

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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**NORTHWEST FLORIDA WATER
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Governing Board
Northwest Florida Water Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Florida Water Management District (the District), a component unit of the State of Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2016, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Honorable Governing Board
Northwest Florida Water Management District

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the 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 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 Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



April 27, 2017
Tallahassee, Florida

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Northwest Florida Water Management District, we offer readers of the Northwest Florida Water Management District's financial statements this narrative overview and analysis of the financial activities of the Northwest Florida Water Management District for the fiscal year ended September 30, 2016.

Financial Highlights

At the end of the most recent fiscal year, the Northwest Florida Water Management District's:

- Assets exceeded its liabilities by \$203,341,939 (*net position*). Of this amount, \$21,490,009 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental funds reported combined ending fund balances of \$29,749,934, a decrease of \$4,594,100 from the previous year.
- Unassigned fund balance for the general fund was \$0 and assigned fund balance was \$8,394,000 for all funds.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements distinguish functions of the Northwest Florida Water Management District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Northwest Florida Water Management District include: water resources planning and monitoring; acquisition, restoration and public works; operation and maintenance of lands and works; regulation; outreach; and administration.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Overview of the Financial Statements (Continued)

Government-wide financial statements—(Concluded)

The government-wide financial statements include only the Northwest Florida Water Management District, a component unit of the State of Florida.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Florida Water Management District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Northwest Florida Water Management District are in one category: governmental funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

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

The Northwest Florida Water Management District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Projects Fund, Capital Projects Fund, Land Management Fund, Regulation Fund, and Mitigation Fund, all of which are considered to be major funds.

The governmental fund financial statements can be found on pages 11 and 13 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 39 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning Northwest Florida Water Management District's budgetary comparison for its major funds as well as the other post-employment benefits retirement healthcare plan schedule of funding progress and schedule of employer contributions. The Northwest Florida Water Management District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the general fund and each major fund to demonstrate compliance with this budget and can be found on pages 40 - 44.

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Northwest Florida Water Management District, assets exceeded liabilities by \$203,341,939 at the close of the most recent fiscal year.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION

	2016	2015
Current and Other Assets	\$ 47,997,016	\$ 56,203,422
Capital Assets:		
Land and Other Improvements	172,317,863	172,046,573
Other Capital Assets, Net of Depreciation	6,239,639	6,340,959
Total Assets	226,554,518	234,590,954
Total Deferred Outflows of Resources	2,510,378	1,187,756
Long-term Liabilities Outstanding	7,128,572	5,093,623
Other Liabilities	18,247,082	21,859,388
Total Liabilities	25,375,654	26,953,011
Total Deferred Inflows of Resources	347,303	659,775
Net Position		
Investment in Capital Assets	178,557,502	178,387,532
Restricted	3,294,428	2,973,062
Unrestricted	21,490,009	26,805,330
Total Net Position	\$ 203,341,939	\$ 208,165,924

By far the largest portion of the Northwest Florida Water Management District's net position (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Northwest Florida Water Management District uses these capital assets to protect environmentally sensitive lands and to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Northwest Florida Water Management District's net position (1.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$21,490,010) may be used to meet the government's ongoing obligations to citizens and creditors.

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

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Government-wide Financial Analysis (Concluded)

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

	2016	2015
Revenues		
Program Revenues:		
Charges for Services	\$ 419,135	\$ 396,205
Operating Grants and Contributions	14,002,036	12,869,191
Capital Grants and Contributions	95,350	712,549
General Revenues:		
Property Taxes	3,280,708	3,258,534
Grants and Contributions not Restricted to Specific Programs	238,438	177,979
Other	1,147,388	3,203,459
Total Revenues	19,183,055	20,617,917
Expenses		
Water Resources Planning and Monitoring	4,727,170	4,300,254
Acquisition, Restoration, and Public Works	10,321,559	10,665,770
Operation and Maintenance of Lands and Works	3,220,404	3,213,811
Regulation	3,341,705	3,382,293
Outreach	170,049	153,787
Administration	2,226,153	2,146,106
Total Expenses	24,007,040	23,862,021
Changes in Net Position	(4,823,985)	(3,244,104)
Net Position, Beginning of Year	208,165,924	211,410,028
Net Position, End of Year	\$ 203,341,939	\$ 208,165,924

Governmental activities—Governmental activities at the end of the most recent fiscal year decreased Northwest Florida Water Management District’s net position by \$4,823,985. The decrease is largely attributed to an increased use of fund balance for water supply development assistance grants.

Financial Analysis of the Government’s Funds

As noted earlier, the Northwest Florida Water Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the Government's Funds (Concluded)

Governmental funds—The focus of the Northwest Florida Water Management District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing the Northwest Florida Water Management District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the most recent fiscal year, the Northwest Florida Water Management District's governmental funds reported combined ending fund balances of \$29,749,934 a decrease of \$4,594,100 in comparison with the prior year. Currently, there is \$0 unassigned fund balance. The District's fund balance is either in nonspendable, restricted, committed, or assigned form to indicate that it is not available for new spending because it has already been committed to activities associated with the general fund, various special revenue funds, and the capital project fund.

The general fund is the chief operating fund of the Northwest Florida Water Management District. At the end of the most recent fiscal year, unassigned fund balance was \$0 and total fund balance of the general fund was \$19,018,571.

Additionally, the fund balance of the Northwest Florida Water Management District's general fund decreased by \$5,128,175. The key factor for this decrease was water supply development assistance grants of \$5,525,036 issued to address important local and regional needs throughout the District.

General Fund Budgetary Highlights

There were no significant differences between the original and final adopted budgets of the District during the year.

Capital Asset and Debt Administration

Capital assets—The Northwest Florida Water Management District's investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$178,557,502 (net of accumulated depreciation). This investment in capital assets includes land, easements, building, infrastructure, vehicles, office equipment, field equipment, and computer equipment. There were no significant changes in the Northwest Florida Water Management District's investment in capital assets for the current fiscal year.

The Northwest Florida Water Management District donated an unused building to the Jackson County Board of County Commission. The building was constructed in 1982 for \$98,089 on land that was leased from the Jackson County Board of County Commission. Upon cancellation of the lease, the building was donated to the county.

Additional information of the Northwest Florida Water Management District's capital assets can be found in Note 4 on page 24 of this report.

Economic Factors and Next Year's Budgets and Rates

1. The District's primary revenue sources are state grants derived from documentary stamp taxes and general revenue as well as ad valorem (property) taxes.

MANAGEMENT DISCUSSION AND ANALYSIS
(Concluded)

Economic Factors and Next Year's Budgets and Rates *(Concluded)*

2. Since FY 2011-2012, the millage rate has been 0.04 mills. In FY 2014-2015 and each year thereafter, the Governing Board has adopted the rolled-back millage rate (the rate that would generate the same amount of property taxes as the prior year). In FY 2016-2017, the adopted millage rate was 0.0366 which is 26.8 percent below the constitutional and statutory cap of 0.05 mills.
3. The FY 2016-2017 Adopted Budget is \$62.2 million, an increase of \$6.5 million or 11.6 percent above the FY 2015-2016 Amended Budget. The increase is primarily attributable to additional legislative funds for springs protection and restoration projects. Total funding consists of \$33.0 million in new revenue, \$18.7 million in revenue received and/or appropriated in prior years, and \$10.5 million in fund balance. Just over half of the budget, \$31.9 million, is for springs projects, water supply development assistance, and watershed restoration. Over a fourth (27.4 percent) of the \$62.2 million represents recurring needs.
4. The District has accumulated resources over the past fiscal years and is spending down those resources for operations and for water resource and supply development projects.

Requests for Information

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 88,544
Investments	45,815,220
Accounts Receivable	136,436
Due from Other Governments	1,952,444
Other Assets	4,372
Capital Assets Not Being Depreciated	172,317,863
Capital Assets Being Depreciated, Net	6,239,639
Total Assets	226,554,518
 Deferred Outflows of Resources	
Pension Related	2,510,378
 Liabilities	
Accounts Payable and Accrued Expenses	2,763,004
Due to Other Governments	202,758
Deposits	238,626
Unearned Revenue	15,042,694
Long-term Liabilities:	
Due Within One Year	666,264
Due in More than One Year	6,462,308
Total Liabilities	25,375,654
 Deferred Inflows of Resources	
Pension Related	347,303
 Net Position	
Investment in Capital Assets	178,557,502
Restricted for:	
Regulatory Permitting, Licensing, and Enforcement Activities	1,757,000
Mitigation Projects	1,537,428
Unrestricted	21,490,009
Total Net Position	\$ 203,341,939

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Water Resources Planning and Monitoring	\$ 4,727,170	\$ 0	\$ 5,710,083	\$ 0	\$ 982,913
Acquisition, Restoration, and Public Works	10,321,559	0	4,611,037	95,350	(5,615,172)
Operation and Maintenance of Lands and Works	3,220,404	0	1,645,081	0	(1,575,323)
Regulation	3,341,705	419,135	2,035,835	0	(886,735)
Outreach	170,049	0	0	0	(170,049)
Administration	2,226,153	0	0	0	(2,226,153)
Total Governmental Activities	\$ 24,007,040	\$ 419,135	\$ 14,002,036	\$ 95,350	(9,490,519)
General Revenues					
Property Taxes					3,280,708
Unrestricted Investment Earnings					238,438
Miscellaneous					1,147,388
Total General Revenues					4,666,534
Change in Net Position					(4,823,985)
Net Position, Beginning of Year					208,165,924
Net Position, End of Year					\$ 203,341,939

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>Special Revenue Funds</u>					Capital Projects Fund	Total Governmental Funds
	General Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		
Assets							
Cash and Cash Equivalents	\$ 88,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,544
Investments	18,660,107	2,565,443	6,079,981	1,757,000	16,267,709	484,980	45,815,220
Accounts Receivable	105	136,248	29	54	0	0	136,436
Due from Other Governments	0	1,930,487	15,247	1,760	0	4,950	1,952,444
Due from Other Funds	1,578,528	0	0	48,087	0	0	1,626,615
Deposits	(3,252)	0	0	7,624	0	0	4,372
Total Assets	<u>20,324,032</u>	<u>4,632,178</u>	<u>6,095,257</u>	<u>1,814,525</u>	<u>16,267,709</u>	<u>489,930</u>	<u>49,623,631</u>
Liabilities and Fund Balances							
Liabilities							
Accounts Payable and Accrued Expenses	1,055,719	1,432,590	151,562	56,090	49,915	17,128	2,763,004
Due to Other Governments	200,095	1,228	0	1,435	0	0	202,758
Due to Other Funds	48,087	1,092,042	250,370	0	197,042	39,074	1,626,615
Deposits	1,560	0	237,066	0	0	0	238,626
Unearned Revenue	0	187,364	372,006	0	14,483,324	0	15,042,694
Total Liabilities	<u>1,305,461</u>	<u>2,713,224</u>	<u>1,011,004</u>	<u>57,525</u>	<u>14,730,281</u>	<u>56,202</u>	<u>19,873,697</u>
Fund Balances							
Restricted:							
Regulatory Permitting, Licensing, and Enforcement Activities	0	0	0	1,757,000	0	0	1,757,000
Mitigation Projects	0	0	0	0	1,537,428	0	1,537,428
Committed:							
Land Management, Land Acquisition, and Capital Improvements	0	0	4,050,197	0	0	433,728	4,483,925
Water Supply Development Assistance Grants under Contract	9,243,955	0	1,034,056	0	0	0	10,278,011
Economic Stabilization	3,299,570	0	0	0	0	0	3,299,570
Assigned:							
Water Resource Planning and Monitoring	906,968	0	0	0	0	0	906,968
Minimum Flows and Minimum Levels	0	1,918,954	0	0	0	0	1,918,954
Acquisition, Restoration, and Public Works	500,000	0	0	0	0	0	500,000
General Fund Deficiencies	3,968,078	0	0	0	0	0	3,968,078
District Short-term Projects	1,100,000	0	0	0	0	0	1,100,000
Unassigned	0	0	0	0	0	0	0
Total Fund Balances	<u>19,018,571</u>	<u>1,918,954</u>	<u>5,084,253</u>	<u>1,757,000</u>	<u>1,537,428</u>	<u>433,728</u>	<u>29,749,934</u>
Total Liabilities and Fund Balances	<u>\$ 20,324,032</u>	<u>\$ 4,632,178</u>	<u>\$ 6,095,257</u>	<u>\$ 1,814,525</u>	<u>\$ 16,267,709</u>	<u>\$ 489,930</u>	<u>\$ 49,623,631</u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Fund Balances - Total Governmental Funds		\$ 29,749,934
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial funds.		178,557,502
Certain pension-related amounts are being deferred and amortized over a period of years or are being deferred as contributions to the plan made after the measurement date:		
Deferred Outflows Related to Pensions	\$ 2,510,378	
Deferred Inflows Related to Pensions	<u>(347,303)</u>	2,163,075
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Other Postemployment Benefits	(243,148)	
Compensated Absences	(666,264)	
Net Pension Liability	<u>(6,219,160)</u>	<u>(7,128,572)</u>
 Net Position of Governmental Activities		 <u><u>\$ 203,341,939</u></u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds					Capital Projects Fund	Total Governmental Funds
	General Fund	Projects Fund	Lands Management Fund	Regulation Fund	Mitigation Fund		
Revenues							
Property Taxes	\$ 1,251,938	\$ 43,838	\$ 389,504	\$ 1,595,428	\$ 0	\$ 0	\$ 3,280,708
Permits and Licenses	0	0	0	419,135	0	0	419,135
Timber Sales	0	0	747,247	0	0	0	747,247
Intergovernmental Revenue	43,267	7,834,971	1,632,181	2,031,129	436,774	125,935	12,104,257
Federal Grants	0	1,678,507	12,900	4,706	201,666	0	1,897,779
Investment Income	96,211	6,374	36,889	8,098	88,029	2,837	238,438
Miscellaneous Revenue	2,059	335,032	56,300	1,851	101	0	395,343
Total Revenues	<u>1,393,475</u>	<u>9,898,722</u>	<u>2,875,021</u>	<u>4,060,347</u>	<u>726,570</u>	<u>128,772</u>	<u>19,082,907</u>
Expenditures							
Salaries	1,209,133	1,608,827	870,611	1,822,562	215,776	14,624	5,741,533
Employee Benefits	474,764	555,715	391,045	696,861	77,044	6,930	2,202,359
Professional/Contractual Services	196,841	2,763,396	744,292	119,374	231,844	20,280	4,076,027
Services	392,467	155,331	348,164	474,305	23,280	206	1,393,753
Commodities	58,827	62,563	280,510	68,886	13,374	0	484,160
Capital Outlay	147,031	121,328	129,793	96,605	13,517	285,402	793,676
Grants and Aids	5,525,036	3,457,261	8,000	0	0	0	8,990,297
Administrative Overhead Allocated	(1,362,035)	470,347	274,841	548,417	63,706	4,724	0
(Total Expenditures)	<u>(6,642,064)</u>	<u>(9,194,768)</u>	<u>(3,047,256)</u>	<u>(3,827,010)</u>	<u>(638,541)</u>	<u>(332,166)</u>	<u>(23,681,805)</u>
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	<u>(5,248,589)</u>	<u>703,954</u>	<u>(172,235)</u>	<u>233,337</u>	<u>88,029</u>	<u>(203,394)</u>	<u>(4,598,898)</u>
Other Financing Sources (Uses)							
Sale of General Fixed Assets	0	0	4,798	0	0	0	4,798
Transfers in	120,414	0	0	0	0	154,979	275,393
Transfers (out)	0	(120,414)	(154,979)	0	0	0	(275,393)
Total Other Financing Sources (Uses)	<u>120,414</u>	<u>(120,414)</u>	<u>(150,181)</u>	<u>0</u>	<u>0</u>	<u>154,979</u>	<u>4,798</u>
Net Change in Fund Balances	<u>(5,128,175)</u>	<u>583,540</u>	<u>(322,416)</u>	<u>233,337</u>	<u>88,029</u>	<u>(48,415)</u>	<u>(4,594,100)</u>
Fund Balances, Beginning of Year	<u>24,146,746</u>	<u>1,335,414</u>	<u>5,406,669</u>	<u>1,523,663</u>	<u>1,449,399</u>	<u>482,143</u>	<u>34,344,034</u>
Fund Balances, End of Year	<u>\$ 19,018,571</u>	<u>\$ 1,918,954</u>	<u>\$ 5,084,253</u>	<u>\$ 1,757,000</u>	<u>\$ 1,537,428</u>	<u>\$ 433,728</u>	<u>\$ 29,749,934</u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (4,594,100)

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

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

Capital Assets Acquired with Financial Resources	\$ 793,677	
Capital Assets Acquired through Donations	95,350	
Current Year Depreciation	<u>(700,936)</u>	188,091

The net effect of various miscellaneous transactions involving
capital assets (i.e. sales, trade-ins, etc.) is to decrease
net position. (18,121)

Certain pension related amounts are being deferred and amortized
over a period of years or are being deferred as contributions to
the plan made after the measurement date:

Deferred Outflows Related to Pensions	1,322,622	
Deferred Inflows Related to Pensions	<u>312,472</u>	1,635,094

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

Other Postemployment Benefits	(145,187)	
Compensated Absences	92,199	
Net Pension Liability	<u>(1,981,961)</u>	<u>(2,034,949)</u>

Change in Net Position of Governmental Activities \$ (4,823,985)

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 1 - Summary of Significant Accounting Policies

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

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

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

A. Financial Reporting Entity

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

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

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

B. Financial Reporting Structure

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Financial Reporting Structure (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Districts transactions are recorded in the following fund types:

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

The District reports the following major governmental funds:

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

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

B. Financial Reporting Structure *(Concluded)*

Fund Financial Statements *(Concluded)*

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

D. Assets, Liabilities, and Fund Balances

Deposits and Investments

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

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

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

Receivables and Payables

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

Property Taxes

The District is authorized by Section 373.503, Florida Statutes, to levy ad valorem taxes on all real and personal property located within the District not to exceed .05 mills. The rate for the 2015-2016 fiscal year was 0.0378 mills. The property assessment and tax collection functions are performed by appropriate officials of county government in each of the sixteen counties comprising the District. Commissions are paid to the counties for these appraisal and collection services.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Property Taxes (Concluded)

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

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

Capital Assets

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

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Buildings	40
Leasehold Improvements	10
Field Equipment	7
Office Equipment	7
Vehicles and Water Craft	7
Lawn Maintenance Equipment	5
Computer Equipment, Technical Equipment, and Software	3

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Long-term Obligation

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

Compensated Absences

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

Deferred Inflows and Outflows of Resources

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

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

Fund Balances

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

- **Nonspendable Fund Balance**—includes amounts that cannot be spent because they are either: (a) not in spendable form; or (b) are legally or contractually required to be maintained intact. The District had \$0 in nonspendable resources as of September 30, 2016.
- **Restricted Fund Balance**—includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District had \$3,294,427 in restricted resources as of September 30, 2016.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Fund Balances (Concluded)

- **Committed Fund Balance**—Includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’s Governing Board. These amounts cannot be used for any other purpose unless the District’s Governing Board removes or changes the specified use by taking the same type of action (Resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had \$18,061,506 in committed resources as of September 30, 2016.

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

- When a state of emergency is declared by the Governor of Florida or the President of the United States that impacts the region served by the District.
 - When the Governing Board determines through the adoption of a resolution that: (a) an emergency or other extreme circumstance has arisen that creates an unanticipated need for additional revenues that are not available through other funding sources; (b) the underlying condition directly impacts the citizens and/or environment within District boundaries; and (c) remedial action cannot wait until the next fiscal year. In the event of an emergency, the Executive Director or his/her designee may take necessary action as a time sensitive matter.
- **Assigned Fund Balance**—Assigned fund balance consists of amounts that are constrained by a less than formal action of the District’s Governing Board, or by an individual body to whom the Governing Board has delegated this responsibility. The District has delegated this responsibility to the Executive Director. Assignment of fund balance may be made for a specific purpose that is narrower than the general purposes of the fund and to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year’s budget including any amendments thereto. The District had \$8,394,000 in assigned resources as of September 30, 2016.
 - **Unassigned Fund Balance**—Includes the residual fund balance to provide for potential general fund deficiencies. The District had no unassigned resources as of September 30, 2016.

Flow Assumption

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Use of Estimates

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

Adoption of New Accounting Standards

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

During fiscal year 2015-16, the District also implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that (a) a government holds primarily to generate income or profit and (b) has a present service capacity based solely on that asset's ability to generate cash or to generate cash when sold. Governmental entities are required to record investments at fair value, unless an exception applies, and disclose the fair value measurement and hierarchy. The district currently has no investments that are required to be valued at fair value.

Future GASB Pronouncement Implementations

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows or resources, deferred inflows of resources and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB. The District is currently evaluating the impact that adoption of this statement will have on its financial statements. This statement is effective in the District's fiscal year ending September 30, 2018.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

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

Future GASB Pronouncement Implementations (Concluded)

GASB Statement No. 77, *Tax Abatement Disclosures*, provides disclosure requirements for governments that enter into tax abatement agreements. This Statement indicates how disclosures for tax abatements should be organized and what descriptive information, including commitments made by the entity should be presented. The District is currently evaluating the impact that adoption of this Statement will have on its financial statements. This statement is effective in the District's fiscal year ending September 30, 2017.

Note 2 - Deposits and Investments

Deposits—At year-end, the District had carrying amounts of deposits of \$88,294 and bank balances of \$340,722. The District also had cash on hand of \$250. Of the bank balances, \$340,722 was covered by Federal depository insurance or by collateral held by the District's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The *Florida Security for Public Deposits Act* established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments—The foremost objective of the District's investment policy is the safety of capital and liquidity of funds. Achieving an optimal rate of return is of secondary importance as compared to the safety and liquidity of funds. The District's investment policy limits investments to those relatively low risk securities authorized in anticipation of earning a fair return relative to the risk being assumed. How the District manages credit risk, interest rate risk, and custodial credit risk is as follows:

Investments of \$45,815,221 represent amounts held with the Florida State Board of Administration, Local Government Surplus Funds Trust (PRIME Fund). The fund invests in money market and U.S. treasury notes, collateralized mortgage obligations, asset backed securities, agency notes, agency ARM pass-through, corporate bonds, government related securities, and certificates of deposit. This fund is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value.

The SBA's interpretation of GASB 79 is that the Florida PRIME investment pool currently meets all necessary criteria to measure its investments at amortized cost. Therefore, as a participant in the SBA's Florida PRIME investment pool, the District's investments in Florida PRIME were also measured at amortized cost for fiscal year 2015-16. There were no limitations or restrictions on participant withdrawals including items such as redemption notices, maximum transaction amounts, and the pool's authority to impose liquidity fees or redemption gates.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 2 - Deposits and Investments (Concluded)

Investments (Concluded)

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

- **Interest Rate Risk**—The District manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities and the Florida State Board of Administration’s Florida PRIME. The weighted average days to maturity of the Local Government Surplus Funds Trust at September 30, 2016, was 50 days. Next interest rate reset dates for floating rate securities are used in the calculation of the weighted average days to maturity.

- **Custodial Credit Risk**—Investments are subject to custodial credit risk if the securities are uninsured, not registered in the District’s name, and are held by the party that either sells to or buys for the District. No investments held at year-end were subject to custodial credit risk. The Florida State Board of Administration Florida PRIME does participate in securities lending, but the District owns shares of the Florida PRIME and not the underlying investments. Neither the District nor Florida Prime has participated in securities lending program in the fiscal year ended September 30, 2016.

Note 3 - Unearned Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Grant Drawdowns Prior to Meeting all Eligibility Requirements	\$ 0	\$ 15,042,694
Unearned Revenue for Governmental Funds	\$ 0	\$ 15,042,694

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 4 - Capital Assets

Capital asset activity for the year ending September 30, 2016, was as follows:

	<u>Balance 10/1/15</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance 9/30/16</u>
Capital Assets Not Being Depreciated				
Land	\$ 152,339,475	\$ 114,258	\$ 0	\$ 152,453,733
Capital Easements	19,585,053	95,350	0	19,680,403
Construction in Progress	<u>122,045</u>	<u>75,768</u>	<u>(14,086)</u>	<u>183,727</u>
Total Capital Assets Not Being Depreciated	<u>172,046,573</u>	<u>285,376</u>	<u>(14,086)</u>	<u>172,317,863</u>
Capital Assets Being Depreciated				
Buildings and Improvements	3,197,768	105,675	(98,089)	3,205,354
Infrastructure	2,951,134	87,794	0	3,038,928
Machinery and Equipment	<u>5,674,022</u>	<u>421,909</u>	<u>(145,721)</u>	<u>5,950,210</u>
Total Capital Assets Being Depreciated	<u>11,822,924</u>	<u>615,378</u>	<u>(243,810)</u>	<u>12,194,492</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,089,229)	(80,515)	83,376	(1,086,368)
Infrastructure	(230,611)	(59,315)	0	(289,926)
Machinery and Equipment	<u>(4,162,125)</u>	<u>(561,105)</u>	<u>144,671</u>	<u>(4,578,559)</u>
Total Accumulated Depreciation	<u>(5,481,965)</u>	<u>(700,935)</u>	<u>228,047</u>	<u>(5,954,853)</u>
Total Capital Assets Being Depreciated, Net	<u>6,340,959</u>	<u>(85,557)</u>	<u>(15,763)</u>	<u>6,239,639</u>
Total Capital Assets	<u>\$ 178,387,532</u>	<u>\$ 199,819</u>	<u>\$ (29,849)</u>	<u>\$ 178,557,502</u>

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

Governmental Activities	
Water Resources Planning and Monitoring	\$ 342,349
Operation and Maintenance of Lands and Works	173,957
Regulation	32,901
Administration	<u>151,728</u>
Total Governmental Activities	<u>\$ 700,935</u>

Note 5 - Interfund Receivables and Payables

Interfund receivables/payables represent temporary loans to fund expenditures of other funds. At September 30, 2016, the balances in these accounts consist of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,578,528	\$ 48,087
Projects Fund	0	1,092,042
Lands Management Fund	0	250,370
Regulation Fund	48,087	0
Mitigation Fund	0	197,042
Capital Projects Fund	<u>0</u>	<u>39,074</u>
Total	<u>\$ 1,626,615</u>	<u>\$ 1,626,615</u>

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 6 - Transfers In/(Out)

Transfers between funds represent transfers to/from other funds for fund expenditures at September 30, 2016; the balances in these accounts consist of the following:

	<u>Transfer In</u>	<u>Transfer (Out)</u>
General Fund	\$ 120,414	\$ 0
Projects Fund	0	120,414
Lands Management Fund	0	154,979
Capital Projects Fund	<u>154,979</u>	<u>0</u>
Total	<u>\$ 275,393</u>	<u>\$ 275,393</u>

Note 7 - Leases

The District is committed under a noncancellable operating lease for office space that expires in February of 2018. The District is also committed under a month-to-month lease agreement for office space. Expenditures related to these lease agreements amounted to \$153,551 during the year ended September 30, 2016. Future minimum lease payments for the noncancellable lease are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 88,490
2018	<u>36,871</u>
Total	<u>\$ 125,361</u>

Note 8 - Long-term Debt

Changes in Long-term Liabilities—Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Balance</u> <u>10/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/16</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	\$ 758,463	\$ 559,360	\$ (651,559)	\$ 666,264	\$ 666,264
Other Postemployment Benefits	97,961	145,187	0	243,148	0
Net Pension Liability	<u>4,237,199</u>	<u>1,981,961</u>	<u>0</u>	<u>6,219,160</u>	<u>0</u>
Total Long-term Debt Payable	<u>\$ 5,093,623</u>	<u>\$ 2,686,508</u>	<u>\$ (651,559)</u>	<u>\$ 7,128,572</u>	<u>\$ 666,264</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 9 - Other Disclosures

Risk Management

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

Contingent Liabilities

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

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

Contractual Commitments

As of September 30, 2016, the District had the following commitments related to unfinished projects:

<u>Projects</u>	<u>Expended as of September 30, 2016</u>	<u>Remaining Commitment</u>
Local Infrastructure Improvement Projects	\$ 7,056,359	\$ 20,999,303
Agricultural Cost Sharing Agreement	415,797	470,696

Note 10 - Retirement Plan

General Information about the Florida Retirement System (FRS)

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

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Continued)

FRS Pension Plan

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

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

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

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

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 10 - Retirement Plan (Continued)

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the District's 2015-16 fiscal year were as follows:

Class	Year Ended June 30, 2016		Year Ended June 30, 2017	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Senior Management Service	3.00	19.73	3.00	20.05
DROP – Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33
FRS, Reemployment Retiree	(1)	(1)	(1)	(1)

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Continued)

Contributions. *(Concluded)*

The District's contributions, including employee contributions, to the Plan totaled \$426,894 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities and Pension Expense. At September 30, 2016, the District reported a liability of \$4,175,648 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the fiscal year 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the District's proportion was 0.016537167%, which was a decrease of 0.002251006% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the District recognized pension expense of \$704,424 related to the FRS Plan.

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.60% Net of Pension Plan Investment Expense, Including Inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Continued)

FRS Pension Plan (Concluded)

Actuarial Assumptions. (Concluded)

<u>Asset Class</u>	<u>Annual Target Allocation ⁽¹⁾</u>	<u>Annual Arithmetic Return</u>	<u>Geometric Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	<u>100%</u>			
Assumed Inflation – Mean		2.6%		1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.60%. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.60% in the July 1, 2016 valuation.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

FRS – District:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
District’s Proportionate Share of the Net Pension Liability	\$ 7,687,650	\$ 4,175,648	\$ 1,252,370

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Continued)

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2016 and 2015, the contribution rates were 1.66% and 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$93,433 for the fiscal year ended September 30, 2016.

Pension Liabilities and Pension Expense. At September 30, 2016, the District reported a net pension liability of \$2,043,512 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.017533971%, which was a decrease of 0.000218313% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the District recognized pension expense of \$162,771 related to the HIS Plan.

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 10 - Retirement Plan (Continued)

HIS Pension Plan (Concluded)

Actuarial Assumptions. The total pension liability for the HIS Pension Plan was determined by an actuarial valuation as of July 1, 2016, and recalculated as of June 30, 2016, using a standard actuarial roll-forward technique. The following actuarial assumptions, applied to all periods included in the measurement, were used to determine the total pension liability:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	2.85% Net of Pension Plan Investment Expense, Including Inflation

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

The actuarial assumptions used to determine the total pension liability as of June 30, 2016, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's Proportionate Share of the Net Pension Liability	\$ 2,344,372	\$ 2,043,512	\$ 1,793,814

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Continued)

Additional Disclosures – Defined Benefit Plans

Net Pension Liability

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net Pension Liability	\$ 4,175,648	\$ 2,043,512	\$ 6,219,160

Deferred Outflows of Resources

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Employer Contributions After Measurement Date	\$ 115,506	\$ 23,906	\$ 139,412
Difference Between Expected and Actual Experience	319,720	0	319,720
Changes in Assumptions	252,614	320,679	573,293
Changes in Proportion	397,565	0	397,565
Net Difference Between Projected and Actual Earnings on Investments	<u>1,079,355</u>	<u>1,033</u>	<u>1,080,388</u>
Total Deferred Outflows of Resources	<u>\$ 2,164,760</u>	<u>\$ 345,618</u>	<u>\$ 2,510,378</u>

Deferred Inflows of Resources

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Difference Between Expected and Actual Experience	\$ 38,878	\$ 4,654	\$ 43,532
Changes in Proportion	<u>267,534</u>	<u>36,237</u>	<u>303,771</u>
Total Deferred Inflows of Resources	<u>\$ 306,412</u>	<u>\$ 40,891</u>	<u>\$ 347,303</u>

Deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date totaling \$139,412 will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year		FRS	HIS	Total
Ending				
2017	\$	289,883	\$ 49,756	\$ 339,639
2018		289,883	49,756	339,639
2019		710,682	49,560	760,242
2020		433,076	49,466	482,542
2021		18,352	44,332	62,684
Thereafter		<u>966</u>	<u>37,951</u>	<u>38,917</u>
Total	\$	<u>1,742,842</u>	<u>\$ 280,821</u>	<u>\$ 2,023,663</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

Note 10 - Retirement Plan (Continued)

Additional Disclosures – Defined Benefit Plans (Concluded)

Pension Expense

For the year ended September 30, 2016, the District recognized pension expense from the defined benefit pension plans as follows:

	FRS	HIS	Total
District's Pension Expense	\$ 704,424	\$ 162,771	\$ 867,195

There were certain changes in assumptions from the previous valuation related to the two plans described above. The assumption changes include the following:

- **FRS**—In the July 1, 2016 actuarial valuation, the discount rate used to determine total pension liability decreased from 7.65% to 7.60%.
- **HIS**—In the July 1, 2016 actuarial valuation, the municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.

FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts (employer and employee) during the 2015-16 fiscal year were as follows:

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

Note 10 - Retirement Plan (Concluded)

FRS – Defined Contribution Pension Plan (Concluded)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income. The District's contribution to the Investment Plan during the fiscal year ended September 30, 2016, totaled \$5,422.

Payables to the Pension Plans. At September 30, 2016, the District reported a payable of \$76,476 for the outstanding amount of contributions (employer and employee share) to the three Plans described above for the fiscal year ended September 30, 2016.

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

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

Plan Description

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

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

Benefits Provided

In accordance with Section 112.0801, Florida Statutes, the District allows its employees who have retired under the Florida Retirement System (FRS) to continue group insurance benefits for themselves and their dependents. The benefit levels are the same as those afforded to active employees. The District does not contribute to the premiums for the retirees but they do qualify for a premium contribution of up to \$150 per month from the FRS depending on years of service. Upon reaching the age of 65, Medicare becomes the primary insurer for CHP plan participants. BCBS participants are allowed to select either Medicare or the traditional plan.

Membership

At September 30, 2016, membership consisted of:

Active Employees	104
Inactive Employees	16

Funding Policy

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

Annual OPEB Costs, Net OPEB Obligation

The Employer's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the calculation of Annual Required Contribution and Net OPEB Obligation for the fiscal year ended September 30, 2016:

Annual Required Contribution (ARC)	\$ 229,772
Interest on Net OPEB Obligation	2,939
Adjustment to Annual Required Contribution (ARC)	<u>(7,223)</u>
Annual OPEB Cost (Expense)	225,488
Employer Contributions Made	<u>(80,301)</u>
Increase in Net OPEB Obligation	<u>145,187</u>
Net OPEB Obligation (NOO) at Beginning of Year	97,961
Net OPEB Obligation (NOO) at the End of Year	<u>\$ 243,148</u>

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)**

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

Annual OPEB Costs, Net OPEB Obligation (Concluded)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions Toward the OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2016	\$ 225,488	\$ 80,301	36%	\$ 243,148
09/30/2015	144,752	126,009	87%	97,961
09/30/2014	143,360	122,752	86%	79,218
09/30/2013	142,313	114,672	81%	58,609

Funded Status and Funding Progress

The funded status of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/2016	\$ 0	\$ 1,826,619	\$ 1,826,619	0.00%	\$ 5,579,912	33%
9/30/2013	0	1,673,612	1,673,612	0.00%	4,663,252	36%
9/30/2010	0	862,511	862,511	0.00%	6,248,982	14%

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

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Concluded)

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

Methods and Assumptions (Concluded)

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

Actuarial Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age Normal Cost
Amortization Method:	Level Percentage of Payroll
Amortization Period:	15 Years
Asset Valuation Method:	Unfunded
Discount Rate:	3.0%
Price Inflation Rate:	2.8%
Payroll Growth Rate:	1.5%
Medical Inflation Rate:	5.0% for two years; 3.0% per year thereafter

Note 12 - Mitigation Bank Financial Responsibility Assurances

The District is authorized by Section 373.4136, Florida Statutes, to permit the establishment of mitigation banks. As part of the permit application, the establishment of a mitigation bank is required to demonstrate the financial ability to conduct the mitigation activities, any necessary management of the site, monitoring of the mitigation, and any necessary correction action indicated by the monitoring. The mitigation banks can provide the demonstrated financial assurance by obtaining a surety bond, performance bond, irrevocable letter of credit, or establishing a trust fund. If a bond or an irrevocable letter of credit is used, a standby trust fund shall be established in which all payments under the bonds or letters of credit shall be directly deposited. If the mitigation bank fails to comply with the terms and conditions of the permit, the District may draw upon the financial assurance provided by the mitigation bank. As of September 30, 2016, the District had \$0 of financial assurances provided by the various mitigation banks.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,116,151	\$ 1,151,160	\$ 1,251,938	\$ 100,778
Intergovernmental	103,920	63,920	43,267	(20,653)
Investment Income	0	0	96,211	96,211
Miscellaneous	0	0	2,059	2,059
Total Revenues	<u>1,220,071</u>	<u>1,215,080</u>	<u>1,393,475</u>	<u>178,395</u>
Expenditures				
Salaries	1,311,529	1,293,329	1,209,133	84,196
Employee Benefits	542,986	534,986	474,764	60,222
Professional/Contractual Services	197,755	216,744	196,841	19,903
Services	648,077	611,078	392,467	218,611
Commodities	88,151	88,921	58,827	30,094
Capital Outlay	160,720	177,449	147,031	30,418
Grants and Aids	13,877,793	13,877,793	5,525,036	8,352,757
Administrative Overhead Allocated	(1,509,147)	(1,487,427)	(1,362,035)	(125,392)
(Total Expenditures)	<u>(15,317,864)</u>	<u>(15,312,873)</u>	<u>(6,642,064)</u>	<u>8,670,809</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(14,097,793)</u>	<u>(14,097,793)</u>	<u>(5,248,589)</u>	<u>8,849,204</u>
Other Financing Sources (Uses)				
Transfers in	0	0	120,414	120,414
Transfers (out)	(356,803)	(233,790)	0	233,790
Total Other Financing Sources (Uses)	<u>(356,803)</u>	<u>(233,790)</u>	<u>120,414</u>	<u>354,204</u>
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	<u>(14,454,596)</u>	<u>(14,331,583)</u>	<u>(5,128,175)</u>	<u>9,203,408</u>
Fund Balance, Beginning of Year	<u>13,398,159</u>	<u>13,377,985</u>	<u>24,146,746</u>	<u>10,768,761</u>
Fund Balance, End of Year	<u>\$ (1,056,437)</u>	<u>\$ (953,598)</u>	<u>\$ 19,018,571</u>	<u>\$ 19,972,169</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)**

	Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 46,383	\$ 56,410	\$ 43,838	\$ (12,572)
Intergovernmental	20,857,089	21,034,061	7,834,971	(13,199,090)
Federal Grants	3,065,321	3,049,521	1,678,507	(1,371,014)
Investment Income	0	0	6,374	6,374
Miscellaneous	347,667	345,534	335,032	(10,502)
Total Revenues	24,316,460	24,485,526	9,898,722	(14,586,804)
Expenditures				
Salaries	1,680,849	1,727,287	1,608,827	118,460
Employee Benefits	617,132	629,326	555,715	73,611
Professional/Contractual Services	5,652,520	5,671,615	2,763,396	2,908,219
Services	282,146	240,694	155,331	85,363
Commodities	126,399	122,899	62,563	60,336
Capital Outlay	359,059	373,630	121,328	252,302
Grants and Aids	15,450,766	15,450,766	3,457,261	11,993,505
Administrative Overhead Allocated	504,392	497,099	470,347	26,752
(Total Expenditures)	(24,673,263)	(24,713,316)	(9,194,768)	15,518,548
Excess of Revenues Over Expenditures	(356,803)	(227,790)	703,954	931,744
Other Financing Sources (Uses)				
Transfers in	356,803	233,790	0	(233,790)
Transfers (out)	0	0	(120,414)	(120,414)
Total Other Financing Sources (Uses)	356,803	233,790	(120,414)	(354,204)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	0	6,000	583,540	577,540
Fund Balance, Beginning of Year	0	0	1,335,414	1,335,414
Fund Balance, End of Year	\$ 0	\$ 6,000	\$ 1,918,954	\$ 1,912,954

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)**

	Lands Management Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 442,344	\$ 449,280	\$ 389,504	\$ (59,776)
Timber Sales	1,500,000	1,500,000	747,247	(752,753)
Intergovernmental	825,000	825,000	1,632,181	807,181
Federal	0	12,900	12,900	0
Investment Income	10,400	10,400	36,889	26,489
Miscellaneous	95,773	95,773	56,300	(39,473)
Total Revenues	2,873,517	2,893,353	2,875,021	(18,332)
Expenditures				
Salaries	868,578	883,678	870,611	13,067
Employee Benefits	384,042	384,042	391,045	(7,003)
Professional/Contractual Services	914,142	970,199	744,292	225,907
Services	416,775	379,815	348,164	31,651
Commodities	598,777	548,509	280,510	267,999
Capital Outlay	301,230	301,940	129,793	172,147
Grants and Aids	8,000	8,000	8,000	0
Administrative Overhead Allocated	274,942	270,985	274,841	(3,856)
(Total Expenditures)	(3,766,486)	(3,747,168)	(3,047,256)	699,912
(Deficiency) of Revenues (Under)				
Expenditures	(892,969)	(853,815)	(172,235)	681,580
Other Financing Sources (Uses)				
Sale of General Fixed Assets	217,750	217,750	4,798	(212,952)
Transfers (out)	(195,942)	(223,736)	(154,979)	68,757
Total Other Financing Sources (Uses)	21,808	(5,986)	(150,181)	(144,195)
(Deficiency) of Revenues and Other Financing Sources (Under)				
Expenditures and Other Financing (Uses)	(871,161)	(859,801)	(322,416)	537,385
Fund Balance, Beginning of Year	3,307,635	3,290,562	5,406,669	2,116,107
Fund Balance, End of Year	\$ 2,436,474	\$ 2,430,761	\$ 5,084,253	\$ 2,653,492

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Continued)**

	Regulation Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 1,828,907	\$ 1,776,935	\$ 1,595,428	\$ (181,507)
Licenses and Permits	332,500	332,500	419,135	86,635
Intergovernmental	2,332,364	2,195,472	2,031,129	(164,343)
Federal	35,380	35,380	4,706	(30,674)
Investment Income	2,250	2,250	8,098	5,848
Miscellaneous	17,000	17,000	1,851	(15,149)
Total Revenues	<u>4,548,401</u>	<u>4,359,537</u>	<u>4,060,347</u>	<u>(299,190)</u>
Expenditures				
Salaries	2,076,708	2,035,864	1,822,562	213,302
Employee Benefits	846,210	843,876	696,861	147,015
Professional/Contractual Services	230,094	262,953	119,374	143,579
Services	575,857	511,826	474,305	37,521
Commodities	104,507	96,819	68,886	27,933
Capital Outlay	73,461	97,892	96,605	1,287
Administrative Overhead Allocated	641,564	632,349	548,417	83,932
(Total Expenditures)	<u>(4,548,401)</u>	<u>(4,481,579)</u>	<u>(3,827,010)</u>	<u>654,569</u>
Excess of Revenues Over				
Expenditures	<u>0</u>	<u>(122,042)</u>	<u>233,337</u>	<u>355,379</u>
Excess of Revenues and Other				
Financing Sources Over				
Expenditures and Other Financing (Uses)	0	(122,042)	233,337	355,379
Fund Balance, Beginning of Year	<u>1,096,356</u>	<u>1,150,879</u>	<u>1,523,663</u>	<u>372,784</u>
Fund Balance, End of Year	<u>\$ 1,096,356</u>	<u>\$ 1,028,837</u>	<u>\$ 1,757,000</u>	<u>\$ 728,163</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)**

	Mitigation Fund			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,378,072	\$ 1,371,463	\$ 436,774	\$ (934,689)
Federal Grants	0	0	201,666	201,666
Investment Income	30,000	30,000	88,029	58,029
Miscellaneous	0	0	101	101
Total Revenues	1,408,072	1,401,463	726,570	(674,893)
Expenditures				
Salaries	272,828	270,585	215,776	54,809
Employee Benefits	103,278	101,167	77,044	24,123
Professional/Contractual Services	851,246	839,084	231,844	607,240
Services	56,464	49,607	23,280	26,327
Commodities	36,196	42,846	13,374	29,472
Capital Outlay	5,506	16,793	13,517	3,276
Administrative Overhead Allocated	82,554	81,381	63,706	17,675
(Total Expenditures)	(1,408,072)	(1,401,463)	(638,541)	762,922
Excess of Revenues Over Expenditures	0	0	88,029	88,029
Fund Balance, Beginning of Year	1,397,555	1,397,555	1,449,399	51,844
Fund Balance, End of Year	\$ 1,397,555	\$ 1,397,555	\$ 1,537,428	\$ 139,873

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016**

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
SEPTEMBER 30, 2016**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	<u>2016</u>	<u>2015</u>
District's Proportion of the FRS Net Pension Liability	0.016537167%	0.018788173%
District's Proportion Share of the FRS Net Pension Liability	\$ 4,175,648	\$ 2,426,745
District's Covered-Employee Payroll (FYE 9/30)	5,628,494	5,371,658
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	74.19%	45.18%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.88%	92.00%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>2016</u>	<u>2015</u>
District's Proportion of the HIS Net Pension Liability	0.017533971%	0.017752284%
District's Proportionate Share of the HIS Net Pension Liability	\$ 2,043,512	\$ 1,810,454
District's Covered-Employee Payroll (FYE 9/30)	5,628,494	5,371,658
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	36.31%	33.70%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.97%	0.50%

Notes to Schedule:

The amounts shown above as reported on the date indicated, have a measurement date of 6/30.

Covered-employee payroll is for the fiscal year shown.

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	2016	2015
Contractually Required Contribution	\$ 426,894	\$ 444,312
FRS Contribution in Relation to the Contractually Required Contribution	(426,894)	(444,312)
FRS Contribution Deficiency (Excess)	\$ 0	\$ 0
District's Covered-Employee Payroll (FYE 9/30)	\$ 5,628,494	\$ 5,371,658
FRS Contributions as a Percentage of Covered-Employee Payroll	7.58%	8.27%

HEALTH INSURANCE SUBSIDY PENSION PLAN

	2016	2015
Contractually Required Contribution	\$ 93,433	\$ 72,571
HIS Contribution in Relation to the Contractually Required Contribution	(93,433)	(72,571)
HIS Contribution Deficiency (Excess)	\$ 0	\$ 0
District's Covered-Employee Payroll (FYE 9/30)	\$ 5,628,494	\$ 5,371,658
HIS Contributions as a Percentage of Covered-Employee Payroll	1.66%	1.35%

Notes to Schedule:

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

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB)
RETIREE HEALTHCARE PLAN
SEPTEMBER 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as Percentage of Covered Payroll
09/30/2016	\$ 0	\$ 1,826,619	\$ 1,826,619	0.0%	\$ 5,579,912	33%
09/30/2013	0	1,673,612	1,673,612	0.0%	4,663,252	36%
09/30/2011	0	862,511	862,511	0.0%	6,248,982	14%
09/30/2010	0	3,192,967	3,192,967	0.0%	6,041,315	56%

Schedule of Employer Contributions

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions Toward the OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2016	\$ 225,488	\$ 80,301	35.6%	\$ 243,148
09/30/2015	144,752	126,009	87%	97,961
09/30/2014	143,360	122,752	86%	79,218
09/30/2013	142,313	114,672	81%	58,609
09/30/2012	74,524	58,400	78%	30,968
09/30/2011	73,407	58,563	80%	14,844
09/30/2010	306,907	191,916	63%	114,991

ADDITIONAL INFORMATION

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
OFFICIALS
SEPTEMBER 30, 2016**

GOVERNING BOARD MEMBERS

George Roberts, Chairman

Jerry Pate, Vice Chairman

John Alter, Secretary

Gus Andrews

Jon Costello

Marc Dunbar

Ted Everett

Nicholas Patronis

Bo Spring

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/Pass-Through Grantor/ Grant Program	CFDA Number	Grant ID Number	Expenditures
Federal Awards			
U.S. Department of Homeland Security			
Cooperating Technical Partners	97.045	EMA-2009-CA-5937	\$ 590,008
Cooperating Technical Partners	97.045	EMA-2010-CA-5085	122,608
Cooperating Technical Partners	97.045	EMA-2011-CA-5142	144,811
Cooperating Technical Partners	97.045	EMA-2012-CA-5261	642,475
Cooperating Technical Partners	97.045	EMA-2013-CA-5352	40,281
Cooperating Technical Partners	97.045	EMW-2014-CA-00047	21,893
Cooperating Technical Partners	97.045	EMW-2015-CA-00043	13,882
Total U.S. Department of Homeland Security			<u>1,575,958</u>
U.S. Forest Service, Fish and Wildlife Foundation			
Passed through the Nature Conservancy	10.6666	FL-NWFWMD-022916	<u>12,900</u>
U.S. Environmental Protection Agency			
Passed through State of Florida Department of Environmental Protection: Water Quality Management Planning	66.454	G0373	<u>68,147</u>
U.S. Department of Transportation			
Passed through State of Florida Department of Transportation: Highway Planning and Construction	20.205		201,666
Highway Planning and Construction	20.205	BDN58	4,706
Total U.S. Department of Transportation			<u>206,372</u>
Total Federal Expenditures			<u><u>\$ 1,863,377</u></u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(Concluded)**

State Grantor/Program Title	CSFA Number	Grantor Number	Expenditures	Amounts Provided to Sub-recipients
State Financial Assistance				
State of Florida Department of Transportation				
Mitigation Water Management Districts	55.031		\$ 436,774	\$ 0
State of Florida Department of Environmental Protection				
Water Management Districts - Land Acquisition				
Water Management Lands Trust Fund	37.037		236,956	236,956
Water Management District Operations	37.037		3,360,000	0
			<u>3,596,956</u>	<u>236,956</u>
State-wide Surface Water Restoration and Wastewater Projects				
Wastewater Projects	37.039	G0423	111,042	0
Wastewater Projects	37.039		2,267,685	2,157,926
			<u>2,378,727</u>	<u>2,157,926</u>
Water Management District Permitting Assistance	37.029		1,617,894	0
Water Management District Land Acquisition and Improvement	37.022		1,747,969	0
			<u>3,365,863</u>	<u>0</u>
Florida Springs Grant Program	37.052	S0676	1,025,693	0
Florida Springs Grant Program	37.052	S0809	592,707	0
Florida Springs Grant Program	37.052	S0810	355,670	355,670
Florida Springs Grant Program	37.052	S0869	58,958	0
Florida Springs Grant Program	37.052	S0900	13,169	0
Florida Springs Grant Program	37.052	S0775	194,649	0
			<u>2,240,846</u>	<u>355,670</u>
Aquatic Habitat Conservation and Restoration Projects	77.016	15134	58,361	0
Total Department of Environmental Protection			<u>11,640,753</u>	<u>2,750,552</u>
Total State Financial Assistance			<u>\$ 12,077,527</u>	<u>\$ 2,750,552</u>
Total Federal Awards and State Financial Assistance			<u>\$ 13,940,904</u>	<u>\$ 2,750,552</u>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2016**

Note 1 - Basis of Presentation

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

Note 2 - De Minimis Indirect Cost Rate Election

The District did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

Note 3 - Sub-recipients

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

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Amount Provided to Sub-recipients</u>
Water Management Lands Trust Fund	37.037	\$ 236,956
State-wide Surface Water and Wastewater Projects	37.039	2,157,926
Florida Springs Grant Program	37.052	355,670

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

To the Honorable Governing Board
Northwest Florida Water Management District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Northwest Florida Water Management District, (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2017.

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 opinions 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 the District's internal control.

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

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
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To the Honorable Governing Board
Northwest Florida Water Management District

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

Purpose of this Report

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

Purvis, Gray and Company, LLP

April 27, 2017
Tallahassee, Florida

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

To the Honorable Governing Board
Northwest Florida Water Management District

Report on Compliance for Each Major Federal Program and State Project

We have audited Northwest Florida Water Management District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the requirements described in the State of Florida, Department of Financial Services *State Projects Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended September 30, 2016. The District's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2016.

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5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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To the Honorable Governing Board
Northwest Florida Water Management District

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


Report on Internal Control Over Compliance

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

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

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

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



April 27, 2017
Tallahassee, Florida

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016**

1. Summary of Audit Results

Financial Statements

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion.

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

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

III. Noncompliance Material to Auditee Financial Statements

Audit disclosed no material instances of noncompliance.

Federal Awards Programs

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

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

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

Unmodified Opinion.

VI. Audit Findings Relative to Major Programs and State Projects

The audit disclosed no findings required to be reported in under Title 2 *Code of Federal Regulations* Part 200 (the Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

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

<ul style="list-style-type: none"> ■ Federal Programs U.S. Department of Homeland Security: <ul style="list-style-type: none"> ● Cooperating Technical Partners 	<p><u>CFDA No.</u></p> <p>97.045</p>
<ul style="list-style-type: none"> ■ State Projects Florida Department of Environmental Protection: <ul style="list-style-type: none"> ● Water Management (WM) Lands Trust Fund ● WM District Permitting Assistance ● WM District Land Acquisition and Improvement 	<p><u>CFSA No.</u></p> <p>37.037 37.029 37.022</p>

**NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016
(Concluded)**

1. Summary of Audit Results (Concluded)

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

Federal Programs: \$750,000
State Projects: \$362,326

IX. Low Risk Auditee

The District qualified as a low-risk auditee pursuant to the Uniform Guidance.

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

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

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

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

4. Status of Prior Audit Findings

There were no prior year findings required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General of the State of Florida*.

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

To the Honorable Governing Board
Northwest Florida Water Management District

We have examined the Northwest Florida Water Management District's (the District) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

Purvis, Gray and Company, LLP

April 27, 2017
Tallahassee, Florida

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MANAGEMENT LETTER

To the Honorable Governing Board
Northwest Florida Water Management District

Report on the Financial Statements

We have audited the financial statements of the Northwest Florida Water Management District, (the District), as of and for the year ended September 30, 2016, and have issued our report thereon dated April 27, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 27, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority

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

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To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Continued)

Financial Condition

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Monthly Financial Statements

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

Transparency

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

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

Other Matters

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

To the Honorable Governing Board
Northwest Florida Water Management District

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

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 pass-through entities, the Governing Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Purvis, Gray and Company, LLP

April 27, 2017
Tallahassee, Florida