

**TINDALL HAMMOCK IRRIGATION
AND SOIL CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

September 30, 2012

**TINDALL HAMMOCK IRRIGATION AND
SOIL CONSERVATION DISTRICT
September 30, 2012**

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**TINDALL HAMMOCK IRRIGATION AND
SOIL CONSERVATION DISTRICT
September 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Tindall Hammock Irrigation and Soil Conservation District
Fort Lauderdale, Florida

We have audited the accompanying basic financial statements of the governmental activities, and the business-type activities, which represent the major funds of Tindall Hammock Irrigation and Soil Conservation District ("the District") as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business - type activities and each major fund, of Tindall Hammock Irrigation and Soil Conservation District, as of September 30, 2012, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 6 and 28 through 29 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.

M. Wright, R. L. and K. M. Wright

Certified Public Accountants
Pompano Beach, Florida
June 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2012**

The management of Tindall Hammock Irrigation and Soil Conservation District would like to provide readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2012. Readers are encouraged to consider the information presented in this discussion and analysis in conjunction with the District's basic financial statements, which are contained herein and commence on page 8.

Prior to discussing the financial position of the District, the following information is offered to the readers. The Tindall Hammock Irrigation and Soil Conservation District exists pursuant to the provisions of Ch. 98-523, Laws of Florida, as amended, a Special Act of the Florida Legislature. The District was originally formed in 1951 and today the District manages approximately 780 acres in central Broward County, Florida, and serves a population of approximately 2,800 residents. The District, a special purpose unit of local government, has powers to manage stormwater, and exercise flood control, as well as own and operate utilities. Such powers include the ability to borrow money, and issue bonds or other evidences of indebtedness, to assess and levy upon all the lands in the District annual drainage, administrative and maintenance taxes, and to install and foreclose special assessment liens.

FINANCIAL HIGHLIGHTS

The District's total assets exceeded total liabilities by \$5,377,735 (net assets). Unrestricted net assets for governmental activities were \$3,845,625, and \$(3,028,409) for business-type activities.

Governmental activities revenues totaled \$1,175,894 while governmental activities expenses totaled \$391,599. Business – type operating revenues totaled \$1,327,681. Business – type expenses totaled \$1,324,724.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements present an overall picture of the District's financial position and results of operations. The fund financial statements present financial information for the District's major funds. The notes to the basic financial statements provide additional information concerning the District's finances that are not disclosed in the government-wide or fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are the Statement of Net Assets and the Statement of Activities. These statements use accounting methods similar to those used by private sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by assessments and property taxes. Business-type activities are supported by charges to the users of those activities, such as water and sewer services.

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2012**

Government-wide financial statements (continued)

The Statement of Net Assets presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net assets are reported for all governmental activities separate from the assets, liabilities, and net assets of business-type activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net assets. Expenses are reported by major function and program. Revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include physical environment and general government. Business-type activities financed by user charges include water and sewer services.

Fund Financial statements

Fund financial statements present financial information for governmental funds and proprietary funds. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the fund, changes in current financial resources (revenues and expenditures), and current available resources. The Enterprise Fund financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance for all governmental funds. A statement of revenues, expenditures, and changes in fund balance - budget and actual, is provided for the District's General Fund. For the Enterprise Fund, a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented. Fund financial statements provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses and comply with legal requirements.

The government-wide financial statements and the fund financial statements provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between governmental activities and business-type activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings, machinery and equipment, and infrastructure are reported in the statement of net assets. All liabilities, including principal outstanding on bonds, and future employee benefits, obligated but not paid by the District, are included. The statement of activities includes provision for depreciation of all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses.

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2012**

Fund Financial statements (continued)

The fund financial statements provide a picture of the major funds of the District. In the case of governmental activities, outlays for long-lived assets are reported as expenditures, and long-term liabilities, such as general obligations bonds, are not included in the fund financial statements. To provide a link from the fund financial statements to the government-wide financial statements, a reconciliation is provided.

Notes to the Basic Financial statements

The notes provide additional detail concerning the financial activities and financial balances of the District, information about the accounting practices of the District, investments of the District, and long-term debt. It is important for readers to spend time understanding these notes as they contain important information related to the financial statements.

THE DISTRICT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tindall Hammock Irrigation and Soil Conservation District, assets exceeded liabilities by \$5,377,735 at the close of the most recent year. The largest portion of the District's net assets (57%) reflects its investments in capital assets (land, buildings, machinery and equipment, and infrastructure). The District uses capital assets to provide services to property owners, residents and businesses; accordingly, these assets are not available for future spending.

The District adopted the fiscal year 2011-2012 General and Proprietary Fund Budgets on September 30, 2011. The District made no amendments to the budget. Total General Fund expenditures budgeted for the fiscal year ended September 30, 2012, were \$2,360,342. Total actual general fund expenditures were \$337,414. Total Proprietary Fund expenditures budgeted for the fiscal year ended September 30, 2012, were \$1,220,000, while the actual Proprietary Fund expenditures were \$1,091,918. The significant difference between budgeted and actual expenditures was largely due to capital improvements and contingent items that were not undertaken or needed during the fiscal year.

ACQUISITION OF WATER AND WASTEWATER UTILITY SYSTEM

The District acquired Ferncrest Utilities, Inc. on November 3, 2008, through the issuance of \$1,983,587 of its Ad Valorem Tax Bond Anticipation Notes, Series 2008, as payment of a portion of the purchase price of \$4,240,000.

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2012**

GOVERNMENT-WIDE FINANCIAL ASSETS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net assets as of September 30, 2012 and 2011.

Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$5,894,604	\$5,485,333	\$ 476,006	\$ 299,095	\$6,370,610	\$5,784,428
Capital assets	<u>969,203</u>	<u>1,099,366</u>	<u>4,563,753</u>	<u>3,727,535</u>	<u>5,532,956</u>	<u>4,826,901</u>
Total assets	<u>6,863,807</u>	<u>6,584,699</u>	<u>5,039,759</u>	<u>4,026,630</u>	<u>11,903,566</u>	<u>10,611,329</u>
Other liabilities	48,979	54,166	4,476,852	3,466,680	4,525,831	3,520,846
Non-current liabilities	<u>2,000,000</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>2,500,000</u>
Total liabilities	<u>2,048,979</u>	<u>2,554,166</u>	<u>4,476,852</u>	<u>3,466,680</u>	<u>6,525,831</u>	<u>6,020,846</u>
Net Assets:						
Invested in capital assets, Net of related debt	969,203	1,099,366	3,591,316	2,749,873	4,560,519	3,849,239
Unrestricted	<u>3,845,625</u>	<u>2,931,167</u>	<u>(3,028,409)</u>	<u>(2,189,923)</u>	<u>817,216</u>	<u>741,244</u>
Total net assets	<u>\$4,814,828</u>	<u>\$4,030,533</u>	<u>\$ 562,907</u>	<u>\$ 559,950</u>	<u>\$5,377,735</u>	<u>\$4,590,483</u>

Governmental activities increased the District's net assets by \$784,295, and business-type activities increased the net assets by \$2,957 as reflected in the table below:

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Maintenance taxes, net	\$1,175,375	\$1,219,772	\$ -	\$ -	\$1,175,375	\$1,219,772
Water and sewer fees			1,327,681	1,133,387	1,327,681	1,133,387
Interest and other income	<u>519</u>	<u>1,096</u>	<u>-</u>	<u>-</u>	<u>519</u>	<u>1,096</u>
Total revenues	<u>1,175,894</u>	<u>1,220,868</u>	<u>1,327,681</u>	<u>1,133,387</u>	<u>2,503,575</u>	<u>2,354,255</u>
Expenses:						
Operations and maintenance	243,009	452,544	579,127	534,341	822,136	986,885
Payroll, taxes and benefits	51,241	54,315	512,239	474,515	563,480	528,830
Depreciation and amortization	58,456	58,456	232,806	199,877	291,262	258,333
Interest expense	<u>38,893</u>	<u>52,364</u>	<u>552</u>	<u>655</u>	<u>39,445</u>	<u>53,019</u>
Total expenses	<u>391,599</u>	<u>617,679</u>	<u>1,324,724</u>	<u>1,209,388</u>	<u>1,716,323</u>	<u>1,827,067</u>
Change in net assets	784,295	603,189	2,957	(76,001)	787,252	527,188
Net assets, beginning of year	<u>4,030,533</u>	<u>3,427,344</u>	<u>559,950</u>	<u>635,951</u>	<u>4,590,483</u>	<u>4,063,295</u>
Net assets, end of year	<u>\$4,814,828</u>	<u>\$4,030,533</u>	<u>\$ 562,907</u>	<u>\$ 559,950</u>	<u>\$5,377,735</u>	<u>\$4,590,483</u>

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
September 30, 2012**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Chairman, H. Collins Forman Jr. at 4350 Oaks Road, Suite 516, Davie, Florida 33314.

BASIC FINANCIAL STATEMENTS

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

Statement of Net Assets

September 30, 2012

	Government Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,522,605	\$ 337,713	\$ 1,860,318
Accounts receivable	-	121,695	121,695
Prepaid expenses	-	16,598	16,598
Goodwill	-	970,133	970,133
Deferred loan acquisition costs (net)	55,663	-	55,663
Advances to water and sewer fund	4,316,036	-	4,316,036
Deposits and other assets	300	-	300
Capital assets being depreciated (net)	969,203	3,342,296	4,311,499
Capital assets not being depreciated	-	251,324	251,324
	<hr/>		
Total assets	6,863,807	5,039,759	11,903,566
	<hr/>		
LIABILITIES:			
Accounts payable and accrued expenses	40,218	28,839	69,057
Contracts payable	-	45,906	45,906
Customer deposits	-	83,767	83,767
Installment notes payable	-	2,304	2,304
Accrued interest payable	8,761	-	8,761
Current portion of note payable	500,000	-	500,000
Advances from general fund	-	4,316,036	4,316,036
Note payable	1,500,000	-	1,500,000
	<hr/>		
Total liabilities	2,048,979	4,476,852	6,525,831
	<hr/>		
NET ASSETS:			
Invested in capital assets, net of related debt	969,203	3,591,316	4,560,519
Unrestricted	3,845,625	(3,028,409)	817,216
	<hr/>		
Total net assets	\$ 4,814,828	\$ 562,907	\$ 5,377,735
	<hr/>		

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Activities
For the fiscal year ended September 30, 2012

	Program Revenues				Net (Expense) Revenue And Change in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Physical environment	\$ 294,250	-	-	-	\$ (294,250)	-	(294,250)
Depreciation and amortization	58,456	-	-	-	(58,456)	-	(58,456)
Interest expense	38,893	-	-	-	(38,893)	-	(38,893)
Total governmental activities	391,599	-	-	-	(391,599)		(391,599)
Business – type activities:							
Water and sewer	1,324,724	1,327,681	-	-	-	2,957	2,957
Total business type activities	1,324,724	1,327,681	-	-	-	2,957	2,957
Total government	\$ 1,716,323	1,327,681	-	-	(391,599)	2,957	(388,642)
			General revenues:		1,175,375	-	1,175,375
			Maintenance taxes, net		519	-	519
			Interest and other income		1,175,894	-	1,175,894
			Change in net assets		784,295	2,957	787,252
			Net assets, beginning of year, restated		4,030,533	559,950	4,590,483
			Net assets, end of year	\$	4,814,828	562,907	5,377,735

See accompanying notes to financial statements.

**BASIC FINANCIAL STATEMENTS -
FUND**

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Balance Sheet - Governmental Fund
September 30, 2012

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 1,522,605
Advance to Proprietary Fund	4,316,036
Other assets	<u>300</u>
Total assets	<u>\$ 5,838,941</u>
 LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 40,218</u>
Total liabilities	<u>40,218</u>
 FUND BALANCES:	
Unassigned	<u>5,798,723</u>
Total fund balances	<u>5,798,723</u>
Total liabilities and fund balances	<u>\$ 5,838,941</u>

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Reconciliation of Governmental Fund Balance Sheet
to Statement of Net Assets
September 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total governmental fund balances		\$ 5,798,723
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds:		
Capital assets	\$ 1,702,642	
Less accumulated depreciation	<u>(733,439)</u>	969,203
Proceeds from a debt offering are not included in liabilities:		
Long-term debt	(2,000,000)	
Debt acquisition expenses	99,500	
Accrued interest and debt acquisition cost amortization	<u>(52,598)</u>	<u>(1,953,098)</u>
 TOTAL NET ASSETS		 <u>\$ 4,814,828</u>

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Fund
For the fiscal year ended September 30, 2012

	<u>General Fund</u>
General revenues:	
Maintenance taxes, net of discounts	\$ 1,175,375
Investment earnings and other income	<u>519</u>
Total general revenues	<u>1,175,894</u>
Expenditures:	
Operations and maintenance	243,009
Payroll, payroll taxes and benefits	51,241
Interest expense	<u>43,164</u>
Total expenditures	<u>337,414</u>
Excess of expenditures over revenues	<u>838,480</u>
Other financing sources (uses):	
Payments of long-term debt	<u>(500,000)</u>
Total other financing sources	<u>(500,000)</u>
Net change in fund balance	338,480
Fund balances at beginning of year (restated)	<u>5,460,243</u>
Fund balances at end of year	<u>\$ 5,798,723</u>

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Fund to the Statement of Activities
For the year ended September 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES
 IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net change in fund balances - total governmental funds \$ 338,480

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

Expenditures for capital assets	\$	-	
Less current year depreciation		<u>(38,224)</u>	(38,224)

Governmental fund report proceeds from debt offering as
 income. However in the statement of activities, proceeds
 from debt offerings are recorded as liabilities, costs to acquire
 such debt are capitalized and amortized over the term of the loan,
 additionally accrued interest is recorded as incurred.

Payment of long-term debt	\$	500,000	
Less current amortization of debt issuance costs		<u>(15,961)</u>	<u>484,039</u>

Changes in net assets \$ 784,295

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

**Balance Sheet
Proprietary Fund
September 30, 2012**

	<u>Water and Sewer Utility</u>
ASSETS:	
Cash and cash equivalents	\$ 337,713
Accounts receivable	121,695
Prepaid expenses	16,598
Goodwill	970,133
Capital assets (net)	<u>3,593,620</u>
Total assets	<u>\$ 5,039,759</u>
LIABILITIES:	
Accounts payable and accrued expenses	\$ 28,839
Advance from General Fund	4,316,036
Contracts payable	45,906
Customer deposits	83,767
Installment notes payable	<u>2,304</u>
Total liabilities	<u>4,476,852</u>
NET ASSETS:	
Invested in capital assets, net of related debt	3,591,216
Unrestricted	<u>(3,028,409)</u>
Total net assets	<u>562,907</u>
Total liabilities and net assets	<u>\$ 5,013,891</u>

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended September 30, 2012

	Water and Sewer Utility
Operating revenue:	
Water and sewer fees	\$ 1,327,681
Total operating revenue	1,327,681
Operating expenses:	
Operations and maintenance	579,127
Payroll, payroll taxes and benefits	512,239
Depreciation	232,806
Total operating expenses	1,324,172
Net operating income	3,509
Other non-operating income and expense:	
Interest expense	(552)
Total other income (expense)	(552)
Change in net assets	2,957
Net assets, beginning of year	559,950
Net assets, end of year	\$ 562,907

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Cash Flows
Proprietary Fund
For the year ended September 30, 2012

	Water and Sewer Utility
Cash flows from operating activities::	
Cash received from customers and users	\$ 1,421,918
Cash paid to employees for services	(501,660)
Cash paid to suppliers for goods and services	(686,259)
	233,999
Cash flows used for investing activities:	
Purchase of operating assets, net	(977,085)
	(977,085)
Cash flows provided from (used for) financing activities:	
Advances from governmental fund	901,222
Payment on installment notes	(5,224)
	895,998
Net cash used for capital and related financing activities	895,998
Net increase in cash and cash equivalents	152,912
Cash and cash equivalents at beginning of year	184,801
Cash and cash equivalents at end of year	\$ 337,713
Reconciliation of operating income to net cash provided by operating activities:	
Change in net assets	\$ 2,957
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	232,806
Increase in accounts receivable	(25,458)
Increase in prepaid expenses	(5,209)
Increase in deposits	6,668
Increase in accounts payable and accrued expenses	3,349
Increase in accrued compensated absences	10,609
Increase in customer deposits	8,277
	8,277
Net cash provided by operating activities	\$ 233,999
Cash expenditures paid for interest	\$ 522

See accompanying notes to the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements

(1) DESCRIPTION OF THE TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

The Tindall Hammock Irrigation and Soil Conservation District ("District") exists pursuant to the provisions of Chapter 98-523, Laws of Florida, as amended, a Special Act of the Florida Legislature. The District was originally formed in 1951 and includes approximately 780 acres in central Broward County, Florida.

The District is a special purpose unit of a local government with powers in the areas of stormwater management, flood control, and utility ownership and operation. Such powers include ability to borrow money and issue bonds or other evidences of indebtedness, levy and impose upon all the lands in the District annual drainage, administrative, and maintenance taxes and impose and foreclose special assessment liens.

On November 3, 2008, the District acquired the operating assets of Ferncrest Utilities, Inc. located in Davie, Florida. On September 30, 2012, the utility had approximately 736 customers for water services and 694 customers for sewer services.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the standard-setting body for establishing government accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

(a) Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, to define the reporting entity. The District's financial statements include operations for which the District exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The District has not identified any component units and is not a participant in any joint-venture; accordingly, operations of no other entities have been included in the financial statements.

The District implemented the requirements of GASB 54 ("Fund Balance Reporting and Governmental Fund Type Definitions") during the year ending September 30, 2011.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major individual funds.

The government-wide financial statements include a statement of net assets and a statement of activities. These statements report information on all activities of the District. Inter-fund activity has been eliminated from these statements. The statement of activities demonstrates the extent to which the expenses of the District are offset by the revenues collected by the District. Revenues collected include the investment income earned during the year.

(c) Major Funds

Governmental Fund Type

Government funds are used to account for the District's expendable financial resources and related liabilities. The following are the District's governmental fund types:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund Type

Water and Sewer Fund - The Water and Sewer Fund is an enterprise fund established to account for operations that are to be financed and operated in a manner similar to private business enterprises. The costs of providing services to customers are to be recovered primarily through user charges.

(d) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers maintenance taxes to be available if they are collected within sixty days of the end of the current fiscal period. A one-year availability period is used for all other revenues.

Revenues susceptible to accrual are maintenance taxes and interest on investments. Maintenance taxes are recorded as revenues in the fiscal year they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

The Proprietary Fund uses the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when incurred.

(e) Budgetary Procedures and Accounting

An annual budget is adopted for the General Fund on a basis consistent with GAAP, except the budgets include encumbrances as the equivalent of expenditures, and do not include revenues and expenditures related to certain special projects. As of September 30, 2012, the "actual budgetary basis" is presented on a basis which is not consistent with GAAP.

Before August of each year, the District Chairman, in conjunction with the District Management Company and the District Attorney, submits to the Board of Supervisors the proposed budget for the fiscal year commencing October 1. The District holds workshops and public hearings on the proposed budget. Prior to the end of each fiscal year, the budget is formally adopted for the ensuing year.

The legal level of control, the level at which expenditures may not exceed the budget, is at the total expenditure level. Should additional expenditures be necessary during the year, the District has the authority to modify the budget by a majority vote of its Board.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Capital Assets and Depreciation

Capital assets, which include land, buildings, infrastructure, machinery and equipment and construction- in-progress are reported in the governmental or business-type activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated cost when actual historical cost is not available. Donated and confiscated capital assets are valued at their estimated fair value on the date donated or when awarded by the courts. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives, ranging from 5 - 40 years.

Maintenance, repairs, and minor renovations are not capitalized. Expenditures that materially increase values or extend useful lives are capitalized.

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

<u>Asset</u>	<u>Years</u>
Equipment	5-7
Water and sewer equipment	5-7
Water and sewer infrastructure	15-40
Water Control Structures (Including storm water pump stations)	15-50

Depreciation expense is reflected in the financial statements in accordance with GASB Statement No. 34 requirements for capital assets greater than \$5,000.

(g) Prepaid Expenses/Expenditures

Certain payments reflect costs applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements.

(h) Accounts Receivable

Accounts receivable reflected in the Water and Sewer Enterprise Fund consist of charges to customers for service. No allowance for doubtful accounts is considered necessary.

(i) Encumbrances

For governments that use encumbrance accounting, significant encumbrances should be disclosed in the notes to the financial statements by major funds and nonmajor funds in the aggregate in conjunction with required disclosures about other significant commitments.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Encumbrances (continued)

Encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned should not result in separate display of the encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed-or assigned fund balance. The District includes encumbrances in the committed fund balance. There are no encumbrances outstanding as of September 30, 2012.

(j) Due To/From Other Funds

Short-term inter-fund transactions, when applicable, are recorded by the lending fund as a receivable with a corresponding payable recorded by the borrowing fund. Repayments reduce the corresponding receivable and payable. Inter-fund balances are eliminated in the government-wide financial statements.

(k) Bond Issuance Costs

Bond issuance costs are amortized over the lives of the bond issues using the straight-line method which approximates the interest method.

(l) Cash Equivalents

For purposes of the statement of cash flows, the Water and Sewer Proprietary Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

(m) Use of Estimates

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

(n) Fund Balance

The Governmental Accounting Standards Board (GASB) released GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") on March 11, 2009 which is effective for fiscal years beginning after June 15, 2010.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fund Balance (continued)

This new Statement is intended to improve the usefulness of information reported about fund balance by providing more structured classification and by clarifying the definitions of existing governmental fund types. This Statement applies to fund balance reported in the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Permanent Fund. This Statement does not apply to Enterprise Funds, Internal Service Funds, and restricted reserves.

Previously, fund balance was classified as “reserved” or “unreserved.” Unreserved fund balance was further allocated into designated and undesignated. GASB 54 now changes how fund balance will be reported. The hierarchy of the GASB 54 classifications is as follows:

Non-spendable Fund balance includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually. The District uses the consumption method of reporting inventory; therefore, it is not reported as a non-spendable fund balance.

Restricted Fund Balance includes amounts constrained for a specific purpose by external parties.

Committed Fund Balance includes amounts constrained for a specific purpose by a government using its highest level of decision making authority. The District’s outstanding encumbrances are included in the committed fund balance. There are no encumbrances outstanding as of September 30, 2012.

Assigned Fund Balance includes general fund amounts constrained for a specific purpose by the District’s board.

Unassigned Fund Balance is the residual classification for the general fund.

The District’s board approves all transactions that occur with respect to the committed fund balance.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

There was no restatement required to the opening fund balances as a result of the GASB 54 implementation.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(3) CASH AND INVESTMENTS

Amounts on deposit at a financial institution on September 30, 2012, consisted of the following accounts, which, in addition to being insured by the Federal Deposit Insurance Corp. (FDIC) to \$250,000, are secured by collateralized securities as required under Chapter 280, of the Florida Statutes:

Cash - checking	\$ <u>1,860,318</u>
	\$ <u>1,860,318</u>

(4) MAINTENANCE TAXES AND SPECIAL ASSESSMENTS

Maintenance taxes and special assessments attach as an enforceable lien on the owners' property as of January 1. The taxes are levied on November 1 and are payable, without penalty, from November 1 to the following March 31. Broward County bills and collects these taxes and assessments and remits these proceeds to the District. Payments made after March 31, are subject to late payment fines. Any amount unpaid as of June 30, result in a tax certificate sale to investors. The District receives its share of the certificate sales which usually reflects the full amount due to then District. There were no material delinquent taxes as of September 30, 2012.

(5) INTER-FUND ADVANCES

The composition of inter-fund balances as of September 30, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Proprietary Fund	\$4,316,036

The amount receivable in the General Fund represents a working capital transfer to the Proprietary Fund. The District is contemplating forgiveness of this inter-fund loan and may adopt a future policy that provides for annual operating subsidies to the Proprietary Fund.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	Balance 9/30/11	Reclassifications and Additions	Reclassifications and Deletions	Balance 9/30/12
Governmental Activities:				
Capital Assets Being Depreciated				
Water control structures	\$ 1,579,044	\$ -	\$ (91,939)	\$ 1,487,105
Equipment	215,537	-	-	215,537
Total Capital Assets Being Depreciated	1,794,581	-	(91,939)	1,702,642
Less Accumulated Depreciation				
Water control structures	535,664	23,854		559,518
Equipment	159,551	14,370	-	173,921
Total Accumulated Depreciation	695,215	38,224	-	733,439
Capital Assets, Net	\$ 1,099,366	\$ (38,224)	\$ (91,939)	\$ 969,203
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 251,324	-	-	\$ 251,324
Capital Assets Being Depreciated				
Infrastructure	2,715,075	977,085	91,939	3,784,099
Equipment	371,874	-	-	371,874
Total Capital Assets Being Depreciated	3,086,949	977,085	91,939	4,155,973
Less Accumulated Depreciation				
Infrastructure	475,142	197,370		672,512
Equipment	105,729	35,436		141,165
Total Accumulated Depreciation	580,871	232,806	-	813,677
Capital Assets, Net	\$ 2,757,402	\$ 744,279	\$ 91,939	\$ 3,593,620

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(7) LONG - TERM DEBT

Debt of governmental activities at September 30, 2012 included the following:

\$3,000,000 Ad Valorem Tax Capital Improvement Note, Series 2010, interest at 1.5% above bank Libor. Maturing on July 1, 2015, interest payable semi-annually on July 1, and December 1, principal paid annually on July 1.	\$ 2,000,000
	-
	\$ 2,000,000

The future annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2013	500,000	36,650	536,650
2014	500,000	27,487	527,487
2015	1,000,000	18,324	1,018,324
	\$ 2,000,000	\$ 82,461	\$ 2,082,461

Installment debt of proprietary activities at September 30, 2012 included the following:

Installment note payable, due in 60 monthly payments of \$481, including interest at 10.57% through March 2013, secured by vehicle, current maturities of long-term debt as follows: 2013 \$2,304.	\$ 2,304
	-
	\$ 2,304

(8) RISK MANAGEMENT

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

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(9) ACQUISITION OF WATER AND WASTEWATER UTILITY SYSTEM

The District acquired Ferncrest Utilities, Inc. on November 3, 2008, through the issuance of \$1,983,587 of its Ad Valorem Tax Bond Anticipation Notes, Series 2008, in payment of a portion of the purchase price of \$4,240,000. The balance of \$1,900,000 was an in-kind contribution to the District. On November 11, 2008, the District approved resolution 2008-20 which authorized the execution and delivery of a Master Trust Indenture in connection with the issuance of not to exceed \$15,000,000 aggregate principal amount of its Tindall Hammock Irrigation and Soil Conservation District (Davie, Florida) Ad Valorem Tax Bonds, Series 2008 (the "Series 2008 bonds"). The resolution also appointed a trustee, provided for severability, provided for an effective date, and for other general purposes. As of September 30, 2012, the District had not yet issued any bonds authorized under the resolution.

During the year, a major landowner within the District undertook a closure of a mobile home community that represented approximately 900 residential customers. The land is proposed to be used for other than mobile home purposes. Redevelopment of that land will occur over several years, during which time water and sewer revenues will not be collected from the closed mobile home community area. The maintenance tax levy will be used to pay, in whole or in part, the principal and interest payments on the bonds.

The District is in the process of issuing long-term permanent financing for the utility system and drainage improvements. It is likely that the District will pledge revenues that are levied against properties within the District for that long-term financing.

The District's utility service area is located within the Town of Davie ("the Town"). The Town is considering a land use amendment which will likely result in commercial/industrial redevelopment within the District which is likely to increase property tax values and possibly result in new utility connections. If implemented as currently proposed, this redevelopment would occur over many years.

(10) UTILITY PLANT ACCESS

During due diligence of the acquisition of the utility system, the current access to the utility plant had been an issue. Currently, access to the utility plant is through another property owner's private streets. Access is currently available through these private streets and the property owner has made no demands to the District to cease using this access. The District is currently negotiating with this property owner for dedication of a recorded ingress/egress (access) easement across this property.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Notes to Basic Financial Statements (Continued)

(11) REGULATORY ISSUES

The District is engaged in certain environmental and regulatory issues that are applicable to the manner in which the District operates its drainage systems and its water and sewer system. Subsequent to the end of the 2008/09 fiscal year these issues had been resolved to the satisfaction of the District and the regulatory agencies involved in said issues. In addition, certain proposed federal and state changes to water quality standards may require the District to spend significant amounts of money in the future.

(12) RELATED PARTIES

In accordance with Special Act of the Legislature (Chapter 98-523, Laws of Florida, as amended), the District Board of Supervisors is elected by the owners of land within the District, with each landowners' vote being based on the land area (acres) that each landowner owns. A significant portion of the land within the District is owned by members of the Board of Supervisors and related parties. As a result, certain issues come before the District Board of Supervisors from time to time involving the District and these related parties. When these issues come before the Board involving individuals related to Board Members, the District receives opinions of third parties to provide guidance, advice and recommendations regarding these issues and voting on said issues.

On November 3, 2008, the District entered into an amended and restated lease agreement, with a related party allowing the District to discharge and dispose treated wastewater in accordance with its wastewater and disposal system permit issued by the Florida Department of Environmental Protection into a lake owned by the related party. The lease currently calls for minimum lease payments of \$2,800 per month. The District incurred \$33,502 in lease expense for the period ended September 30, 2012.

(13) RESTATEMENT

The beginning governmental fund balance has been restated to reflect the transfer of sewer lines totaling \$91,939 previously recorded in the governmental fund to the proprietary fund.

(14) SUBSEQUENT EVENTS

Subsequent to the end of the 2010 fiscal year, the District entered into discussions with the Town of Davie to sell the utility system and transfer its service area to the Town. The Town has engaged professionals to perform due diligence work in order to evaluate the purchase and sale of the utility system and transfer of the service area. The Town's utility service area generally surrounds the District's service area. As of September 30, 2012 the negotiations remain ongoing.

The District has performed an evaluation of subsequent events through June 6, 2013, which is the date the financial statements were available for issue.

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN M,D & A
(unaudited)**

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget And Actual - General Fund
(Budgetary Basis)
For the fiscal year ended September 30, 2012

	<u>Original and Final Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Maintenance taxes, net of discounts	\$ 1,262,056	\$ 1,175,375	\$ 86,681
Interest	<u>1,000</u>	<u>519</u>	<u>481</u>
Total revenues	<u>1,263,056</u>	<u>1,175,894</u>	<u>87,162</u>
Operational expenditures:			
Pump repairs and maintenance	50,000	12,000	38,000
Payroll and payroll taxes	65,500	51,241	14,259
Property appraiser and collection fees	26,292	10,175	16,117
Insurance	18,900	-	18,900
Legal advertising	7,000	5,735	1,265
Utilities	<u>1,000</u>	<u>1,560</u>	<u>(560)</u>
	<u>168,692</u>	<u>80,711</u>	<u>87,981</u>
Professional fees:			
Management company	78,000	97,530	(19,530)
Engineering	200,000	21,810	178,190
Lobbyist	50,000	15,000	35,000
Accounting	25,000	23,625	1,375
Legal	<u>100,000</u>	<u>54,034</u>	<u>45,966</u>
	<u>453,000</u>	<u>211,999</u>	<u>241,001</u>
Hurricane Relief Fund	300,000	-	300,000
Capital improvements	993,000	-	993,000
Machinery and equipment	75,000	-	75,000
Contingency	275,000	-	275,000
Permits	6,500	1,010	5,490
Administrative expenses	1,000	499	501
Bank fees	<u>150</u>	<u>31</u>	<u>119</u>
	<u>1,650,650</u>	<u>1,540</u>	<u>1,649,110</u>
Total expenditures	<u>2,272,342</u>	<u>294,250</u>	<u>1,978,092</u>
Excess (deficiencies) of revenues over expenditures	<u>(1,009,286)</u>	<u>881,644</u>	<u>1,890,930</u>
Other financing sources (uses):			
Scheduled debt payments	(500,000)	(500,000)	-
Debt finance expenses	<u>(34,000)</u>	<u>(43,164)</u>	<u>(9,164)</u>
Total other financing uses	<u>(534,000)</u>	<u>(543,164)</u>	<u>(9,164)</u>
Net change in fund balance	<u>\$(1,543,286)</u>	<u>\$ 338,480</u>	<u>\$ 1,881,766</u>

See accompanying notes to the financial statements.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget And Actual - Proprietary Fund
(Budgetary Basis)
For the fiscal year ended September 30, 2012

	<u>Original and Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
General service revenues	\$ 1,706,900	\$ 1,309,955	\$ (396,945)
Miscellaneous revenues	<u>15,000</u>	<u>17,726</u>	<u>2,726</u>
Total revenues	<u>1,721,900</u>	<u>1,327,681</u>	<u>(394,219)</u>
Operational expenses:			
Payroll, payroll taxes and benefits	578,500	512,239	66,261
Professional services	4,000	15,348	(11,348)
Other contractual services	20,000	15,899	4,101
Engineering expenses	5,000	-	5,000
Sludge removal	50,000	51,134	(1,134)
Water testing	50,000	47,666	2,334
Telephone	9,000	9,525	(525)
Electricity	60,000	17,524	42,476
Purchased water and sewer treatment	151,000	137,638	13,362
Equipment rental	3,500	3,816	(316)
Lake rental	37,000	33,502	3,498
Insurance	50,000	47,246	2,754
Maintenance	88,000	85,449	2,551
Bad debts	5,000	5,974	(974)
Miscellaneous expense	1,500	1,654	(154)
Office supplies	17,000	15,427	1,573
Chemicals	45,000	52,290	(7,290)
Safety supplies	1,500	1,164	336
Uniforms	1,500	1,356	144
License and fees	18,000	6,502	11,498
Training and seminars	6,500	5,151	1,349
Machinery and equipment	<u>15,000</u>	<u>24,862</u>	<u>(9,862)</u>
Total operational expenses	<u>1,217,000</u>	<u>1,091,366</u>	<u>125,634</u>
Excess of revenues over expenditures before other expenses	<u>504,900</u>	<u>236,315</u>	<u>(268,585)</u>
Other:			
Principal and interest payments	(3,000)	(552)	2,448
Depreciation	<u>-</u>	<u>(232,806)</u>	<u>(232,806)</u>
	<u>(3,000)</u>	<u>(233,358)</u>	<u>(230,358)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 501,900</u>	<u>\$ 2,957</u>	<u>\$ (498,943)</u>

See accompanying notes to the financial statements.

OTHER REPORTS SECTION

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

**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*
For the fiscal year ended September 30, 2012**



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Members of
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Florida Institute of Certified Public Accountants
New York State Society of Certified Public Accountants

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

To the Board of Supervisors of the
Tindall Hammock Irrigation and Soil Conservation District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tindall Hammock Irrigation and Soil Conservation District ("the District"), as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying "Report to Management", we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider in the aggregate to be a significant deficiency.

To the Board of Supervisors of the
Tindall Hammock Irrigation and Soil Conservation District

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. We consider the deficiency described in the accompanying "Report to Management" to be a material weakness.

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. We consider the deficiencies described in the accompanying "Report to Management" in the aggregate to be significant deficiency.

We noted certain other matters that we reported to management of the District in a separate letter dated June 6, 2013.

Compliance and Other Matters

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

This report is intended solely for the information and use of the District's management, the Board of Supervisors, others within the entity, the Auditor General of the State of Florida, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Pompano Beach, Florida
June 6, 2013

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE
OF THE AUDITOR GENERAL**

For the fiscal year ended September 30, 2012



MARGOLIES, FINK AND WICHROWSKI

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Florida Institute of Certified Public Accountants
New York State Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE
OF THE AUDITOR GENERAL**

To the Board of Supervisors
Tindall Hammock Irrigation and Soil Conservation District

We have audited the financial statements of the Tindall Hammock Irrigation and Soil Conservation District, whose headquarters is located in Ft. Lauderdale, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 6, 2013.

We have issued our Independent Auditor's 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 Chapter 10.550, Rules of the State of Florida Office of the Auditor General, dated June 6, 2013. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

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

- 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. Corrective actions have been not taken adequately to address findings and recommendations made in the preceding annual financial report.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tindall Hammock Irrigation and Soil Conservation District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Tindall Hammock Irrigation and Soil Conservation District was established pursuant to the provisions of Chapter 98-523, Laws of Florida, a Special Act of the Florida Legislature in formed in 1951. There are no component units of the Tindall Hammock Irrigation and Soil Conservation District to be disclosed as required by accounting principles generally accepted in the United States of America.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Tindall Hammock Irrigation and Soil Conservation District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Tindall Hammock Irrigation and Soil Conservation District for the fiscal year ended September 30, 2010, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c, and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Tindall Hammock Irrigation and Soil Conservation 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 as of September 30, 2012, and through the date of our audit report, June 6, 2013.
- Section 10.554(1)(i)9, Rules of the Auditor General, requires a statement to be included as to whether or not the local government provides monthly financial statements to its governing board and has made these financial statements available for public access on the District's website. The District is not complying with this requirement.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners of Tindall Hammock Irrigation and Soil Conservation District, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants
Pompano Beach, Florida
June 6, 2013

**TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
REPORT TO MANAGEMENT**

PART I - CURRENT YEAR COMMENTS AND RECOMMENDATIONS

Significant Deficiency:

As a result of the control deficiencies noted below we have determined that there is a significant deficiency in internal control resulting from ineffective oversight of the District's financial and internal accounting controls by those charged with governance over these matters.

Control Deficiencies:

Comment 1:

Cash accounts were not properly reconciled. As of September 30, 2012, the District recorded amounts received from customers into accounts receivable but recorded the deposit to cash in the subsequent period. The bank reconciliation provided did not have this properly recorded as a deposit in transit.

Recommendation:

We recommend that the District performs its bank reconciliations within the accounting software framework rather than maintaining the reconciliations outside of the accounting system.

Comment 2:

Accounts receivable and customer deposit sub-ledgers in the proprietary fund were not properly reconciled to general ledger.

Recommendation:

We recommend that the District performs periodic (monthly) reconciliations within the accounting system to reconcile the accounts receivable and customer deposits sub-ledgers to the general ledger.

Comment 3:

The District did not allocate wage expense, payroll tax expense, or accrued compensated absences to the correct fund for which employees provided services.

Recommendation:

We recommend that the District performs periodic allocation of payroll, accrued wages, payroll tax expense, and compensated absences, and reconcile to the payroll reports provided by third party payroll processor.

Comment 4:

Accounts payable sub-ledger was not properly reconciled to general ledger.

Recommendation:

We recommend that the District performs periodic reconciliations within the accounting system to reconcile the accounts payable sub-ledger to the general ledger.

Comment 5:

During the current fiscal year the District was unable to produce the minutes of board meetings in a timely fashion.

Recommendation:

We recommend that the District timely prepares all minutes from the prior board meeting and presents it to the board for acceptance by resolution in the subsequent board meeting.

PART II - STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

Comment:

During the prior fiscal year the District did not yet have a website in place and therefore could not conform to the requirements of Section 215.985(12) of the Florida Statutes. The District has developed a website. However, the required financial information has not been published on the website in accordance with the requirements of the statute. As of the date of this letter, the District has only published partial information through March 2012, and did not have the budget for the fiscal year ended September 30, 2012 published.

Recommendation:

We recommend that the District puts in place all of the recommendations in Part I, above, as part of its periodic financial statement closing procedures so that timely and accurate financial information may be published on the website as required by the statute.

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT

**STATEMENT OF EXPLANATION OR REBUTTAL
TO MANAGEMENT LETTER COMMENTS AND RECOMMENDATIONS**

For the fiscal year ended September 30, 2012

TINDALL HAMMOCK IRRIGATION AND SOIL CONSERVATION DISTRICT
4350 OAKS ROAD, SUITE 516
DAVIE, FLORIDA, 33314

June 19, 2013

Mr. David W. Martin
Auditor General/State of Florida
111 West Madison Street
Post Office Box 1735
Tallahassee, Florida 32302-17635

RE: Tindall Hammock Irrigation and Soil Conservation District
For the Fiscal Year Ending September 30, 2012

Dear Mr. Martin:

In response to the "Report to Managements Comments and Recommendations" included in the above referenced audit report, the Districts responds as follows:

Comment 1:

Cash accounts were not properly reconciled. As of September 30, 2012, the District recorded amounts received from customers into accounts receivable but recorded the deposit to cash in the subsequent period. The bank reconciliation provided did not have this properly recorded as a deposit in transit.

Response 1:

Management concurs with the auditor's findings and recommendations. Upon review of the accounting software currently in use by the management company, the software was found to be lacking in several areas including both feature and function required including the completion of bank reconciliations. Management is committed to completing all bank reconciliations accurately and timely. Further, Management is in the process of evaluating the existing software for upgrade(s) or replacement which will adequately address this issue for the fiscal year beginning October 1, 2013.

Comment 2:

Accounts receivable and customer deposit sub-ledgers in the proprietary fund were not properly reconciled to general ledger.

Response 2:

Management concurs with the auditor's findings and recommendations. The software used by the water and sewer utility has been in place for many years before and subsequent to the acquisition of the utility by the District.

Response 2 (continued):

Upon management's review of the sub-ledger system it is management's opinion that the accounting system and sub-ledger are capable of monthly reconciliation with the proper training of staff. Further, Management is implementing a timeframe for this reconciliation to be completed within five (5) business days of month end. Management is committed to accurate and timely reconciliations of the ledger and sub-ledger beginning with the period ending June 30, 2013.

Comment 3:

The District did not allocate wage expense, payroll tax expense, nor accrued compensated absences to the correct fund for which employees provided services.

Response 3:

Management concurs with the auditor's findings and recommendations. The processing of the District's payroll is outsourced to a national payroll service. The reports are received on a biweekly basis and the allocation and reconciliation should be conducted on the same frequency. Further, Management is implementing a timeframe for the accurate entry of payroll related information into the ledger within two (2) business days from the receipt of said information. Accurate entry will also provide for the correct allocation of expense between funds on a timely and consistent basis.

Comment 4:

Accounts payable sub-ledger was not properly reconciled to general ledger.

Response 4:

Management concurs with the auditor's findings. However, upon further review of the accounting software presently in use, Management is of the opinion that the software lacks the features and functions to appropriately perform this function. As per Management's previous response to the first comment, Management is in the process of evaluating software upgrade(s) or replacement which will adequately address this issue for the fiscal year beginning October 1, 2013.

Comment 5:

During the current fiscal year the District was unable to produce the minutes of board meetings in a timely fashion.

Response 5:

Management concurs with the auditor's findings. Management will put processes in place whereby minutes from the prior meeting of the board of supervisors will be submitted for approval at the following meeting board of the supervisors where by assure minutes are prepared and approved on a timely fashion.

PART II - STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

Comment 6:

During the prior fiscal year the District did not yet have a website in place and therefore could not conform to the requirements of Section 215.985(12) of the Florida Statutes. The District has developed a website. However, the required financial information has not been published on the website in accordance with the requirements of the statute. As of the date of this letter, the District has only published partial information through March 2012, and did not have the budget for the fiscal year ended September 30, 2012 published.

Response 6:

Management concurs with the auditor's findings and recommendations. Upon Management's investigation into the findings in Part I, Management found that software constraints and management company staff turnover, coupled with overall staff training issues, hindered the ability to provide financial statements in a format either timely or suitable for website presentation. Within 30 days of the issuance of the September 30th, 2012 Audited Financial Statements, Management is committed to posting same on the website.

Further, Management is committed to having monthly financial statements through June 30, 2013 posted on the website within ninety (90) days from month end. As previously mentioned, Management is currently evaluating changes to or in the accounting software which will, in Management's opinion, facilitate the production and presentation of monthly financial statements within thirty (30) days of months end on the website by December 31, 2013.

Sincerely,

H. Collins Forman Jr.

H. Collins Forman Jr.
Chairman

cc: Margolies, Fink and Wichrowski