

HILLSBORO INLET
DISTRICT

BASIC FINANCIAL STATEMENTS

September 30, 2014

HILLSBORO INLET DISTRICT
BASIC FINANCIAL STATEMENTS
September 30, 2014

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BASIC FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Commissioners
Hillsboro Inlet District
Hillsboro Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Hillsboro Inlet District (the "District") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District, as of September 30, 2014, and the respective changes in financial position for the year 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 and budgetary comparison information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

HILLSBORO INLET DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Our discussion and analysis of Hillsboro Inlet District's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2014. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2014:

- The District's total assets exceeded its liabilities at September 30, 2014 by \$ 4,160,620 of which \$ 1,954,707 is unrestricted. This is an overall decrease of \$ 21,168.
- The District's total revenues were \$ 1,012,171, which is comprised of \$ 1,012,122 from ad valorem taxes and \$ 49 from interest and other revenues. The District's expenses for the year were \$ 1,033,339.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Basic Financial Statements

The government-wide basic financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only one fund type: governmental funds.

HILLSBORO INLET DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Fund Financial Statements (continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheets and the statements of revenues, expenditures, and changes in fund balances have only one reconciling item to consider in order to agree them to the government-wide statements of net position and activities, respectively.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position as of September 30, 2014 and 2013:

Hillsboro Inlet District Statements of Net Position		
	2014	2013
Current and other assets	\$ 2,026,433	\$ 1,927,908
Capital assets	2,205,913	2,343,956
Total assets	4,232,346	4,271,864
Total liabilities	71,726	90,076
Net position:		
Net investment in capital assets	2,205,913	2,343,956
Unrestricted	1,954,707	1,837,832
Total net position	\$ 4,160,620	\$ 4,181,788

HILLSBORO INLET DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

Governmental Activities

Governmental activities decreased the District's net position by \$ 21,168 and \$ 185,195 for 2014 and 2013, respectively, as reflected in the table below:

Hillsboro Inlet District Statements of Activities		
	2014	2013
REVENUES:		
Taxes	\$ 1,012,122	\$ 979,061
Other revenues	49	4,076
Total general revenues	1,012,171	983,137
EXPENSES:		
General government	1,033,339	1,168,332
Total expenses	1,033,339	1,168,332
Change in net position	(21,168)	(185,195)
NET POSITION, beginning of year	4,181,788	4,366,983
NET POSITION, end of year	\$ 4,160,620	\$ 4,181,788

ANALYSIS OF THE GOVERNMENTAL FUND

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year. The General Fund comprises the total of the governmental fund.

The District's governmental fund reported an ending fund balance of \$ 1,996,880 an increase of \$ 114,372.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District's capital assets, less accumulated depreciation, for its governmental activities, amounted to \$ 2,205,913. The small decrease from the prior year is due to the net of a larger provision for depreciation than capital additions during the year. Additional information on the District's capital assets can be found in Note 4 to the financial statements.

As of September 30, 2014, the District had no debt outstanding.

HILLSBORO INLET DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures were lower than budgeted by approximately \$113,000. Actual revenues were approximately \$ 1,000 higher than budgeted in the current year, due to less discounts for early payment taken by taxpayers than budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Expenditures for the 2014-2015 budget year for the General Fund of the District are budgeted to be approximately \$ 1,079,000. This is approximately \$ 68,000 more than budgeted expenditures for the 2013-2014 budget year. Property tax values are expected to increase slightly in the up and coming year as real property values appear to be trending slightly upward.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Hillsboro Inlet District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Hillsboro Inlet District, c/o Goren, Cherof, Doody & Ezrol, P.A., 3099 E. Commercial Boulevard, Ste 200, Fort Lauderdale, FL 33308.

HILLSBORO INLET DISTRICT
STATEMENT OF NET POSITION
September 30, 2014

	Governmental Activities
ASSETS:	
Cash	\$ 519,767
Investments	1,448,284
Prepaid expenses	58,382
Capital assets, depreciable, less accumulated depreciation of \$ 1,166,762	2,205,913
Total assets	4,232,346
 LIABILITIES:	
Accounts payable	19,013
Accrued expenses	52,713
Total liabilities	71,726
 NET POSITION:	
Net investment in capital assets	2,205,913
Unrestricted	1,954,707
Total net position	\$ 4,160,620

The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities Net Revenues (Expenses) and Change in Net position (Deficit)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Physical environment	\$ <u>1,033,339</u>	\$ -	\$ -	\$ -	\$ <u>(1,033,339)</u>
Total governmental activities	\$ <u>1,033,339</u>	\$ -	\$ -	\$ -	<u>(1,033,339)</u>
General revenues:					
Taxes					1,012,122
Interest and other revenues					<u>49</u>
Total general revenues					<u>1,012,171</u>
Change in net position					(21,168)
Net position, October 1, 2013					<u>4,181,788</u>
Net position, September 30, 2014					<u>\$ 4,160,620</u>

The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2014

ASSETS

	General Fund
ASSETS:	
Cash	\$ 519,767
Investments	1,448,284
Prepaid expenditures	58,382
Total assets	\$ 2,026,433

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable	\$ 19,013
Accrued expenses	10,540
Total liabilities	29,553

FUND BALANCE:	
Nonspendable:	
Prepaid expenditures	58,382
Assigned:	
South jetty	1,000,000
Equipment hauling expenses	300,000
Emergency hurricane replacement - equipment	160,000
Emergency hurricane replacement - structures	140,000
Unassigned	338,498
Total fund balance	1,996,880
Total liabilities and fund balance	\$ 2,026,433

The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
September 30, 2014

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

Total fund balance - governmental fund in the balance sheet	\$	1,996,880
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Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds:

Capital assets		3,372,675
Less accumulated depreciation		(1,166,762)

Long-term liabilities are not due and payable in the current period and
therefore are not due in the funds:

Compensated absences		<u>(42,173)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>4,160,620</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2014

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 1,012,122
Investment and other income	<u>49</u>
Total revenues	<u>1,012,171</u>
EXPENDITURES:	
Current:	
Physical environment operating	771,047
Administrative	<u>126,752</u>
Total expenditures	<u>897,799</u>
Net change in fund balance	114,372
FUND BALANCE, October 1, 2013	<u>1,882,508</u>
FUND BALANCE, September 30, 2014	\$ <u><u>1,996,880</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUND	\$ 114,372						
<p>Amounts reported for governmental activities in the statement of activities are difference because:</p> <p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as provision for depreciation.</p> <table style="width: 100%; margin-left: 40px; border-collapse: collapse;"> <tr> <td style="width: 80%;">Expenditures for capital outlay</td> <td style="width: 20%; text-align: right;">-</td> </tr> <tr> <td>Current year provision for depreciation</td> <td style="text-align: right;">(138,043)</td> </tr> </table> <p style="margin-left: 40px;">Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> <table style="width: 100%; margin-left: 40px; border-collapse: collapse;"> <tr> <td style="width: 80%;">Change in compensated absences payable</td> <td style="width: 20%; text-align: right; border-top: 1px solid black;">2,503</td> </tr> </table>		Expenditures for capital outlay	-	Current year provision for depreciation	(138,043)	Change in compensated absences payable	2,503
Expenditures for capital outlay	-						
Current year provision for depreciation	(138,043)						
Change in compensated absences payable	2,503						
CHANGE IN NET POSITION OF STATEMENT OF ACTIVITIES	\$ <u><u>(21,168)</u></u>						

The accompanying notes to basic financial statements are an integral part of these statements.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Hillsboro Inlet District (the "District") is an independent special tax district, consisting of defined portions of Broward County, Florida as created by Chapter 57-1183 Laws of Florida, Acts of 1957 by the Legislature of the State of Florida, as amended. This District is considered to have continuous existence unless otherwise unsettled by the Legislature, as provided by law. The District is governed by an eight member Board of Commissioners, who are appointed by various other governmental entities in accordance with the enabling legislation, and serve at the discretion of those governmental entities. The District was created to establish, construct, operate and maintain such improvements, facilities and equipment as is necessary for by-passing sand, for the maintenance of navigation and drainage at Hillsboro Inlet, which is located in northern Broward County, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The District's more significant accounting policies are described below:

Reporting entity:

In evaluating how to define the District, for basic financial reporting purposes, management has considered all potential component units. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has determined that there are no component units in determining the scope of the reporting entity for financial reporting purposes.

Financial statements - government-wide statements:

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund basic financial statement categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The net costs, by function, are also supported by general revenues and other revenue. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This government-wide focus is more on the ability to sustain the District as an entity and the change in the District's net position resulting from the current year's activities.

Financial statements - fund financial statements:

The accounts of the District are organized on the fund basis. The operations of the only fund are accounted for with separate self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

The General Fund is a major governmental fund employed in accounting for the financial activities of the District. It is a governmental fund type and is used to account for all the District's financial transactions.

Measurement focus, basis of accounting and basis of presentation:

Measurement focus refers to what is being measured and basis of accounting refers to the point at which revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available.) "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current year.

Investments:

Investments are stated at fair value, which is based on quoted market prices. Unrealized gains and losses in fair value are recognized. Certain money market investments are stated at amortized cost if they have a remaining maturity of one year or less when purchased.

Capital assets:

Capital assets, which include land and improvements, buildings, improvements other than buildings, infrastructure, and machinery and equipment are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Machinery and equipment	5-30 years
Infrastructure	15-20 years
Improvements	20-30 years

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 Government Accounting Standards Board ("GASB") Statement No. 34 encourages but does not require certain governments to retroactively report infrastructure assets. The District has elected not to retroactively report any unrecorded infrastructure that may exist.

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *deferred outflows of resources*, 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/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 District does not have any items that qualify for reporting in this category.

Net position:

Government-wide statements

Net Position is classified is classified in three categories. The general meaning of each is as follows:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – indicates that portion of net position that is available to fund future operations.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund statements

The District previously adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. In fiscal year 2014, this represents \$ 58,382.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2014, the District had no restricted balances.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Commissioners. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements are reported in this category. In fiscal year 2014, the District had no committed balances.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Commission through the Commission delegating this responsibility to the Commissioner. In fiscal year 2014, this represents \$ 1,600,000.

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. In fiscal year 2014, this represents \$ 338,498.

The District would typically use restricted fund balances first, followed by committed fund balances, and then assigned fund balances.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and budgetary accounting:

The District is required by state law to adopt an annual budget for the General Fund. The basis of accounting used to prepare the budget is not materially different from the modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to September 30 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed with the Broward County Property Appraiser's office, opened for inspection by the public, and a public hearing is held pursuant to a notice published in a newspaper circulated in Broward County.
3. A meeting of the Board of Commissioners is then called for the purpose of adopting the proposed budget.
4. Prior to October 1, the budget is legally enacted through passage of a resolution by the Board of Commissioners.

The level of control, the level at which expenditures may not exceed the budget, is at the total fund level. The District may transfer budgeted amounts within and among accounts and departments.

Encumbrances:

The District does not utilize encumbrance accounting.

Property taxes:

Real and personal property values are assessed on a county-wide basis by the Broward County Property Appraiser as of January 1 each year. Taxable value of property within the District is certified by the Property Appraiser on July 1. The District levies a property tax millage rate upon that taxable value to provide revenue required for the fiscal year beginning October 1. The amount of tax levied by the District shall not exceed one half of one mill on the assessed valuation of such real property.

Property taxes levied by the District, and all other tax authorities within the County, are centrally billed and collected by Broward County, with monthly remittance to the District for collected amounts. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month decreasing discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent amounts are sold by Broward County, with remittance to the District for its share of those receipts.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences:

Permanent full-time employees are entitled to annual leave based on years of service. An employee who has worked less than five years is entitled to ten days, an employee who has worked five through fifteen years is entitled to fifteen days, and employees who have worked fifteen years and over are entitled to twenty days. Any employee who works at least twenty hours per week is entitled to one-half of the annual leave applicable to full-time employees. Annual leave can be carried over to the following year; however, the amount of the carryover cannot exceed one year's entitlement.

Permanent full-time employees earn one sick day per month up to a total of twenty days. Employees working at least twenty hours per week earn one-half day per month. As of December 31, each year, annual leave in excess of the amount permitted to be carried over to the following year is credited to the employee's sick leave, up to the maximum sick pay accumulation limit of twenty days.

An employee who resigns or is terminated is entitled to payment of all days of accumulated annual leave. The District accrues for annual and sick leave based on anticipated use or payout. Expenditures are recorded in the Government-wide financial statements as labor expenditures are incurred. Accumulated and unpaid annual and sick leave are recorded as accrued expenses in the liability section of the Statement of Net Position. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources and only if they have matured.

Date of management review:

Subsequent events have been evaluated by management through February 24, 2015, which is the date the financial statements were available for issuance.

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash:

The District's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount and the bank balance of the District's deposits were \$ 519,767 and \$ 519,026, respectively.

Investments:

The investment of funds is authorized by Florida Statutes, which allows the District to invest in Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest bearing time deposits or saving accounts in qualified public depositories and direct obligations of the United States Treasury.

Investments as of September 30, 2014 were \$ 1,448,284, of which \$ 1,365,992 was invested in money market funds and \$ 82,292 was invested in the Local Government Surplus Trust Funds (the "State Pool").

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (continued)

Credit risk

The District has an investment policy that emphasizes the safety of principal while maintaining adequate liquidity to meet its needs. The money market funds and the LGIP are both rated AAAM Standard & Poors.

Interest rate risk:

Florida Statutes state that the investment portfolio be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. The weighted average maturity in the state investment pool portfolio may not exceed 90 days.

Concentration of credit risk:

GASB 40 requires disclosure when investments are more than 5% in any one issuer. All investments held by the District are exempt from this requirement.

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. None of the District's investments are exposed to custodial credit risk.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014 was as follows:

	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
Property and equipment:				
Machinery and equipment	\$ 3,358,295	\$ -	\$ -	\$ 3,358,295
Infrastructure	8,937	-	-	8,937
Improvements	5,443	-	-	5,443
	<u>3,372,675</u>	<u>-</u>	<u>-</u>	<u>3,372,675</u>
Accumulated depreciation:				
Machinery and equipment	1,004,230	130,965	-	1,135,195
Infrastructure	7,201	533	-	7,734
Improvements	17,288	6,545	-	23,833
	<u>1,028,719</u>	<u>138,043</u>	<u>-</u>	<u>1,166,762</u>
Net property and equipment	\$ <u>2,343,956</u>	\$ <u>(138,043)</u>	\$ <u>-</u>	\$ <u>2,205,913</u>

NOTE 5 - RETIREMENT PLAN

The District participates in the Florida Retirement System ("FRS"), a state-wide cost-sharing multiple-employer public employee retirement system ("PERS") available to governmental units within the state and administered by the State of Florida Division of Retirement, Department of Administration. All full-time employees of the District are eligible to participate in the FRS.

HILLSBORO INLET DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE 5 - RETIREMENT PLAN (continued)

The contribution requirements of covered payroll and actual contributions made for the fiscal year September 30, 2014 and the two preceding years were as follows:

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Contribution requirements			
Employer	\$ 28,012	\$ 20,144	\$ 17,276
Employee	<u>9,627</u>	<u>10,796</u>	<u>10,413</u>
Contributions made (100%)	<u>\$ 37,639</u>	<u>\$ 30,940</u>	<u>\$ 27,689</u>
Total covered payroll	<u>\$ 365,563</u>	<u>\$ 360,154</u>	<u>\$ 347,311</u>
Percent of contributions to total covered payroll	<u>10.30%</u>	<u>8.59%</u>	<u>7.97%</u>

The District does not provide any other post-retirement benefits to employees.

NOTE 6 - RISK MANAGEMENT

The District places all insurance risk, less normal deductibles, in the hands of commercial carriers.

SUPPLEMENTARY INFORMATION

HILLSBORO INLET DISTRICT
SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes:			
Ad valorem taxes - Broward County	\$ 1,068,978	\$ 1,069,131	\$ 153
Discounts - early tax payment	(37,414)	(36,353)	1,061
Commissions - tax collector	<u>(21,380)</u>	<u>(20,656)</u>	<u>724</u>
Total taxes	1,010,184	1,012,122	1,938
Investment and other income	<u>1,000</u>	<u>49</u>	<u>(951)</u>
Total revenues	<u>\$ 1,011,184</u>	<u>\$ 1,012,171</u>	<u>\$ 987</u>

HILLSBORO INLET DISTRICT
SCHEDULE OF OPERATIONAL AND ADMINISTRATIVE EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2014

	Original and Final Budget	Actual	Variance
OPERATIONAL EXPENDITURES:			
Labor	\$ 390,000	\$ 376,933	\$ 13,067
Hospital insurance	170,000	128,996	41,004
Supplies	37,000	44,335	(7,335)
Engineering services	40,000	37,012	2,988
Payroll taxes	32,694	34,800	(2,106)
Workers' compensation insurance	38,000	33,097	4,903
Liability insurance	30,000	30,134	(134)
Fuels and lubricants	37,000	29,175	7,825
Retirement plan contributions	20,000	28,416	(8,416)
Miscellaneous	7,000	13,833	(6,833)
Rent	7,356	6,392	964
Dredge repairs and materials	15,000	3,685	11,315
Dredge pipe and pontoons	1,000	1,403	(403)
Electricity	2,000	1,359	641
Telephone	1,400	1,050	350
Barge maintenance	-	427	(427)
Repair and replace workboat	5,000	-	5,000
Dredge improvements	14,314	-	14,314
	<u>847,764</u>	<u>771,047</u>	<u>76,717</u>
Total operating expenditures	<u>847,764</u>	<u>771,047</u>	<u>76,717</u>
ADMINISTRATIVE EXPENDITURES:			
Legal	55,000	43,370	11,630
Hull and equipment insurance	55,000	38,280	16,720
Accounting and audit	25,000	18,278	6,722
Property appraiser's commissions	7,070	6,583	487
Bank charges	2,000	6,110	(4,110)
Sanitation and hauling	-	5,395	(5,395)
Secretarial services	3,900	2,700	1,200
Maintenance supplies	-	2,500	(2,500)
Office supplies and postage	2,000	2,030	(30)
Environmental compliance	3,000	840	2,160
Insurance	6,000	666	5,334
Miscellaneous administrative expenditures	2,000	-	2,000
Travel	2,000	-	2,000
Commissioners bonds	450	-	450
	<u>163,420</u>	<u>126,752</u>	<u>36,668</u>
Total administrative expenditures	<u>163,420</u>	<u>126,752</u>	<u>36,668</u>
Total expenditures	<u>\$ 1,011,184</u>	<u>\$ 897,799</u>	<u>\$ 113,385</u>

COMPLIANCE SECTION

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*

To the Commissioners
Hillsboro Inlet District
Hillsboro Beach, 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 financial statements of the governmental activities and general fund of Hillsboro Inlet District (the "District"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.


KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 24, 2015

INDEPENDENT AUDITOR'S REPORT TO DISTRICT MANAGEMENT

To the Commissioners
Hillsboro Inlet District
Hillsboro Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Hillsboro Inlet District ("the District"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 24, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 name or official title and legal authority of the District is disclosed in the notes to the financial statements. The District has no component units.

Financial Condition

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

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

Annual Financial Report

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

Other Matters

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

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

Purpose of This Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 24, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES

To the Commissioners
Hillsboro Inlet District
Hillsboro Beach, Florida

We have examined the Hillsboro Inlet District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

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

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 24, 2015