

**ENGLEWOOD WATER DISTRICT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**ENGLEWOOD WATER DISTRICT  
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SEPTEMBER 30, 2014 AND 2013**

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Englewood Water District  
Englewood, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Englewood Water District (the "District"), as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2014 and 2013, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of a Matter***

During the fiscal year ended September 30, 2014, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the implementation of GASBS No. 65, the District reported a restatement for the change in accounting principle (see Note 1.) The auditors' opinion was not modified with respect to the restatement.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 11 and the schedule of funding progress on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The schedule of operating expenses by department, the schedule of monthly water and wastewater rates, and the schedule of insurance coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

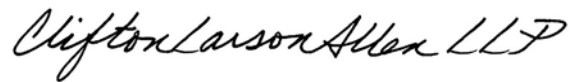
The schedule of expenditures of operating expenses by department is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of monthly water and wastewater rates and the schedule of insurance coverage have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Board of Supervisors  
Englewood Water District

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 12, 2015



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis (MD&A) offers readers of the Englewood Water District's (District) financial statements an overview of the financial activities for the fiscal year ended on September 30, 2014. Please read it in conjunction with the financial statements with its accompanying notes.

### **FINANCIAL HIGHLIGHTS**

- The District's assets exceed its liabilities on September 30, 2014 by \$89.7 million (net position), a \$662,000 increase from the previous fiscal year. Of this amount, \$17.8 million (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors. Of the remaining \$71.9 million, \$71.5 million was invested in capital assets, net of related debt, while the remainder was restricted for renewal and replacement purposes.
- The District's net capital assets increased by \$979 thousand, or 1.0% from the previous year.
- Long-term debt decreased by approximately \$1.8 million from fiscal year 2013 due to required debt service payments.
- Operating revenues for 2014 were \$13.2 million, compared with operating revenue of \$13.3 million in 2013, a .94% decrease. Rates were not increased in 2014 and the decrease in revenue is attributable to a decrease in miscellaneous income. Excluding depreciation, operating expenses decreased \$178 thousand or 1.3% from fiscal year 2013.

### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

The District is a special district engaged in business type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that of providing goods and services (including depreciation), on a continuing basis, and to be financed or recovered primarily through user charges.

The financial statements presented in this report are required and consist of: 1) Management's Discussion and Analysis (MD&A); 2) Basic Financial Statements; 3) Notes to the Financial Statements; 4) Required Supplementary Information; and 5) Other Supplementary Information. These topics are further explained as follows:

- MD&A – This section relates mostly to the changes in the District's finances and explains the Basic Financial Statements. The MD&A is on pages 4-11.
- Basic Financial Statements, pages 12-14
  - The Statement of Net Position presents information on all of the District's assets, deferred outflows, and liabilities, with the difference between assets plus deferred outflows and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.
  - The Statement of Revenues, Expenses, and Changes in Net Position presents information about the amounts of revenues, expenses, and resulting change in net position for the year.
  - The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of earnings events, when obligations arise, or depreciation of capital assets.
- The Notes to the Financial Statement provide information that is essential to a full understanding of the data provided in the basic financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Cash and cash equivalents and investments; 3) Restricted assets; 4) Connection fees and assessments receivable; 5) Capital Assets; 6) Long-term debt; 7) Interest rate swaps; 8) Defined benefit pension plan; 9) Retirement plan; 10) Implicit Postemployment Health Insurance Subsidy; 11) Risk Management; 12) Commitments and contingencies; and 13) Related party transaction. The Notes to the Financial Statement are on pages 15-35.
- The Required Supplementary Information is not a part of the basic financial statements, but is required to be presented in accordance with generally accepted accounting standards. The Required Supplementary Information presents information on the District's funding progress for its Other Postemployment Benefits.
- The Other Supplementary Information presents statistical information that may be useful when considering the financial statements taken as a whole.

These statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments" and, therefore, are presented on a net position basis. The use of the net position presentation (including Net investment in capital assets, Restricted and Unrestricted Net Position) alleviates the pre-Statement No. 34 use of contributed capital and retained earnings. Additionally, the operating statement, the "Statement of Revenues, Expenses and Changes in Net Position," uses a clean surplus approach which results in contributions being reflected on the face of this statement in arriving at the change in net position.

**FINANCIAL ANALYSIS  
SUMMARY OF NET POSITION**

The following table reflects the condensed Summary of Net Position compared to the prior year.

**Table 1  
Summary of Net Position  
As of September 30,  
(\$ in thousands)**

	<u>2014</u>	<u>2013 (Restated)</u>	<u>2012 (Restated)</u>
Current and Other Assets	\$ 19,429	\$ 21,231	\$ 22,991
Capital Assets	98,015	97,036	98,794
Total Assets	<u>117,444</u>	<u>118,267</u>	<u>121,785</u>
Deferred Outflow of Resources			
Accumulated Decreases in Fair Value Hedge	2,005	2,364	3,410
Accumulated costs associated with refunding of debt	515	645	775
Total deferred outflow of resources	<u>2,520</u>	<u>3,009</u>	<u>4,185</u>
Noncurrent Liabilities	26,532	28,674	32,670
Other Liabilities	3,721	3,553	3,895
Total Liabilities	<u>30,253</u>	<u>32,227</u>	<u>36,565</u>
Net Position:			
Net Investment in Capital Assets	71,493	69,626	68,464
Restricted	400	553	1,413
Unrestricted	17,818	18,870	19,528
Total Net Position	<u>\$ 89,711</u>	<u>\$ 89,049</u>	<u>\$ 89,405</u>

For more detailed information see the Statement of Net Position (page 12).

**NORMAL IMPACTS**

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

**Net Results of Activities** – which will impact (increase/decrease) current assets and unrestricted net position presentation.

**Borrowing for Capital** – which will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** – which will reduce current assets and increase capital assets. There is a second impact, an increase in net invested in capital assets and an increase in related net debt which will not change the net investment in capital assets.

**Spending of Non-Borrowed Current Assets on New Capital** – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net position and increase net investment in capital assets.

**Principal Payment on Debt** – which will (a) reduce current assets and (b) reduce long-term debt and reduce unrestricted net position and increase net investment in capital assets.



**Reduction of Capital Assets through Depreciation** – which will reduce capital assets and net investment in capital assets.

**CURRENT YEAR IMPACTS (see page 6 Table 1)**

Net position increased by \$662 thousand, or .74% from fiscal year 2013. Capital assets include capital assets in service, construction in progress, and accumulated depreciation. Capital assets increased \$979 thousand, or 1.0%; construction in progress increased \$1.7 million, or 106% due to the completion of an expansion project; accumulated depreciation increased \$3.7 million, or 6.7% as a result additions and deletions of fixed assets and annual depreciation expense.

The non-current liabilities decreased by \$2.1 million, or 7.5% over fiscal year 2013 due to payments made on long term debt and reduction of derivative instruments. No additional debt was issued in 2014. Other liabilities decreased \$168 thousand, or 4.7%. Current year accruals decreased by \$136 thousand, or 19.5%. Other liabilities and current year accrual decreases were due to the reduction of debt.

**SUMMARY OF CHANGES IN NET POSITION**

The following schedule compares the revenues and expenses for the current and previous fiscal year.

**Table 2  
Changes in Net Position  
For the Year Ended September 30,  
(\$ in thousands)**

	<b>2014</b>	<b>2013 (Restated)</b>	<b>2012 (Restated)</b>
Operating Revenue	\$ 13,213	\$ 13,339	\$ 12,952
Non-Operating Revenue	491	149	699
Total Revenue	<u>13,704</u>	<u>13,488</u>	<u>13,651</u>
Salaries	5,692	5,767	5,484
Utilities	1,013	959	980
Contractual Services, Material, Supplies	1,554	1,970	1,729
Repair and Maintenance	1,030	917	1,084
Depreciation	3,946	3,800	3,829
Operating Expenses	<u>13,235</u>	<u>13,413</u>	<u>13,106</u>
Interest	1,143	1,279	1,470
Total Expense	<u>14,378</u>	<u>14,692</u>	<u>14,576</u>
Income Before Capital Contributions	(674)	(1,204)	(925)
Capital Contributions	<u>1,336</u>	<u>848</u>	<u>2,543</u>
Change in Net Position	662	(356)	1,618
Beginning Net Position	<u>89,049</u>	<u>89,405</u>	<u>87,787</u>
Ending Net Position	<u>\$ 89,711</u>	<u>\$ 89,049</u>	<u>\$ 89,405</u>

## NORMAL IMPACTS

There are five basic impacts on revenues and expenses as reflected below.

### Revenues:

**Economic Condition** – which can reflect a declining, stable, or growing economic environment and has a substantial impact on revenues as well as public spending habits for building permits, user fees, and volumes of consumption.

**Increase/Decrease in approved rates** – the Board of Supervisors has the authority to impose and periodically increase/decrease water and wastewater rates.

**Market Impacts on Investment Income** – Englewood Water District's investment portfolio is managed using short-term investments and the market condition may cause investment income to fluctuate.

### Expenses:

**Introduction of New Programs** – individual programs may be added or deleted to meet changing community needs such as increasing the capacity in the wastewater treatment plant to accommodate new connections to the wastewater system.

**Inflation** – while overall inflation appears to be reasonably modest, Englewood Water District is a major consumer of certain commodities such as purchased power. Some functions may experience unusual commodity specific increases.

## CURRENT YEAR IMPACTS (see page 7 Table 2)

### Revenue:

Water revenues increased \$12 thousand, or .20% from fiscal year 2013 to 2014. Wastewater revenues increased \$121 thousand, or 1.75% from fiscal year 2013 to 2014. The increase in water and wastewater revenues is attributed to economic conditions. Total revenue includes water, wastewater, and other revenues and decreased \$126 thousand, or .94% from fiscal year 2013 to 2014.

Water revenues increased \$190 thousand, or 3.3% from fiscal year 2012 to 2013. Wastewater revenues increased \$2 thousand, or .03% from fiscal year 2012 to 2013. The increase in water and wastewater revenues is attributed to economic conditions. Total revenue includes water, wastewater, and other revenues and increased \$387 thousand, or 3.0% from fiscal year 2012 to 2013.

The District's investment earnings increased \$76 thousand, or 65.0% from fiscal year 2013 to 2014; the assessment interest decreased \$6 thousand, or 3.14% from fiscal year 2013 to 2014. The increase in investment earnings was a result of the higher yield investments maturing and being replaced with higher yield investments. The decrease in assessment earnings is a result of loan amortization (as assessment loans are being paid more funds go to principal rather than interest). The investment earnings reflected in the financial statements include the change in market value; for fiscal year 2014 the decrease in market value was \$49 thousand and in 2013 there was a decrease of market value of \$164 thousand.

The District's investment earnings decreased \$37.5 thousand, or 12.47% from fiscal year 2012 to 2013; the assessment interest decreased \$80 thousand, or 27.9% from fiscal year 2012 to 2013. The decrease in investment earnings was a result of the higher yield investments maturing and being replaced with lower yield investments. The decrease in assessment earnings is a result of loan amortization (as assessment loans are being paid more funds go to principal rather than interest).

Capital contributions increased \$488 thousand from fiscal year 2013 to 2014, the major increase was attributed to the V-9B sewer area which was completed in fiscal year 2014. Capital contributions decreased \$1.7 million from fiscal year 2012 to 2013 attributed to the V-9 sewer area being accounted for in fiscal year 2012.

**Expenses:**

Total operating expenses for 2014 were \$13.2 million, a 1.3% decrease from fiscal year 2013 to 2014. Depreciation expense accounted for \$3.9 million of operating expenses. Excluding depreciation, operating expenses were \$9.3 million, a decrease of \$324 thousand or 3.4% from fiscal year 2013 to 2014. Total expenses including depreciation and interest were \$14.4 million, a decrease from fiscal year 2013 to 2014 of \$314 thousand, or 2.1%.

Total operating expenses for 2013 were \$13.4 million, a 2.3% increase from fiscal year 2012 to 2013. Depreciation expense accounted for \$3.8 million of operating expenses. Excluding depreciation, operating expenses were \$9.6 million, an increase of \$336 thousand or 3.6% from fiscal year 2012 to 2013. Total expenses including depreciation and interest were \$14.7 million, an increase from fiscal year 2012 to 2013 of \$116 thousand, or .8%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year-end, Englewood Water District's Water and Wastewater Systems had \$98.0 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (increases, decreases including depreciation, see page 23 Note 5) of \$979 thousand, or 1.0% from the end of fiscal year 2013.

**Table 3  
Capital Assets  
As of September 30,  
(\$ in thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 4,814	\$ 4,814	\$ 4,814
Construction In Progress	3,295	1,599	2,064
Building and Plants	41,194	41,186	41,404
Well Fields and Raw Water Lines	6,672	6,672	6,672
Water Distribution Network	28,624	27,973	27,419
Water Reclamation Facility	67,514	65,298	63,623
Equipment	<u>6,053</u>	<u>5,868</u>	<u>5,552</u>
Total	158,166	153,410	151,548
Accumulated Depreciation	<u>(60,151)</u>	<u>(56,374)</u>	<u>(52,754)</u>
Total Capital Assets	<u>\$ 98,015</u>	<u>\$ 97,036</u>	<u>\$ 98,794</u>

The following reconciliation summarizes the change in Capital Assets.

**Table 4**  
**Change in Capital Assets**  
**(\$ in thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Beginning Balance	\$ 97,036	\$ 98,794	\$ 100,608
Increases	6,854	4,243	2,137
Decreases:			
Construction in Progress	(1,929)	(1,921)	(122)
Retirements, net	-	(280)	-
Depreciation	(3,946)	(3,800)	(3,829)
Ending Balance	<u>\$ 98,015</u>	<u>\$ 97,036</u>	<u>\$ 98,794</u>

For more detailed information, see Note 5 to the financial statements.

### LONG TERM LIABILITIES

As of year-end, Englewood Water District had \$26.5 million in long term liabilities (bonds, notes, etc.) outstanding.

**Table 5**  
**Outstanding Liabilities**  
**As of September 30,**  
**(\$ in thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Compensated Absences	\$ 787	\$ 767	\$ 604
Net OPEB Obligation	66	50	39
Derivative Instruments	2,005	2,364	3,410
Revenue Bonds and Notes	9,691	9,785	11,270
Special Assessment Bonds	5,185	6,015	6,795
Promissory Notes	8,798	9,693	10,552
Total Long-Term Liabilities	<u>\$ 26,532</u>	<u>\$ 28,673</u>	<u>\$ 32,670</u>

To the best of management's knowledge, Englewood Water District is in compliance with the covenants of its bonds and notes agreements.

For more detailed information, see Note 6 to the financial statements.

## **ECONOMIC FACTORS**

Englewood Water District's water connections have grown .04% for fiscal years 2013 to 2014; wastewater connections have grown from 14.9 thousand to 15.2 thousand, or 2.01%. The District continues to be affected by the slow growing economy, however the higher rate of growth in the wastewater sector is due to the continued installation of central sewer.

## **FINANCIAL CONTACT**

Englewood Water District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Englewood Water District's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact:

Sonia Zoeller  
201 Selma Avenue  
Englewood, Florida 34223  
(941) 460-1010

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2014 AND 2013**  
(Amounts expressed in thousands)

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,977	\$ 1,126
Accounts receivable (net)	1,665	1,659
Accrued interest receivable	26	32
Inventory	344	334
Prepays	-	12
Total current assets	4,012	3,163
Noncurrent assets:		
Restricted assets: Investments	3,992	4,221
Investments	6,709	8,399
Connection fees and assessments receivable	4,716	5,448
Capital assets (net)	98,015	97,036
Total noncurrent assets	113,432	115,104
Total assets	117,444	118,267
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Accumulated decreases in fair value of hedging derivatives	2,005	2,364
Accumulated costs associated with refunding of debt	515	645
Total deferred outflow of resources	2,520	3,009
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	313	295
Accrued liabilities	275	417
Total current liabilities	588	712
Current liabilities payable from restricted assets:		
Contracts payable	68	111
Retainage payable	223	62
Accrued interest	285	279
Current portion of bonds and notes payable	2,557	2,389
Total current liabilities payable from restricted assets	3,133	2,841
Noncurrent liabilities:		
Compensated absences	787	767
Net OPEB obligation	66	50
Derivative instruments - rate swap	2,005	2,364
Bonds and notes payable, net	23,674	25,493
Total noncurrent liabilities	26,532	28,674
Total liabilities	30,253	32,227
Net position:		
Net investment in capital assets	71,493	69,626
Restricted for meter replacement	400	553
Unrestricted	17,818	18,870
Total net position	\$ 89,711	\$ 89,049

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

(Amounts expressed in thousands)

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Water services	\$ 6,032	\$ 6,020
Waste treatment	7,020	6,899
Other	161	420
Total operating revenues	13,213	13,339
Operating expenses:		
Water treatment plants	2,766	2,764
Water distribution	1,769	1,565
Waste treatment	4,212	4,241
Waste collection	1,496	1,485
Laboratory	302	291
Meter readers	-	283
General and administrative	2,690	2,784
Total operating expenses	13,235	13,413
Operating income	(22)	(74)
Non-operating revenues (expenses):		
Investment earnings	193	117
Special assessment interest	185	191
Interest expense	(1,143)	(1,279)
Other revenues	83	92
Gain (loss) on disposal of capital assets	30	(251)
Total non-operating expenses	(652)	(1,130)
Loss before contributions	(674)	(1,204)
Capital contributions:		
Cash	778	481
Non cash	558	367
Change in net position	1,336	848
Change in net position	662	(356)
Total net position- beginning of year, as restated (Note 1)	89,049	89,405
Total net position - end of year	\$ 89,711	\$ 89,049

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**  
(Amounts expressed in thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 13,207	\$ 13,370
Payments to suppliers for goods and services	(3,447)	(3,824)
Payments to employees	(5,798)	(5,492)
Net cash provided by operating activities	<u>3,963</u>	<u>4,054</u>
Cash flows from noncapital financing activities:		
Pension note payments	-	(302)
Other receipts	83	92
Net cash provided by (used in) noncapital financing activities	<u>83</u>	<u>(210)</u>
Cash flows from capital and related financing activities:		
Capital contributions	778	481
Additions to capital assets	(4,220)	(1,908)
Collection of special assessment principal and interest	917	1,303
Principal paid on capital debt	(1,675)	(3,088)
Interest paid on capital debt	(1,113)	(1,184)
Net cash used in capital and related financing activities	<u>(5,313)</u>	<u>(4,396)</u>
Cash flows from investing activities:		
Purchase of investments	(4,425)	(5,473)
Proceeds from sale of investments	6,302	5,330
Investment earnings	241	308
Net cash provided by investing activities	<u>2,118</u>	<u>165</u>
Net increase (decrease) in cash and cash equivalents	851	(387)
Cash and cash equivalents beginning of year	<u>1,126</u>	<u>1,513</u>
Cash and cash equivalents end of year	<u>\$ 1,977</u>	<u>\$ 1,126</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	<u>\$ (22)</u>	<u>\$ (74)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	3,946	3,800
Net (increase) decrease in:		
Accounts receivable	(6)	31
Other assets	2	182
Net increase (decrease) in:		
Accounts payable	18	(68)
Accrued liabilities and compensated absences	24	183
Total adjustments	<u>3,984</u>	<u>4,128</u>
Net cash provided by operating activities	<u>\$ 3,963</u>	<u>\$ 4,054</u>
Noncash investing, capital and financing activities:		
Noncash capital contributions	<u>\$ 558</u>	<u>\$ 367</u>
Net unrealized/realized investment (gain) loss	<u>\$ 49</u>	<u>\$ 172</u>

See accompanying Notes to Financial Statements.



**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Englewood Water District (the "District") is an independent special district of the State of Florida. The District was established by act of the Florida legislature in 1959 and recreated and reenacted pursuant to Chapter 2004-439, Laws of Florida on June 17, 2004. The District operates under an elected Board of Supervisors form of government and provides water and reuse services and waste treatment services in portions of Sarasota and Charlotte Counties.

**Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies used in the preparation of these financial statements.

**Reporting Entity**

All significant activities on which the District exercises oversight responsibility have been included in the District's financial statements. The criteria regarding manifestation of oversight include designation of management, budgetary authority, responsibility for debt, control over properties, and scope of services.

Governmental Accounting Standards Board Number 14, "Financial Reporting Entity" (GASB 14, as amended), requires the financial statements of the District (the "primary government") to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there is no potential component units required to be included in the District's financial statements.

**Fund Accounting**

The District uses enterprise fund accounting to report its activities.

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where it is decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Measurement Focus**

The District is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the statement of net position, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the District. The operating statement reports increases (revenues) and decreases (expenses) in total economic net worth.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Budget**

On August 8, 2013 and August 2, 2012, the Board of Supervisors adopted the annual operating budgets for fiscal years 2014 and 2013, respectively, for the District. These budgets cover the period October 1, 2013 through September 30, 2014 and October 1, 2012 through September 30, 2013, respectively, and include the estimated operating expenses for these periods and the means of financing them. Appropriations lapse at year-end. The legal level of control is the fund level. There were no supplemental appropriations during the year.

**Cash and Investments**

The District reports its investments at fair value in accordance with GASB Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Fair valuations are based on quoted market prices.

The District considers highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

As of September 30, 2014 and 2013, all receivables shown represent valid claims against debtors. By legislative authority, all receivables become liens on property, thus no reserve has been established. No bad debts were charged to operations for the years ended September 30, 2014 and 2013.

The District bills for services on a monthly cycle basis and accrues for services rendered but unbilled based on estimated usage from the latest billing to the end of the year.

**Inventories**

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Capital Assets**

Capital assets are stated on the basis of cost, which includes ancillary charges necessary for asset acquisition. The threshold for capitalization is \$1,000. Assets contributed to the District are recorded at their estimated fair value on the date donated. Depreciation is computed by the straight-line method over estimated service lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and plants	7-25
Well fields and raw water lines	10-50
Water distribution network	10-45
Wastewater treatment plant	10-45
Equipment	3-10

Interest expense is capitalized on assets constructed with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project construction with interest earned on invested proceeds over the same period. Accordingly, interest expense of \$161,000 and \$139,000 has been capitalized into construction in progress for the years ended September 30, 2014 and 2013, respectively.

**Unamortized Discounts**

Discounts related to long-term debt are amortized over the life of the debt using the effective interest method. Long-term debt is shown net of unamortized discounts.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows for the deferred charges on refunded debt and interest rate swaps. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow on interest rate swaps results from the difference in the interest rates paid and received. This amount is deferred and fair value is adjusted over the term of the interest rate swap agreement.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Accrued Compensated Absences**

The District's annual leave policy provides for the accumulation of annual leave with such leave being fully vested when earned. The liability for said accumulation has been accrued using current pay rates.

Through March 5, 2012, the District's sick leave policy provided for the accumulation of sick leave. Payment for unused sick leave upon termination is vested only for employees with 10 years or more of continuous service. Consequently, only vested sick leave has been accrued. Subsequent to March 5, 2012, the District no longer permits employees to accrue sick time.

**Net Position**

Net Position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets net of accumulated depreciation and net of outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized discounts, premiums, or deferred refunding losses.

Restricted assets are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or bond covenant) limitations on their use. When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed.

Unrestricted assets consist of all other net position not included in the previous categories.

**Operating Revenues and Expenses**

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Non-Operating Revenues and Expenses**

Non-operating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the District. This classification includes revenue received from capital grants and contributions, interest earned on bank accounts and investments, interest received from special assessments, interest paid on debt service, tower rental, and the gain or loss on the sale or disposal of District property.

**Capital Contributions**

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Capital contributions include connection fees and developer contributed utility systems.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

**Change in Accounting Principle**

During the fiscal year ended September 30, 2014, the District implemented the provisions of GASBS No. 65, Items Previously Reported as Assets and Liabilities. Debt issuance costs were previously reported as an asset and recognized systematically as an expense over the life of the related debt. Debt issuance costs, except those related to prepaid bond insurance, are now recognized as an expense in the period incurred. As a result of the implementation of GASBS No. 65, the beginning net position for the year ended September 30, 2013 was restated by \$115,000.

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida Chief Financial Officer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Florida Chief Financial Officer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida Chief Financial Officer eligible collateral at the pledging level required pursuant to Chapter 280. The Florida Security for Public Deposits Act has a procedure for the payment of losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore, the District is not exposed to custodial credit risk for its deposits.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

At September 30, 2014, the District's deposits were made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2014 for these deposits.

The deposits with the brokerage firm were protected by the Securities Investor Protection Corporation up to a maximum of \$100,000 with certain other limitations.

**Investments**

In accordance with the Florida Statute 218.415(16) and its investment policy, the District may invest in:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.
- 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 as defined in s. 280.02.
- d. Direct obligations of the United States Treasury.
- e. Federal agencies and instrumentalities.
- f. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
- g. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- h. Other investments authorized by resolution of the District.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of September 30, 2014 and 2013, the District had the following investments and maturities (dollars in thousands):

**September 30, 2014**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>% of Portfolio</u>
		<u>Less Than 1</u>	<u>Between 1 - 2</u>	<u>Between 2 -3</u>	<u>More Than 3</u>	
Certificates of Deposit	\$ 9,623	\$ 1,344	\$ 1,121	\$ 479	\$ 6,679	90%
Federal Instrumentalities						
Agency STRIPS	1,040	73	112	-	855	10%
Government Backed Bonds	35	35	-	-	-	0%
GNMA	2	-	-	-	2	0%
FNMA	1	-	-	-	1	0%
Total Federal Instrumentalities	1,078	108	112	-	858	10%
Total Investments	<u>\$ 10,701</u>	<u>\$ 1,452</u>	<u>\$ 1,233</u>	<u>\$ 479</u>	<u>\$ 7,537</u>	

**September 30, 2013**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>Percent of Portfolio</u>
		<u>Less Than 1</u>	<u>Between 1 - 2</u>	<u>Between 2 -3</u>	<u>More Than 3</u>	
Certificates of Deposit	\$ 12,172	\$ 2,449	\$ 2,667	\$ 1,479	\$ 5,577	96%
Federal Instrumentalities						
Agency STRIPS	303	34	159	110	-	2%
Government Backed Bonds	142	142	-	-	-	1%
GNMA	2	-	-	-	2	0%
FNMA	1	-	-	-	1	0%
Total Federal Instrumentalities	448	176	159	110	3	4%
Total Investments	<u>\$ 12,620</u>	<u>\$ 2,625</u>	<u>\$ 2,826</u>	<u>\$ 1,589</u>	<u>\$ 5,580</u>	

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

Credit Ratings	2014		2013	
	S&P	Moody's	S&P	Moody's
Certificates of Deposit	N/A	N/A	N/A	N/A
Federal Instrumentalities				
Agency STRIPS	AAA	AAA	AAA	AAA
Government Backed Bonds	AAA	AAA	AAA	AAA
GNMA	AAA	AAA	AAA	AAA
FNMA	AAA	Aaa	AAA	Aaa

*Interest rate risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits its investment in Federal Instrumentalities and nonnegotiable certificates of deposit to maturities of up to five years.

*Credit risk.* The District does not have a credit risk policy for its investment in Federal Instrumentalities. Its credit risk policy for its investment in nonnegotiable certificates of deposit requires that they be insured under the provisions of FDIC. No individual certificate of deposit exceeds \$250,000.

*Custodial credit 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 its investments or collateral securities that are in the possession of an outside party.

*Concentration of credit risk.* A maximum of forty percent may be invested in individual Federal Instrumentalities. At September 30, 2014 and 2013, no individual investment in a Federal Instrumentality was greater than 10 percent of total investments

All investments are held by UBS AG, Incorporated, counterparty to the transaction, in the District's name.

**NOTE 3 RESTRICTED ASSETS**

Assets were restricted for the following purposes at September 30, 2014 and 2013 (dollars in thousands):

	2014	2013
Debt service	\$ 2,842	\$ 2,668
Renewal and replacement	750	1,011
Meter replacement	400	542
	<u>\$ 3,992</u>	<u>\$ 4,221</u>



**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 4 CONNECTION FEES AND ASSESSMENTS RECEIVABLE**

The District has entered into notes receivable with customers that allow the customer to pay impact and tap fees over five years. These notes, which aggregated \$640,000 and \$745,000 at September 30, 2014 and 2013, respectively, include provisions for monthly payments of principal and interest at 8%. The District has also entered into receivable agreements with customers, which allow the customer to pay sewer assessments over ten to fifteen years. These agreements, which aggregated \$4,076,000 and \$4,703,000 at September 30, 2014 and 2013, respectively, are placed on the tax rolls and include interest at 5.375% to 6.900%.

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2014 is as follows (dollars in thousands):

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital Assets not being depreciated:</b>				
Land	\$ 4,814	\$ -	\$ -	\$ 4,814
Construction in progress	1,599	3,625	(1,929)	3,295
Total capital assets not being depreciated	<u>6,413</u>	<u>3,625</u>	<u>(1,929)</u>	<u>8,109</u>
<b>Capital Assets being depreciated:</b>				
Buildings and plants	41,186	8	-	41,194
Well fields and raw water lines	6,672	-	-	6,672
Water distribution network	27,973	651	-	28,624
Wastewater treatment plant	65,298	2,216	-	67,514
Equipment	5,868	354	(169)	6,053
Total capital assets being depreciated	<u>146,997</u>	<u>3,229</u>	<u>(169)</u>	<u>150,057</u>
<b>Less accumulated depreciation for:</b>				
Buildings and plants	9,216	504	-	9,720
Well fields and raw water lines	3,107	141	-	3,248
Water distribution network	11,264	764	-	12,028
Wastewater treatment plant	28,035	2,249	-	30,284
Equipment	4,752	288	(169)	4,871
Total accumulated depreciation	<u>56,374</u>	<u>3,946</u>	<u>(169)</u>	<u>60,151</u>
Total capital assets being depreciated, net	<u>90,623</u>	<u>(717)</u>	<u>-</u>	<u>89,906</u>
Total capital assets, net	<u>\$ 97,036</u>	<u>\$ 2,908</u>	<u>\$ (1,929)</u>	<u>\$ 98,015</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

A summary of changes in capital assets for the year ended September 30, 2013 is as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	\$ 4,814	\$ -	\$ -	\$ 4,814
Construction in progress	2,064	1,456	(1,921)	1,599
Total capital assets not being depreciated	<u>6,878</u>	<u>1,456</u>	<u>(1,921)</u>	<u>6,413</u>
Capital Assets being depreciated:				
Buildings and plants	41,404	88	(306)	41,186
Well fields and raw water lines	6,672	-	-	6,672
Water distribution network	27,419	559	(5)	27,973
Wastewater treatment plant	63,623	1,675	-	65,298
Equipment	5,552	465	(149)	5,868
Total capital assets being depreciated	<u>144,670</u>	<u>2,787</u>	<u>(460)</u>	<u>146,997</u>
Less accumulated depreciation for:				
Buildings and plants	8,703	513	-	9,216
Well fields and raw water lines	2,966	141	-	3,107
Water distribution network	10,541	723	-	11,264
Wastewater treatment plant	25,906	2,185	(56)	28,035
Equipment	4,638	238	(124)	4,752
Total accumulated depreciation	<u>52,754</u>	<u>3,800</u>	<u>(180)</u>	<u>56,374</u>
Total capital assets being depreciated, net	<u>91,916</u>	<u>(1,013)</u>	<u>(280)</u>	<u>90,623</u>
Total capital assets, net	<u>\$ 98,794</u>	<u>\$ 443</u>	<u>\$ (2,201)</u>	<u>\$ 97,036</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$3,946,000 and \$3,800,000, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 6 LONG-TERM DEBT**

Bonds and notes payable consisted of the following at September 30, 2014 and 2013 (dollars in thousands):

	2014	2013
<b><u>Revenue Bonds</u></b>		
Series 1998 Utility System Refunding Revenue Bonds for \$16,865,000 with interest rates ranging from 3.9% to 5.0%, collateralized by a lien and a pledge of certain net revenues, impact fees, and other revenues as described in the bond resolution, equally and ratably with the remaining Series 1994 Bonds; matures in October 2021.	\$ 715	\$ 715
Series 2008 Utility System Refunding Revenue Bonds for \$9,996,440 (Refinancing 1998 Utility System Refunding Revenue Bonds) with a pay-fixed interest rate at 3.73% (See Note 7), collateralized by a lien upon and pledge of the "Pledged Funds" as described in the Bond Resolution; matures in October 2023.	9,848	9,880
<b><u>Special Assessment Bonds with Governmental Commitment</u></b>		
Series 2000A Wastewater Special Assessment Bonds for \$5,244,837 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-4 project; matures in May 2020.	2,107	2,414
Series 2000B Wastewater Special Assessment Bonds for \$2,437,922 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-5 project; matures in May 2020.	984	1,127
Series 2001A Wastewater Special Assessment and Revenue Bonds for \$6,200,000 with interest at 4.62%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-6 project; matures in September 2021.	2,923	3,258
<b><u>Promissory Notes</u></b>		
Series 2003A Promissory Note for \$8,350,000 (Refinancing V-2 and V-3 Projects) with a pay-fixed interest rate at 4.27% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in December 2023.	4,756	5,165
Series 2004A Promissory Note for \$5,550,000 (Refinancing VA, VB and 1996D Projects) with a pay-fixed interest rate at 4.30% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in January 2024.	3,207	3,476

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Promissory Notes (continued)**

Utility System Revenue Bond, Series 2005 for \$3,048,735 (Refinancing 1994 Utility System Revenue Bonds) with a pay-fixed interest rate at 4.06% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in October 2021.

	\$ 1,730	\$ 1,910
Total bonds and notes payable	26,270	27,945
Less: Unamortized discount	(39)	(63)
	\$ 26,231	\$ 27,882

**Annual Maturities**

The principal and interest requirements to maturity for all outstanding bonds and notes as of September 30, 2014 are as follows (dollars in thousands):

Year	Revenue Bonds and Notes			Special Assessment Bonds			Promissory Notes*			Total
	Ending	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	
2015	\$ 833	\$ 385	\$ 1,218	\$ 829	\$ 279	\$ 1,108	\$ 895	\$ 400	\$ 1,295	\$ 3,621
2016	874	335	1,209	871	237	1,108	933	362	1,295	3,612
2017	899	301	1,200	915	193	1,108	978	320	1,298	3,606
2018	935	265	1,200	961	147	1,108	1,018	278	1,296	3,604
2019	975	247	1,222	1,010	98	1,108	1,065	232	1,297	3,627
2020-2024	6,047	620	6,667	1,428	63	1,491	4,804	454	5,258	13,416
	\$ 10,563	\$ 2,153	\$ 12,716	\$ 6,014	\$ 1,017	\$ 7,031	\$ 9,693	\$ 2,046	\$ 11,739	\$ 31,486

\* Debt service requirements for the variable rate debt with pay-fixed swap agreements are based on the pay-fixed amortization schedule.

**Covenants**

The bond and note agreements include various covenants, including rate and liquidity covenants. The District must maintain rate coverage of at least 110% of the annual debt service payable. The District must also maintain \$7,500,000 in unencumbered and unrestricted cash, cash equivalents, and investments. Management believes it has complied with the covenants of the District's bond and note agreements.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the years ended September 30, 2014 and 2013 (dollars in thousands):

	9/30/2013	Additions	Reductions	9/30/2014	Due Within One Year
Revenue bonds and notes	\$ 10,595	\$ -	\$ (32)	\$ 10,563	\$ 833
Special assessment bonds	6,799	-	(785)	6,014	829
Promissory notes	10,551	-	(858)	9,693	895
Less unamortized discount	(63)	-	(24)	(39)	(24)
Net bonds and notes payable	27,882	-	(1,699)	26,231	2,533
Compensated absences	767	20	-	787	-
Net OPEB obligation	50	16	-	66	-
Derivative instruments	2,364	-	(359)	2,005	-
Total long term debt	<u>\$ 31,062</u>	<u>\$ 36</u>	<u>\$ (2,058)</u>	<u>\$ 29,089</u>	<u>\$ 2,533</u>

	9/30/2012	Additions	Reductions	9/30/2013	Due Within One Year
Revenue bonds and notes	\$ 12,115	\$ -	\$ (1,520)	\$ 10,595	\$ 747
Special assessment bonds	7,545	-	(746)	6,799	784
Promissory notes	11,675	-	(1,124)	10,551	858
Less unamortized discount	(85)	-	(22)	(63)	(22)
Net bonds and notes payable	31,250	-	(3,412)	27,882	2,367
Compensated absences	604	163	-	767	-
Net OPEB obligation	39	11	-	50	-
Derivative instruments	3,410	-	(1,046)	2,364	-
Total long term debt	<u>\$ 35,303</u>	<u>\$ 174</u>	<u>\$ (4,458)</u>	<u>\$ 31,062</u>	<u>\$ 2,367</u>

The District defeased its \$5,000,000 1979 Series Revenue bonds in 1994 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying statements of net position. The outstanding principal of the defeased bonds was \$1,715,000 and \$1,916,000 at September 30, 2014 and 2013, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 7 INTEREST RATE SWAPS**

In order to protect against the potential of rising interest rates, the District has entered into pay-fixed, receive-variable interest rate swap agreements. The intention of the swaps is to effectively change the District's variable interest rate on the associated loans to effective fixed rates as indicated in the tables below.

The terms, including the fair values and credit rating of the counterparty of the outstanding swaps as of September 30, 2014 and 2013, are listed in the following tables (dollars in thousands). The loans and their associated swap agreements were issued at the same time and mature on the same dates. The notional value of the swaps declines as the associated loan balance declines.

**Fiscal Year 2014**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2014	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (489)	12/15/2023	A-/A
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(338)	01/15/2024	A-/A
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(147)	10/01/2021	A-/A
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(1,031)	10/01/2023	A-/A
<u>\$ 26,945</u>				<u>\$ (2,005)</u>		

**Fiscal Year 2013**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2013	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (591)	12/15/2023	AA-/AA
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(406)	01/15/2024	AA-/AA
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(187)	10/01/2021	AA-/AA
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(1,179)	10/01/2023	AA-/AA
<u>\$ 26,945</u>				<u>\$ (2,364)</u>		

\* Trade date was May 15, 2008.

Each of the swap agreements has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow on the statement of net position. The combined fair values of the four swap agreements outstanding at September 30, 2014 and 2013 decreased in value by \$359,000 and \$1,046,000 during the years ended September 30, 2014 and 2013, respectively.

*Interest rate risk* – The District is exposed to interest rate risk on its pay-fixed receive-variable interest rate swaps. When LIBOR decreases, the District received a lower payout from the swaps, and its net payments on the swaps increase.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 7 INTEREST RATE SWAPS (CONTINUED)**

The swaps are associated with the following obligations at September 30, 2014:

Title	Original Amount	Outstanding Balance at September 30, 2014	Maturity Date
Promissory Note, Series 2003A (V-2 and V-3 Projects)	\$ 8,350	\$ 4,756	12/15/2023
Promissory Note, Series 2003A (V-1 Project)	5,550	3,207	01/15/2024
Promissory Note, Series 2005 (Utility System Revenue Bond, Series 2005)	3,049	1,730	10/01/2021
Utility System Revenue Bond, Series 2008	9,996	9,848	10/01/2023
	<u>\$ 26,945</u>	<u>\$ 19,541</u>	

Because the variable interest rates have remained lower than the fixed rates, the swaps had negative fair values at September 30, 2014. The negative fair values may be countered by reductions in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair value of swaps is estimated using a proprietary pricing service and the values are provided to the District by the counterparty financial institution known to be high volume participants in this market.

As of September 30, 2014, the District was not exposed to credit risk because the swaps had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

As of September 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary (dollars in thousands).

<u>September 30.</u>	<u>Variable Rate Promissory Notes</u>			<u>Interest Rate Swaps</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest</u>	
2015	\$ 1,014	\$ 2	\$ 1,016	\$ 768	\$ 1,783
2016	1,807	2	1,808	712	2,520
2017	1,877	1	1,878	636	2,514
2018	1,954	1	1,955	560	2,515
2019	2,040	1	2,041	478	2,519
2020-2024	10,850	2	10,852	1,072	11,924
	<u>\$ 19,541</u>	<u>\$ 9</u>	<u>\$ 19,550</u>	<u>\$ 4,226</u>	<u>\$ 23,776</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 8    DEFINED BENEFIT PENSION PLAN**

On February 1, 1999, the District implemented a defined benefit pension plan (the Englewood Water District Employees' Pension Plan) covering substantially all the District's regular employees, except for the District Administrator. The District, in accordance with the District's enabling act and state statutes, established the single-employer plan. Effective March 31, 2003, the District closed the Plan. The District remains obligated to fund the closed Plan for those inactive members (members currently receiving benefits). The estimated unfunded actuarial accrued liability at September 30, 2014 was \$37,133.

At September 30, 2014, the Plan included the following:

Terminated members entitled to, but not receiving benefits	1
Retirees (or their beneficiaries) currently receiving benefits	3

**NOTE 9    RETIREMENT PLAN**

Effective March 31, 2003, the District closed the Englewood Water District Employees' Pension Plan (the "Plan") for all current employees of the District. The Plan is still in effect for its inactive members (members currently receiving benefits). Effective May 1, 2003, all current and future employees of the District are included in the Florida Retirement System (FRS), a cost sharing, multiple-employer, public employee retirement system. The District purchased past service credits for all of its employees for \$2,354,000.

An initial payment of \$317,000 was made on April 1, 2003, with the remainder to be paid in equal annual installments of \$278,000 on June 30 of each year. This financing arrangement includes 6.5% interest compounded annually on the unpaid balance. The final payment was made in fiscal year 2013.

All full-time employees of the District are participants in the Florida Retirement System (the "System"), a multiple-employer cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement, covers more than 623,000 full-time employees of various governmental units within the State of Florida.

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after eight years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with eight or more years of service or has 33 years of services, regardless of age. Early retirement is available after a member is vested and is within 20 years of normal retirement age; however, there is a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's eight highest years of earnings.



**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 9 RETIREMENT PLAN (CONTINUED)**

Effective with the State fiscal year 2002, the State created a new retirement plan within the System: the Public Employee Optional Retirement Program (the "FRS Investment Plan"). Any regular member not in the Deferred Retirement Option Program (DROP) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investment funds available through the Plan. Investment accounts vest after one year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing.

The District has no responsibility to the System other than to make the periodic contributions required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, 1317 Winewood Blvd., Building 8, Tallahassee, FL 32399-1560.

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates were applied to employee salaries as follows: regular employees, 6.95% and 5.18%; DROP employees, 12.84% and 5.44%; elected officials, 33.03% and 10.23%; and senior management, 18.31% and 6.30%, for the System's years ended June 30, 2014 and 2013, respectively. Effective July 1, 2014, the rates were changed as follows: regular employees, 7.37%; DROP employees, 12.28%; elected officials, 43.24%; and senior management, 21.14%. In addition, all employees (except for those in DROP) were required to make contributions of 3% on a pretax basis, deductible from their gross salaries for each payroll beginning in July 2011. The District's contributions made during the years ended September 30, 2014, 2013, 2012 were \$387,000, \$267,000, and \$233,000, respectively, equal to the actuarially determined contribution requirements for each year.

**NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY**

Pursuant to the provisions of Section 112.0801 Florida Statutes, any employee who retires and immediately begins receiving benefits from the Florida Retirement System (FRS) has the option of paying premiums to continue in the District's healthcare plan at the same cost that is applicable to active employees. The retiree's cost is partially offset by a subsidy from the FRS equal to \$5 per month for each year of creditable service, with a minimum of \$30, and a maximum of \$150 per month. Coverage can be continued for the spouse after the death of the retiree, at a retiree's single person subsidized rate, if elected.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY (CONTINUED)**

The District subsidizes the healthcare premiums (implicit subsidy) paid by the retirees by allowing participation in the plan at a blended group premium rate that is the same for active employees and retirees. This blended rate provides an implicit rate subsidy for retirees since, on an actuarial basis, a retiree's current and future claims are expected to result in higher costs to the plan on average than those of active employees.

This is a single-employer plan and it does not issue a separate financial report.

At October 1, 2012, the date of the latest actuarial valuation, healthcare plan participants consisted of:

Active plan participants:	63
Retired plan participants:	1

**Annual OPEB Costs and Net OPEB Obligation**

The annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of the subsidy each year.

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation to the plan at September 30, (dollars in thousands):

<b>Net OPEB Obligation</b>		
	<b>2014</b>	<b>2013</b>
Annual Required Contribution	\$ 24	\$ 27
Interest on Net OPEB Obligation	2	2
Adjustment to Annual Required Contribution	(3)	(2)
Annual OPEB Cost (Expense)	23	26
Estimated Net Contribution	(6)	(15)
Increase in Net OPEB Obligation	17	11
Net OPEB Obligation Beginning of Year	50	39
Net OPEB Obligation End of Year	\$ 66	\$ 50

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY (CONTINUED)**

**Annual OPEB Costs and Net OPEB Obligation (Continued)**

Information as to the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown in the table below (dollars in thousands).

<b>Schedule of Employer Contributions</b>			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2014	\$ 23	29%	\$ 66
2013	\$ 26	59%	\$ 50
2012	\$ 22	42%	\$ 39

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, October 1, 2012, the funded status of the plan was as follows (dollars in thousands):

<b>Funded Status of the Plan</b>	
Actuarial valuation date	October 1, 2012
Actuarial accrued liability (AAL)	\$ 171
Plan assets at fair value	-
Funded ratio	0.0%
Covered payroll	\$ 3,613
UAAL as a percentage of covered payroll	4.7%

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY (CONTINUED)**

**Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, the healthcare cost trend, and discount rate. The required schedule of funding progress (in Required Supplementary Information) presents multi-year trend information. Actuarial assumptions used were as follows:

Discount Rate	4.50%
Health Care Inflation Rate	
Pre-Medicare	7.5% in 2013 trending to 4.5% in 2017
Post-Medicare	7.5% in 2013 trending to 4.5% in 2017
Payroll Growth / Inflation Assumption	0%
Amortization of UAAL	Level % of Payroll (Closed over 30 Years)

**NOTE 11 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance coverage for such losses is purchased from commercial insurance companies subject to maximum aggregates and deductibles. The financial impact of the District's risk management activities is reported in the accompanying financial statements. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers.

There were no significant reductions in insurance coverage as compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

The District has, by resolution of its Board, placed a charge for capital improvements on each new living unit within the District requesting service. As a result, contracts have been entered into obligating the District by agreement to provide water for certain numbers of units. The District has entered into contracts with various developers to purchase the distribution system of projects upon completion of certain requirements. These agreements call for varying payment, time, and release provisions.

At September 30, 2014, the District had in process various construction, consulting and engineering contracts totaling \$2,878,000. Costs incurred on these contracts as of September 30, 2014 totaled \$2,684,000.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 13 RELATED PARTY TRANSACTIONS**

The District utilizes the services of an insurance agency whose executive vice president serves on the District's Board of Supervisors. Payments made to this insurance agency totaled approximately \$245,000 in fiscal 2014 and \$58,000 in fiscal 2013.

(This section intentionally left blank)

**REQUIRED SUPPLEMENTARY INFORMATION**

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2014 AND 2013**

**Other Post Employment Benefits**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
10/1/2012	\$ -	\$ 171,000	\$ 171,000	0%	\$ 3,613,000	4.7%
10/1/2009	\$ -	\$ 141,000	\$ 141,000	0%	\$ 3,322,000	4.2%

**SUPPLEMENTARY INFORMATION**



**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**  
(Amounts expressed in thousands)

	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
Well fields and water treatment plants			Waste collection		
Personal services	\$ 1,094	\$ 1,098	Personal services	\$ 624	\$ 666
Chemicals	112	108	Supplies and materials	6	4
Utilities	424	393	Utilities	270	264
Depreciation and amortization	854	853	Depreciation and amortization	177	135
Repairs and maintenance	97	130	Repairs and maintenance	238	295
Other	185	182	Other	181	121
	<u>\$ 2,766</u>	<u>\$ 2,764</u>		<u>\$ 1,496</u>	<u>\$ 1,485</u>
Water distribution			Laboratory		
Personal services	\$ 706	\$ 541	Personal services	\$ 234	\$ 220
Supplies and materials	8	7	Supplies and chemicals	24	22
Depreciation and amortization	564	540	Depreciation and amortization	6	10
Repairs and maintenance	375	398	Repairs and maintenance	2	-
Other	116	79	Other	36	39
	<u>\$ 1,769</u>	<u>\$ 1,565</u>		<u>\$ 302</u>	<u>\$ 291</u>
Waste treatment			Meter readers		
Personal services	\$ 990	\$ 970	Personal services	\$ -	\$ 233
Supplies and materials	76	156	Depreciation and amortization	-	7
Utilities	302	286	Other	-	43
Sludge hauling	130	198		<u>\$ -</u>	<u>\$ 283</u>
Depreciation and amortization	2,273	2,196	General and administrative		
Repairs and maintenance	218	220	Personal services	\$ 2,044	\$ 2,039
Other	223	215	Legal and professional services	109	195
	<u>\$ 4,212</u>	<u>\$ 4,241</u>	Office supplies	68	70
			Utilities	17	16
			Depreciation and amortization	72	59
			Repairs and maintenance	100	94
			Other	280	311
				<u>\$ 2,690</u>	<u>\$ 2,784</u>

## **OTHER INFORMATION**

**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES**  
**YEAR ENDED SEPTEMBER 30, 2014 AND 2013**  
(Unaudited)

***Monthly Water Rates***

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)*</u>	
Single Family	15,769	\$15.62 per connection	0 - 6,000	\$ 1.93
Multi-Family	2,766	\$15.62 per connection	6,001 - 8,000	\$ 2.57
Commercial	2,679	\$15.62 per connection	8,001 - 12,000	\$ 5.14
			12,001 - 18,000	\$ 8.56
			18,001 and above	\$ 13.38

\* Water usage charges are the same for all customers.

***Monthly Wastewater Rates***

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 gallons)</u>	
Single Family	13,420	\$22.72 per connection	All usage	\$ 3.00
Multi-Family	2,669	\$22.72 per connection	All usage	\$ 3.00
Commercial	1,810	\$22.72 per connection	All usage	\$ 3.00

***Capital Capacity Charges***

Water fee per ERC	Plant capacity/transmission system	\$ 2,073.96
	Distribution system	\$ 1,200.00
Wastewater fee per ERC	Plant capacity/transmission system	\$ 2,849.94
	Collection system	\$ 5,817.00

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF INSURANCE COVERAGE  
YEAR ENDED SEPTEMBER 30, 2014 AND 2013**  
(Unaudited)

Coverage	Insurance Company	Limits	Deductibles
Property	PGIT	\$ 24,300,000	\$ 25,000
Windstorm Property	PGIT	24,300,000	5% (Minimum \$35,000)
Flood Property	PGIT	1,000,000	25,000
Earthquake Property	PGIT	1,000,000	25,000
Crime	PGIT	100,000	5,000
General Liability	PGIT	1,000,000	5,000
Fire Damage General Liability	PGIT	-	25,000
Public Officials Liability	PGIT	1,000,000	15,000
Employment Related Practices Liability	PGIT	1,000,000	5,000
Automobile	PGIT	500,000	5,000

## **OTHER REPORTS**



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

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and the related statements of revenues, expenses, and changes in net position and cash flows of Englewood Water District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2015.

**Internal Control Over Financial Reporting**

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

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

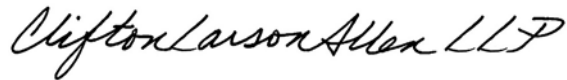
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 12, 2015

## MANAGEMENT LETTER

Board of Supervisors  
Englewood Water District  
Englewood, Florida

### Report on the Financial Statements

We have audited the financial statements of Englewood Water District (the "District"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 12, 2015.

### Auditors' Responsibility

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.

### Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 12, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements. The District had no component units as of September 30, 2014.

### Financial Condition

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



**Financial Condition (Continued)**

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

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The District does not have any special district component units.

**Other Matters**

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

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

**Purpose of this Letter**

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 12, 2015

**ENGLEWOOD WATER DISTRICT  
MANAGEMENT LETTER  
SEPTEMBER 30, 2014**

<b>Prior Year Findings</b>		<b>Current Year Status</b>		
		<b>Cleared</b>	<b>Partially Cleared</b>	<b>Not Cleared</b>
2013-01 Segregation of Duties	Management Letter	X		
2013-02 User Access Rights	Management Letter	X		

## INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have examined Englewood Water District's (the "District") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

Our examination disclosed that the maximum length to maturity of investments within the District's investment policy was not met. The requirement states that the maximum length to maturity from the date of purchase for current operating funds shall be no longer than twenty-four (24) months and for bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years.

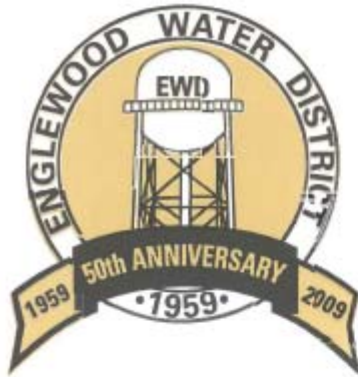
In our opinion, except for the deviation described in the third paragraph, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the District and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 12, 2015



**Board of Supervisors**

Steven Samuels, Chair  
Eric Fogo, Vice-Chair  
Sydney B. Crampton  
Phyllis Wright  
Taylor Meals

Michael J. Ray  
Administrator

**Englewood Water District**

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March 24, 2015

Mr. Martin Redovan  
CliftonLarsonAllen LLP  
6810 International Center Boulevard  
Fort Myers, Florida 33912-7129

RE: Management Letter Response  
FY 9/30/14

Dear Mr. Redovan:

This response to your management letter dated March 12, 2015, is provided on behalf of the Englewood Water District Board of Supervisors. Englewood Water District's management team has reviewed the Audit Report for the period October 1, 2013 through September 30, 2014. We concur with your comments.

The Englewood Water District is taking appropriate actions to comply with the recommendations specified in the audit report.

The Englewood Water District's management team is taking appropriate actions to comply with recommendations specified in the audit report.

The report will be presented to the Board at their May 7, 2015 meeting.

Sincerely,

Sonia Zoeller  
Finance Director

*Printed on Recycled Paper*