

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

We have audited the financial statements of the business-type activities and the major fund of Withlacoochee Regional Water Supply Authority (the Authority), for the year ended September 30, 2013, and have issued our report thereon dated February 4, 2014. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, *Rules of the Auditor General*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 26, 2005, and communications letter dated November 22, 2013. Professional standards also require that we communicate to you the following information related to our audit:

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Adoption of New Accounting Standards*

As described in Note 1 to the financial statements, during the fiscal year ending September 30, 2013, the Authority adopted the following new accounting standards:

- Government Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard codifies all sources of generally accepted accounting principles for entities that follow governmental standards in one place.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed.

*Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

**Certified Public Accountants**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
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To the Governing Board  
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**Qualitative Aspects of Accounting Practices (Concluded)**

*Accounting Estimates (Concluded)*

- Management's estimate of depreciation expense is based on original judgments of useful lives and straight-line depreciation. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in aggregate.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 4, 2014.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Governing Board and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

February 4, 2014  
Ocala, Florida

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**WITHLACOOCHEE REGIONAL  
WATER SUPPLY AUTHORITY  
LECANTO, FLORIDA**

**SEPTEMBER 30, 2013**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**WITHLACOOCHEE REGIONAL  
WATER SUPPLY AUTHORITY  
LECANTO, FLORIDA**

**SEPTEMBER 30, 2013**

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**INDEPENDENT AUDITORS' REPORT**

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

We have audited the accompanying financial statements of the business-type activities and the major fund of Withlacoochee Regional Water Supply Authority (the Authority), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority'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 the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' 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 of material misstatement.

An audit includes 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 Authority'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 Authority'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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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To the Governing Board  
Withlacoochee Regional Water  
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Lecanto, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Authority, as of September 30, 2013, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3 through 8, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 a report dated February 4, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of this 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* in considering the Authority's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Authority's 2012 financial statements, and our report dated January 31, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein, as of and for the year ended September 30, 2012, is consistent in all material respects, with the audited financial statements from which it has been derived.

*Purvis, Gray and Company, LLP*

February 4, 2014  
Ocala, Florida

## **MANAGEMENT DISCUSSION AND ANALYSIS 2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT**

This management discussion and analysis of the Withlacoochee Regional Water Supply Authority's (WRWSA) financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2013, as compared to September 30, 2012. The purpose of this overview is to provide readers with a comprehensive picture of the WRWSA's financial condition and results of operations. This discussion and analysis should be read in conjunction with the audited financial statements and related footnotes, as details there are not necessarily repeated in this analysis.

### **FINANCIAL HIGHLIGHTS**

- Net Position of the Authority decreased by \$122,735 or 4%. The depreciation of plant equipment at the Charles A. Black Water Supply Facility (CAB #1) comprised a significant portion of the reduction in Net Position of the Authority for the fiscal year. Cash and Investments increased slightly, by \$10,431 from \$1,540,198 at the start of the year to \$1,550,629 at the end. Expenditures decreased by \$61,760 or 9.1%. In addition, the combined operating and non-operating revenue was up by \$79,342 or 19%; and this was largely attributable to project-related revenues. Local assessment revenues were up by 1.2% as a result of a small increase in regional population.
- Operating expenses for the year were down by 9.1% or \$61,760 from expenses in FY 2011-12. The primary components were:
  - (1) A decrease of \$40,000 in the costs associated with the Consulting Executive Director. This was due to no longer having an overlap between the retiring Executive Director and the new Executive Director, as well as the reduced cost of the new Executive Director.
  - (2) General and Administrative expenses decreased by \$14,582, representing a nearly 50% decrease in this category; and
  - (3) A reduction in Water Resource Project expenses, which vary year-by-year, in the amount of \$17,496 or 6.3%, also contributed to the overall reduction in Operating expenses.
- Revenues to the Authority consist of annual assessments of \$0.19 per capita, revenue from the Authority's contract with Citrus County consisting of an amortization fee for the capital cost of the construction of CAB #1 and a surcharge for the Authority's administration of its contract with the County and its maintenance and operations review, and revenues from project cooperators. Member assessment revenues increased slightly by 1.2% or \$1,613 over the previous year. Member assessments totaled \$141,056 and represented 28.7% of the Authority's total Operating Revenues. Project revenues were \$126,263, an increase of \$82,636 from the previous fiscal year, and represented 25.7% of the Authority's total Operating Revenues. Citrus wellfield amortization and the administrative surcharge revenues remained the same. Combined, the Citrus wellfield revenues totaled \$223,587 and represented 45.5% of the Authority's total Operating Revenues.
- Net Position continues to provide the resources necessary to fund projects and continue to meet the obligations of the Authority. In particular, revenue from the contract with Citrus County provide a funding source for both local and regional water resource projects that strengthen the Authority's role as a regional water planning and supply agency and allow the Authority to positively influence development of water supply facilities in the region and conservation efforts at the local level. In addition, assessment revenue from member governments continues to assist the Authority in its regional activities and enables the Authority to represent its member governments in regional and statewide water management decision making.

### **PROGRAM HIGHLIGHTS**

Revenue from the contract with Citrus County as well as other sources has provided the resources for the Authority to support a number of special and on-going projects that increase the water supply capability of the region and are of unique benefit to the local governments that are members of the Authority. Some of these projects include:

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**1. Joint Funding of Water Supply Projects with Member Local Governments**

The Authority Board has continued its grant program to assist local governments in improving water conservation within the region in order to extend the use of groundwater as long as possible. Since its inception in FY 1999-2000, the Authority has appropriated \$1,094,631 to local government projects in the region. During FY 2012-13, the Board appropriated \$130,000 toward local government water conservation projects. This funding continues in FY 2013-14. Proposals will be considered from any member local government in the Authority's jurisdiction. The grant program guidelines and application package may be found on the Authority's web page at [www.wrwsa.org](http://www.wrwsa.org).

**2. Residential Irrigation Evaluation Pilot Program**

The Pilot Irrigation System Evaluation was near completion by the end of fiscal year 2012-13. A total of 230 evaluations were completed. Those participants saved a total of 79,352 gallons of water per day in the year following their system evaluation. The follow-up evaluation portion of the pilot program will continue through October 2013. A final report is due to the District by January 31, 2014 with termination of the Agreement scheduled for February 28, 2014. This program was a Cooperative Funding Initiative (CFI) between the SWFWMD and the Authority, with participation from the utilities in Citrus, Hernando, Marion counties and The Villages.

The Authority entered into a second CFI agreement with the District in March 2013 and began Phase 2 of the Irrigation System Evaluation Program. Like the Pilot program, there is participation from the utilities in Citrus, Hernando and Marion counties and two development districts in The Villages. Phase 2 continues the irrigation system evaluations as part of the Authority's water conservation efforts. On-site evaluations are scheduled to be complete in FY 2013-2014.

**3. Legislative and Governmental Affairs Advocacy on Behalf of the Authority and its Member Governments**

The Authority Board, since 2002, has authorized legislative and governmental affairs advocacy year-round to promote initiatives on behalf of the Authority and its member governments and to protect the Authority's interests. Historically, the Authority has played a vital role in fine-tuning state and regional water supply planning, consumptive use permitting and water project funding programs, including "local sources first," springs protection and restoration, and the Water Protection and Sustainability Program (SB 444). Each year prior to the Legislative Session the Authority Board reviews and approves policy direction to guide our advocacy efforts. Progress reports are provided on a regular basis.

**4. Expand and Refine the "Regional Framework" Concept that will Provide the Future Infrastructure for Introduction of Alternative Water Supplies into the Region's Water Supply Systems**

The Regional Framework concept is a long-term public water supply strategy based on the knowledge that regionalization of water sources and alternative water supplies will be necessary for the region at some point in the future. During FY 2012-13 the Authority continued to work with Member Governments and other stakeholders to advance the Regional Framework concept, building upon the Master Water Supply plan recommendations completed in a prior year. The Authority continues to plan and advocate for a regional framework for long-term water supply that supports member communities and helps to manage the technical, economic, environmental, and political issues associated with timely development of long-term, sustainable water supplies. The Regional Framework concept is intended to be consensus-based and mutually beneficial to all Authority members. This effort was integrated with the RWSP update which began in FY 2012-13.



**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**5. Regional Water Supply Master Plan Update**

The Authority went through the Request for Qualifications process and selected a consultant to update its Regional Water Supply Master Plan. The Authority entered into a Cooperative Funding Agreement with the SWFWMD to jointly fund the project. A Technical Advisory Committee was formed to assist in the project. The Project includes updating demand projections and potential water sources to meet these demands through the year 2035. The Project continues into FY 2013-14.

**6. Enhanced Data Collection and Monitoring of Groundwater Resources in Northern Sumter County**

The Authority, SWFWMD and The Villages entered into a Cooperative project during FY 2008-09 to enhance data collection and monitoring in north Sumter County. The SWFWMD took the lead in implementing this project. The project was completed during FY 2012-13. This project was approved because in the past the Authority's consultants have had difficulty developing groundwater models of the north Sumter County area to assess the potential for a dispersed wellfield in that area to serve future needs of Wildwood and The Villages.

Field data was collected that is being used to update the Regional Water Supply Master Plan. The total project budget was \$100,000, with the Authority responsible for 1/3 of the cost at \$33,333. The project was completed well under budget. Results of the project appear to indicate good confinement for the upper and lower floridan aquifer system, with positive implications for future groundwater development, dependent upon additional future analysis.

**7. Analyzing Impacts of MFLs to Existing and Future Water Supply Facilities**

The Authority continued to work cooperatively with the SWFWMD and SJRWMD to understand the implications of minimum flows and levels (MFL) set on rivers, lakes, springs and the aquifer in the Withlacoochee Region and to ensure these MFLs take into consideration sound science and implications on water supply. If existing wellfields or future planned wellfields negatively impact resources such as lakes, springs or rivers when MFLs are set on those facilities, it is important for both the Authority and the impacted local government to know this as quickly as possible in order to make necessary changes to avoid those impacts.

**8. Northern District Model Expansion**

The Authority entered into a Cooperative Project with the SWFWMD, SJRWMD and Marion County to update and expand the SWFWMD's regional groundwater model encompassing the area. In the past, both the SWFWMD and SJRWMD used different modeling tools to assess the availability of groundwater in their respective areas. This resulted in concerns that using different models might be leading to different conclusions by the Districts, particularly in Marion County, which is split by the Districts' boundaries. The Districts agreed to use the SWFWMD's existing Northern District model as a base and expand its geographic extent such that all of Marion County would be included. The Authority was approached to participate in this effort and agreed to provide \$37,500 in funding towards the overall project cost of \$222,619.

**9. Continuation of Cooperation with Citrus County in Operation of the Authority's Charles A. Black Wellfield and Water Supply Facility**

The CAB Water Supply Facilities continue to operate and supply water to the Citrus County system. The Authority will continue to cooperate with Citrus County in the maintenance and permitting for the wells and the treatment facility per the operation and maintenance contract with Citrus County. The Authority continued discussions with the County about possible revisions to the contract to ensure the long-term integrity of the Authority's facilities and services.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Balance Sheet and Statements of Revenues, Expenses, and Change in Net Position provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements include all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when cash was received or disbursed. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. Accompanying footnotes provide further information related to amounts presented on the financial statements.

**Balance Sheet**

As shown in the table below, there was a reduction of 3.4% or \$121,064 in Total Assets during the 2012-2013 FY. This amount is primarily the result of depreciation of the physical plant at the CAB #1 facility. However, a significant outlay of funds each year for the Authority is through grants to local governments from Restricted Assets. The Authority provides joint participation grants to local governments as an incentive for local governments in the region to embark on water conservation programs. The Authority's funding formula provides up to 50% participation with local governments to a maximum grant of \$50,000.

<b>Assets</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Current and Other Assets	\$1,554,924	\$1,595,314	2.3%	\$40,390
Capital Assets	1,632,076	1,470,622	-10.0%	-161,454
<b>Total Assets</b>	<b>\$3,187,000</b>	<b>\$3,065,936</b>	<b>-3.4%</b>	<b>-\$121,064</b>

The Authority's Total Liabilities increased by \$1,671 or 1.5%. As Accounts Payable these amounts are relatively insignificant in that the Authority has no long-term debt. The accounts payable shown in the Balance Sheet represent the Total Liabilities of the Authority and are normal payables at the end of each month or amounts remaining to be paid for contracts ending each Fiscal Year. The ratio of Current Assets to Current Liabilities is about 14:1, which indicates a high degree of solvency for the Authority. In addition, the plant and equipment of the Authority is debt-free. Further, the Authority has a "Maintenance and Use" contract with Citrus County for the County to operate and maintain the Authority's water supply facilities, prepare and obtain all permits required for operation and to maintain a Renewal and Replacement Fund for the facility. The funds provided by Citrus County to the Authority for amortization of the facility and for an administrative surcharge continue to be sufficient to carry out the water resource projects of the Authority.

<b>Liabilities</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Operating Account A/P	\$24,096	\$16,491	-31.6%	-\$7,605
Water Resource Project Account A/P	88,102	97,378	10.5%	9,276
<b>Total Liabilities</b>	<b>\$112,198</b>	<b>\$113,869</b>	<b>1.5%</b>	<b>\$1,671</b>

Computing and reflecting net position is one way to illustrate the financial health and financial position of the Authority. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. The following table summarizes net position for the Authority for FYE 2012 and 2013 for comparison purpose.

<b>Net Position:</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Investment in Capital Assets	\$1,632,076	\$1,470,622	-9.9%	-\$161,454
Unrestricted Net Position	1,442,726	1,481,445	2.7%	38,719
<b>Total Net Position</b>	<b>\$3,074,802</b>	<b>\$2,952,067</b>	<b>-4.0%</b>	<b>-\$122,735</b>

**MANAGEMENT DISCUSSION AND ANALYSIS  
2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT  
(Continued)**

**Balance Sheet (Concluded)**

The majority of the decrease from FYE 2012 to FYE 2013 in Capital Assets is attributable to the continued depreciation of the Authority's CAB #1 water supply facility. The change in cash assets, both unrestricted and restricted, is a better indicator of the financial position of the Authority. To better balance the outflow of cash for water resource projects with revenue from the contract with Citrus County, the Authority has set its annual grant obligation to a maximum outlay of \$130,000 per year and set its match at a maximum of 50% of the project total costs with a maximum of \$50,000 to any one grantee. These measures have reduced the net decrease in assets over time.

**Statement of Revenues, Expenses and Changes in Net Position**

Revenue for the Authority is categorized into unrestricted and restricted and is derived from three sources: (1) member government per capita assessments, (2) contractual funds from Citrus County for amortization of the construction of the CAB #1 and an administrative surcharge paid to the Authority by Citrus County, and (3) project revenues for cooperatively funded projects. Member government assessments in FY 2012-13 were received from Citrus, Hernando, Marion and Sumter counties. These per capita assessments are approved each year. For FY 2012-13, the Authority and its member governments approved \$.19/per capita. All of this revenue is unrestricted and used for administration of the Authority.

Revenues from the CAB facilities are fixed by contract between Citrus County and the Authority. The monthly payment by Citrus County to the Authority is divided into "facilities recovery," based on an amortization table for the 35-year debt to the Authority and an administrative surcharge, termed "administrative recovery" that runs for 30 years from the inception of service until 2022. Pursuant to an interlocal agreement between the Authority and the SWFWMD signed in 1987, the facilities recovery revenue was restricted for use on water supply and water resource projects within the SWFWMD area. Although this agreement expired in 1999 and, therefore, the funds from CAB #1 are technically no longer required to be restricted and may be used for water supply projects as well as administration of the Authority, the Authority continues to track these funds separately. The payback of these funds by Citrus County results from a "seed grant" by SWFWMD to the Authority for the purpose of building its first regional water supply facility. The intent was for these funds to be recovered by the Authority and used for future water supply development projects. The administrative recovery revenue paid by Citrus County was increased by 5% each year beginning in 1992, reaching a maximum of \$60,000 in 2011 through 2021. These monies are unrestricted and are used primarily for administration of the Authority.

The last source of revenue during FY 2012-13 came from cooperatively funded projects, including the Pilot Irrigation Audit Water Conservation project and the Regional Water Supply Plan Update project. During FY 2012-13, the Authority received matching funds of \$67,050 for the Irrigation Audit project and \$59,213 for the Water Supply Plan Update. A comparison of revenues from FY 2011-12 and FY 2012-13 is provided in the following table:

<b>Operating Revenue</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Local Assessments (Per Capita)	\$139,443	\$141,056	1.2%	\$1,613
Citrus Wellfield Administrative Funds	60,000	60,000	0.0%	0
Citrus Wellfield Water Resource Project Funds	163,587	163,587	0.0%	0
Project Revenue	43,627	126,263	189.4%	82,636
<b>Total Operating Revenue</b>	<b>\$406,657</b>	<b>\$490,906</b>	<b>20.7%</b>	<b>\$84,249</b>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2012-2013 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Concluded)*

**Statement of Revenues, Expenses and Changes in Net Position (Concluded)**

Operating expenses for the Authority decreased by 9.1% during FY 2012-13 over FY 2011-12. The major decrease was caused primarily by no longer having the overlap of the existing Executive Director with the new Executive Director for a three month period that existed at the end of FYE 2012 and the decreased cost of the new Executive Director, various decreased administrative costs and with water supply studies. The following table provides a comparison of expenditures for FYE 2012 and 2013:

<b>Operating Expenditures</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Professional Services	\$211,685	\$181,908	-14.1%	-\$29,777
General and Administrative	29,912	15,330	-48.7%	-14,582
Water Resource Projects	276,842	259,346	-6.3%	-17,496
Depreciation	163,258	163,353	0.1%	95
<b>Total Operating Expenditures</b>	<b>\$681,697</b>	<b>\$619,937</b>	<b>-9.1%</b>	<b>-\$61,760</b>

Non-operating revenues decreased by 43.8% from the previous year, although the actual amount of money was small. The decrease was attributable to a decrease in investment rates of return for funds with the State Board of Administration.

<b>Non-Operating Revenue</b>	<b>FYE 2012</b>	<b>FYE 2013</b>	<b>% Change</b>	<b>\$ Change</b>
Interest Income – General Fund	\$4,717	\$3,331	-29.4%	-\$1,386
Unrealized Gain/(Loss) on Investments	6,486	2,965	-54.3%	-3,521
<b>Total Non-Operating Revenue</b>	<b>\$11,203</b>	<b>\$6,296</b>	<b>-43.8%</b>	<b>-\$4,907</b>

**Request for Information**

This financial report is designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions concerning the information provided in this report, or need additional financial information, contact the Executive Director at 3600 W. Sovereign Path, Ste. 228, Lecanto, FL 34461. Additional information concerning the Authority can be found on our website [www.wrwsa.org](http://www.wrwsa.org).

**STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 SEPTEMBER 30, 2013,  
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2012  
 WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY  
 LECANTO, FLORIDA**

	<b>Business-type Activities - Enterprise Fund</b>			<b>2012 Total</b>
	<b>2013</b>			
	<b>Operating Account</b>	<b>Project Account</b>	<b>Total</b>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 558,226	\$ 992,403	\$ 1,550,629	\$ 1,540,198
Accounts Receivable - Local Governments	0	2,768	2,768	0
Accounts Receivable - SWFWMD	0	41,746	41,746	14,555
Prepaid Expense	171	0	171	171
<b>Total Current Assets</b>	<u>558,397</u>	<u>1,036,917</u>	<u>1,595,314</u>	<u>1,554,924</u>
<b>Noncurrent Assets</b>				
Capital Assets:				
Property and Equipment, Net of Accumulated Depreciation	0	1,470,622	1,470,622	1,632,076
<b>Total Noncurrent Assets</b>	<u>0</u>	<u>1,470,622</u>	<u>1,470,622</u>	<u>1,632,076</u>
<b>Total Assets</b>	<u>558,397</u>	<u>2,507,539</u>	<u>3,065,936</u>	<u>3,187,000</u>
<b>Liabilities</b>				
Accounts Payable	16,491	97,378	113,869	112,198
<b>Total Liabilities</b>	<u>16,491</u>	<u>97,378</u>	<u>113,869</u>	<u>112,198</u>
<b>Net Position</b>				
Investment in Capital Assets	0	1,470,622	1,470,622	1,632,076
Unrestricted	541,906	939,539	1,481,445	1,442,726
<b>Total Net Position</b>	<u>\$ 541,906</u>	<u>\$ 2,410,161</u>	<u>\$ 2,952,067</u>	<u>\$ 3,074,802</u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2013,**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2012**  
**WITH LACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**

	<b>Business-type Activities - Enterprise Fund</b>			<b>2012 Total</b>
	<b>2013</b>			
	<b>Operating Account</b>	<b>Project Account</b>	<b>Total</b>	
<b>Operating Revenues</b>				
Member Assessments:				
Citrus County	\$ 26,782	\$ 0	\$ 26,782	\$ 27,018
Hernando County	32,885	0	32,885	31,458
Marion County	63,032	0	63,032	52,568
Sumter County	18,357	0	18,357	18,112
City of Ocala	0	0	0	10,287
<b>Total Member Assessments</b>	<b>141,056</b>	<b>0</b>	<b>141,056</b>	<b>139,443</b>
Project Revenues:				
Project Revenue - Irrigation Audit Revenue	0	67,050	67,050	2,082
Project Revenue - Master Plan Update	0	59,213	59,213	41,545
<b>Total Project Revenues</b>	<b>0</b>	<b>126,263</b>	<b>126,263</b>	<b>43,627</b>
Wellfield Revenues:				
Administrative Cost Portion	60,000	0	60,000	60,000
Facilities Cost Portion	0	163,587	163,587	163,587
<b>Total Wellfield Revenues</b>	<b>60,000</b>	<b>163,587</b>	<b>223,587</b>	<b>223,587</b>
<b>Total Operating Revenues</b>	<b>201,056</b>	<b>289,850</b>	<b>490,906</b>	<b>406,657</b>
<b>Operating Expenses</b>				
Professional Services:				
Consulting Executive Director	80,000	0	80,000	120,000
Admin Assistance Services	37,500	0	37,500	25,000
Legal Services	12,029	0	12,029	15,510
Financial Consultation and Accounting Services	1,814	0	1,814	900
Lobbyist Fees	42,000	0	42,000	42,000
Audit Services	8,565	0	8,565	8,275
General and Administrative	15,330	0	15,330	29,912
Water Resource Projects	1,009	258,337	259,346	276,842
Depreciation	0	163,353	163,353	163,258
<b>(Total Operating Expenses)</b>	<b>(198,247)</b>	<b>(421,690)</b>	<b>(619,937)</b>	<b>(681,697)</b>
<b>Operating Income (Loss)</b>	<b>2,809</b>	<b>(131,840)</b>	<b>(129,031)</b>	<b>(275,040)</b>
<b>Nonoperating Revenue</b>				
Interest Income	3,331	0	3,331	4,717
Unrealized Gain on Investments	833	2,132	2,965	6,486
<b>Total Nonoperating Revenue</b>	<b>4,164</b>	<b>2,132</b>	<b>6,296</b>	<b>11,203</b>
<b>Increase (Decrease) in Net Position</b>	<b>6,973</b>	<b>(129,708)</b>	<b>(122,735)</b>	<b>(263,837)</b>
<b>Net Position, Beginning of Year</b>	<b>534,933</b>	<b>2,539,869</b>	<b>3,074,802</b>	<b>3,338,639</b>
<b>Net Position, End of Year</b>	<b>\$ 541,906</b>	<b>\$ 2,410,161</b>	<b>\$ 2,952,067</b>	<b>\$ 3,074,802</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2013,**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2012**  
**WITH LACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**

	<b>Business-type Activities - Enterprise Fund</b>			<b>2012 Total</b>
	<b>2013</b>			
	<b>Operating Account</b>	<b>Project Account</b>	<b>Total</b>	
<b>Cash Flows from Operating Activities</b>				
Member Assessments Received	\$ 141,056	\$ 0	\$ 141,056	\$ 139,443
Wellfield Revenues Received	60,000	163,587	223,587	223,587
Project Revenues	0	96,304	96,304	41,460
Prepaid Expense	0	0	0	(171)
Cash Paid to Contractors and Suppliers	(205,852)	(249,061)	(454,913)	(480,994)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(4,796)</b>	<b>10,830</b>	<b>6,034</b>	<b>(76,675)</b>
<b>Cash Flows from Investing Activities</b>				
Interest Income	3,331	0	3,331	4,717
Unrealized Gains/(Loss) on Investments	833	2,132	2,965	6,486
Purchase of Fixed Assets	0	(1,899)	(1,899)	0
<b>Net Cash Flows Provided by (Used in) from Investing Activities</b>	<b>4,164</b>	<b>233</b>	<b>4,397</b>	<b>11,203</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(632)</b>	<b>11,063</b>	<b>10,431</b>	<b>(65,472)</b>
<b>Cash and Investments, Beginning of Year</b>	<b>558,858</b>	<b>981,340</b>	<b>1,540,198</b>	<b>1,605,670</b>
<b>Cash and Investments, End of Year</b>	<b>\$ 558,226</b>	<b>\$ 992,403</b>	<b>\$ 1,550,629</b>	<b>\$ 1,540,198</b>
<b><u>Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities</u></b>				
Operating Income (Loss)	\$ 2,809	\$ (131,840)	\$ (129,031)	\$ (275,040)
Reconciling Adjustments:				
Depreciation	0	163,353	163,353	163,258
Decrease (Increase) in Accounts Receivable	0	(29,959)	(29,959)	(2,167)
Decrease (Increase) in Prepaid Expense	0	0	0	(171)
Increase (Decrease) in Accounts Payable	(7,605)	9,276	1,671	37,445
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (4,796)</b>	<b>\$ 10,830</b>	<b>\$ 6,034</b>	<b>\$ (76,675)</b>

**Supplemental Schedule of Noncash Investing and  
Financing Activities**

There are no noncash investing and financing activities for the years ended September 30, 2013 and 2012.

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS**



**NOTES TO FINANCIAL STATEMENTS  
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY  
LECANTO, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

Withlacoochee Regional Water Supply Authority (the Authority) is an independent special district serving the central Florida area. The Authority was organized in 1977 by an interlocal agreement between Citrus, Hernando, Levy, Marion, and Sumter Counties as provided by Florida State Law, Chapters 373.1962, and 163.01, Florida Statutes. The Authority amended the interlocal agreement in 1984 to release Levy County from membership. The remaining four counties and various municipalities from the region currently make up the Authority's Governing Board. The primary purpose of the Authority, as defined in the interlocal agreement, is to assist its members in the management of water resources and to provide dependable water supplies on a regional basis.

The Authority is not considered to be a component unit of any other entity, nor are there any component units for which the Authority exercises control or oversight.

**Fund Structure and Basis of Accounting**

The accounting policies of the Authority conform to generally accepted accounting policies for governmental entities and follows standards established by the Governmental Accounting Standards Board (GASB). All activities of the Authority are accounted for in a single major enterprise fund which uses the accrual basis of accounting. The enterprise fund is composed of an unrestricted operating account for general and administrative functions of the fund and a project account to account for various project activities of the fund.

**Comparative Financial Statements**

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

**Adoption of New Accounting Standards**

During the fiscal year ended September 30, 2013, the Authority adopted the following new accounting standards:

- Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard codifies all sources of generally accepted accounting principles for entities that follow governmental standards in one place.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed.

**Classification of Revenues**

The Authority classifies its revenues as operating or nonoperating according to the following criteria:

- **Operating Revenues**—include activities that have the characteristics of exchange transactions, such as member assessments.
- **Nonoperating Revenues**—include activities that have the characteristics of nonexchange transactions, such as interest income.

**NOTES TO FINANCIAL STATEMENTS**  
**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Finance and Budgeting**

The administrative rules of the Authority provide that each of the members appropriate funds on a per capita basis to fund the operations of the Authority. The per capita appropriations (19¢ per person for 2013) are based upon the most current annual population estimates available at the time the budget is adopted. Per capita appropriations become effective after approval by a minimum of three County Commissioners.

The Authority prepares a tentative annual budget each year and forwards copies to the members at least four weeks prior to adoption of a final budget. The members may then take action in either approving or disapproving the proposed budget and provide for the necessary per capita appropriation. The budget may be amended by the Governing Board as necessary to conduct the financial affairs of the Authority. The Authority does not use encumbrance accounting. All appropriations lapse at year-end.

**Property Taxes**

Chapter 373.713(2)(a), Florida Statutes, provides that the Authority may levy ad valorem taxes, not to exceed one-half mill, upon approval of the electors residing in each county or municipality within the Authority's territory. The Authority has not levied any ad valorem taxes since its creation.

**Cash and Investments**

Cash and investments consist of a bank checking account and an investment in the State Board of Administration of Florida, Local Government Pooled Investment Account, more fully described in Note 2.

**Accounting Estimates**

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

**Capital Assets - Property and Equipment**

Office equipment is recorded at historical cost with depreciation computed using the straight-line method over estimated useful lives of five to ten years. Repairs and maintenance are expensed as incurred.

During the 1992-1993 year, the Authority completed the Citrus County Water Supply Project. The project consists of construction of a wellfield to provide Citrus County, a member government, with bulk water supply on an all-requirements basis. The wellfield is owned by the Authority, with a reversionary interest to Citrus County. Payment for the water consists of monthly charges that recover the cost of the facility and pro rata overhead costs of the Authority over a thirty-five-year period. Citrus County is responsible for the operations and maintenance of the facility, as well as funding a replacement reserve account.

The wellfield is being depreciated on a straight-line basis over an estimated useful life of thirty-five years.

**NOTES TO FINANCIAL STATEMENTS**  
**WITH LACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Revenue Recognition**

■ **Member Assessments**

Revenues from member assessments are generally recognized ratably over the fiscal year of the Authority for which the assessments were budgeted. Amounts recognized, but not received at year-end, if any, are presented as accounts receivable from member governments in the accompanying statement of net position.

■ **Wellfield Revenues**

Revenues from wellfield operations are fixed by contract and recognized ratably over the fiscal year (see Note 4 for further discussion). Amounts recognized, but not received at year-end, if any, are also presented as accounts receivable from member governments in the accompanying statement of net position.

**Risk Assessment and Management**

The Authority is exposed to the normal risks associated with governmental entities, including property loss, general liability, and fiduciary breach. The Authority manages these risks through coverages maintained by its members, contractors, and liability insurance.

**Note 2 - Deposits and Investments**

The Authority has not adopted a formal investment policy, rather it has elected to follow the investment guidelines of Florida Statutes.

**Deposits**

As of September 30, 2013, all of the Authority's deposits are maintained in banks and financial institutions which are covered by the *Florida Security for Public Deposits Act*, Chapter 280 of the Florida Statutes, which requires that each public depository must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the Authority's name nor specify which collateral is held for the Authority's benefit. The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the Authority for any deposits not covered by depository insurance or collateral pledged by the depository as previously described. As of September 30, 2013, all of the Authority's deposits were insured. The Authority's carrying amount of deposits for September 30, 2013, was \$1,540 and the bank balance was \$2,185.

The Authority invests excess operating cash with the State Board of Administration of Florida, Florida PRIME (formally Local Government Pooled Investment Accounts). The State Board of Administration investment pool invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes, and U.S. Government obligations. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the pool into two separate pools: (1) State Pool Florida PRIME consists of all money market appropriate assets; and (2) Fund B consists of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. Fund B is restricted by the State Board of Administration and is not currently available for

**NOTES TO FINANCIAL STATEMENTS**  
**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**  
*(Continued)*

**Note 2 - Deposits and Investments (Concluded)**

**Deposits (Concluded)**

use. The State Pool Florida PRIME is rated AAAM by Standard & Poor's and has a weighted average of 44 days. The Fund B is not rated and has a weighted average life of 4.04 years. These accounts are not insured or covered by Chapter 280 of the Florida Statutes. Investments in the State Pool Florida PRIME and Fund B were \$1,535,332 and \$13,757, respectively, at September 30, 2013.

**Note 3 - Capital Assets - Property and Equipment**

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
<b>Capital Assets Being Depreciated</b>				
Office Equipment	\$ 1,829	\$ 1,899	\$ 0	\$ 3,728
Wellfield - Citrus County	4,895,231	0	0	4,895,231
<b>Total Assets Being Depreciated</b>	<b>4,897,060</b>	<b>1,899</b>	<b>0</b>	<b>4,898,959</b>
<b>Accumulated Depreciation:</b>				
Office Equipment	(1,495)	(179)	0	(1,674)
Wellfield - Citrus County	(3,263,489)	(163,174)	0	(3,426,663)
<b>(Total Accumulated Depreciation)</b>	<b>(3,264,984)</b>	<b>(163,353)</b>	<b>0</b>	<b>(3,428,337)</b>
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 1,632,076</b>	<b>\$ (161,454)</b>	<b>\$ 0</b>	<b>\$ 1,470,622</b>

Depreciation expense is \$163,353 for the year ended September 30, 2013.

**Note 4 - Wellfield Cost Recovery**

The following is a summary of the water charges to be paid by Citrus County over the remaining life of the contract:

<b>Fiscal Year Ending</b>	<b>Cost Portion</b>		<b>Total</b>
	<b>Administrative</b>	<b>Facilities</b>	
2014	\$ 60,000	\$ 163,587	\$ 223,587
2015	60,000	163,587	223,587
2016	60,000	163,587	223,587
2017	60,000	163,587	223,587
2018	60,000	163,587	223,587
2019	60,000	163,587	223,587
2020	60,000	163,587	223,587
2021	60,000	163,587	223,587
2022	60,000	163,586	223,586
2023	0	42,500	42,500
2024	0	42,500	42,500
2025	0	42,500	42,500
2026	0	42,500	42,500
2027	0	42,500	42,500
<b>Total</b>	<b>\$ 540,000</b>	<b>\$ 1,684,782</b>	<b>\$ 2,224,782</b>

**NOTES TO FINANCIAL STATEMENTS**  
**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**  
*(Concluded)*

**Note 5 - Commitments**

**Local Government Water Supply Funding Assistance Program**

During 1999, the Authority moved to participate with local governments in providing funding assistance for water supply projects. The primary purpose of the project is to assist local governments in funding local water resource projects. The Authority agrees to pay, on a reimbursement basis, one-half of the project cost not to exceed \$50,000 per approved project. The Authority has a commitment to provide funding assistance for water conservation to the following members for the fiscal year-end September 30, 2014: Hernando County for \$48,400, Marion County for \$38,600 and Citrus County for \$40,250.

**Regional Water Supply Plan Update Project**

In February 2013, the Authority entered into an agreement with Cardno Extrix as consultants to update its region Water Supply Master Plan. The contract agreement totals \$250,000, with work commencing immediately. During the September 30, 2013 fiscal year, expenses totaled \$124,658 (including retainage of \$6,233). The Authority will be reimbursed by the Southwest Florida Water Management District for one-half of the funds disbursed, which is \$59,213.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; AND THE *RULES OF THE AUDITOR GENERAL OF  
THE STATE OF FLORIDA***

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

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

We have audited, 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, the financial statements of the business-type activities and the major fund of Withlacoochee Regional Water Supply Authority (the Authority), as of and for the year ended September 30, 2013, and have issued our report thereon dated February 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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.

**Certified Public Accountants**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

However, we noted certain matters that we reported to management of the Authority in a separate letter dated February 4, 2014.

The Authority's responses to the findings identified in our audit are described in the accompanying management's response letter. We did not audit the Authority's response and accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Purvis, Gray and Company, LLP*

February 4, 2014  
Ocala, Florida



**MANAGEMENT LETTER**

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

We have audited the financial statements of the Withlacoochee Regional Water Supply Authority (the Authority), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated February 4, 2014.

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. We have issued our Independent Auditors' 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*. Disclosures in that report dated February 4, 2014, if any, should be considered in conjunction with this management letter.

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

- 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. Uncorrected findings are listed in the below table.

<b>Tabulation of Uncorrected Audit Findings</b>	
<b>Current Year Finding #</b>	<b>2011-12 FY Finding #</b>
2012 - 1	2012 - 1

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management (please see the accompanying Management Letter Comment Report).

**Certified Public Accountants**

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505  
 Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
 443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
 5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309  
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To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts and 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 the audit, we did not have any such findings.
- Section 10.554(1)(i)5., *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 legal authority for the Authority and a discussion of component units can be found in Note 1 of the financial statements.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2013, filed with the 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7)., *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority'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.

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

*Purvis, Gray and Company, LLP*

February 4, 2014  
Ocala, Florida

**MANAGEMENT LETTER COMMENTS**

To the Governing Board  
Withlacoochee Regional Water  
Supply Authority  
Lecanto, Florida

As a part of our audit of the Withlacoochee Regional Water Supply Authority's (the Authority) September 30, 2013 financial statements, we offer the following recommendation to improve financial management, accounting procedures and internal controls:

**2012-1—Citrus County Wellfield Agreements**

As a part of our work to assist the Authority to replace the current fixed dollar rate structure associated with the Citrus Wellfield Project with a volumetric rate, we reviewed all operational agreements between the Authority and the County to gain a better understanding of the existing contractual framework and operational parameters contained in the agreements. These agreements date back to the 1980s and have been amended multiple times over the years. During our review, we noted that some agreements appear to have not been closely monitored and fully complied with by both parties and may at this point have antiquated provisions. Accordingly, we recommend that the Authority review all such agreements and begin the process of determining which should be extended, modified, or otherwise revised or replaced to ensure that they are relevant and continue to reflect the understandings of both parties going forward. It is anticipated that this will be done in conjunction with the finalization of the Authority's rate project with the County during the upcoming year.

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

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.

*Purvis, Gray and Company, LLP*

February 4, 2014  
Ocala, Florida

**Certified Public Accountants**

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February 17, 2014

James E. Adkins, Chair  
 Board of Directors  
 Withlacoochee Regional Water Supply Authority  
 3600 West Sovereign Path, Suite 228  
 Lecanto, Florida 34461

RE: Management Response to Management Letter Comment in FY2012-13 Audit

Dear Mr. Adkins:

This letter is in response to the Management Letter and Management Letter Comments contained in the fiscal year 2012-13 Annual Audit conducted by Purvis, Gray & Co.

Management Letter

The Management Letter states, in part, that only one uncorrected finding from the prior fiscal year was identified, including the following:

Tabulation of Uncorrected Audit Findings	
Current Year Finding #	2011-12 FY Finding #
2012-1	2012-1

This finding is reiterated in the 2012-13 FY Management Letter and is responded to below.

Management Letter Comments

Purvis Gray was retained by the Authority to assist in analysis of the existing rate structure with Citrus County for the Charles A. Black wellfield. As a part of that work, Purvis Gray became aware that some agreements appear to have not been closely monitored and fully complied with by both parties. Purvis Gray offered the following recommendation as a part of their 2012-13 annual audit in response to this finding: "we recommend that the Authority review all such agreements and begin the process of determining which should be extended, modified, or otherwise revised or replaced to ensure that they are relevant and continue to reflect the understanding of both parties going forward."

As the Authority Board is aware, this process has begun. The Authority retained the services of a consulting engineering firm to perform an analysis of the Charles A. Black wellfield facilities as a first step in evaluating the appropriateness of the current rate

structure and associated agreements. The Authority staff have initiated meetings with County staff to discuss the potential of revising the various agreements and associated rate structures. This topic will be scheduled for Board discussion and ultimately approval as these deliberations continue in the coming year.

Sincerely,

Richard S. Owen, AICP  
Executive Director

cc: Purvis Gray & Company