

**BOLLES DRAINAGE DISTRICT**

**Annual Financial Report**

**September 30, 2009**

BOLLES DRAINAGE DISTRICT

September 30, 2009

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**INDEPENDENT AUDITORS' REPORT**

Board of Supervisors  
Bolles Drainage District  
Clewiston, Florida

We have audited the accompanying financial statements of the governmental activities and the fund information of Bolles Drainage District as of and for the year ended September 30, 2009, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of Bolles Drainage District as of September 30, 2009, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund 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 our report dated September 28, 2010, on our consideration of Bolles Drainage District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Boyd, Miller, Hucker & Perry, PA*

September 28, 2010

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

The Management of Bolles Drainage District would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities during the fiscal year that ended on September 30, 2009. We encourage readers to consider the information presented in this discussion and analysis in conjunction with the District's financial statements, which follow this section.

This District is governed by a three member Board of Supervisors. The Board members are elected by the landowners of the District for three year terms. This District has entered into an informal interlocal agreement with two other districts to provide for the administration of the District's operation under the control of the Board of Supervisors.

### **FINANCIAL AND DISTRICT HIGHLIGHTS**

#### Financial Highlights

- The assets of the District exceeded its liabilities at the end of the fiscal year ended September 30, 2009 by \$190,091. Of this amount, \$134,616 (unrestricted net assets) may be used to meet the District's ongoing operations.
- The District's total net assets increased by \$6,546.
- The District's total revenue (on an accrual basis) was \$128,175 for the year ended September 30, 2009.
- Total expenses for all of the District's activities were \$121,629 for the year.

#### District Highlights

- The District made advances totaling \$118,000 to another local drainage district which allows the District to earn interest on the advances.
- The District experienced an increase in the operating expenses of the water control facilities of forty-three percent compared to the prior fiscal year.
- The District commenced a process of obtaining their Water Use Permit from South Florida Water Management District. The District incurred fees and costs of \$7,600.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is intended to serve as an introduction to Bolles Drainage District's basic financial statements. The District's annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements themselves consist of three components: government-wide financial data, fund financial data and notes to the financial statements. The District is a special-purpose local government engaged in a single governmental program. The District is allowed to present their fund financial data and their government-wide financial data combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. These statements present different views of the District:

- The last column of the statements is government-wide financial data that provide both long-term and short-term information about the District's overall financial status.
- The fund financial data focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide data.

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences between government-wide activities (reported in the statement of new assets and the statement of activities) and governmental funds are reconciled in a footnote to the financial statements.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Assets exceeded liabilities by \$190,091 for the fiscal year ended September 30, 2009. The largest assets include an advance to another water control district and capital assets (water control systems, fixed assets, etc.), approximately (59%) and (28%) of the District's total assets respectively.

The District uses capital assets to provide services to its landowners. Accordingly, these assets are not available for future spending. The remaining unrestricted net assets (\$134,616) may be used to meet the District's ongoing operations.

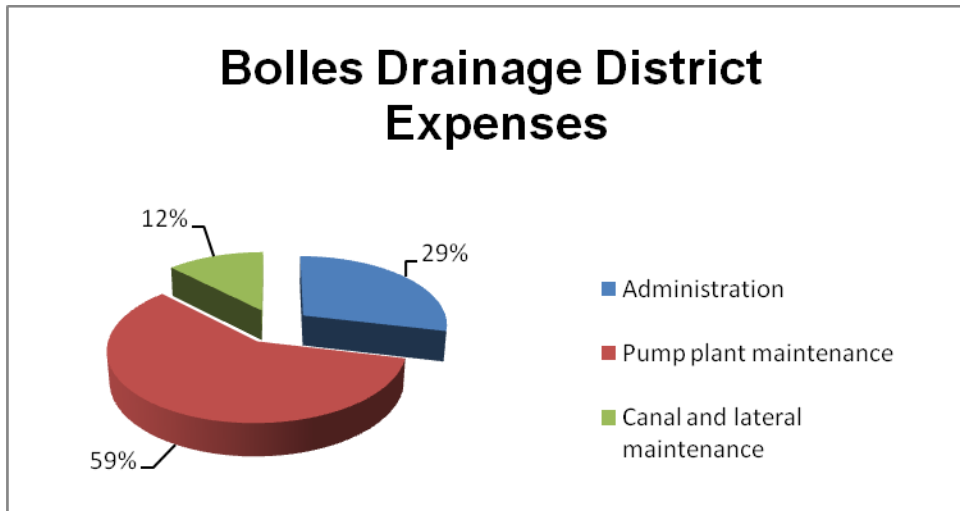
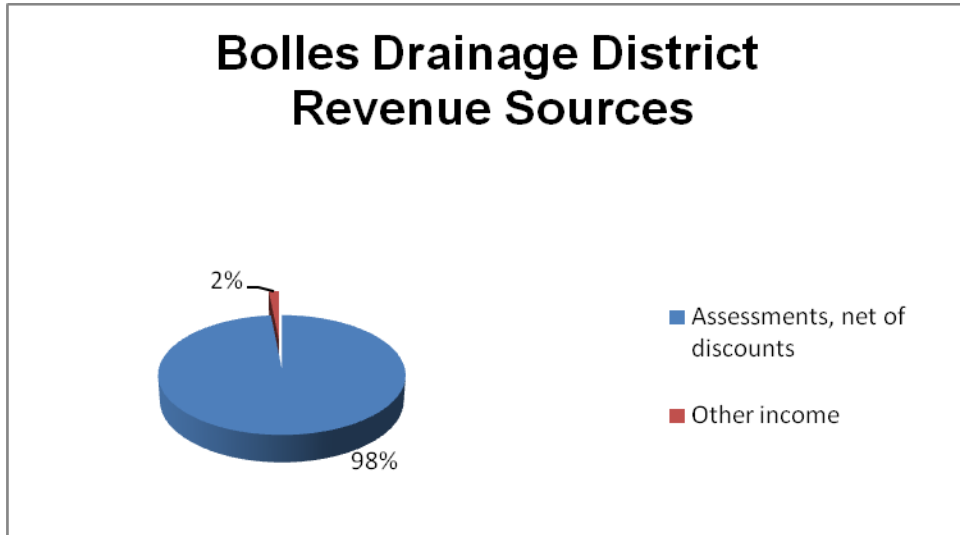
The following table highlights the net assets as of September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Receivables	\$ 118,559	\$ 57,356
Prepaid insurance	1,615	1,664
Cash and investments	25,077	66,808
Capital assets	<u>55,475</u>	<u>62,867</u>
Total assets	<u>200,726</u>	<u>188,695</u>
Current liabilities	<u>10,635</u>	<u>5,150</u>
Total liabilities	<u>10,635</u>	<u>5,150</u>
Net assets		
Invested in capital assets, net of related debt	55,475	62,867
Unrestricted	<u>134,616</u>	<u>120,678</u>
Total net assets	<u>\$ 190,091</u>	<u>\$ 183,545</u>

The following table highlights the changes in net assets for the year ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Revenues		
General revenues		
Special assessments	\$ 126,195	\$ 75,640
Investment earnings	<u>1,980</u>	<u>7,582</u>
Total revenues	<u>128,175</u>	<u>83,222</u>
Program expenses		
Physical environment	<u>121,629</u>	<u>83,936</u>
Increase (decrease) in net assets	6,546	(714)
Net assets, October 1,	<u>183,545</u>	<u>184,259</u>
Net assets, September 30,	<u>\$ 190,091</u>	<u>\$ 183,545</u>

The following graphs present the sources of revenue and expenses for the fiscal year ended September 30, 2009:



#### **BUDGETARY HIGHLIGHTS**

The District adopted the fiscal year 2008/2009 budget on June 10, 2008 with the assessment rate increased by 66% from FY 2008. Total expenditures budgeted for the fiscal year ended September 30, 2009 was \$146,675. Total revenue budgeted was \$121,803.

Total actual expenditures were \$32,438 below budgeted expenditures. This was mainly due to the following:

- The operating expenditures were not incurred at budgeted levels.

Total actual revenues were \$6,372 above budgeted revenue. This was mainly due to the collection of interest.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

At the beginning of the fiscal year ended September 30, 2009, the District had \$486,422 invested in a broad range of capital assets. During the fiscal year, the District did not make any purchases of capital assets.

The following table summarizes the District's capital assets, net of accumulated depreciation, for the year ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Canals and laterals	\$ 328,384	\$ 328,384
Culverts and roads	46,155	46,155
Machinery and equipment	111,883	111,883
Accumulated depreciation	<u>(430,947)</u>	<u>(423,555)</u>
Total capital assets, September 30,	<u>\$ 55,475</u>	<u>\$ 62,867</u>

### Debt

The following table presents the District's total outstanding debt for the fiscal year ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Accounts payable	<u>\$ 10,635</u>	<u>\$ 5,150</u>
Total outstanding debt September 30,	<u>\$ 10,635</u>	<u>\$ 5,150</u>

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Bookkeeper Betty Camplin, P.O. Box 1685; Clewiston, Florida 33440, Telephone (863) 228-0400.

BOLLES DRAINAGE DISTRICT  
Statement of Net Assets and  
Governmental Funds Balance Sheet  
September 30, 2009

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash	\$ 1,192	\$ -	\$ 1,192
Investments	23,885	-	23,885
Due from other governments	559	-	559
Advances to other government	118,000	-	118,000
Prepaid insurance	1,615	-	1,615
Capital assets, net of accumulated depreciation	<u>-</u>	<u>55,475</u>	<u>55,475</u>
<b>Total assets</b>	<u>\$ 145,251</u>	<u>55,475</u>	<u>200,726</u>
<b>Liabilities</b>			
Accounts payable	<u>\$ 10,635</u>	<u>-</u>	<u>10,635</u>
<b>Total liabilities</b>	<u>10,635</u>	<u>-</u>	<u>10,635</u>
<b>Fund balance / net assets</b>			
Fund balance			
Reserved for prepaid items	1,615	(1,615)	-
Reserved for advances	118,000	(118,000)	-
Unreserved			
Undesignated	<u>15,001</u>	<u>(15,001)</u>	<u>-</u>
<b>Total fund balance</b>	<u>134,616</u>	<u>(134,616)</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 145,251</u>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		55,475	55,475
Unrestricted		<u>134,616</u>	<u>134,616</u>
<b>Total net assets</b>		<u>\$ 190,091</u>	<u>\$ 190,091</u>

See accompanying notes.

BOLLES DRAINAGE DISTRICT  
Statement of Activities and Governmental  
Fund Revenues, Expenditures, and  
Changes in Fund Balance  
For the Year Ended September 30, 2009

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Activities</u>
Expenditures / expenses			
Physical environment			
Administration			
Water Use Permits fees and costs	\$ 7,600	\$ -	\$ 7,600
Insurance	6,659	-	6,659
Accounting fees	4,775	-	4,775
Audit fees	2,725	-	2,725
Water sampling	2,700	-	2,700
Assessing and collection fees	2,492	-	2,492
Engineering fees	2,420	-	2,420
Payroll taxes	2,142	-	2,142
Office supplies and miscellaneous	926	-	926
Other fees	175	-	175
Legal advertising	158	-	158
Pump plant maintenance			
Fuel and power	32,124	-	32,124
Salaries	20,100	-	20,100
Materials and supplies	15,126	-	15,126
Canal and lateral maintenance			
Materials and supplies	14,115	-	14,115
Depreciation	<u>-</u>	<u>7,392</u>	<u>7,392</u>
Total expenditures/expenses	<u>114,237</u>	<u>7,392</u>	<u>121,629</u>
General revenues			
Assessments, net of discounts	126,195	-	126,195
Interest income	1,970	-	1,970
Miscellaneous income	<u>10</u>	<u>-</u>	<u>10</u>
Total general revenues	<u>128,175</u>	<u>-</u>	<u>128,175</u>
Excess of revenues over expenditures	13,938	(13,938)	-
Change in net assets	-	6,546	6,546
Fund balance/net assets			
Beginning of year	<u>120,678</u>	<u>62,867</u>	<u>183,545</u>
End of year	<u>\$ 134,616</u>	<u>\$ 55,475</u>	<u>\$ 190,091</u>

See accompanying notes.

BOLLES DRAINAGE DISTRICT  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Assessments, net of discounts	\$ 121,803	\$ 121,803	\$ 126,195	\$ 4,392
Interest income	-	-	1,970	1,970
Miscellaneous income	-	-	10	10
	<u>121,803</u>	<u>121,803</u>	<u>128,175</u>	<u>6,372</u>
Total revenues				
Expenditures				
Physical environment				
Administration				
Application fees	5,000	7,600	7,600	-
Insurance	7,200	8,625	6,659	1,966
Accounting fees	4,800	4,800	4,775	25
Audit fees	2,800	2,700	2,725	(25)
Water sampling	3,500	3,500	2,700	800
Assessing and collection fees	2,435	2,446	2,492	(46)
Engineering fees	2,700	2,700	2,420	280
Payroll taxes	1,908	2,158	2,142	16
Office supplies and miscellaneous	224	1,025	926	99
Other fees	175	175	175	-
Legal advertising	160	160	158	2
Legal fees	3,600	3,600	-	3,600
Pump plant maintenance				
Fuel and power	42,696	42,696	32,124	10,572
Salaries	20,100	20,100	20,100	-
Material and supplies	14,388	12,640	15,126	(2,486)
Canal and lateral maintenance				
Material and supplies	10,625	10,150	14,115	(3,965)
Capital outlay	35,000	21,600	-	21,600
	<u>157,311</u>	<u>146,675</u>	<u>114,237</u>	<u>32,438</u>
Total expenditures				
Excess of revenues over (under) expenditures	\$ (35,508)	\$ (24,872)	13,938	\$ 38,810
Fund balance, beginning of year			<u>120,678</u>	
Fund balance, end of year			<u>\$ 134,616</u>	

See accompanying notes.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

The accounting methods and procedures adopted by Bolles Drainage District conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the District's Annual Financial Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Bolles Drainage District was created by a Circuit Court Decree, 12th Judicial Circuit, dated July 26, 1963.

Bolles Drainage District is an independent special district created pursuant to the method authorized in Chapter 298 of the Florida Statutes. The District is governed by a three-member Board of Supervisors elected by the landowners of the District. The Board administers the policies emanating from its statutory powers and authority.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement include the following:

The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

- Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure (roads, bridges, etc.).

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement all of the provisions of the Statement.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

Government Accounting Standards Board (GASB) Statement 14 entitled "The Financial Reporting Entity" establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the District has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the Supervisors that would be considered component units to be included in the financial statements of the District.

Basic 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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's drainage activities and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions and activities. The functions are also supported by general government revenues (special assessments). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the District's functions and activities.

The District is a special-purpose government engaged in a single governmental program. The District is allowed to present their fund financial data and their government-wide financial data combined, using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The following fund types are used by the District:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

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.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental activities in the governmental-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Investments

Investments are stated at cost, which approximates market.

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Buildings	15 - 30 years
Machinery and equipment	5 - 10 years
Improvements	10 - 20 years
General infrastructure	10 - 40 years

GASB Statement No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, canals and pumping stations. These infrastructure assets are likely to be the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District is classified as a Phase 3 Government in accordance with the definitions contained in GASB 34. A Phase 3 Government is not required to report their major general infrastructure assets retroactively. The District elected to report their general infrastructure assets on a prospective basis.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

Substantially all governmental fund revenues are accrued. Assessments are billed and collected within the same period in which the taxes are levied. Subsidies and grants which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported for governmental activities in the period the inventory items are used, rather than in the period purchased.

Capitalization Policy

The capitalization policy of the District is to capitalize all assets with a cost of \$750 or more with an expected life of one year or more.

Budgets and Budgetary Accounting

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

1. During June, the Chairman submits to the Board of Supervisors a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A landowners' hearing is held to obtain comments.
3. Subsequent to the landowners' meeting the Board legally adopts the budget.
4. All budget changes must be approved by the Board of Supervisors.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
6. Total budgeted amounts reflect all amendments approved by the Board of Supervisors. Line item changes made during the year were approved by the Board of Supervisors.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed in the District's accounting system.

NOTE 2 - CASH AND INVESTMENTS

Cash

At year end, the District's cash consisted of a noninterest-bearing bank account, which was entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer by financial institutions which comply with the requirements of Florida Statutes and have been designated as qualified public depositories by the State Treasurer.

Investments

During the year, investments consisted of an interest-bearing bank account. These funds were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer.

The District's investments, as of September 30, 2009, are categorized as either (1) insured or registered for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the District's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

	<b>Categories</b>			<b>Carrying Amount</b>	<b>Market Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
Interest-bearing bank accounts	<u>\$ 23,885</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 23,885</u>	<u>\$ 23,885</u>

Florida Statutes, Chapter 218.345, authorizes the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Treasurer; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under Federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its district banks, or obligations guaranteed by the Government National Mortgage Association; securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Act of 1940, provided the portfolio is limited to United States Government obligations.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

**NOTE 3 - ASSESSMENTS**

The assessment levy of the District is established by the Board of Supervisors and becomes an enforceable lien on the property on January 1 of the following year. On June 10, 2008, the District levied an assessment of \$10.00 per acre for the fiscal year ended September 30, 2009.

All assessments, which become an enforceable lien on the property as of January 1, are due and payable on November 1 of each year or as soon thereafter as the tax roll is delivered to the county tax collector. All unpaid assessments become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The assessments paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates become the property of the District earning interest at a rate of 18% per year.

**NOTE 4 - CAPITAL ASSETS**

**Schedule of Changes in Capital Assets**

	<b>Balance October 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2009</b>
Canals and laterals	\$328,384	\$ -	\$ -	\$328,384
Culverts	45,830	-	-	45,830
Machinery and equipment	111,883	-	-	111,883
Roads	<u>325</u>	<u>-</u>	<u>-</u>	<u>325</u>
	486,422	-	-	486,422
Less accumulated depreciation	<u>423,555</u>	<u>7,392</u>	-	<u>430,947</u>
	<u>\$ 62,867</u>	<u>\$ (7,392)</u>	<u>\$ -</u>	<u>\$ 55,475</u>

**NOTE 5 - FUND BALANCE/NET ASSETS**

Reservations of the fund balance of the District are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures. A specific reservation of the fund balance is as follows:

**Reserved for Prepaid Items**

This reserve was created to represent the portion of the fund balance that is not available for expenditures because the District expects to use these resources within the next budgetary period.

BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 5 - FUND BALANCE/NET ASSETS (continued)

Reserved for Advances

This reserve was created to represent the portion of the fund balance that has been advanced to other governments.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; and injuries to employees. The District has obtained commercial insurance to cover the various risks. The amount of liability insurance coverage is \$1 million per occurrence and \$2 million in the aggregate.

NOTE 7 - FINANCIAL STATEMENT RECONCILIATIONS

The reconciliations of the Government-wide Financial Statements with the Governmental Fund Financial Statements are as follows:

Statement of Net Assets and Governmental Fund Balance Sheet

Total fund balance - governmental fund balance	\$134,616
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>55,475</u>
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Net assets of governmental activities	<u>\$190,091</u>
---------------------------------------	------------------

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

Net change in fund balance	\$ 13,938
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	<u>(7,392)</u>
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Change in net assets	<u>\$ 6,546</u>
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BOLLES DRAINAGE DISTRICT  
Notes to Financial Statements  
September 30, 2009

NOTE 8 - OVER EXPENDITURES

At September 30, 2009, the following items had expenditures exceeding their budgeted amounts:

<u>Expenditure type</u>	<u>Over expenditure</u>
Physical environment	
Administration	
Audit fees	\$ 25
Assessing and collection fees	46
Pump plant maintenance	
Materials and supplies	2,486
Canal and lateral maintenance	
Materials and supplies	3,965

NOTE 9 - ADVANCES TO OTHER GOVERNMENT

The District made an unsecured demand loan in the amount of \$118,000 to another local government. The loan bears interest at 1% over the rate paid on deposits with the Local Government Surplus Trust Fund.

**BOY, MILLER, KISKER & PERRY, P.A.**  
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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Supervisors  
Bolles Drainage District  
Clewiston, Florida

We have audited the financial statements of the governmental activities and the fund information of Bolles Drainage District, as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bolles Drainage District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Bolles Drainage District's financial statements that is more than inconsequential will not be prevented or detected by Bolles Drainage District's internal control. We consider the deficiency described in the following paragraph to be a significant deficiency in internal control over financial reporting.

#### PRIOR YEAR COMMENT WHICH CONTINUES TO APPLY

##### Statement on Accounting Standards Number 112

Statement on Auditing Standards Number 112 requires the auditor to determine if Bolles Drainage District is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. We have determined that Bolles Drainage District does not currently have the professional personnel needed to meet the requirements of Statement on Auditing Standards Number 112.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Bolles Drainage District's internal control.

Our consideration of the internal control over financial accounting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

##### Compliance and Other Matters

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

Bolles Drainage District's response to the findings identified in our audit is described in the accompanying auditee's response to auditors' reports and management letter. We did not audit Bolles Drainage District's response, and, accordingly, we express no opinion on it.

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

Respectfully submitted,

*Boyer, Miller, Kiker & Henry, PA*  
September 28, 2010

**BOY, MILLER, KISKER & PERRY, P.A.**  
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**INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Board of Supervisors  
Bolles Drainage District  
Clewiston, Florida

We have audited the financial statements of Bolles Drainage District, whose headquarters is located in Clewiston, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated September 28, 2010.

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. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated September 28, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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 auditors' reports:

The Rules of the Auditor General (Section 10.554(1)(i)1.) require 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 recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.), the scope of our audit included 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 Bolles Drainage District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3.) require 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.

The Rules of the Auditor General (Section 10.554(1)(i)4.) require that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material, but more than inconsequential. In connection with our audit, we did not have any such findings.

The Rules of the Auditor General (Sections 10.554(1)(i)5.) require disclosure in the management letter, if not already addressed in the auditors' report on compliance and on internal controls, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Bolles Drainage District was created by a Circuit Court Decree, 12th Judicial Circuit, dated July 26, 1963. There are no other entities that are considered to be component units requiring disclosure in the financial statements of Bolles Drainage District.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that Bolles Drainage District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for Bolles Drainage District for the fiscal year ended September 30, 2009, 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, 2009.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.c.) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor Bolles Drainage 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.

This management letter is intended solely for the information of Bolles Drainage District and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Boyd Miller, Kuter & Perry, PA*  
September 28, 2010

**BOLLES DRAINAGE DISTRICT**  
**P.O. Box 1685**  
**Clewiston, Florida 33440**

September 29, 2010

**AUDITEE'S RESPONSE TO AUDITORS'  
REPORTS AND MANAGEMENT LETTER**

David W. Martin, CPA  
Auditor General  
State of Florida

Re: Fiscal Year 2008-2009

Dear Mr. Martin:

The Rules of the Auditor General (Section 10.558(1)) require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited in the auditors' report and management letter.

**AUDITORS' COMMENT CONTAINED IN THE REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**Statement on Auditing Standards Number 112**

The District has determined that it is not economically feasible to comply with the requirements of Statement on Auditing Standards Number 112 (Statement). The District is a small governmental entity with limited financial resources. The District possesses the business and operational acumen to detect any material misstatements in their financial records. If the District employed an individual with the knowledge required by the Statement, the financial cost incurred would exceed the benefit.

Sincerely,

A handwritten signature in black ink, appearing to be 'D. Martin', written over a horizontal line.

Bolles Drainage District