

**SUNSHINE WATER CONTROL DISTRICT  
CORAL SPRINGS, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012**

**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 each major fund of Sunshine Water Control District, Coral Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 each major fund of Sunshine Water Control District, Coral Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2012 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 21, 2013, 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, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

*Grau & Associates*

March 21, 2013

## 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, 2012. 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 most recent fiscal year resulting in a net asset balance of \$5,000,228.
- The change in the District's total net assets in comparison with the prior fiscal year was \$1,111,081, an increase. 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, 2012, the District's governmental funds reported combined ending fund balances of \$7,444,662, a decrease of (\$6,080,166) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service and capital projects, assigned to working capital; and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### 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 three governmental funds for external reporting. 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, debt service fund and capital projects fund, all of which are considered major funds.

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 at the close of the most recent fiscal year.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2012	2011
Assets, excluding capital assets	\$ 8,600,262	\$ 14,770,510
Capital assets, net of depreciation	9,755,728	3,381,740
Total assets	18,355,990	18,152,250
Liabilities, excluding long-term liabilities	932,042	1,011,668
Long-term liabilities	12,423,720	13,251,435
Total liabilities	13,355,762	14,263,103
Net assets		
Invested in capital assets, net of related debt	1,304,798	524,555
Restricted for renewal and replacement	529,845	482,219
Unrestricted	3,165,585	2,882,373
Total net assets	\$ 5,000,228	\$ 3,889,147

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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets increased during the most recent fiscal year. 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,	
	2012	2011
Revenues:		
Program revenues		
Charges for services	\$ 3,296,352	\$ 2,245,666
Operating grants and contributions	48	27
Capital grants and contributions	900	387
General revenues		
Investment earnings (loss)	12,654	9,560
Total revenues	<u>3,309,954</u>	<u>2,255,640</u>
Expenses:		
General government	343,552	491,936
Maintenance and operations	1,164,623	649,987
Interest	690,698	331,711
Total expenses	<u>2,198,873</u>	<u>1,473,634</u>
Change in net assets	<u>1,111,081</u>	<u>782,006</u>
Net assets beginning	<u>3,889,147</u>	<u>3,107,141</u>
Net assets ending	<u>\$ 5,000,228</u>	<u>\$ 3,889,147</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2012 was \$2,198,873. The costs of the District's activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year as a result of assessments for debt service payments.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the 2012 fiscal year was not considered significant. The actual general fund expenditures for the 2012 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2012, the District had \$12,170,255 invested in land, infrastructure and equipment. In the government-wide financial statements depreciation of \$2,414,527 has been taken, which resulted in a net book value of \$9,755,728. More detailed information about the District's capital assets is presented in the notes of the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Capital Debt

At September 30, 2012, the District had \$12,660,000 Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

For the subsequent fiscal year, the District anticipates that the cost of general operations will remain fairly constant and a pump station replacement will be completed.

## 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, 2012**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 3,388,050
Investments	43,748
Accounts receivable	5,040
Restricted assets:	
Temporarily restricted	
Investments	4,575,234
Deferred charges	492,690
Restricted assets:	
Cash	95,500
Capital assets:	
Nondepreciable	9,143,914
Depreciable, net	611,814
Total assets	18,355,990
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	567,410
Accrued interest payable	269,132
Deposits payable	95,500
Non-current liabilities:	
Due within one year	243,897
Due in more than one year	12,179,823
Total liabilities	13,355,762
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,304,798
Restricted for debt service	529,845
Unrestricted	3,165,585
Total net assets	\$ 5,000,228

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT  
CORAL SPRINGS, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 343,552	\$ 343,552	\$ -	\$ -	\$ -
Maintenance and operations	1,164,623	2,952,800	-	900	1,789,077
Interest on long-term debt	690,698	-	48	-	(690,650)
Total governmental activities	<u>2,198,873</u>	<u>3,296,352</u>	<u>48</u>	<u>900</u>	<u>1,098,427</u>
General revenues:					
Unrestricted investment income					12,654
Total general revenues					<u>12,654</u>
Change in net assets					1,111,081
Net assets - beginning					3,889,147
Net assets - ending					<u>\$ 5,000,228</u>

See notes to the financial statements

**SUNSHINE WATER CONTROL DISTRICT  
CORAL SPRINGS, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

	Major Fund			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 3,388,050	\$ -	\$ -	\$ 3,388,050
Investments	43,748	798,836	3,776,398	4,618,982
Accounts receivable	180	71	4,789	5,040
Due from other funds	-	70	-	70
Cash-restricted	95,500	-	-	95,500
Total assets	<u>\$ 3,527,478</u>	<u>\$ 798,977</u>	<u>\$ 3,781,187</u>	<u>\$ 8,107,642</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 266,323	\$ -	\$ 301,087	\$ 567,410
Deposits payable	95,500	-	-	95,500
Due to other funds	70	-	-	70
Total liabilities	<u>361,893</u>	<u>-</u>	<u>301,087</u>	<u>662,980</u>
Fund balance:				
Restricted for:				
Debt service	-	798,977	-	798,977
Capital projects	-	-	3,480,100	3,480,100
Assigned to:				
Working capital	696,265	-	-	696,265
Unassigned:	2,469,320	-	-	2,469,320
Total fund balance	<u>3,165,585</u>	<u>798,977</u>	<u>3,480,100</u>	<u>7,444,662</u>
Total liabilities and fund balance	<u>\$ 3,527,478</u>	<u>\$ 798,977</u>	<u>\$ 3,781,187</u>	<u>\$ 8,107,642</u>

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, 2012**

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

Fund balance - governmental funds		\$ 7,444,662
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	12,170,255	
Accumulated depreciation	<u>(2,414,527)</u>	9,755,728
Assets that are available to pay for current-period expenditures are deferred in the fund statements.		
Bond issue costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statement of net assets includes these costs, net of amortization.		
Bond issue costs	517,875	
Accumulated amortization	<u>(25,185)</u>	492,690
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	(269,132)	
Capital lease payable	(25,017)	
Bonds payable	(12,660,000)	
Bond discount, net of accumulated amortization	<u>326,840</u>	(12,627,309)
Compensated absences due and payable after the next fiscal year are not reported as a liability on the balance sheet.		
		<u>(65,543)</u>
Net assets of governmental activities		<u>\$ 5,000,228</u>

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, 2012**

	Major Fund			Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 2,335,518	922,738	\$ -	\$ 3,258,256
Investment income	12,654	48	900	13,602
Miscellaneous	50,318	-	-	50,318
Total revenues	<u>2,398,490</u>	<u>922,786</u>	<u>900</u>	<u>3,322,176</u>
<b>EXPENDITURES</b>				
Current:				
General government	311,599	18,452	-	330,051
Maintenance and operations	1,109,600	-	-	1,109,600
Debt service:				
Principal	632,651	220,000	-	852,651
Interest	25,293	655,736	-	681,029
Capital outlay	23,913	-	6,405,098	6,429,011
Total expenditures	<u>2,103,056</u>	<u>894,188</u>	<u>6,405,098</u>	<u>9,402,342</u>
Excess (deficiency) of revenues over (under) expenditures	295,434	28,598	(6,404,198)	(6,080,166)
Fund balance - beginning	<u>2,870,151</u>	<u>770,379</u>	<u>9,884,298</u>	<u>13,524,828</u>
Fund balance - ending	<u>\$ 3,165,585</u>	<u>\$ 798,977</u>	<u>\$ 3,480,100</u>	<u>\$ 7,444,662</u>

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, 2012**

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

Net change in fund balance - total governmental funds	\$ (6,080,166)
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.	6,429,011
Certain revenues were deferred for the fund financial statements in the prior year. In the current year, these revenues were recorded in the fund financial statement.	(12,222)
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.	852,651
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.	(13,501)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Depreciation of capital assets	(55,023)
Amortization of deferred charges	(28,697)
Change in accrued interest	19,028
	<hr/>
Change in net assets of governmental activities	<u><u>\$ 1,111,081</u></u>

See notes to the financial statements

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

**NOTE 1 – NATURE OF ORGANIZATION AND 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 Supervisors are elected by the owners of the property within the District. The Board of Supervisors exercise all powers granted to the District pursuant to Chapter 298.36, Florida Statutes.

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

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

The government-wide financial statements (i.e., the statement of net 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 2 – 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 funds:

### **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.

### **Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

### **Capital Projects Fund**

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

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 government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Assets or Equity**

#### **Restricted Assets**

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

#### **Deposits and Investments**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Assets or Equity (Continued)**

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.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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.

**Deferred Charges**

In connection with the issuance of certain debt during the current fiscal year, the District incurred costs totaling \$517,875. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2012 the District reported accumulated amortization of \$25,185. In addition, the original issue discount of \$343,040 is being amortized over the estimated life of the Bonds. Accumulated amortization was \$16,200 at September 30, 2012.

**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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity/Net Assets

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

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

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

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

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### **Fund Equity/Net Assets(Continued)**

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

Net 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. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

### **Other Disclosures**

#### **Use of Estimates**

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

## **NOTE 3 – BUDGETARY INFORMATION**

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

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

- a) Each year the District Manager submits to the 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 4 – DEPOSITS AND INVESTMENTS**

### **Deposits**

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

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

The District's investments were held as follows at September 30, 2012:

	Fair Value	Credit Risk	Maturities
Treasury Money Market Fund	\$ 4,575,234	S&P AAAM	Weighted average of the fund portfolio: 51 days
Investment in Local Government Surplus Funds Trust Fund (Florida PRIME)	886	S&P AAAM	Weighted average of the fund portfolio: 39 days
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	42,862	Not rated	*
Total Investments	<u>\$ 4,618,982</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 have 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. Pool Fund B is not rated by any nationally recognized statistical rating agency. Pool A has been subsequently renamed as Florida PRIME and Pool B has subsequently been renamed as Fund B Surplus Funds Trust Fund ("Fund B").

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 (Florida PRIME) is considered a 2a7-like fund and the District has reported its investment in Florida PRIME at the same value as the pooled shares allocated to the District. The estimated weighted average maturity of the Florida PRIME portfolio is 39 days. Fund B is accounted for as a fluctuating NAV pool and the fair value factor for September 30, 2012 was .94896811. 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 \$42,862 for a net unrealized loss of approximately (\$2,305). Due to the nature of the securities in Fund B, the weighted average maturity is not available. The weighted average life of the fund is estimated at 4.08 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.

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

*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 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2012 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	2,000,816	6,405,098	-	8,405,914
Total capital assets, not being depreciated	2,738,816	6,405,098	-	9,143,914
Capital assets, being depreciated				
Equipment	1,020,135	23,913	-	1,044,048
Infrastructure	1,982,293	-	-	1,982,293
Total capital assets, being depreciated	3,002,428	23,913	-	3,026,341
Less accumulated depreciation for:				
Equipment	377,211	55,023	-	432,234
Infrastructure - water control and other	1,982,293	-	-	1,982,293
Total accumulated depreciation	2,359,504	55,023	-	2,414,527
Total capital assets, being depreciated, net	642,924	(31,110)	-	611,814
Governmental activities capital assets	<u>\$ 3,381,740</u>	<u>\$ 6,373,988</u>	<u>\$ -</u>	<u>\$ 9,755,728</u>

In October 2010, the District approved its amended water control plan which includes an estimated 5 year Capital Improvement Plan at a cost of approximately \$19,807,000. The Capital Improvements Plan includes restoration of the canal system, repair/replacement/cleaning of culverts, replacement of both pump stations, interconnect between the east and west basins of the District, interconnect with neighboring water control districts, GIS/telemetry systems, and various other miscellaneous improvements. All of the improvements are designed to provide services and benefit to all developable lands in the District. Approximately \$11.2 million of the Capital Improvements is funded by Series 2011 Bonds (see Note 6 for details) and \$8.6 million will be funded with internally generated funds and designated capital reserves.

During the current fiscal year, there are approximately \$6.4 million incurred in connection with the District's capital improvements project. The District anticipates that pump station replacement, which is part of capital improvements project, will be completed in the subsequent fiscal year.

Depreciation expense was charged to the maintenance and operations function.

**NOTE 6 – 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 1<sup>st</sup> and November 1<sup>st</sup>. The Note has been paid off as of September 30, 2012.

**Special Assessment Revenue Improvement Bonds, Series 2011**

On April 28, 2011, the District issued \$12,880,000 of Special Assessment Revenue Improvement Bonds, Series 2011. Series 2011 is a combination of Serial Bonds of \$4,290,000 and Term Bonds of \$8,590,000. Serial Bonds gradually mature from May 1, 2012 through May 1, 2030 with variable interest rates ranging from 2% to 5.375%. Term Bonds consist of \$1,585,000 Series 2011 Term Bonds due on May 1, 2029 with a fixed interest rate of 5.25%, \$3,285,000 Series 2011 Term Bonds due on May 1, 2036 with a fixed interest rate of 5.75% and \$3,720,000 Series 2011 Term Bonds due on May 1, 2041 with a fixed interest rate of 5.75%. The Bonds were issued to finance the acquisition and construction of certain public infrastructure components of the District's capital improvement plan for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1 commencing on November 1, 2011. Principal on the Bonds is to be paid serially commencing May 1, 2012 and ending May 1, 2041.

The Series 2011 Bonds are subject to redemption at the option of the District prior to their maturity. In addition, the acceleration of the payment of principal of and interest on the Series 2011 Bonds shall not be a remedy available to the owners of the Series 2011 Bonds in the event of default.

The Bond Indenture established a debt service reserve requirement as well as 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 and to meet the reserve requirements. The Bond Indenture also provides for a surety bond to be obtained in place of 50% of the funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The District has obtained the required bonding and is in compliance with the reserve requirement at September 30, 2012.

**Long-term Debt activity**

Changes in long-term liability activity for the fiscal year ended September 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental activities</u></b>					
Bonds payable:					
Series 2011	\$ 12,880,000	\$ -	\$ (220,000)	\$ 12,660,000	\$ 230,000
Less: Original Issue Discount	(338,275)	-	11,435	(326,840)	-
Notes payable:					
Capital Improvement Notes	619,749	-	(619,749)	-	-
Capital lease	37,919	-	(12,902)	25,017	13,897
Compensated absences	52,042	13,501	-	65,543	-
Total	<u>\$ 13,251,435</u>	<u>\$ 13,501</u>	<u>\$ (841,216)</u>	<u>\$ 12,423,720</u>	<u>\$ 243,897</u>

**NOTE 6 – LONG – TERM LIABILITIES (Continued)**

At September 30, 2012, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2013	\$ 230,000	\$ 645,916	\$ 875,916
2014	235,000	641,316	876,316
2015	240,000	635,441	875,441
2016	245,000	629,681	874,681
2017	255,000	622,944	877,944
2018-2022	1,410,000	2,970,869	4,380,869
2023-2027	1,755,000	2,630,500	4,385,500
2028-2032	2,260,000	2,125,600	4,385,600
2033-2037	2,975,000	1,410,763	4,385,763
2038-2041	3,055,000	451,663	3,506,663
	<u>\$ 12,660,000</u>	<u>\$12,764,693</u>	<u>\$ 25,424,693</u>

**NOTE 7– CAPITAL LEASES**

In July 2009, the District entered into a 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:

	Governmental Activities
Asset:	
Machinery and Equipment	\$ 64,069
Less: Accumulated depreciation	(41,645)
Total	<u>\$ 22,424</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, are as follows:

Year ending September 30,	Governmental Activities		
	Total	Principal	Interest
2013	15,293	13,897	1,396
2014	11,469	11,120	349
Total minimum lease payments	26,762	<u>\$ 25,017</u>	<u>\$ 1,745</u>
Less: amount representing interest	(1,745)		
Present value of minimum lease payments	<u>\$ 25,017</u>		

**NOTE 8 – PENSION PLAN**

In October 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 total compensation for the qualified participants for the year was \$246,582, while the total payroll for the year was \$310,272. Total plan contributions for qualified participants were \$22,854.

**NOTE 8 – PENSION PLAN (Continued)**

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 AGREEMENTS**

In a prior fiscal year the District entered into an Interlocal Agreement with the City of Coral Springs and Broward County to share the certain costs for a feasibility study related to connecting the District's two drainage basins. The total cost of the study was estimated at \$60,000, Broward County to fund \$20,000, the City of Coral Spring \$26,667, and the District \$13,333. The City reimbursed the District in the amount of \$11,111 in the prior year. As of September 30, 2012, the District received the remaining balance from both the County and the City.

**NOTE 10 – CONTINGENCIES**

In a prior fiscal year the Federal Emergency Management Agency ("FEMA") provided a grant of approximately \$295,000 to the District from the Emergency Watershed Program to offset cleanup costs associated with Hurricane Frances (2004). FEMA de-obligated/denied the grant and requested repayment. The District filed two appeals with FEMA, both of which were denied. The District intends to continue with the appeals process. As such the related amounts are not reflected in the financial statements as the final resolution of this item cannot be determined at this time.

**NOTE 11 – MANAGEMENT COMPANY**

The District has contracted with Wrathell, 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 12 – 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, 2012**

	Budgeted Amounts <u>Original &amp; Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 2,296,959	\$ 2,335,518	\$ 38,559
Interest	5,000	12,654	7,654
Miscellaneous	2,100	50,318	48,218
Total revenues	<u>2,304,059</u>	<u>2,398,490</u>	<u>94,431</u>
<b>EXPENDITURES</b>			
Current:			
General government	345,813	311,599	34,214
Maintenance and operations	1,744,794	1,109,600	635,194
Debt service			
Principal	632,651	632,651	-
Interest	25,301	25,293	8
Capital outlay	36,500	23,913	12,587
Total expenditures	<u>2,785,059</u>	<u>2,103,056</u>	<u>682,003</u>
Excess (deficiency) of revenues over (under) expenditures	(481,000)	295,434	776,434
<b>OTHER FINANCING SOURCES</b>			
Carry over	481,000	-	(481,000)
Total other financing sources	<u>481,000</u>	<u>-</u>	<u>(481,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>295,434</u>	<u>\$ 295,434</u>
Fund balance - beginning		<u>2,870,151</u>	
Fund balance - ending		<u>\$ 3,165,585</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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the 2012 fiscal year was not considered significant. The actual general fund expenditures for the 2012 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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**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 each major fund of Sunshine Water Control District, Coral Springs, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 and use 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.

*Grau & Associates*  
March 21, 2013



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**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, Coral Springs, Florida ("District"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 21, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United State; and Chapter 10.550, Rules of the Florida Auditor General. 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 based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated March 21, 2013. 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.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of 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.

*Grau & Associates*

March 21, 2013

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2011.

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, 2012.

4. Violations of 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 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, 2012.

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. Deficiencies in internal control 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, 2012.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

### **REPORT TO MANAGEMENT (Continued)**

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, 2012 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.

