

**ENGLEWOOD WATER DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Englewood Water District  
Englewood, Florida

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

We have audited the accompanying financial statements of the Englewood Water District (the District), as of and for the years ended September 30, 2017 and 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2017 and 2016, and its changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 12, the schedule of funding progress on page 47, and the schedules of the District's proportionate share of the net pension liability and contributions to the Florida Retirement System and the Health Insurance Subsidy Program on pages 48 – 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

Board of Supervisors  
Englewood Water District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 30, 2018



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

Management's Discussion and Analysis (MD&A) offers readers of the Englewood Water District's (District) financial statements an overview of the financial activities for the fiscal year ended on September 30, 2017. Please read it in conjunction with the financial statements with its accompanying notes.

### **FINANCIAL HIGHLIGHTS**

- The District's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources on September 30, 2017 by \$93.7 million (net position), a \$2.4 million increase from the previous fiscal year. Of this amount, \$11.5 million (unrestricted net position) may be used to meet the District's ongoing obligations to customer and creditors. Of the remaining \$85.1 million, \$81.1 million was invested in capital assets, net of related debt, while the remainder was restricted for debt service, renewal and replacement, meter replacement and Deepwater Horizon settlement purposes.
- The District's net capital assets increased by \$3.8 million, or 4% from the previous year.
- Long-term debt decreased by approximately \$2.8 million from fiscal year 2016 due to required debt service payments.
- The District is reporting a net pension liability of \$5.3 million as of September 30, 2017.
- Operating revenues for 2017 were \$14.7 million, compared with operating revenue of \$13.9 million in 2016, a 6% increase. Excluding depreciation, operating expenses increased \$1.5 million or 12.8% from fiscal year 2016. This was mostly attributable to an increase in salaries and benefits and repairs and maintenance.

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

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

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

- MD&A – This section relates mostly to the changes in the District's finances and explains the Basic Financial Statements. The MD&A is on pages 4-12.
- Basic Financial Statements, pages 13-16
  - The Statement of Net Position presents information on all of the District's assets, deferred outflow of resource, liabilities, and deferred inflow of resources, with the difference between assets plus deferred outflow of resources and liabilities and deferred inflow of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.
  - The Statement of Revenues, Expenses, and Changes in Net Position presents information about the amounts of revenues, expenses, and resulting change in net position for the year.
  - The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of earnings events, when obligations arise, or depreciation of capital assets.
- The Notes to the Financial Statement provide information that is essential to a full understanding of the data provided in the basic financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Cash and cash equivalents and investments; 3) Restricted assets; 4) Connection fees and assessments receivable; 5) Capital Assets; 6) Long-term debt; 7) Interest rate swaps; 8) Defined benefit pension plan; 9) Retirement plan; 10) Implicit Postemployment Health Insurance Subsidy; 11) Risk Management; 12) Commitments and contingencies; and 13) Related party transaction. The Notes to the Financial Statement are on pages 17-46.
- The Required Supplementary Information is not a part of the basic financial statements, but is required to be presented in accordance with generally accepted accounting standards. The Required Supplementary Information presents information on the District's funding progress for its Other Postemployment Benefits and required pension information.
- The Other Supplementary Information presents statistical information that may be useful when considering the financial statements taken as a whole.

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

**FINANCIAL ANALYSIS  
SUMMARY OF NET POSITION**

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

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

	2017	2016	2015 (Restated)
Current and Other Assets	\$ 18,288	\$ 21,825	\$ 20,776
Capital Assets	99,530	95,713	96,221
Total Assets	<u>117,818</u>	<u>117,538</u>	<u>116,997</u>
Deferred Outflow of Resources:			
Accumulated Decreases in Fair Value Hedge	1,046	1,721	1,997
Deferred Charge on Refunding of Debt	290	337	384
Deferred Amount on Pensions	1,948	1,645	511
Total Deferred Outflow of Resources	<u>3,284</u>	<u>3,703</u>	<u>2,892</u>
Noncurrent Liabilities	22,463	25,659	26,996
Other Liabilities	4,487	4,040	3,362
Total Liabilities	<u>26,950</u>	<u>29,699</u>	<u>30,358</u>
Deferred Inflow of Resources:			
Deferred Amount on Pensions	432	195	552
Net Position:			
Net Investment in Capital Assets	81,126	74,571	72,905
Restricted	1,124	1,434	4,113
Unrestricted	11,470	15,342	11,961
Total Net Position	<u>\$ 93,720</u>	<u>\$ 91,347</u>	<u>\$ 88,979</u>

For more detailed information see the statement of net position (page 13).

**NORMAL IMPACTS**

There are six basic (normal) transactions that will affect the comparability of the statement of net position summary presentation.

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

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

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

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

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

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

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

Net position for 2017 increased by \$2.4 million, or 2.6% from fiscal year 2016. Capital assets include capital assets in service, construction in progress and accumulated depreciation. Capital assets overall increased \$3.8 million, or 4%; Capital assets in service increased \$7.5 million as a result of the completion of the V9C area and other developments; accumulated depreciation increased \$4.0 million, or 6.0% as a result of additions of capital assets and annual depreciation expense.

The noncurrent liabilities decreased by \$3.2 million, or 12.5% over fiscal year 2016 due to payments made on long-term debt, reduction of derivative instruments and an increase of Florida Retirement System (FRS) Pension Liability based upon the Districts' proportionate share of the net FRS pension liability. No additional debt was issued in 2017. Current year accruals increased by \$221 thousand, due primarily to an increase in accounts and retainages payable.

### **PREVIOUS YEAR IMPACTS**

Net position for 2016 increased by \$2.4 million, or 2.7% from fiscal year 2015. Capital assets include capital assets in service, construction in progress and accumulated depreciation. Capital assets overall decreased \$508 thousand, or .5%; Capital assets in service increased \$927 thousand or .6%; construction in progress increased \$1.7 million, or 477.5% due to the expansion projects and construction of new warehouse; accumulated depreciation increased \$3.2 million, or 5.0% as a result of additions of capital assets and annual depreciation expense.

The noncurrent liabilities decreased by \$1.3 million, or 5.0% over fiscal year 2015 due to payments made on long-term debt, reduction of derivative instruments and a \$1.7 million increase of Florida State Retirement (FRS) Pension Liability based upon the Districts' proportionate share of the net FRS pension liability. No additional debt was issued in 2016. Other liabilities increased \$678 thousand, or 20.2%. Current year accruals increased by \$531 thousand, or 125.2% due to an increase in accounts payable.

## SUMMARY OF CHANGES IN NET POSITION

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

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

	2017	2016	2015 (Restated)
Operating Revenue	\$ 14,739	\$ 13,895	\$ 13,813
Nonoperating Revenue	304	436	377
Total Revenue	15,043	14,331	14,190
Salaries	6,699	6,075	5,347
Utilities	1,082	964	996
Contractual Services, Material, and Supplies	1,773	1,443	1,798
Repair and Maintenance	1,456	1,015	825
Depreciation	4,301	4,083	3,881
Operating Expenses	15,311	13,580	12,847
Interest	647	939	1,041
Total Expense	15,958	14,519	13,888
Income Before Capital Contributions	(915)	(188)	302
Capital Contributions	3,288	2,557	2,360
Change in Net Position	2,373	2,369	2,662
Net Position - Beginning of Year	91,347	88,978	86,317
Net Position - End of Year	\$ 93,720	\$ 91,347	\$ 88,979

### NORMAL IMPACTS

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

**Revenues:**

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

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

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

**Expenses:**

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

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

**CURRENT YEAR IMPACTS (see page 8 Table 2)**

**Revenue:**

Water revenues increased \$498 thousand, or 7.9% from fiscal year 2016 to 2017. Wastewater revenues increased \$339 thousand, or 4.6% from fiscal year 2016 to 2017. The increase in water and wastewater revenues is attributable to a 4% increase in the base rate and increase in customers served. Total revenue includes water, wastewater, and other revenues and increased \$844 thousand, or 6% from fiscal year 2016 to 2017.

The District's investment earnings decreased \$229 thousand, or 79% from fiscal year 2016 to 2017; the assessment interest decreased \$31 thousand, or 19.2% from fiscal year 2016 to 2017. The decrease in investment earnings was a result of lower invested funds in 2017 as compared to 2016 due to payments for increases in capital assets. The decrease in assessment earnings is a result of the reduction in receivables due to payoffs. Capital contributions increased \$731 thousand from fiscal year 2016 to 2017. This increase was due to new development and the economic recovery.

**Expenses:**

Total operating expenses including depreciation for 2017 were \$15.3 million, a 12.7% increase from fiscal year 2016 to 2017. Depreciation expense accounted for \$4.3 million of operating expenses. Excluding depreciation operating expenses were \$11.0 million, an increase of \$1.5 million or 15.9% from fiscal year 2016 to 2017. Total expenses including depreciation and interest were \$15.9 million, an increase from fiscal year 2016 to 2017 of \$1.4 million, or 9.9%.

**PRIOR YEAR IMPACTS**

**Revenue:**

Water revenues increased \$58 thousand, or .9% from fiscal year 2015 to 2016. Wastewater revenues increased \$232 thousand, or 3.2% from fiscal year 2015 to 2016. The increase in water and wastewater revenues is attributed to economic conditions. Total revenue includes water, wastewater, and other revenues and increased \$82 thousand, or .6% from fiscal year 2015 to 2016.

The District's investment earnings increased \$227 thousand, or 149% from fiscal year 2015 to 2016; the assessment interest increased \$10 thousand, or 6.6% from fiscal year 2015 to 2016. The increase in investment earnings was a result of the increase in market value of \$130 thousand experienced in 2016, as opposed to the decrease in market value of \$72 thousand in 2015. The increase in assessment earnings is a result of the addition new wastewater connections in the V9 sewer extension area. Capital contributions increased \$197 thousand from fiscal year 2015 to 2016, the increase was directly due to the economic recovery.

**Expenses:**

Total operating expenses including depreciation for 2016 were \$13.6 million, a 5.7% increase from fiscal year 2015 to 2016. Depreciation expense accounted for \$4.1 million of operating expenses. Excluding depreciation operating expenses were \$9.5 million, an increase of \$531 thousand or 6.0% from fiscal year 2015 to 2016. Total expenses including depreciation and interest were \$14.5 million, an increase from fiscal year 2015 to 2016 of \$631 thousand, or 4.5%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of September 30, 2017, Englewood Water District's Water and Wastewater Systems had \$99.5 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$3.8 million, or 4% from the end of fiscal year 2016. As of September 30, 2016, Englewood Water District's Water and Wastewater Systems had \$95.7 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$508 thousand, or .5% from the end of fiscal year 2015.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 4,814	\$ 4,814	\$ 4,814
Construction In Progress	2,514	2,108	365
Building and Plants	40,365	41,060	41,281
Well Fields and Raw Water Lines	6,571	6,672	6,672
Water Distribution Network	30,164	30,438	30,090
Water Reclamation Facility	79,580	71,654	70,866
Equipment	6,713	6,110	6,098
Total	<u>170,721</u>	<u>162,856</u>	<u>160,186</u>
Accumulated Depreciation	<u>(71,191)</u>	<u>(67,143)</u>	<u>(63,965)</u>
Total Capital Assets	<u>\$ 99,530</u>	<u>\$ 95,713</u>	<u>\$ 96,221</u>

The following reconciliation summarizes the change in Capital Assets.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance - Beginning of Year	\$ 95,713	\$ 96,221	\$ 98,015
Increases	17,876	3,716	5,709
Decreases:			
Construction in Progress	(5,861)	-	(3,607)
Retirements, net	(3,897)	(141)	(9)
Depreciation	(4,301)	(4,083)	(3,887)
Balance - End of Year	<u>\$ 99,530</u>	<u>\$ 95,713</u>	<u>\$ 96,221</u>

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

### LONG-TERM LIABILITIES

As of September 30, 2017, Englewood Water District had \$22.5 million in long-term liabilities outstanding.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Compensated Absences	\$ 702	\$ 690	\$ 693
Net OPEB Obligation	124	106	85
Derivative Instruments	1,046	1,721	1,997
Revenue Bonds and Notes	7,017	7,946	8,835
Special Assessment Bonds	2,453	3,410	4,321
Promissory Notes	5,867	6,886	7,865
Net Pension Liability	5,254	4,900	3,200
Total Long-Term Liabilities	<u>\$ 22,463</u>	<u>\$ 25,659</u>	<u>\$ 26,996</u>

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

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

## **ECONOMIC FACTORS**

Englewood Water District's water connections have grown from 21,488 to 21,899 for fiscal year 2016 to 2017; wastewater connections have grown from 18,349 to 18,650.

The Board of Directors of Englewood Water District approved a 4% increase for monthly service charges beginning 10/1/17 and an increase of 4% for usage charges effective 2/1/18.

## **FINANCIAL CONTACT**

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

Lisa Hawkins  
201 Selma Avenue  
Englewood, Florida 34223  
(941) 460-1022

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2017 AND 2016  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	2017	2016
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,120	\$ 2,376
Accounts Receivable, Net	1,663	1,535
Inventory	882	573
Prepays	18	8
Total Current Assets	4,683	4,492
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	-	113
Restricted Investments	1,326	1,551
Investments	9,605	12,346
Connection Fees and Assessments Receivable	2,674	3,323
Capital Assets, Net	99,530	95,713
Total Noncurrent Assets	113,135	113,046
Total Assets	117,818	117,538
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Accumulated Decreases in Fair Value of Hedging Derivatives	1,046	1,721
Deferred Charge on Refunding of Debt	290	337
Deferred Amount on Pensions	1,948	1,645
Total Deferred Outflow of Resources	3,284	3,703

See accompanying Notes to Basic Financial Statements.

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
SEPTEMBER 30, 2017 AND 2016  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	2017	2016
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>		
Current Liabilities:		
Accounts Payable	\$ 814	\$ 630
Accrued Liabilities	367	325
Total Current Liabilities	1,181	955
Current Liabilities Payable From Restricted Assets:		
Retainage Payable	189	63
Accrued Interest	202	230
Current Portion of Bonds and Notes Payable	2,915	2,792
Total Current Liabilities Payable From Restricted Assets	3,306	3,085
Noncurrent Liabilities:		
Compensated Absences	702	690
Net OPEB Obligation	124	106
Derivative Instruments - Rate Swap	1,046	1,721
Bonds and Notes Payable, Net	15,337	18,242
Net Pension Liability	5,254	4,900
Total Noncurrent Liabilities	22,463	25,659
Total Liabilities	26,950	29,699
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred Amount on Pensions	432	195
Net Position:		
Net Investment in Capital Assets	81,126	74,571
Restricted for:		
Renewal and Replacement	884	864
Meter Replacement	240	457
Deepwater Horizon Settlement	-	113
Unrestricted	11,470	15,342
Total Net Position	\$ 93,720	\$ 91,347

**ENGLEWOOD WATER DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2017	2016
<b>OPERATING REVENUES</b>		
Water Services	\$ 6,792	\$ 6,294
Waste Treatment	7,786	7,447
Other	161	154
Total Operating Revenues	14,739	13,895
<b>OPERATING EXPENSES</b>		
Water Treatment Plants	2,899	2,638
Water Distribution	2,100	1,694
Waste Treatment	4,633	4,356
Waste Collection	1,984	1,668
Laboratory	361	329
General and Administrative	3,334	2,895
Total Operating Expenses	15,311	13,580
<b>OPERATING INCOME</b>	(572)	315
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Earnings	80	379
Special Assessment Interest	130	161
Interest Expense	(647)	(939)
Other Revenues	38	38
Gain (Loss) on Disposal of Capital Assets	56	(142)
Total Nonoperating Expenses	(343)	(503)
<b>LOSS BEFORE CONTRIBUTIONS</b>	(915)	(188)
<b>CAPITAL CONTRIBUTIONS</b>		
Cash	1,736	1,569
Capital Grant	350	-
Noncash	1,202	988
Total Contributions	3,288	2,557
<b>CHANGE IN NET POSITON</b>	2,373	2,369
Total Net Position - Beginning of Year	91,347	88,978
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 93,720	\$ 91,347

See accompanying Notes to Basic Financial Statements.

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016  
(AMOUNTS EXPRESSED IN THOUSANDS)**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 14,611	\$ 13,887
Payments to Suppliers for Goods and Services	(4,990)	(3,666)
Payments to Employees	(5,618)	(5,498)
Net Cash Provided by Operating Activities	4,003	4,723
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Other Receipts	38	38
Net Cash Provided by Noncapital Financing Activities	38	38
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	1,736	1,569
Capital Grants Received	350	-
Additions to Capital Assets	(6,864)	(2,284)
Collection of Special Assessment Principal and Interest	779	1,083
Principal Paid on Capital Debt	(2,788)	(2,673)
Interest Paid on Capital Debt	(669)	(961)
Net Cash Used by Capital and Related Financing Activities	(7,456)	(3,266)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(1,399)	(4,144)
Proceeds from Sale of Investments	4,160	1,977
Investment Earnings	285	292
Net Cash Provided (Used) by Investing Activities	3,046	(1,875)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(369)	(380)
Cash and Cash Equivalents - Beginning of Year	2,489	2,869
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,120	\$ 2,489

See accompanying Notes to Basic Financial Statements.

**ENGLEWOOD WATER DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016  
(AMOUNTS EXPRESSED IN THOUSANDS)**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating Income (Loss)	<u>\$ (572)</u>	<u>\$ 315</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,301	4,083
Noncash Pension Expense	1,010	532
Net (Increase) Decrease in:		
Accounts Receivable	(128)	(7)
Inventory		
Other Assets	(319)	(90)
Net Increase (Decrease) in:		
Accounts Payable	314	121
Accrued Liabilities and Compensated Absences	<u>(603)</u>	<u>(231)</u>
Total Adjustments	<u>4,575</u>	<u>4,408</u>
Net Cash Provided by Operating Activities	<u>\$ 4,003</u>	<u>\$ 4,723</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Noncash Capital Contributions	<u>\$ 1,203</u>	<u>\$ 988</u>
Net Unrealized/Realized Investment (Gain) Loss	<u>\$ 174</u>	<u>\$ 120</u>
Capital Related Accounts Payable	<u>\$ 253</u>	<u>\$ 383</u>

See accompanying Notes to Basic Financial Statements.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Organization**

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

**Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

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

**Fund Accounting**

The District uses enterprise fund accounting to report its activities.

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

**Measurement Focus**

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Basis of Accounting**

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

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

**Budget**

On September 1, 2016, and August 6, 2015, the Board of Supervisors adopted the annual operating budgets for fiscal years 2017 and 2016, respectively, for the District. These budgets cover the period October 1, 2016 through September 30, 2017 and October 1, 2015 through September 30, 2016, respectively, and include the estimated operating expenses for these periods and the means of financing them. Appropriations lapse at year-end. The legal level of control is the fund level. There were no supplemental appropriations during the year.

**Cash and Investments**

The District reports its investments at fair value in accordance with GASB Statement Number 72, "Fair Value Measurement and Application." Fair valuations are based on quoted market prices.

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

**Accounts Receivable**

As of September 30, 2017 and 2016, all receivables shown represent valid claims against debtors. By legislative authority, all receivables become liens on property, thus no reserve has been established. No bad debts were charged to operations for the years ended September 30, 2017 and 2016.

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

**Inventories**

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

**Capital Assets**

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Capital Assets (Continued)**

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

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

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

Interest expense is capitalized on assets constructed with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project construction with interest earned on invested proceeds over the same period. Accordingly, interest expense of \$207,000 and \$38,000 has been capitalized into construction in progress for the years ended September 30, 2017 and 2016, respectively.

**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset.

*Level 1* – Valuation is based on quoted prices for identical instruments traded in active markets.

*Level 2* – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

*Level 3* – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques. At September 30, 2017, the District held no such assets.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District reports deferred outflows for the deferred charges on refunded debt and interest rate swaps, as well as changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow on interest rate swaps results from the difference in the interest rates paid and received. This amount is deferred and fair value is adjusted over the term of the interest rate swap agreement. The amounts relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

**Pensions**

In the government-wide statements of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Accrued Compensated Absences**

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

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

**Unamortized Discounts**

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

**Net Position**

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

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

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

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

**Operating Revenues and Expenses**

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

**Nonoperating Revenues and Expenses**

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Capital Contributions**

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

**Estimates**

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

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

**Deposits**

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

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

At September 30, 2017, the District's deposits, except deposits held with the brokerage firm, were made in accordance with Chapter 280. Therefore, the District is not exposed to custodial credit risk at September 30, 2017 for these deposits.

Deposits with the brokerage firm totaling \$27,000 and \$908,000 at September 30, 2017 and 2016, respectively, were insured by the FDIC.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Investments**

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

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

As of September 30, 2017 and 2016, the District had the following investments and maturities (dollars in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>% of Portfolio</u>
		<u>Less Than 1</u>	<u>Between 1 - 2</u>	<u>Between 2 -3</u>	<u>More Than 3</u>	
Certificates of Deposit	\$ 9,222	\$ 224	\$ 3,335	\$ 4,193	\$ 1,470	84%
Federal Instrumentalities:						
Agency STRIPS	312	-	312	-	-	3%
Government Backed						
Bonds	1,059	209	149	351	350	10%
FNMA	338	-	-	338	-	3%
Total Federal Instrumentalities	1,709	209	461	689	350	16%
Total Investments	\$ 10,931	\$ 433	\$ 3,796	\$ 4,882	\$ 1,820	

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Investments (Continued)**

Investment Type	Fair Value	Investment Maturities (in Years)				% of Portfolio
		Less Than 1	Between 1 - 2	Between 2 -3	More Than 3	
Certificates of Deposit	\$ 12,371	\$ 107	\$ 1,106	\$ 4,216	\$ 6,942	89%
Federal Instrumentalities:						
Agency STRIPS	682	-	147	535	-	5%
Government Backed						
Bonds	507	-	-	151	356	4%
FNMA	337	-	-	-	337	1%
Total Federal						
Instrumentalities	1,526	-	147	686	693	11%
Total Investments	<u>\$ 13,897</u>	<u>\$ 107</u>	<u>\$ 1,253</u>	<u>\$ 4,902</u>	<u>\$ 7,635</u>	

Certificates of Deposit and Federal Instrumentalities are valued using third-party pricing services and are deemed to be Level 2.

Credit Ratings	2017		2016	
	S&P	Moody's	S&P	Moody's
Certificates of Deposit	N/A	N/A	N/A	N/A
Federal Instrumentalities:				
Agency STRIPS	AAA	AAA	AAA	AAA
Government Backed				
Bonds	AAA	AAA	AAA	AAA
FNMA	AAA	AAA	AAA	Aaa

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

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

*Custodial credit risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Concentration of credit risk.* A maximum of 40% may be invested in individual Federal Instrumentalities. At September 30, 2017 and 2016, there were no investments in any one issuer that represented 5% or more of total investments.

All investments are held by BB&T Securities, LLC, counterparty to the transaction, in the District's name.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 3 RESTRICTED ASSETS**

Assets were restricted for the following purposes at September 30, 2017 and 2016 (dollars in thousands):

	2017	2016
Debt Service	\$ 202	\$ 230
Renewal and Replacement	884	864
Meter Replacement	240	457
Deepwater Horizon settlement	-	113
Total	\$ 1,326	\$ 1,664

**NOTE 4 CONNECTION FEES AND ASSESSMENTS RECEIVABLE**

The District has entered into notes receivable with customers that allow the customer to pay impact and tap fees over five years. These notes, which aggregated \$519,000 and \$605,000 at September 30, 2017 and 2016, respectively, include provisions for monthly payments of principal and interest at 8%. The District has also entered into receivable agreements with customers, which allow the customer to pay sewer assessments over 10 to 15 years. These agreements, which aggregated \$2,155,000 and \$2,718,000 at September 30, 2017 and 2016, respectively, are placed on the tax rolls and include interest at 5.375% to 6.900%.

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**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 5 CAPITAL ASSETS**

A summary of changes in capital assets for the year ended September 30, 2017 is as follows (dollars in thousands):

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 4,814	\$ -	\$ -	\$ 4,814
Construction in Progress	2,108	6,267	(5,861)	2,514
Total Capital Assets Not Being Depreciated	<u>6,922</u>	<u>6,267</u>	<u>(5,861)</u>	<u>7,328</u>
Capital Assets Being Depreciated:				
Buildings and Plants	41,060	87	(782)	40,365
Well Fields and Raw Water Lines	6,672	-	(101)	6,571
Water Distribution Network	30,438	2,092	(2,366)	30,164
Wastewater Treatment Plant	71,654	8,577	(651)	79,580
Equipment	6,110	853	(250)	6,713
Total Capital Assets Being Depreciated	<u>155,934</u>	<u>11,609</u>	<u>(4,150)</u>	<u>163,393</u>
Less Accumulated Depreciation for:				
Buildings and Plants	10,423	465	-	10,888
Well Fields and Raw Water Lines	3,525	116	-	3,641
Water Distribution Network	13,863	793	(238)	14,418
Wastewater Treatment Plant	33,920	2,502	-	36,422
Equipment	5,412	425	(15)	5,822
Total Accumulated Depreciation	<u>67,143</u>	<u>4,301</u>	<u>(253)</u>	<u>71,191</u>
Total Capital Assets Being Depreciated, Net	<u>88,791</u>	<u>7,308</u>	<u>(3,897)</u>	<u>92,202</u>
Total Capital Assets, Net	<u>\$ 95,713</u>	<u>\$ 13,575</u>	<u>\$ (9,758)</u>	<u>\$ 99,530</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

A summary of changes in capital assets for the year ended September 30, 2016 is as follows (dollars in thousands):

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 4,814	\$ -	\$ -	\$ 4,814
Construction in Progress	365	1,743	-	2,108
Total Capital Assets Not Being Depreciated	<u>5,179</u>	<u>1,743</u>	<u>-</u>	<u>6,922</u>
Capital Assets Being Depreciated:				
Buildings and Plants	41,281	118	(339)	41,060
Well Fields and Raw Water Lines	6,672	-	-	6,672
Water Distribution Network	30,090	508	(160)	30,438
Wastewater Treatment Plant	70,866	840	(52)	71,654
Equipment	6,098	507	(495)	6,110
Total Capital Assets Being Depreciated	<u>155,007</u>	<u>1,973</u>	<u>(1,046)</u>	<u>155,934</u>
Less Accumulated Depreciation for:				
Buildings and Plants	10,167	439	(183)	10,423
Well Fields and Raw Water Lines	3,387	138	-	3,525
Water Distribution Network	13,216	720	(73)	13,863
Wastewater Treatment Plant	31,790	2,445	(315)	33,920
Equipment	5,405	341	(334)	5,412
Total Accumulated Depreciation	<u>63,965</u>	<u>4,083</u>	<u>(905)</u>	<u>67,143</u>
Total Capital Assets Being Depreciated, Net	<u>91,042</u>	<u>(2,110)</u>	<u>(141)</u>	<u>88,791</u>
Total Capital Assets, Net	<u>\$ 96,221</u>	<u>\$ (367)</u>	<u>\$ (141)</u>	<u>\$ 95,713</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$4,301,000 and \$4,083,000, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 6 LONG-TERM DEBT**

Bonds and notes payable consisted of the following at September 30, 2017 and 2016 (dollars in thousands):

Description	2017	2016
<b><u>Revenue Bonds</u></b>		
Series 2008 Utility System Refunding Revenue Bonds for \$9,996,440 (Refinancing 1998 Utility System Refunding Revenue Bonds) with a fixed interest rate at 3.73% (See Note 7), collateralized by a lien upon and pledge of the "Pledged Funds" as described in the Bond Resolution; matures in October 2023.	\$ 7,957	\$ 8,856
<b><u>Special Assessment Bonds with Governmental Commitment</u></b>		
Series 2000A Wastewater Special Assessment Bonds for \$5,244,837 with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-4 project; matures in May 2020.	1,087	1,445
Series 2000B Wastewater Special Assessment Bonds for with interest at 5.24%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-5 project; matures in May 2020.	507	675
Series 2001A Wastewater Special Assessment and Revenue Bonds for \$6,200,000 with interest at 4.62%, collateralized by a junior lien on the existing wastewater revenues and a first lien on the special assessments levied in connection with the Zone V-6 project; matures in September 2021.	1,820	2,205
<b><u>Promissory Notes</u></b>		
Series 2003A Promissory Note for \$8,350,000 (Refinancing V-2 and V-3 Projects) with a pay-fixed interest rate at 4.27% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in December 2023.	3,416	3,882
Series 2004A Promissory Note for \$5,550,000 (Refinancing VA, VB, and 1996D Projects) with a pay-fixed interest rate at 4.30% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in January 2024.	2,325	2,632

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

Description	2017	2016
<b><u>Promissory Notes (Continued)</u></b>		
Utility System Revenue Bond, Series 2005 for \$3,048,735 (Refinancing 1994 Utility System Revenue Bonds) with a pay-fixed interest rate at 4.06% (see Note 7), collateralized by special assessments and non ad-valorem revenues as described in the bond resolution; matures in October 2021.	\$ 1,145	\$ 1,350
Total Bonds and Notes Payable	18,257	21,045
Less: Unamortized Discount	(5)	(11)
Total Long-Term Debt	<u>\$ 18,252</u>	<u>\$ 21,034</u>

**Annual Maturities**

The principal and interest requirements to maturity for all outstanding bonds and notes as of September 30, 2017 are as follows (dollars in thousands):

Year Ending	Revenue Bonds and Notes			Special Assessment Bonds			Promissory Notes			Total
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2018	935	283	1,218	961	147	1,108	1,018	279	1,297	3,623
2019	975	247	1,222	1,010	98	1,108	1,065	232	1,297	3,627
2020	1,014	210	1,224	905	47	952	1,107	186	1,293	3,469
2021	1,048	170	1,218	468	14	482	1,157	138	1,295	2,995
2022-2025	3,985	240	4,225	70	3	73	2,539	130	2,669	6,967
Total	<u>\$ 7,957</u>	<u>\$ 1,150</u>	<u>\$ 9,107</u>	<u>\$ 3,414</u>	<u>\$ 309</u>	<u>\$ 3,723</u>	<u>\$ 6,886</u>	<u>\$ 965</u>	<u>\$ 7,851</u>	<u>\$ 20,681</u>

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

**Covenants**

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

The following is a summary of changes in long-term debt for the years ended September 30, 2017 and 2016 (dollars in thousands):

	Sept. 30, 2016	Additions	Reductions	Sept. 30, 2017	Due Within One Year
Revenue Bonds and Notes	\$ 8,856	\$ -	\$ (899)	\$ 7,957	\$ 935
Special Assessment Bonds	4,325	-	(911)	3,414	961
Promissory Notes	7,864	-	(978)	6,886	1,019
Less Unamortized Discount	(11)	-	(6)	(5)	-
Net Bonds and Notes Payable	21,034	-	(2,794)	18,252	2,915
Compensated Absences	690	462	(450)	702	-
Net OPEB Obligation	106	18	-	124	-
Derivative Instruments	1,721	-	(675)	1,046	-
Total Long-Term Debt	<u>\$ 23,551</u>	<u>\$ 480</u>	<u>\$ (3,919)</u>	<u>\$ 20,124</u>	<u>\$ 2,915</u>

	Sept. 30, 2015	Additions	Reductions	Sept. 30, 2016	Due Within One Year
Revenue Bonds and Notes	\$ 9,730	\$ -	\$ (874)	\$ 8,856	\$ 899
Special Assessment Bonds	5,191	-	(866)	4,325	915
Promissory Notes	8,797	-	(933)	7,864	978
Less Unamortized Discount	(17)	-	(6)	(11)	-
Net Bonds and Notes Payable	23,701	-	(2,679)	21,034	2,792
Compensated Absences	693	-	(3)	690	-
Net OPEB Obligation	85	21	-	106	-
Derivative Instruments	1,997	-	(276)	1,721	-
Total Long-Term Debt	<u>\$ 26,476</u>	<u>\$ 21</u>	<u>\$ (2,958)</u>	<u>\$ 23,551</u>	<u>\$ 2,792</u>

The District defeased its \$5,000,000 1979 Series Revenue bonds in 1994 by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying statements of net position. The outstanding principal of the defeased bonds was \$1,051,000 and \$1,504,000 at September 30, 2017 and 2016, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 7 INTEREST RATE SWAPS**

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

The terms, including the fair values and credit rating of the counterparty of the outstanding swaps as of September 30, 2017 and 2016, are listed in the following tables (dollars in thousands). The loans and their associated swap agreements were issued at the same time and mature on the same dates. The notional value of the swaps declines as the associated loan balance declines.

**Fiscal Year 2017**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2017	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (245)	12/15/2023	A-/A
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(173)	01/15/2024	A-/A
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(59)	10/01/2021	A-/A
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(569)	10/01/2023	A-/A
<u>\$ 26,945</u>				<u>\$ (1,046)</u>		

**Fiscal Year 2016**

Original Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values at September 30, 2016	Swap Termination	Counterparty Credit Rating
\$ 8,350	12/15/2003	4.27%	64% of LIBOR + .89%	\$ (407)	12/15/2023	A-/A
5,550	01/15/2004	4.30%	64% of LIBOR + .89%	(285)	01/15/2024	A-/A
3,049	02/22/2005	4.06%	64% of LIBOR + .89%	(99)	10/01/2021	A-/A
9,996	10/01/2008	3.73%	63.7% of LIBOR + .70%	(930)	10/01/2023	A-/A
<u>\$ 26,945</u>				<u>\$ (1,721)</u>		

\* Trade date was May 15, 2008.

Each of the swap agreements has been determined to be an effective hedge. As such, the change in fair value is reported as a deferred outflow on the statement of net position. The combined fair values of the four swap agreements outstanding at September 30, 2017 and 2016 decreased in value by \$675,000 and \$276,000 during the years ended September 30, 2017 and 2016, respectively.

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

The swaps are associated with the following obligations at September 30, 2017:

Title	Original Amount	Outstanding Balance at September 30, 2017	Maturity Date
Promissory Note, Series 2003A (V-2 and V-3 Projects)	\$ 8,350	\$ 3,416	12/15/2023
Promissory Note, Series 2003A (V-1 Project)	5,550	2,325	01/15/2024
Promissory Note, Series 2005 (Utility System Revenue Bond, Series 2005)	3,049	1,145	10/01/2021
Utility System Revenue Bond, Series 2008	9,996	7,957	10/01/2023
Total	<u>\$ 26,945</u>	<u>\$ 14,843</u>	

Because the variable interest rates have remained lower than the fixed rates, the swaps had negative fair values at September 30, 2017. The negative fair values may be countered by reductions in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Because the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair value of swaps is estimated using a pricing service and the values are provided to the District by the counterparty financial institution known to be high volume participants in this market and are deemed to be level 2.

As of September 30, 2017, the District was not exposed to credit risk because the swaps had a negative fair value. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swaps have a negative value, the District would be liable to the counterparty for a payment equal to the swaps' fair value.

As of September 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary (dollars in thousands).

<u>September 30,</u>	<u>Variable Rate Promissory Notes</u>			<u>Interest Rate Swaps</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest</u>	
2018	\$ 1,954	\$ 220	\$ 2,174	\$ 329	\$ 2,503
2019	2,040	187	2,227	283	2,511
2020	2,121	154	2,275	237	2,513
2021	2,205	119	2,324	189	2,513
2022-2025	6,524	165	6,689	228	6,917
Total	<u>\$ 14,843</u>	<u>\$ 846</u>	<u>\$ 15,690</u>	<u>\$ 1,267</u>	<u>\$ 16,956</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS**

On February 1, 1999, the District implemented a defined benefit pension plan (the Englewood Water District Employees' Pension Plan) covering substantially all the District's regular employees, except for the District Administrator. The District, in accordance with the District's enabling act and state statutes, established the single-employer plan. Effective March 31, 2003, the District closed the plan. The District remains obligated to fund the closed plan for eligible inactive members. The estimated net pension liability for this plan at September 30, 2017 and 2016 was \$74,000 and \$105,000, respectively.

At September 30, 2017, the plan included the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	1

Effective May 1, 2003, all current and future employees of the District are included in the Florida Retirement System (FRS), a cost sharing, multi-employer, public employee retirement system.

**Background**

The Florida Retirement System (FRS) was created by 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 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 multi-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 the 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 the two cost sharing, multi-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](http://www.dms.myflorida.com)).

The District's pension expense totaled \$670,000 and \$592,000 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2017 and 2016, respectively.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multi-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected District Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 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 FRS 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. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS 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 FRS 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 FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating 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.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan (Continued)

Benefits Provided

Benefits under the FRS 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011:	
Retirement up to Age 62 or up to 30 Years of Service	1.60
Retirement up to Age 63 or up to 31 Years of Service	1.63
Retirement up to Age 64 or up to 32 Years of Service	1.65
Retirement up to Age 65 or up to 33 Years of Service	1.68
Regular Class members initially enrolled on or after July 1, 2011:	
Retirement up to Age 65 or up to 33 Years of Service	1.60
Retirement up to Age 66 or up to 34 Years of Service	1.63
Retirement up to Age 67 or up to 35 Years of Service	1.65
Retirement up to Age 68 or up to 36 Years of Service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular:	
Service From December 1, 1970, Through September 30, 1974	2.00
Service on and After October 1, 1974	3.00

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%. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan (Continued)

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the District were:

<u>FRS Class</u>	<u>7/1/2016 to 9/30/2017</u>	<u>7/1/2015 9/30/2016</u>	<u>7/1/2014 to 9/30/2015</u>
Regular Employees	7.52%	7.26%	7.37%
DROP Employees	12.99%	12.88%	12.28%
Elected Officials	42.47%	42.27%	43.24%
Senior Management	21.77%	21.43%	21.14%

The District's contributions to the FRS Plan were \$294,000 and \$303,000 for the years ended September 30, 2017 and 2016, respectively.

Pension Costs

At September 30, 2017 and 2016, the District reported a liability of \$3,510,000 and \$3,078,000, respectively, for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The District's proportion of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017 and July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2017, the District's proportion was 0.01187%, which was a decrease of 0.00033% from its proportion measured as of June 30, 2016. At June 30, 2016, the District's proportion was 0.01219%, which was a decrease of 0.00053% from its proportion measured as of June 30, 2015.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan (Continued)

Pension Costs (Continued)

For the years ended September 30, 2017 and 2016, the District recognized pension expense of \$533,000 and \$445,000, respectively, for its proportionate share of FRS's pension expense. In addition, the District reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 322,000	\$ 19,000	\$ 236,000	\$ 29,000
Changes in Actuarial Assumptions	1,180,000	-	186,000	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	87,000	796,000	-
Changes in Proportion and Between District Contributions and and Proportionate Share of Contributions	5,000	134,000	7,000	115,000
District Contributions Subsequent to the Measurement Date	89,000	-	83,000	-
Total	<u>\$ 1,596,000</u>	<u>\$ 240,000</u>	<u>\$ 1,308,000</u>	<u>\$ 144,000</u>

\$89,000 reported as deferred outflows of resources related to pensions resulting from District contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as 2017 deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2017	\$ 153,000
2018	455,000
2019	307,000
2020	46,000
2021	221,000
Thereafter	85,000

**Actuarial Assumptions**

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.10%

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan (Continued)

Actuarial Assumptions

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, 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, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0 %	3.0 %	3.0 %	1.8 %
Fixed Income	18.0	4.5	4.4	4.2
Global Equity	53.0	7.8	6.6	17.0
Real Estate (Property)	10.0	6.6	5.9	12.8
Private Equity	6.0	11.5	7.8	30.0
Strategic Investments	12.0	6.1	5.6	9.7
Total	<u>100.0 %</u>			
Assumed Inflation - Mean			2.6 %	1.9 %

**Discount Rate**

The discount rate used to measure the 2017 total pension liability was 7.10% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Background (Continued)**

Florida Retirement System Pension Plan (Continued)

Pension Liability Sensitivity

The following presents the District's proportionate share of the 2017 net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
FRS Plan Discount Rate	6.10%	7.10%	8.10%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 6,353,000	\$ 3,510,000	\$ 1,150,000

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**Retiree Health Insurance Subsidy Program**

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multi-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 Florida Department of Management Services, Division of Retirement.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

Benefits Provided

For the fiscal year ended June 30, 2017, 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 fiscal years ended June 30, 2017 and 2016, the contribution rates were 1.66 of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100% of its statutorily required contributions for the current and preceding 3 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 were \$88,000 and \$82,000, respectively, for the years ended September 30, 2017 and 2016.

Pension Costs

At September 30, 2017 and 2016, the District reported a liability of \$1,744,000 and \$1,822,000, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The District's proportion of the net pension liability was based on the District's contributions received by HIS during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017 and July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2017, the District's proportion was 0.01631%, which was an increase of 0.00068% from its proportion measured as of June 30, 2016. At June 30, 2016, the District's proportion was 0.01563%, which was an increase of 0.00036% from its proportion measured as of June 30, 2015.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

Pension Costs (Continued)

For the years ended September 30, 2017 and 2016, the District recognized pension expense of \$137,000 and \$147,000, respectively, for its proportionate share of HIS's pension expense. In addition, the District reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 4,000	\$ -	\$ 4,000
Changes in Actuarial Assumptions	245,000	151,000	286,000	-
Net Difference Between Projected and Actual Earnings on HIS Program Investments	1,000	-	1,000	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	82,000	37,000	29,000	47,000
District Contributions Subsequent to the Measurement Date	24,000	-	22,000	-
Total	<u>\$ 352,000</u>	<u>\$ 192,000</u>	<u>\$ 338,000</u>	<u>\$ 51,000</u>

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

Pension Costs (Continued)

\$24,000 reported as deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other 2017 amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 33,000
2018	33,000
2019	33,000
2020	28,000
2021	21,000
Thereafter	(12,000)

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% Per Year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the 2017 total pension liability was 3.58% for the HIS Plan. 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.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Retiree Health Insurance Subsidy Program (Continued)**

Pension Liability Sensitivity

The following presents the District's proportionate share of the 2017 net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.58%	3.58%	4.58%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 1,990,000	\$ 1,744,000	\$ 1,539,000

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

**NOTE 9 DEFINED CONTRIBUTION PLAN**

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 District 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. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class. The percentages are the same as those listed previously to the FRS Plan.

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 9 DEFINED CONTRIBUTION PLAN (CONTINUED)**

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 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 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, 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 Investment Plan pension expense totaled \$46,000 and \$30,000 for the years ended September 30, 2017 and 2016, respectively.

**NOTE 10 IMPLICIT POSTEMPLOYMENT HEALTH INSURANCE SUBSIDY**

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

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

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

At October 1, 2015, the date of the latest actuarial valuation, healthcare plan participants consisted of:

Active plan participants:      72  
Retired plan participants:      1

**Annual OPEB Costs and Net OPEB Obligation**

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

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

<b>Net OPEB Obligation</b>		
	2017	2016
Annual Required Contribution	\$ 46	\$ 45
Interest on Net OPEB Obligation	4	3
Adjustment to Annual Required Contribution	(6)	(2)
Annual OPEB Cost (Expense)	44	46
Estimated Net Contribution	(26)	(25)
Increase in Net OPEB Obligation	18	21
Net OPEB Obligation Beginning of Year	106	85
Net OPEB Obligation End of Year	\$ 124	\$ 106

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

<b>Schedule of Employer Contributions</b>			
Year Ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
2017	\$ 44	59%	\$ 124
2016	46	55%	106
2015	26	29%	85

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

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

**Funded Status and Funding Progress**

As of the most recent actuarial valuation date, October 1, 2015, the funded status of the plan was as follows (dollars in thousands):

<b>Funded Status of the Plan</b>	
Actuarial Valuation Date	October 1, 2015
Actuarial Accrued Liability (AAL)	\$ 543
Plan Assets at Fair Value	-
Funded Ratio	0.0%
Covered Payroll	\$ 4,709
UAAL as a Percentage of Covered Payroll	11.5%

**Methods and Assumptions**

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

Discount Rate	4.00%
Health Care Inflation Rate	
Pre-Medicare	8% in 2016 Trending to 8.75% in 2017
Post-Medicare	8% in 2016 Trending to 8.75% in 2017
Payroll Growth/Inflation Assumption	0%
Amortization of UAAL	Level Dollar of Payroll (Closed over 30 Years)

**NOTE 11 RISK MANAGEMENT**

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

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

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

**ENGLEWOOD WATER DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

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

At September 30, 2017, the District had in process various construction, consulting, and engineering contracts totaling \$500,000. Costs incurred on these contracts as of September 30, 2017 totaled \$115,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ENGLEWOOD WATER DISTRICT  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
SCHEDULE O FUNDING PROGRESS  
SEPTEMBER 30, 2017 AND 2016**

**Other Post Employment Benefits**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percent of Covered Payroll</b>
10/1/2015	\$ -	\$ 543,000	\$ 543,000	0%	\$ 4,709,000	11.5%
10/1/2012	\$ -	\$ 171,000	\$ 171,000	0%	\$ 3,613,000	4.7%
10/1/2009	\$ -	\$ 141,000	\$ 141,000	0%	\$ 3,322,000	4.2%

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0118664%	0.0121911%	0.0127176%	0.0132134%
District's proportionate share of the net pension liability	\$ 3,510,000	\$ 3,078,000	\$ 1,643,000	\$ 806,000
District's covered payroll*	\$ 4,739,000	\$ 4,502,000	\$ 4,325,000	\$ 4,398,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	74.07%	68.37%	37.99%	18.33%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

\* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 294,000	\$ 303,000	\$ 298,000	\$ 359,000
Contributions in relation to the contractually required contribution	<u>(294,000)</u>	<u>(303,000)</u>	<u>(298,000)</u>	<u>(359,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll*	<u>\$ 4,769,000</u>	<u>\$ 4,628,000</u>	<u>\$ 4,296,000</u>	<u>\$ 4,533,000</u>
Contributions as a percentage of covered payroll	6.16%	6.55%	6.94%	7.92%

\* The amounts presented for each fiscal year were determined as of 9/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
HEALTH INSURANCE SUBSIDY PENSION PLAN  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0163081%	0.0156319%	0.0152737%	0.0158259%
District's proportionate share of the net pension liability	\$ 1,744,000	\$ 1,822,000	\$ 1,558,000	\$ 1,480,000
District's covered payroll	\$ 5,201,000	\$ 4,847,000	\$ 4,634,000	\$ 4,709,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.53%	37.59%	33.62%	31.43%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

\* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS –  
HEALTH INSURANCE SUBSIDY PENSION PLAN  
SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 88,000	\$ 82,000	\$ 63,051	\$ 59,100
Contributions in relation to the contractually required contribution	<u>(88,000)</u>	<u>(82,000)</u>	<u>(63,051)</u>	<u>(59,100)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll*	<u>\$ 5,295,000</u>	<u>\$ 4,965,000</u>	<u>\$ 4,619,000</u>	<u>\$ 4,864,000</u>
Contributions as a percentage of covered payroll	1.66%	1.65%	1.37%	1.22%

\* The amounts presented for each fiscal year were determined as of 9/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

## **SUPPLEMENTARY INFORMATION**

**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	2017	2016		2017	2016
Well Fields and Water Treatment Plants:			Waste Collection:		
Personal Services	\$ 1,118	\$ 1,081	Personal Services	\$ 890	\$ 723
Chemicals	175	152	Supplies and Materials	12	9
Utilities	455	385	Utilities	243	234
Depreciation and Amortization	772	726	Depreciation and Amortization	285	232
Repairs and Maintenance	184	146	Repairs and Maintenance	444	310
Other	195	148	Other	110	160
Total	\$ 2,899	\$ 2,638	Total	\$ 1,984	\$ 1,668
Water Distribution:			Laboratory:		
Personal Services	\$ 811	\$ 737	Personal Services	\$ 279	\$ 260
Supplies and Materials	12	10	Supplies and Chemicals	33	27
Depreciation and Amortization	637	588	Depreciation and Amortization	7	7
Repairs and Maintenance	542	269	Repairs and Maintenance	1	3
Other	98	90	Other	41	32
Total	\$ 2,100	\$ 1,694	Total	\$ 361	\$ 329
Waste Treatment:			General and Administrative:		
Personal Services	\$ 1,135	\$ 1,078	Personal Services	\$ 2,466	\$ 2,196
Supplies and Materials	99	90	Legal and Professional Services	162	98
Utilities	369	329	Office Supplies	105	82
Sludge Hauling	88	83	Utilities	15	16
Depreciation and Amortization	2,502	2,445	Depreciation and Amortization	98	85
Repairs and Maintenance	187	187	Repairs and Maintenance	98	100
Other	253	144	Other	390	318
Total	\$ 4,633	\$ 4,356	Total	\$ 3,334	\$ 2,895

**ENGLEWOOD WATER DISTRICT  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF  
 FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL  
 YEAR ENDED SEPTEMBER 30, 2017  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Source</u>	<u>Amount Received in the 2016-2017 Fiscal Year</u>	<u>Amount Expended in the 2016-2017 Fiscal Year</u>
British Petroleum:		
Claim for Economic Loss - Final Settlement	\$ -	\$ 113,000

## **OTHER INFORMATION**

**ENGLEWOOD WATER DISTRICT**  
**SCHEDULE OF MONTHLY WATER AND WASTEWATER RATES**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**  
**(UNAUDITED)**

***Monthly Water Rates***

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 Gallons)*</u>	
Single Family	16,167	\$16.24 per Connection	0 - 6,000	\$ 1.93
Multi-Family	2,786	\$16.24 per Connection	6,001 - 8,000	\$ 2.57
Commercial	2,946	\$16.24 per Connection	8,001 - 12,000	\$ 5.14
			12,001 - 18,000	\$ 8.56
			18,001 and Above	\$ 13.38

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

***Monthly Wastewater Rates***

<u>Customer Classification</u>	<u>Number of Connections</u>	<u>Monthly Service Charge</u>	<u>Usage Charge (per 1,000 Gallons)</u>	
Single Family	14,070	\$23.63 per Connection	All Usage	\$ 3.00
Multi-Family	2,707	\$23.63 per Connection	All Usage	\$ 3.00
Commercial	1,873	\$23.63 per Connection	All Usage	\$ 3.00

***Capital Capacity Charges***

Water Fee per ERC	Plant Capacity/Transmission System	\$ 2,073.96
	Distribution System	\$ 1,200.00
Wastewater Fee per ERC	Plant Capacity/Transmission System	\$ 2,849.94
	Collection System	\$ 5,817.00

**ENGLEWOOD WATER DISTRICT  
SCHEDULE OF INSURANCE COVERAGE  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016  
(UNAUDITED)**

Coverage	Insurance Company	Limits	Deductibles
Property	PGIT	\$ 24,329,000	\$ 25,000
Windstorm Property	PGIT	24,329,000	5% (Minimum \$35,000)
Flood Property	PGIT	1,000,000	25,000
Earthquake Property	PGIT	1,000,000	25,000
Crime	PGIT	100,000	5,000
General Liability	PGIT	1,000,000	5,000
Fire Damage General Liability	PGIT	-	25,000
Public Officials Liability	PGIT	1,000,000	15,000
Employment Related Practices Liability	PGIT	1,000,000	5,000
Automobile	PGIT	500,000	5,000

## **OTHER REPORTS**



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

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position and the related statements of revenues, expenses, and changes in net position and cash flows of Englewood Water District (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below as 2017-001 and 2017-002 that we consider to be significant deficiencies.

### **2017-001 Segregation of Duties**

**Criteria:**

Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

**Condition:**

Certain tasks such as the reconciliation and recording of daily cash receipts, processing payroll, and investment transactions are performed by the same person. Reconciliations, for example monthly reconciliations of accrued liabilities, were not reviewed by someone other than the preparer. A mitigating control for these issues has been the Finance Director's review of financial information during the month end close.

**Effect:**

Errors could occur or assets misappropriated and not be detected in a timely manner.

**Cause:**

The size of the District's accounting staff presents challenges for adequate segregation of duties. The mitigating control of the Finance Director's timely review of monthly financial information and reconciliations was not always evident of being performed.

**Recommendation:**

We recommend that the responsibilities of the accounting staff be evaluated for incompatible functions and changes made where possible to enhance segregation duties. If not practical in some situations, management oversight should be increased.

**Management Response:**

Although our accounting staff is small, we are working through the challenges this presents. Daily reconciliation of cash receipts and investments is done by the Junior Accountant and reviewed by the Finance Director. Payroll is processed by the Human Resource Director and reviewed by the Finance Director. All other reconciliations are done by either the Junior Accountant or the Human Resource Director and reviewed by the Finance Director.

### **2017-002 Capital Assets**

**Criteria:**

Management is responsible for establishing and maintaining internal controls for the proper recording of all the District's capital assets and to safeguard those assets. Management is also responsible for timely reconciliation of the supplemental schedules to the general ledger.

**Condition:**

The District was unable to reconcile beginning capital asset balances per the subsidiary ledger to the amounts reported in the prior year audited financial statements.

**Effect:**

Omissions and inaccuracies could occur in the capital assets due to error or fraud and not be detected timely.

**Cause:**

The District's capital assets system that allows all fields to be modified. As a result, there was modification of beginning balances and depreciation conventions, restating previously reported amounts within the secondary system (QuickBooks).

**Recommendation:**

We recommend that the District implement the following for capital assets:

- Monthly reconciliation of supplemental capital asset schedules.
- Ensure no changes to depreciation methods, useful lives, etc. are made within the Depreciation software without first locking the beginning accumulated field to ensure the system does not restate prior periods.
- Require a review of all changes to be made to the capital asset records prior to the actual updates being recorded.

**Management Response:**

We will investigate alternative capital asset systems and possibly convert our data this year. In the meantime, all auditor recommendations have been implemented and the Finance Director is reviewing all changes to the capital asset records.

**Compliance and Other Matters**

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

**District's Response to Findings**

The District's response to the findings identified in our audit are described included above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 30, 2018

## MANAGEMENT LETTER

Board of Supervisors  
Englewood Water District  
Englewood, Florida

### Report on the Financial Statements

We have audited the financial statements of Englewood Water District (the District), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 30, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 30, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit 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. The District discloses this information in the notes to the financial statements. The District had no component units as of September 30, 2017.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the District. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have included our recommendations in Attachment A.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

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

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

### **Purpose of this Letter**

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



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 30, 2018

**ENGLEWOOD WATER DISTRICT  
MANAGEMENT LETTER  
SEPTEMBER 30, 2017**

**APPENDIX A – CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**2017-003 Construction in Progress**

**Criteria:**

Management is responsible for establishing and maintaining controls for the proper recording of all District transactions, including the proper capitalization of construction in progress expenditures.

**Condition:**

Certain expenditures were improperly capitalized to projects that were either not truly construction related or were under the District's capitalization threshold.

**Effect:**

The warehouse construction project is overstated, while expenditures are understated by approximately \$18,000.

**Cause:**

A detailed review of the expenditures being capitalized was not performed.

**Recommendation:**

We recommend that the District implement the following for construction in progress:

- A Construction in Progress schedule should be maintained through the life of the project and be reconciled to accounting records before the project is placed in service.
- A detailed review by the Technical Operations Support Manager over the reconciliation process should be performed monthly.

**Management Response:**

The Utility Engineer will maintain a Construction in Progress schedule and will reconcile to the accounting records monthly. The Technical Operations Manager will review and sign off on the reconciliation. This will be implemented immediately.

**2017-004 Purchase Cards (P-cards)**

**Criteria:**

The District maintains a Procurement Policy and all District employees are expected to comply with all elements within the policy even when Purchasing Cards (P-Cards) are used as the form of payment.

**Condition:**

During our analysis and testing of individual P-card transactions and subsequent discussions with management, we identified instances in which P-card users did not follow the procurement policy requiring timely initiation of a purchase request. We also found that supervisors with approval ability can circumvent the purchase request part of the procurement procedures and directly initiate a purchase order. This resulted in purchase orders for expenses of a cardholder authorized by that same cardholder.

**Effect:**

The District is susceptible to employees initiating unauthorized or potentially fraudulent disbursements.

**ENGLEWOOD WATER DISTRICT  
MANAGEMENT LETTER  
SEPTEMBER 30, 2017**

**APPENDIX A – CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Cause:**

Although there is a formal procurement policy there is not a specified process for P-Cards. There is not sufficient monitoring procedures in place to prevent unauthorized P-Card transactions.

**Recommendation:**

We recommend that the District formalize a Purchasing Card Policy, implement more detailed review of each charge, and put controls in place that would prevent a supervisors ability to circumvent the procurement process and approve their own purchases.

**Management Response:**

A formal Purchasing Card Policy will be created and implemented. The Finance Director no longer has a P-card and all purchase requests by supervisors will be approved by her. This will circumvent a supervisor from approving their own purchases.



## INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors  
Englewood Water District  
Englewood, Florida

We have examined Englewood Water District's (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, and Section 288.8018(1), Florida Statutes, regarding funds related to the Deepwater Horizon oil spill during the year ended September 30, 2017. Management is responsible for the District's compliance with the specified 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

Our examination disclosed that the maximum length to maturity of investments within the District's investment policy was not met. A certificate of deposit purchased in the current year exceeds the maximum length to maturity of five (5) years.

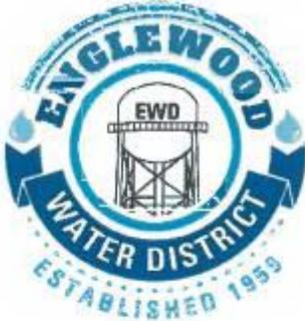
In our opinion, except for the deviation described in the fourth paragraph, the District complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds, and with Section 288.8018(1), Florida Statutes, regarding funds related to the Deepwater Horizon oil spill for the year ended September 30, 2017.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 30, 2018



**Board of Supervisors**

Taylor Meals, Chair  
Robert C. Stern Jr., Vice-Chair  
Phyllis Wright  
Sydney B. Crampton  
Steven Samuels

Roger K. Quick  
Administrator

**Englewood Water District**

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

April 5, 2018

Mr. Martin Redovan  
12800 University Drive, Suite 210  
Fort Myers, FL 33907

RE: BB&T Certificate of Deposit

Dear Mr. Redovan;

During review of the audited financial statements as of and for the years ended September 30, 2017 and 2016; management discussion and analysis presented at the Englewood Water District Board of Supervisors meeting on April 5, 2018 it was disclosed that the maximum length to maturity of investments within the District's investment policy was not met. One certificate of deposit purchased in the current year exceeded the maximum length to maturity of five (5) years.

To rectify this oversight, a discussion with our financial advisor Brian Amster, CFP at BB&T Scott & Stringfellow will be conducted to address the issue.

Regards,

Roger K. Quick  
Administrator  
Englewood Water District

ec: Lisa Hawkins, Englewood Water District Finance Director