110,327
Debt Service				
Interest	113,178	113,179	113,953	(774)
Principal	567,574	671,000	674,050	(3,050)
Capital outlay	-	-	260,367	(260,367)
Total expenditures	<u>2,142,675</u>	<u>2,622,347</u>	<u>2,579,910</u>	<u>42,437</u>
Excess (deficiency) of revenues over (under) expenditures	(50,720)	(322,250)	(300,031)	22,219
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	64,069	64,069
Total other financing sources	<u> </u>	<u> </u>	<u>64,069</u>	<u>64,069</u>
Net change in fund balance	<u>\$ (50,720)</u>	<u>\$ (322,250)</u>	<u>(235,962)</u>	<u>\$ 86,288</u>
Fund balance - beginning			<u>2,813,145</u>	
Fund balance - ending			<u>\$ 2,577,183</u>	

See notes to required supplementary information

**SUNSHINE WATER CONTROL DISTRICT
CORAL SPRINGS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2009 general fund budget was amended to increase revenues by \$208,142 and appropriations by \$479,672. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

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

To the Board of Supervisors
Sunshine Water Control District
Coral Springs, Florida

We have audited the financial statements of the governmental activities and the major fund of Sunshine Water Control District, Coral Springs, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

This report is intended for the information of the management, Board of Supervisors of Sunshine Water Control District, Coral Springs, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Allen & Associates

March 25, 2010

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

To the Board of Supervisors
Sunshine Water Control District
Coral Springs, Florida

We have audited the accompanying basic financial statements of Sunshine Water Control District ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated March 25, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated March 25, 2010. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information of the management, Board of Supervisors of Sunshine Water Control District, Coral Springs, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Sunshine Water Control District, Coral Springs, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.



March 25, 2010

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Budget

Observation: Actual expenditures exceeded appropriations in the general fund at September 30, 2008.

Recommendation: The District should amend the budget during the fiscal year to ensure that all expenditures are properly budgeted.

Management Response: Future budgets will be amended to reflect the expenditure of grant proceeds.

Current Status: Actual expenditures did not exceed appropriations at September 30, 2009 therefore the matter will not be repeated.

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

4. Violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2009.

REPORT TO MANAGEMENT (Continued)

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
 - b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2009.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2009 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.