

**ENGLEWOOD WATER DISTRICT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

**ENGLEWOOD WATER DISTRICT  
TABLE OF CONTENTS  
SEPTEMBER 30, 2012 AND 2011**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Statements of Net Assets</b>	<b>11</b>
<b>Statements of Revenues, Expenses, and Changes in Net Assets</b>	<b>12</b>
<b>Statements of Cash Flows</b>	<b>13</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>14</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Funding Progress</b>	<b>34</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Operating Expenses by Department</b>	<b>35</b>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Schedule of Monthly Water and Wastewater Rates</b>	<b>36</b>
<b>Schedule of Insurance Coverage</b>	<b>37</b>
<b><i>GOVERNMENT AUDITING STANDARDS</i></b>	
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	<b>38</b>
<b>MANAGEMENT LETTER</b>	<b>40</b>
<b>RESPONSE TO MANAGEMENT LETTER</b>	<b>43</b>



## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have audited the accompanying basic financial statements of Englewood Water District (the "District"), as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 10 and page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Operating Expenses by Department is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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. Such information has 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 it.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 8, 2013



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

Management's Discussion and Analysis (MD&A) offers readers of the Englewood Water District's (District's) financial statements an overview of the financial activities for the fiscal year ended on September 30, 2012. Please read it in conjunction with the letter of transmittal, and the financial statements with its accompanying notes.

### **FINANCIAL HIGHLIGHTS**

- The District's assets exceed its liabilities on September 30, 2012 by \$89.5 million (net assets), a \$1.6 million increase over the previous fiscal year. Of this amount, \$19.7 million (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors. Of the remaining \$69.9 million, \$68.6 million was invested in capital assets, net of related debt, while the remainder was restricted for renewal and replacement purposes (\$1.3 million).
- The District's net capital assets decreased by \$1.8 million, or 1.8% from the previous year.
- Long-term debt decreased by approximately \$2.5 million from fiscal year 2011 due to required debt service payments.
- Operating revenues for 2012 were \$13.0 million, compared with operating revenue of \$12.9 million in 2011, a 0.7% increase. Rates were not increased in 2012 and the increase in revenue is attributable to an increase in consumption and expansion of service area. Excluding depreciation, operating expenses increased \$360 thousand or 4.0% from fiscal year 2011.

### **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 3-10.
- Basic Financial Statements, pages 11-13
  - The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.
  - The Statement of Revenues, Expenses, and Changes in Net Assets (the income statement) presents information about the amounts of revenues, expenses, and resulting net income 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) Pronouncements issued, not yet adopted. The Notes to the Financial Statement are on pages 14-33.
- 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 asset basis. The use of the net asset presentation (including Investment in Capital Assets [net of related debt], Restricted and Unrestricted Net Assets) 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 Assets" uses a clean surplus approach which results in contributions being reflected on the face of this statement in arriving at the change in net assets.

**FINANCIAL ANALYSIS**  
**SUMMARY OF NET ASSETS**

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 26,539	\$ 23,915	\$ 23,910
Capital Assets	98,794	100,608	103,953
Total Assets	<u>125,333</u>	<u>124,523</u>	<u>127,863</u>
Noncurrent Liabilities	31,895	34,100	36,212
Other Liabilities	3,895	2,475	3,360
Total Liabilities	<u>35,790</u>	<u>36,575</u>	<u>39,572</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	68,621	69,258	69,741
Restricted	1,257	1,273	1,083
Unrestricted	19,665	17,417	17,467
Total Net Assets	<u>\$ 89,543</u>	<u>\$ 87,948</u>	<u>\$ 88,291</u>

For more detailed information see the Statement of Net Assets (page 11).

**NORMAL IMPACTS**

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

**Net Results of Activities** – which will impact (increase/decrease) current assets and unrestricted net asset 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 invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

**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 assets and increase invested in capital assets net of debt.

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

**Reduction of Capital Assets through Depreciation** – which will reduce capital assets and invested capital assets, net of debt.

### CURRENT YEAR IMPACTS (see page 5 table 1)

Net capital assets decreased by \$1.8 million, or 1.8% from fiscal year 2011. Capital assets include capital assets in service, construction in progress, and accumulated depreciation. Gross capital assets increased \$369 thousand, or 0.25%; construction in progress increased by \$1.6 million due to the start of an expansion project; and accumulated depreciation increased \$3.8 million, or 7.7% as a result of annual depreciation expense.

The noncurrent liabilities decreased by \$2.2 million, or 6.5% over fiscal year 2011 due to payments made on long-term debt. No additional debt was issued in 2012. Other liabilities increased \$1.4 million, or 57.4%. The increase is attributable to certain long term debt payments made in 2011 that were due in 2012. The current year accruals include the amounts due in 2013.

### SUMMARY OF CHANGES IN NET ASSETS

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenue	\$ 12,952	\$ 12,870	\$ 12,780
Non-operating Revenue	699	672	856
Total Revenue	<u>13,651</u>	<u>13,542</u>	<u>13,636</u>
Salaries	5,484	5,356	5,344
Utilities	980	998	964
Contractual Services, Material, Supplies	1,977	1,755	1,603
Repair and Maintenance	836	808	944
Depreciation	3,829	3,848	3,680
Operating Expenses	<u>13,106</u>	<u>12,765</u>	<u>12,535</u>
Interest	1,493	1,581	1,736
Total Expense	<u>14,599</u>	<u>14,346</u>	<u>14,271</u>
Income Before Capital Contributions	(948)	(804)	(635)
Capital Contributions	<u>2,543</u>	<u>461</u>	<u>328</u>
Change in Net Assets	1,595	(343)	(307)
Beginning Net Assets	<u>87,948</u>	<u>88,291</u>	<u>88,598</u>
Ending Net Assets	<u>\$ 89,543</u>	<u>\$ 87,948</u>	<u>\$ 88,291</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 6 table 2)

### Revenue:

Water revenues decreased \$35 thousand, or .60% from fiscal year 2011 to 2012. Wastewater revenues increased \$58 thousand, or .84% from fiscal year 2011 to 2012. The decrease in water revenues is attributed to economic conditions. The increase in wastewater revenues is attributed to the expansion of sewer into V-9 area. Total revenue includes water, wastewater and other revenues and increased \$82 thousand, or .64% over fiscal year 2011.

Water revenues increased \$22 thousand, or 0.37% from fiscal year 2010 to 2011. Wastewater revenues increased \$17 thousand, or 0.26% from fiscal year 2010 to 2011. The increase is attributed to an overall increase in water and sewer consumption of 3.73%. Total revenue includes water, wastewater, and other revenues and increased \$91 thousand, or 0.71% over fiscal year 2010.

The District's investment earnings increased \$63 thousand, or 21.78%; the assessment interest decreased \$20 thousand, or 6.92% from fiscal year 2011 to 2012. The increase in investment earnings was because we were able to increase our portfolio balance producing higher return on investment. The decrease in assessment interest earning is a result of loan amortization (as assessment loans are being paid more funds go to principal rather than interest).

The District's investment earnings decreased \$167 thousand, or 36.43%; the assessment interest decreased \$27 thousand, or 8.87% from fiscal year 2010 to 2011. The decrease in investment earnings was a result of the District's focus on replacing higher yield investments with lower yield investments that carry less risk throughout the fiscal year. The decrease in assessment interest earnings is a result of loan amortization (as assessment loans are being paid more funds go to principal rather than interest).

Capital contributions increased \$2.08 million from fiscal year 2011 to 2012. Capital contributions increased \$210 thousand from fiscal year 2010 to 2011.

**Expenses:**

Total operating expenses for 2012 were \$13.1 million, a 2.8% increase from fiscal year 2011. Depreciation expense accounted for \$3.8 million of operating expenses. Excluding depreciation, operating expenses were \$9.3 million, an increase of \$377 thousand, or 4.24% from 2011. Total expenses including interest were \$14.6 million, an increase from fiscal year 2011 of \$269 thousand, or 1.89%.

Total operating expenses for 2011 were \$12.8 million, a 1.81% increase from fiscal year 2010. Depreciation expense accounted for \$3.9 million of operating expenses. Excluding depreciation, operating expenses were \$8.9 million, a decrease of \$169 thousand, or 0.6% from 2010. Total expenses including interest were \$14.3 million, an increase from fiscal year 2010 of \$75 thousand, or 0.52%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year-end, Englewood Water District's Water and Wastewater Systems had \$98.8 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (increases, decreases including depreciation, see page 22 Note 5) of \$1.8 million, or 1.8% from the end of fiscal year 2011.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4,814	\$ 4,814	\$ 4,814
Construction In Progress	2,064	460	2,867
Building and Plants	41,404	41,404	41,407
Wellfields and Raw Water Lines	6,672	6,672	5,436
Water Distribution Network	27,419	27,301	26,811
Water Reclamation Facility	63,623	63,619	62,598
Equipment	5,552	5,305	5,306
Total	<u>151,548</u>	<u>149,575</u>	<u>149,239</u>
Accumulated Depreciation	<u>(52,754)</u>	<u>(48,967)</u>	<u>(45,286)</u>
Total Capital Assets	<u>\$ 98,794</u>	<u>\$ 100,608</u>	<u>\$ 103,953</u>

The following reconciliation summarizes the change in Capital Assets.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning Balance	\$ 100,608	\$ 103,953	\$ 106,333
Increases	2,137	3,204	802
Decreases:			
Construction in Progress	(122)	(2,701)	510
Retirements, net	-	-	(12)
Depreciation	(3,829)	(3,848)	(3,680)
Ending Balance	<u>\$ 98,794</u>	<u>\$ 100,608</u>	<u>\$ 103,953</u>

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

### LONG TERM LIABILITIES

As of year-end, Englewood Water District had \$31.9 million in long term liabilities (bonds, notes, etc.) outstanding.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Compensated Absences	\$ 604	\$ 450	\$ 416
Net OPEB Obligation	39	26	13
Derivative Instruments	3,410	3,303	3,123
Revenue Bonds and Notes	10,648	11,277	11,872
Special Assessment Bonds	6,798	7,544	8,250
Promissory Notes	10,396	11,500	12,538
Total Long Term Liabilities	<u>\$ 31,895</u>	<u>\$ 34,100</u>	<u>\$ 36,212</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 from 20.8 thousand to 20.9 thousand for fiscal year 2012, or 0.46% growth; our wastewater connections have grown from 17.4 thousand to 17.5 thousand, or 0.70%. The District continues to be affected by the slow growing economy in Florida.

## **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 ASSETS  
SEPTEMBER 30, 2012 AND 2011**  
(Amounts expressed in thousands)

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,513	\$ 725
Accounts receivable (net)	1,690	1,580
Accrued interest receivable	51	46
Inventory	336	337
Prepays	192	55
Total current assets	3,782	2,743
Noncurrent assets:		
Restricted assets:		
Investments	5,080	3,863
Investments	7,569	8,295
Connection fees and assessments receivable	6,560	5,550
Capital assets (net)	98,794	100,608
Deferred outflow of resource	3,410	3,303
Unamortized debt issuance costs	138	161
Total noncurrent assets	121,551	121,780
Total assets	125,333	124,523
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	362	225
Accrued liabilities	408	400
Total current liabilities	770	625
Current liabilities payable from restricted assets:		
Contracts and accounts payable	112	6
Retainage payable	44	-
Accrued interest	336	253
Current portion of bonds and notes payable	2,633	1,591
Total current liabilities payable from restricted assets	3,125	1,850
Noncurrent liabilities:		
Compensated absences	604	450
Net OPEB obligation	39	26
Derivative instruments	3,410	3,303
Bonds and notes payable, net	27,842	30,321
Total noncurrent liabilities	31,895	34,100
Total liabilities	35,790	36,575
Net assets:		
Invested in capital assets, net of related debt	68,621	69,258
Restricted for:		
Renewal and replacement	1,257	1,273
Unrestricted	19,665	17,417
Total net assets	\$ 89,543	\$ 87,948

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**  
(Amounts expressed in thousands)

	<b>2012</b>	<b>2011</b>
Operating revenues:		
Water services	\$ 5,830	\$ 5,865
Waste treatment	6,897	6,839
Other	225	166
Total operating revenues	12,952	12,870
Operating expenses:		
Water treatment plants	2,837	2,928
Water distribution	1,440	1,424
Waste treatment	2,741	2,807
Waste collection	2,879	2,691
Laboratory	321	318
Meter readers	285	286
General and administrative	2,603	2,311
Total operating expenses	13,106	12,765
Operating income	(154)	105
Non-operating revenues (expenses):		
Investment earnings	355	292
Special assessment interest	254	274
Interest expense	(1,493)	(1,581)
Other revenues	86	90
Gain (loss) on disposal of capital assets	4	16
Total non-operating expenses	(794)	(909)
Loss before contributions	(948)	(804)
Capital contributions:		
Grants	38	-
Cash	729	210
Non cash	1,776	251
Change in net assets	1,595	(343)
Total net assets- beginning of year	87,948	88,291
Total net assets - end of year	\$ 89,543	\$ 87,948

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**  
(Amounts expressed in thousands)

	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Receipts from customers	\$ 12,839	\$ 12,790
Payments to suppliers for goods and services	(3,863)	(3,545)
Payments to employees	(5,231)	(5,248)
Net cash provided by operating activities	3,745	3,997
Cash flows from noncapital financing activities:		
Pension note payments	(260)	(230)
Interest paid on pension note	(18)	(48)
Other receipts	91	106
Net cash used in noncapital financing activities	(187)	(172)
Cash flows from capital and related financing activities:		
Capital contributions	729	210
Capital grants received	38	-
Additions to capital assets	(1,870)	(553)
Collection of special assessment principal and interest	1,021	954
Principal paid on capital debt	(1,331)	(3,016)
Interest paid on capital debt	(1,216)	(1,501)
Net cash used in capital and related financing activities	(2,629)	(3,906)
Cash flows from investing activities:		
Purchase of investments	(4,089)	(4,958)
Proceeds from sale of investments	3,511	3,921
Investment earnings	437	320
Net cash used by investing activities	(141)	(717)
Net increase (decrease) in cash and cash equivalents	788	(798)
Cash and cash equivalents beginning of year	725	1,523
Cash and cash equivalents end of year	\$ 1,513	\$ 725
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (154)	\$ 105
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,829	3,854
Net (increase) decrease in:		
Accounts receivable	(110)	(80)
Other assets	(133)	15
Net increase in:		
Accounts payable	137	70
Accrued liabilities and compensated absences	176	33
Total adjustments	3,899	3,892
Net cash provided by operating activities	\$ 3,745	\$ 3,997

See accompanying Notes to Financial Statements.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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 assets, 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, 2012 AND 2011**

**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. Pursuant to GASB Statement Number 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the District has elected not to apply accounting standards issued after November 30, 1989 by the Financial Accounting Standards Board.

**Budget**

On August 18, 2011 and September 2, 2010, the Board of Supervisors adopted the annual operating budgets for fiscal years 2012 and 2011, respectively, for the District. These budgets cover the period October 1, 2011 through September 30, 2012 and October 1, 2010 through September 30, 2011, 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, 2012 and 2011, 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, 2012 and 2011.

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.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

**Inventories**

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

**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 \$64,000 and \$120,500 has been capitalized into construction in progress for the years ended September 30, 2012 and 2011, respectively.

**Unamortized Discount and Issuance Costs**

Discount and issuance costs 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 discount.

**Capital Contributions**

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

**Net Assets**

Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less 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 assets not included in the previous categories.

**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.

**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.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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.

**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.

At September 30, 2012, the District's deposits were made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2012 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.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

**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.

**BALANCE OF PAGE LEFT BLANK INTENTIONALLY**

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

**Investments (Continued)**

As of September 30, 2012 and 2011, the District had the following investments and maturities (dollars in thousands):

<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>	
<b>September 30, 2012</b>						
Certificates of Deposit	\$ 12,285	\$ 2,536	\$ 2,747	\$ 3,717	\$ 3,285	97%
Federal Instrumentalities						
Agency STRIPS	255	46	157		52	2%
FHLMC Notes	19	-	19	-	-	0%
FNMA	15	-	15	-	-	0%
Total Federal Instrumentalities	289	46	191	-	52	2%
Municipal Instrumentalities	75	75	-	-	-	1%
Total investments	\$ 12,649	\$ 2,657	\$ 2,938	\$ 3,717	\$ 3,337	

<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>	
<b>September 30, 2011</b>						
Certificates of Deposit	\$ 11,646	\$ 1,731	\$ 2,394	\$ 3,169	\$ 4,352	96%
Federal Instrumentalities						
Agency STRIPS	322	54	70	-	198	3%
FHLMC Notes	18	-	-	18	-	0%
FNMA	64	-	-	64	-	1%
Total Federal Instrumentalities	404	54	70	82	198	3%
Municipal Instrumentalities	108	35	73	-	-	1%
Total investments	\$ 12,158	\$ 1,820	\$ 2,537	\$ 3,251	\$ 4,550	

	<u>2012</u>		<u>2011</u>	
	<u>S&amp;P</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Moody's</u>
Certificates of Deposit	N/A	N/A	N/A	N/A
Federal Instrumentalities				
Agency STRIPS	N/A	N/A	N/A	N/A
FHLMC Notes	AAA	Aaa	AAA	Aaa
FNMA	AAA	Aaa	AAA	Aaa
Municipal Instrumentalities	AAA	N/A	AAA	N/A

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

**Investments (Continued)**

*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, 2012 and 2011, no individual investment in a Federal Instrumentality was greater than 3 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, 2012 and 2011 (dollars in thousands):

	2012	2011
Debt service	\$ 2,667	\$ 1,584
Renewal and replacement	1,885	1,780
Construction	528	499
	\$ 5,080	\$ 3,863

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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 \$805,616 and \$531,000 at September 30, 2012 and 2011, 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 \$5,594,272 and \$5,020,000 at September 30, 2012 and 2011, 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, 2012 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	460	1,726	(122)	2,064
Total capital assets not being depreciated	<u>5,274</u>	<u>1,726</u>	<u>(122)</u>	<u>6,878</u>
<b>Capital Assets being depreciated:</b>				
Buildings and plants	41,404	-	-	41,404
Well fields and raw water lines	6,672	-	-	6,672
Water distribution network	27,301	118	-	27,419
Wastewater treatment plant	63,619	4	-	63,623
Equipment	5,305	289	(42)	5,552
Total capital assets being depreciated	<u>144,301</u>	<u>411</u>	<u>(42)</u>	<u>144,670</u>
<b>Less accumulated depreciation for:</b>				
Buildings and plants	8,194	509		8,703
Well fields and raw water lines	2,822	144		2,966
Water distribution network	10,048	493		10,541
Wastewater treatment plant	23,518	2,388		25,906
Equipment	4,385	295	(42)	4,638
Total accumulated depreciation	<u>48,967</u>	<u>3,829</u>	<u>(42)</u>	<u>52,754</u>
Total capital assets being depreciated, net	95,334	(3,418)	-	91,916
Total capital assets, net	<u>\$ 100,608</u>	<u>\$ (1,692)</u>	<u>\$ (122)</u>	<u>\$ 98,794</u>



**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

A summary of changes in capital assets for the year ended September 30, 2011 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	2,867	294	(2,701)	460
Total capital assets not being depreciated	<u>7,681</u>	<u>294</u>	<u>(2,701)</u>	<u>5,274</u>
Capital Assets being depreciated:				
Buildings and plants	41,407	-	(3)	41,404
Well fields and raw water lines	5,436	1,236	-	6,672
Water distribution network	26,811	490	-	27,301
Wastewater treatment plant	62,598	1,021	-	63,619
Equipment	5,306	163	(164)	5,305
Total capital assets being depreciated	<u>141,558</u>	<u>2,910</u>	<u>(167)</u>	<u>144,301</u>
Less accumulated depreciation for:				
Buildings and plants	7,682	515	(3)	8,194
Well fields and raw water lines	2,693	129	-	2,822
Water distribution network	9,535	513	-	10,048
Wastewater treatment plant	21,154	2,364	-	23,518
Equipment	4,222	327	(164)	4,385
Total accumulated depreciation	<u>45,286</u>	<u>3,848</u>	<u>(167)</u>	<u>48,967</u>
Total capital assets being depreciated, net	<u>96,272</u>	<u>(938)</u>	<u>-</u>	<u>95,334</u>
Total capital assets, net	<u>\$ 103,953</u>	<u>\$ (644)</u>	<u>\$ (2,701)</u>	<u>\$ 100,608</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$3,829,000 and \$3,848,000, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 6 LONG-TERM DEBT**

Bonds and notes payable consisted of the following at September 30, 2012 and 2011 (dollars in thousands):

	2012	2011
<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.	\$ 2,205	\$ 2,205
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%, collateralized by a lien upon and pledge of the "Pledged Funds" as described in the Bond Resolution; matures in October 2023.	9,910	9,910
<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.	2,705	2,981
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.	1,263	1,392
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.	3,577	3,882
<b><u>Promissory Notes</u></b>		
Series 2003A Promissory Note for \$8,350,000 (Refinancing V2 and V3 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.	5,557	5,932
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.	3,734	3,980

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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.	\$	2,082	\$	2,082
Promissory Note for \$2,354,000 payable to the Florida Retirement System (Purchase of past service credits) with an interest rate at 6.50%, uncollateralized; matures in June 2013.		302		562
Total bonds and notes payable		31,335		32,926
Less: Unamortized discount and accounting loss		(860)		(1,014)
	\$	<u>30,475</u>	\$	<u>31,912</u>

**Annual Maturities**

The principal and interest requirements to maturity for all outstanding bonds and notes as of September 30, 2012 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		Total
2013		760	461	1,221	750	357	1,107	1,123	472	1,595	3,923
2014		792	425	1,217	789	319	1,108	858	437	1,295	3,620
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
2017-2021		4,871	1,135	6,006	4,306	499	4,805	5,325	1,155	6,480	17,291
2022-2026		3,985	165	4,150	-	-	-	2,541	130	2,671	6,821
		<u>\$ 12,115</u>	<u>\$ 2,906</u>	<u>\$ 15,021</u>	<u>\$ 7,545</u>	<u>\$ 1,691</u>	<u>\$ 9,236</u>	<u>\$ 11,675</u>	<u>\$ 2,956</u>	<u>\$ 14,631</u>	<u>\$ 38,888</u>

\* 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 and cash equivalents. 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, 2012 AND 2011**

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

The following is a summary of changes in long-term debt for the years ended September 30, 2012 and 2011 (dollars in thousands):

	9/30/2011	Additions	Reductions	9/30/2012	Due Within One Year
Revenue bonds and notes	\$ 12,115	\$ -	\$ -	\$ 12,115	\$ 760
Special assessment bonds	8,255	-	(710)	7,545	750
Promissory notes	12,556	-	(881)	11,675	1,123
Less unamortized discount and accounting loss	(1,014)	-	(154)	(860)	(154)
Net bonds and notes payable	31,912	-	(1,745)	30,475	2,479
Compensated absences	450	154	-	604	-
Net OPEB obligation	26	13	-	39	-
Derivative instruments	3,303	107	-	3,410	-
Total long term debt	<u>\$ 35,691</u>	<u>\$ 274</u>	<u>\$ (1,745)</u>	<u>\$ 34,528</u>	<u>\$ 2,479</u>

	9/30/2010	Additions	Reductions	9/30/2011	Due Within One Year
Revenue bonds and notes	\$ 13,539	\$ -	\$ (1,423)	\$ 12,116	\$ -
Special assessment bonds	8,930	-	(676)	8,254	710
Promissory notes	13,702	-	(1,146)	12,556	881
Less unamortized discount and accounting loss	(1,167)	-	(153)	(1,014)	(153)
Net bonds and notes payable	35,004	-	(3,398)	31,912	1,438
Compensated absences	416	34	-	450	-
Net OPEB obligation	13	13	-	26	-
Derivative instruments	3,123	180	-	3,303	-
Total long term debt	<u>\$ 38,556</u>	<u>\$ 227</u>	<u>\$ (3,398)</u>	<u>\$ 35,691</u>	<u>\$ 1,438</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 statement of net assets. The outstanding principal of the defeased bonds was \$2,107,000 and \$2,289,000 at September 30, 2012 and 2011, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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, 2012 and 2011, are listed in the following tables (amounts 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 2012**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2012	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (863)	12/15/2023	AA-/AA
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(592)	01/15/2024	AA-/AA
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(267)	10/01/2021	AA-/AA
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(1,687)	10/01/2023	AA-/AA
<u>\$ 26,945</u>				<u>\$ (3,409)</u>		

**Fiscal Year 2011**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2011	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (861)	12/15/2023	AA-/AA
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(590)	01/15/2024	AA-/AA
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(275)	10/01/2021	AA-/AA
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(1,577)	10/01/2023	AA-/AA
<u>\$ 26,945</u>				<u>\$ (3,303)</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, a noncurrent asset reported on the balance sheet. The combined fair values of the four swap agreements outstanding at September 30, 2012 and 2011 decreased in value by \$815,350 and \$958,450 during the years ended September 30, 2012 and 2011, 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 swap from the swaps, and its net payments on the swaps increase.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

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

The swaps are associated with the following obligations at September 30, 2012:

Title	Original Amount	Outstanding Balance at September 30, 2012	Maturity Date
Promissory Note, Series 2003A (V-2 and V-3 Projects)	\$ 8,350,000	\$ 5,557,000	12/15/2023
Promissory Note, Series 2003A (V-1 Project)	5,550,000	3,734,000	01/15/2024
Promissory Note, Series 2005 (Utility System Revenue Bond, Series 2005)	3,049,000	2,082,000	10/01/2021
Utility System Revenue Bond, Series 2008	9,996,000	9,910,000	10/01/2023
	<u>\$ 26,945,000</u>	<u>\$ 21,283,000</u>	

Because the variable interest rates have remained lower than the fixed rates, the swaps had negative fair values at September 30, 2012. 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, 2012, 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, 2012, 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>	
2013	\$ 852	\$ 217	\$ 1,068	\$ 628	\$ 1,696
2014	890	207	1,098	600	1,698
2015	1,014	197	1,211	570	1,781
2016	1,807	184	1,990	529	2,519
2017	1,877	163	2,040	471	2,511
2018-2022	10,619	499	11,118	1,445	12,563
2023-2024	4,225	53	4,278	109	4,386
	<u>\$ 21,283</u>	<u>\$ 1,521</u>	<u>\$ 22,804</u>	<u>\$ 4,351</u>	<u>\$ 27,154</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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, 2012 was \$173,800.

At September 30, 2012, the Plan included the following:

Terminated members entitled to, but not receiving benefits	2
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 is due in fiscal year 2013.

Substantially 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 655,000 full-time employees of various governmental units within the state of Florida.

For employees enrolled prior to July 1, 2011, the System provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to regular employees who retire at or after age 62 with 6 or more years of service. Early retirement is available after six years of service with 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 five highest years of earnings.

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 9 RETIREMENT PLAN (CONTINUED)**

For employees enrolled in the System on or after July 1, 2011, vesting of benefits begins after 8 years of creditable service. Normal retirement benefits are available to these employees who retire at or after age 65 with 8 or more years of service with 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 8 highest years of earnings.

Effective July 1, 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 1 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. Employees are not required to contribute to the FRS Investment Plan.

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, 2639 Monroe Street, Building C, 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, 4.91 and 10.77%; DROP employees, 4.42% and 12.25%; elected officials, 11.14 and 18.64%; and senior management, 6.27% and 14.57%, for the System's years ended June 30, 2012 and 2011, respectively. Effective July 1, 2012, the rates were changed as follows: regular employees, 5.18%; DROP employees, 5.44%; elected officials, 10.23%; and senior management, 6.30%. 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, 2012, 2011, 2010 were \$233,252, \$402,265, and \$444,562, respectively, equal to the actuarially determined contribution requirements for each year.



**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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.

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, 2009, 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,:

	<b>Net OPEB Obligation</b>	
	<b>2012</b>	<b>2011</b>
Annual Required Contribution	\$ 22,494	\$ 22,494
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost (Expense)	22,494	22,494
Estimated Net Contribution	(9,449)	(9,449)
Increase in Net OPEB Obligation	13,045	13,045
Net OPEB Obligation Beginning of Year	26,090	13,045
Net OPEB Obligation End of Year	\$ 39,135	\$ 26,090

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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.

<b>Schedule of Employer Contributions</b>			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2012	\$ 22,494	42%	\$ 39,135
2011	\$ 22,494	42%	\$ 26,090
2010	\$ 22,494	42%	\$ 13,045

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, October 1, 2009, the funded status of the plan was as follows:

<b>Funded Status of the Plan</b>	
Actuarial valuation date	October 1, 2009
Actuarial accrued liability (AAL)	\$ 140,631
Plan assets at fair value	-
Funded ratio	0.0%
Covered payroll	3,322,410
UAAL as a percentage of covered payroll	4.2%

**ENGLEWOOD WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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	8% in 2009 trending to 5% in 2013
Post-Medicare	8% in 2009 trending to 5% in 2013
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, 2012, the District had in process various construction, consulting and engineering contracts totaling \$1,808,414. Costs incurred on these contracts as of September 30, 2012 totaled \$1,403,194.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, SEPTEMBER 30, 2012 AND 2011**

**Other Post Employment Benefits**

---

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
10/1/2009	\$ -	\$ 140,631	\$ 140,631	0%	\$ 3,322,410	4.2%

**SUPPLEMENTARY INFORMATION**

**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**  
(Amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>
Well fields and water treatment plants		
Personal services	\$ 1,067	\$ 1,114
Chemicals	110	111
Utilities	395	444
Depreciation and amortization	873	845
Repairs and maintenance	169	198
Other	223	216
	<u>\$ 2,837</u>	<u>\$ 2,928</u>
Water distribution		
Personal services	\$ 509	\$ 530
Supplies and materials	8	8
Depreciation and amortization	522	548
Repairs and maintenance	316	272
Other	85	66
	<u>\$ 1,440</u>	<u>\$ 1,424</u>
Waste treatment		
Personal services	\$ 939	\$ 919
Supplies and materials	175	66
Utilities	305	292
Sludge hauling	169	153
Depreciation and amortization	712	945
Repairs and maintenance	248	198
Other	193	234
	<u>\$ 2,741</u>	<u>\$ 2,807</u>

	<u>2012</u>	<u>2011</u>
Waste collection		
Personal services	\$ 630	\$ 661
Supplies and materials	4	5
Utilities	262	242
Depreciation and amortization	1,621	1,405
Repairs and maintenance	253	243
Other	109	135
	<u>\$ 2,879</u>	<u>\$ 2,691</u>
Laboratory		
Personal services	\$ 239	\$ 255
Supplies and chemicals	21	17
Depreciation and amortization	10	7
Other	51	39
	<u>\$ 321</u>	<u>\$ 318</u>
Meter readers		
Personal services	\$ 227	\$ 227
Depreciation and amortization	10	26
Other	48	33
	<u>\$ 285</u>	<u>\$ 286</u>
General and administrative		
Personal services	\$ 1,873	\$ 1,650
Legal and professional services	139	105
Office supplies	77	74
Utilities	18	20
Depreciation and amortization	81	72
Repairs and maintenance	98	95
Other	317	295
	<u>\$ 2,603</u>	<u>\$ 2,311</u>

**OTHER SUPPLEMENTARY INFORMATION**



**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES**  
**YEAR ENDED SEPTEMBER 30, 2012**  
(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	15,562	\$15.62 per connection	0 - 6,000	\$ 1.93
Multi-Family	2,754	\$15.62 per connection	6,001 - 8,000	2.57
Commercial	2,587	\$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	13,029	\$22.72 per connection	All usage	\$ 3.00
Multi-Family	2,653	\$22.72 per connection	All usage	3.00
Commercial	1,866	\$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, 2012**  
(Unaudited)

Coverage	Insurance Company	Limits	Deductibles
Property	PGIT	\$ 22,800,000	\$ 25,000
Windstorm Property	PGIT	22,800,000	5% (Minimum \$35,000)
Flood Property	PGIT	1,000,000	25,000
Earthquake Property	PGIT	1,000,000	100,000
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	15,000
Automobile	PGIT	500,000	5,000

## **OTHER REPORTS**

**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 the financial statements of Englewood Water District (the "District") as of and for the year ended September 30, 2012, and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

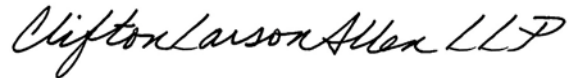
Board of Supervisors  
Englewood Water District

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated March 8, 2013.

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 8, 2013

## MANAGEMENT LETTER

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have audited the financial statements of Englewood Water District (the "District"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 8, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated March 8, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with provisions of Chapter 10.550, Rules of the Auditor General which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

- 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. Refer to Appendix A – Prior Year Findings and Recommendations for status of corrective actions.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Board of Supervisors  
Englewood Water District

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the 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, 2012.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

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 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 8, 2013

ENGLEWOOD WATER DISTRICT

MANAGEMENT LETTER

SEPTEMBER 30, 2012

APPENDIX A – PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Findings		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
<b>2011-01</b> Staff Continuing Education Requirement	Management Comment	X		





**Board of Supervisors**

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

Michael J. Ray  
Administrator

**Englewood Water District**

201 Selma Avenue  
Englewood, FL 34223-3443

Phone: 941-474-3217  
Toll Free: 866-460-1080  
Fax: 941-460-1025  
Email: [info@englewoodwater.com](mailto:info@englewoodwater.com)  
Website: [englewoodwater.com](http://englewoodwater.com)

March 8, 2013

Martin Redovan  
CliftonLarsonAllen LLP  
6810 International Center Boulevard  
Fort Myers, Florida 33912

RE: Management letter Response  
FY 9/30/12

Dear Mr. Redovan:

This response to your management letter dated March 8, 2013, 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, 2011 through September 30, 2012. The report will be presented to the Board at their April 4, 2013 meeting.

Sincerely,

A handwritten signature in blue ink that reads "Sonia Zoeller".

Sonia Zoeller  
Finance Director

/tlh