

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
REPORTS REQUIRED BY OMB CIRCULAR A-133  
AND THE STATE OF FLORIDA SINGLE AUDIT ACT  
SEPTEMBER 30, 2007**

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**TABLE OF CONTENTS**

	<b>PAGE(S)</b>
Independent Accountants' Report On Internal Control Over Financial Reporting And On Compliance Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	1
Independent Accountants' Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 And Chapter 10.550 Rules Of The Auditor General.....	2-3
Schedule of Findings and Questioned Costs Federal Programs and State Projects .....	4-7
Schedule of Expenditures of Federal Awards and State Projects.....	8-9
Notes to the Schedule of Expenditures of Federal Awards and State Projects.....	10

**Independent Accountants' Report On Internal Control Over Financial Reporting  
And On Compliance Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards**

To the Governing Board of the  
South Florida Water Management District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Florida Water Management District (the District), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2008. 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 the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated March 14, 2008.

## **Compliance and Other Matters**

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

This report is intended solely for the information and use of the governing board of the District, management, federal, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 14, 2008

**Independent Accountants' Report On Compliance With Requirements Applicable To Each Major Program And State Project On Internal Control Over Compliance In Accordance With OMB Circular A-133 And Chapter 10.550, Rules Of The Auditor General**

To the Governing Board of the  
South Florida Water Management District

**Compliance**

We have audited the compliance of the South Florida Water Management District (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The District's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and major state projects is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and major state projects for the year ended September 30, 2007.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the

effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over compliance that is described in the accompanying schedule of findings and questioned costs.

The District's response to the finding identified in the prior year audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

#### **Schedule of Expenditures Of Federal Awards And State Projects**

We have audited the financial statements of the South Florida Water Management District (the District), as of and for the year ended September 30, 2007, and have issued our report thereon dated March 14, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations and Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the governing board of the District, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 14, 2008

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

**Type of auditor's report issued:**

Internal control over financial reporting:

**Unqualified Opinion**

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

***Federal Program***

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs:

**Unqualified Opinion**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

Identification of major programs:

***CFDA Numbers***

***Name of Federal Program or Cluster***

97.039	U.S. Department of Homeland Security – Hazard Mitigation Projects
97.036	U.S. Department of Homeland Security - Hurricane Disaster Relief

Dollar threshold used to distinguish between type A and type B programs:

\$495,000

Auditee qualified as low-risk auditee?

Yes  No

\*CFDA number was not available.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**Section I - Summary of Auditor's Results (cont'd)**

***State Projects***

Internal control over major projects:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major projects: **Unqualified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550 "Rules of the Auditor General?"  Yes  No

Identification of major projects:

<b><i>CSFA Numbers</i></b>	<b><i>Name of State Projects</i></b>
37.022	Water Management District – Land Acquisition
37.039	Surface Water Restoration and Wastewater Projects
37.066	Water Protection and Sustainability Program

Dollar threshold used to distinguish between type A and type B projects: \$4,629,000

**Section II - Financial Statement Findings Current Year**

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Section III - Federal Awards and State Projects Current Year Finding and Questioned Costs**

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Section IV - Financial Statement Findings Prior Year**

There were no prior year findings related to the financial statements.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**Section V - Federal Awards and State Projects Prior Year Finding and Questioned Costs**

**Finding 06-1 – Federal and State Grantor Quarterly Reports**

**Questioned Costs:** None noted.

**Criteria**

Federal and state grant agreements require that quarterly reports be submitted by certain dates specified in the grant agreements.

**Condition**

Quarterly progress reports were not submitted by the due date specified in the grant agreement during fiscal year 2007.

**Effect**

Noncompliance with the grantor requirement of timely submission of quarterly reports could result in disallowed costs and the loss of future funding.

**Current Year Status**

During fiscal year 2007, the District did not submit the required quarterly progress reports pursuant to program rules for the FEMA Hazardous Mitigation Grant (Catalog of Federal Domestic Assistance Number 97.039) was submitted to the grantor agency. We reviewed a sample of ten quarterly interest income reports for three grants related to the Surface Water and Wastewater Project (Catalog of State Financial Assistance Number 37.039) and noted that the ten reports were submitted to the grantor agency between one to fourteen days past the due date, with five of the reports being submitted five days or more past the due date.

**Recommendation**

Reports should be submitted to the grantor agencies within the required reporting period or an extension of time should be requested from the grantor agency.

**Management Response**

Management acknowledges that certain Federal Grantor Quarterly Reports were not submitted in a timely manner.

Accounting is developing a process which will notify the District's project managers of their reporting requirements. The process will include a database to track the grants, when the reports are due and include a follow-up process by the Grant Compliance Officer. The Grant Compliance Officer will provide a quarterly report to the Director of Finance showing all delinquencies.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>I. Cash Federal Financial Assistance</b>			
<b><u>US Department of Interior</u></b>			
Everglades Watershed Restoration-Program Income	*	LWCF-1	\$ 143,971
Tailisman-Program Income	*	FB-4	1,204,939
Frog Pond-Program Income		L2	215
<b>Subtotal</b>			<u>1,349,125</u>
<b><u>US Department of Agriculture</u></b>			
TAME	10.001	58-6629-2-204	327,378
WRP Restn Cost Share Agrmt For Allapattah Ranch East	10.072		619,328
WRP Restoration Cost Share Agreement For Steele Ranch	10.072		20,416
WRP Restn Cost Share Agrmt For Allapattah Ranch West	10.072		51,843
NRCS hurricane debris removal - Wilma	*	69-4209-6-1653	5,858,796
NRCS North Folk Coral Gables Canal Repair	*	69-4209-6-1670	1,010,270
<b>Subtotal</b>			<u>7,888,031</u>
<b><u>US Department of Homeland Security</u></b>			
Pass-through State of Florida Department of Community Affairs			
C4 Dredging--A&E and Land costs	97.039	04HM-M5-13-00-15-011	3,767,112
FEMA Mapping Modernization: Palm Beach County	97.045	EMA-2004-CA-5023	182,605
FEMA Map Modernization Mgmt Support	97.070	EMA-2005-CA-5230	35,313
FEMA Map Modernization Mgmt Support	97.045	EMA-2004-CA-5243	88,717
FEMA Cooperative Technical Partners: Highlands County	97.045	EMA-2005-CA-5612	8,090
FEMA/DCA -Hurricane Charlie	97.036	FEMA-1539-DR-FL	28,704
FEMA/DCA -Hurricane Francis	97.036	FEMA-1545-DR-FL	1,885,128
FEMA/DCA -Hurricane Jeanne	97.036	FEMA-1561-DR-FL	2,113
FEMA/DCA - Hurricane Wilma	97.036	FEMA-1609-DR-FL	1,592,960
Subtotal			<u>7,590,742</u>
<b>Total Cash Federal Financial Assistance</b>			<u>\$ 16,827,898</u>
<b>II. Non-Cash Federal Financial Assistance</b>			
<b><u>US Army Corps of Engineers</u></b>			
Cost Sharing Projects	*	Various	<u>\$ 1,959,710</u>

\*CFDA number was not available.

See accompanying notes to Schedule of Expenditures of Federal Awards and State Projects.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>CSFA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>III. State Financial Assistance</b>			
<b><u>Department of Transportation</u></b>			
Excess Toll Revenue	55.025		\$ 959,986
ETDM BDH68			13,355
Subtotal			<u>973,341</u>
<b><u>Department of Environmental Protection</u></b>			
<b>Water Management District - Land Acquisition</b>			
Save Our Everglades Trust Fund - Land	37.022	SOETF	74,218,481
Cost of Bonds	37.022	WMLTF	7,012,876
Florida Forever	37.022	FFTF	4,953,070
Subtotal			<u>86,184,427</u>
<b>Surface Water Restoration and Wastewater Projects</b>			
Water Protection Sustainability Trust Fund	37.066	WPSTF06	2,020,772
Alternative Water Supply Projects	37.066	AWS06	3,777,984
Alternative Water Supply Projects	37.066	AWS07	14,980,924
Various Surface Water Rest. & Waste Water Projects	37.039	SP455	31,599
Various Surface Water Rest. & Waste Water Projects	37.039	SFSWP1	287,754
Various Surface Water Rest. & Waste Water Projects	37.039	SFSWP2	452,345
Various Surface Water Rest. & Waste Water Projects	37.039	SFW31	1,502,205
Various Surface Water Rest. & Waste Water Projects	37.039	SFW51	5,082,594
Various Surface Water Rest. & Waste Water Projects	37.039	SFW61	4,257,427
Various Surface Water Rest. & Waste Water Projects	37.039	SFW71	5,447,435
Various Surface Water Rest. & Waste Water Projects	37.039	SFW51	45,327
Various Surface Water Rest. & Waste Water Projects	37.039	SFSWP1	1,751,566
Various Surface Water Rest. & Waste Water Projects	37.039	SFW31	5,401,421
Various Surface Water Rest. & Waste Water Projects	37.039	SFW61	622,142
Various Surface Water Rest. & Waste Water Projects	37.039	SFW71	1,115,862
Lake Okeechobee Fast Track	37.039	LP6120	3,446,305
Subtotal			<u>50,223,662</u>
<b>Water Management District Operations</b>			
Management Expenditures & Capital Improvements on SOR Lands	37.037	WMLTF	<u>15,990,677</u>
<b><u>FL. Department of Motor Vehicles</u></b>			
Everglades License Tag	76.013	Everglades License	186,695
Indian River Lagoon Tag	76.010	IRL License Plate	182,609
Subtotal			<u>369,304</u>
<b><u>FI Department of Agricultural Services</u></b>			
Lake Okeechobee Phosphorus Source Control Grant Program	42.017	012908	225,000
USGS Sub-Basin Monitoring Network - LO Watershed Project	42.017	11502	101,610
Taylor Creek Algae Turf Scrubber	42.017	012960	330,000
Raulerson Ranch	42.017	011813	267,853
Indiantown Citrus Growers Association	42.017		<u>267,853</u>
Subtotal			<u>924,463</u>
<b><u>FI Fish and Wildlife Conservation Commission</u></b>			
Eagle Bay Marsh Restoration - Muck	77.016	06258	498,642
Northwest Marsh Restoration - Muck	77.016	07005	1,979,906
Three Lakes Wildlife Mgmt	77.016	06217	124,454
Three Lakes Wildlife Mgmt	77.016	5259	27,882
Subtotal			<u>2,630,884</u>
<b>Total State Financial Assistance</b>			<u>\$ 157,296,758</u>
<b>Total Financial Assistance</b>			<u>\$ 176,084,366</u>

\*CSFA number was not available.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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See accompanying notes to Schedule of Expenditures of Federal Awards and State Projects.

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**General**

The accompanying Schedule of Expenditures of Federal Awards and State Projects (the Schedule) presents the activity of all federal awards and state financial assistance programs of the South Florida Water Management District for the year ended September 30, 2007. All federal awards and state financial assistance expended from federal and state agencies, and federal awards passed through other government agencies are included in the Schedule.

**Basis**

The accompanying Schedule is presented on the modified accrual basis of accounting, which is described in Note 2 to the South Florida Water Management District's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Chapter 10.550 "Rules of the Auditor General." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**Cost Sharing Project**

Prior to 1998, the District entered into various project cooperation agreements with the U.S. Army Corps of Engineers (COE) for various projects. The projects range from Everglades Restoration feasibility studies to canal and pump station construction and repair. The programs are typically long-term in nature and often span several years. The terms of the cooperative agreements require the District to provide matching expenditures ranging from 12.8% to 50% of the total project cost. For some of the agreements, the District is allowed to provide half of the match through in-kind contributions. These in-kind contributions generally consist of personnel-related costs, such as engineering services provided by District employees.

At the beginning of each fiscal year, COE notifies the District of the anticipated cash contributions. Because the COE is responsible for administering the projects, the District's role is primarily to provide the monetary and in-kind matching requirements. District transfers are made via deposits into an escrow account. Contracts awarded through COE and the related expenditure documentation are not submitted to the District. Rather, supporting documentation for all related transactions is maintained by COE, as expenditures do not require the pre-approval of the District.

The amount reported as non-cash federal financial assistance on the Schedule of Expenditures of Federal Awards and State Financial Assistance is the District's share of expenditures during the fiscal year reported by COE to the District.