

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, 2014, and have issued our report thereon dated December 23, 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 September 30, 2014. 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.

#### *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:

- 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.

#### **Certified Public Accountants**

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

**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 December 23, 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.

**Restriction on Use**

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*

December 23, 2014  
Ocala, Florida

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**SEPTEMBER 30, 2014**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**SEPTEMBER 30, 2014**

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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, 2014, 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, 2014, 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 December 23, 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 2013 financial statements, and our report dated February 4, 2014, 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, 2013, is consistent in all material respects, with the audited financial statements from which it has been derived.

  
December 23, 2014  
Ocala, Florida

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
2013-2014 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 (FY) ended September 30, 2014, as compared to September 30, 2013. 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 \$237,728 or 8.1%. Depreciation of plant equipment at the Charles A. Black (CAB) Water Supply Facilities represented \$163,448 of this amount, while the remainder of \$74,280 was comprised of reductions in cash and investments driven primarily by project-related costs exceeding project revenues.
- Operating account revenues at \$201,941 were relatively stable compared to the prior year and exceeded operating account costs by \$1,852. Project account revenues at \$265,753 were down from the prior year due to changes in the irrigation audit program. Project account costs exceeded revenues by \$240,360, driven primarily by project-related costs incurred during the year and depreciation of plant equipment at the CAB facilities.
- Operating account expenses at \$200,089 were relatively stable compared to the prior year, while project account expenses at \$506,113 were up substantially from the prior year (\$421,690) due to costs incurred during the year for the irrigation audit program and regional water supply plan update.
- 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 just slightly by \$885 over the previous year due to minor population growth. Member assessments totaled \$141,941 and represented 30% of the Authority's total Operating Revenues. Project revenues were \$102,166, a decrease of \$24,097 from the previous fiscal year, and represented 22% 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 48% 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 provides 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**

During the fiscal year the Authority continued to implement regional water supply planning, development, conservation, and member government support to ensure the long-term integrity of the region's water resources to the benefit of member governments. The Authority supported a number of special and on-going projects that increase the water supply capability of the region and are of unique benefit to the Authority members. Key projects include the following:

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
2013-2014 FISCAL YEAR ENDING FINANCIAL REPORT  
(Continued)**

**1. Joint Funding of Water Conservation 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 2003, the Authority has appropriated \$1,090,483 to local government water conservation projects in the region. During FY 2013-14, the Board appropriated \$130,000 toward local government water conservation projects. This funding continues in FY 2014-15. 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 completed in February 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. 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 final report was submitted to the District on January 31, 2014, with termination of the Agreement scheduled for February 28, 2014. This pilot program was the first regional water conservation program administered by the WRWSA.

The Authority entered into a second CFI agreement with the District in March 2013 and began Phase 2 of the Regional 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. One-hundred sixty-two single-family residential utility customers received free evaluations of their irrigation systems; follow-up inspections are continuing throughout FY 2014-15.

Phase 3 of the Irrigation System Evaluation Program began on October 1, 2014, and offers free irrigation system evaluations to single-family residential customers of the county utilities in Citrus, Hernando and Marion counties. This program is co-funded with the District through the Cooperative Funding Initiative. The third phase will continue through FY 2016-17.

**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.



**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2013-2014 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**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 2013-14 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 and the recently updated Regional Water Supply Plan. 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.

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

The Authority’s Regional Water Supply Plan update project was completed during FY 2013-14. This project was co-funded by the SWFWMD. The project estimated water demands through the year 2035 and potential sources to meet these demands. A Technical Advisory Committee comprised of representatives from utilities throughout the region and the SWF and SJR water management districts assisted in ensuring the accuracy of the Plan update. The project was completed within the overall project timeline and within budget.

**6. 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 (MFLs) 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. During FY 2013-14 this included continued monitoring of a challenge filed to the MFLs set by the SWFWMD for the Chassahowitzka and Homosassa rivers.

**7. Northern District Model Expansion**

In FY 2012-13 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. Phase 1 of the project was completed during year and Phase 2 initiated. The SJRWMD is funding and taking the lead in Phase 2 to expand the area encompassed by the model eastward to the Atlantic coast. The Authority was invited to continue participation on a project advisory committee to provide input to the project as it progresses.

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2013-2014 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**8. 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 regarding a revised contract governing the facilities. The purpose of the revised contract will be to update provisions no longer pertinent and to ensure the long-term integrity of the Authority's facilities and services.

**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 7.4% or \$228,383 in Total Assets during the 2013-2014 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 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Current and Other Assets	\$1,595,314	\$1,530,379	-4.1%	-\$64,935
Capital Assets	1,470,622	1,307,174	-11.1%	-163,448
<b>Total Assets</b>	<b>\$3,065,936</b>	<b>\$2,837,553</b>	<b>-7.4%</b>	<b>-\$228,383</b>

The Authority's Total Liabilities increased by \$9,345 or 8.2%. As Accounts Payable these amounts are relatively insignificant in that the Authority has no long-term debt.

<b>Liabilities</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Operating Account A/P	\$16,491	\$16,597	0.6%	\$106
Water Resource Project Account A/P	97,378	106,617	9.5%	9,239
<b>Total Liabilities</b>	<b>\$113,869</b>	<b>\$123,214</b>	<b>8.2%</b>	<b>\$9,345</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 2013 and 2014 for comparison purposes.

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2013-2014 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Continued)*

**Balance Sheet (Concluded)**

<b>Net Position</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Investment in Capital Assets	\$1,470,622	\$1,307,174	-11.1%	-\$163,448
Unrestricted Net Position	1,481,445	1,407,165	-5.0%	-74,280
<b>Total Net Position</b>	<u>\$2,952,067</u>	<u>\$2,714,339</u>	-8.1%	<u>-\$237,728</u>

The majority of the decrease from FYE 2013 to FYE 2014 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 2013-14 were received from Citrus, Hernando, Marion and Sumter counties. These per capita assessments are approved each year. For FY 2013-14, 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 2013-14 came from cooperatively funded projects, including the Irrigation Audit Water Conservation project and the Regional Water Supply Plan Update project. During FY 2013-14, the Authority received matching funds of \$36,379 for the Irrigation Audit project and \$65,787 for the Water Supply Plan Update. A comparison of revenues from FY 2012-13 and FY 2013-14 is provided in the following table:

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**2013-2014 FISCAL YEAR ENDING FINANCIAL REPORT**  
*(Concluded)*

<b>Operating Revenue</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Local Assessments (Per Capita)	\$141,056	\$141,941	0.6%	\$885
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	126,263	102,166	19.1%	-24,097
<b>Total Operating Revenue</b>	<b>\$490,906</b>	<b>\$467,694</b>	<b>-4.7%</b>	<b>-\$23,212</b>

Operating expenses for the Authority increased by 13.9% during FY 2013-14 over FY 2012-13. The major increase was caused primarily by increased expenditures associated with the Regional Water Supply Plan update. The following table provides a comparison of expenditures for FYE 2013 and 2014:

<b>Operating Expenditures</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Professional Services	\$181,908	\$181,536	-0.2%	- \$372
General and Administrative	15,330	18,553	21.0%	3,223
Water Resource Projects	259,346	342,665	32.1%	83,319
Depreciation	163,353	163,448	0.1%	95
<b>Total Operating Expenditures</b>	<b>\$619,937</b>	<b>\$706,202</b>	<b>13.9%</b>	<b>\$86,265</b>

Non-operating revenues decreased by 87.6% from the previous year. The decrease was attributable to a decrease in investment rates of return for funds with the State Board of Administration. Fund B investments with the State Board of Administration had been marked to market value as of September 30, 2013. Only the original principal was returned when Fund B was liquidated in September 2014. This resulted in a loss on investments in the current year.

<b>Non-Operating Revenue</b>	<b>FYE 2013</b>	<b>FYE 2014</b>	<b>% Change</b>	<b>\$ Change</b>
Interest Income – General Fund	\$3,331	\$2,391	-28.2%	-\$940
Unrealized Gain/(Loss) on Investments	2,965	-1,611	-154.3%	-4,576
<b>Total Non-Operating Revenue</b>	<b>\$6,296</b>	<b>\$780</b>	<b>-87.6%</b>	<b>-\$5,516</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).

## **FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 SEPTEMBER 30, 2014,  
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2013  
 WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY  
 LECANTO, FLORIDA**

	Business-type Activities - Enterprise Fund			
	2014			2013 Total
	Operating Account	Project Account	Total	
Assets				
Current Assets				
Cash and Investments	\$ 559,551	\$ 944,239	\$ 1,503,790	\$ 1,550,629
Accounts Receivable - Local Governments	0	5,729	5,729	2,768
Accounts Receivable - SWFWMD	0	18,118	18,118	41,746
Prepaid Expense	2,742	0	2,742	171
Total Current Assets	562,293	968,086	1,530,379	1,595,314
Noncurrent Assets				
Capital Assets:				
Property and Equipment, Net of				
Accumulated Depreciation	0	1,307,174	1,307,174	1,470,622
Total Noncurrent Assets	0	1,307,174	1,307,174	1,470,622
Total Assets	562,293	2,275,260	2,837,553	3,065,936
Liabilities				
Accounts Payable	16,597	106,617	123,214	113,869
Total Liabilities	16,597	106,617	123,214	113,869
Net Position				
Investment in Capital Assets	0	1,307,174	1,307,174	1,470,622
Unrestricted	545,696	861,469	1,407,165	1,481,445
Total Net Position	\$ 545,696	\$ 2,168,643	\$ 2,714,339	\$ 2,952,067

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2014,**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2013**  
**WITHLACOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**

	<b>Business-type Activities - Enterprise Fund</b>			
	<b>2014</b>			<b>2013</b>
	<b>Operating Account</b>	<b>Project Account</b>	<b>Total</b>	<b>Total</b>
<b>Operating Revenues</b>				
Member Assessments:				
Citrus County	\$ 26,745	\$ 0	\$ 26,745	\$ 26,782
Hernando County	32,890	0	32,890	32,885
Marion County	63,268	0	63,268	63,032
Sumter County	19,038	0	19,038	18,357
Total Member Assessments	141,941	0	141,941	141,056
Project Revenues:				
Project Revenue - Irrigation Audit Revenue	0	36,379	36,379	67,050
Project Revenue - Master Plan Update	0	65,787	65,787	59,213
Total Project Revenues	0	102,166	102,166	126,263
Wellfield Revenues:				
Administrative Cost Portion	60,000	0	60,000	60,000
Facilities Cost Portion	0	163,587	163,587	163,587
Total Wellfield Revenues	60,000	163,587	223,587	223,587
<b>Total Operating Revenues</b>	<b>201,941</b>	<b>265,753</b>	<b>467,694</b>	<b>490,906</b>
<b>Operating Expenses</b>				
Professional Services:				
Consulting Executive Director	80,000	0	80,000	80,000
Admin Assistance Services	37,500	0	37,500	37,500
Legal Services	12,066	0	12,066	12,029
Financial Consultation and Accounting Services	1,600	0	1,600	1,814
Lobbyist Fees	42,000	0	42,000	42,000
Audit Services	8,370	0	8,370	8,565
General and Administrative	18,553	0	18,553	15,330
Water Resource Projects	0	342,665	342,665	259,346
Depreciation	0	163,448	163,448	163,353
<b>(Total Operating Expenses)</b>	<b>(200,089)</b>	<b>(506,113)</b>	<b>(706,202)</b>	<b>(619,937)</b>
<b>Operating Income (Loss)</b>	<b>1,852</b>	<b>(240,360)</b>	<b>(238,508)</b>	<b>(129,031)</b>
<b>Nonoperating Revenue</b>				
Interest Income	2,391	0	2,391	3,331
Unrealized (Loss)/Gain on Investments	(453)	(1,158)	(1,611)	2,965
<b>Total Nonoperating Revenue</b>	<b>1,938</b>	<b>(1,158)</b>	<b>780</b>	<b>6,296</b>
<b>Increase (Decrease) in Net Position</b>	<b>3,790</b>	<b>(241,518)</b>	<b>(237,728)</b>	<b>(122,735)</b>
<b>Net Position, Beginning of Year</b>	<b>541,906</b>	<b>2,410,161</b>	<b>2,952,067</b>	<b>3,074,802</b>
<b>Net Position, End of Year</b>	<b>\$ 545,696</b>	<b>\$ 2,168,643</b>	<b>\$ 2,714,339</b>	<b>\$ 2,952,067</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2014,**  
**WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2013**  
**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY**  
**LECANTO, FLORIDA**

	Business-type Activities - Enterprise Fund			
	2014			
	Operating Account	Project Account	Total	2013 Total
Cash Flows from Operating Activities				
Member Assessments Received	\$ 141,941	\$ 0	\$ 141,941	\$ 141,056
Wellfield Revenues Received	60,000	163,587	223,587	223,587
Project Revenues	0	122,833	122,833	96,304
Cash Paid to Contractors and Suppliers	(202,554)	(333,426)	(535,980)	(454,913)
Net Cash Provided by (Used in) Operating Activities	(613)	(47,006)	(47,619)	6,034
Cash Flows from Investing Activities				
Interest Income	2,391	0	2,391	3,331
Unrealized Gains/(Loss) on Investments	(453)	(1,158)	(1,611)	2,965
Purchase of Fixed Assets	0	0	0	(1,899)
Net Cash Flows Provided by (Used in) from Investing Activities	1,938	(1,158)	780	4,397
Net Increase (Decrease) in Cash and Investments	1,325	(48,164)	(46,839)	10,431
Cash and Investments, Beginning of Year	558,226	992,403	1,550,629	1,540,198
Cash and Investments, End of Year	\$ 559,551	\$ 944,239	\$ 1,503,790	\$ 1,550,629
<u>Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 1,852	\$ (240,360)	\$ (238,508)	\$ (129,031)
Reconciling Adjustments:				
Depreciation	0	163,448	163,448	163,353
Decrease (Increase) in Accounts Receivable	0	20,667	20,667	(29,959)
Decrease (Increase) in Prepaid Expense	(2,571)	0	(2,571)	0
Increase (Decrease) in Accounts Payable	106	9,239	9,345	1,671
Net Cash Provided by (Used in) Operating Activities	\$ (613)	\$ (47,006)	\$ (47,619)	\$ 6,034

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

There are no noncash investing and financing activities for the years ended September 30, 2014 and 2013.

See accompanying notes.



**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, 2013, from which the summarized information was derived.

**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.

**Finance and Budgeting**

The interlocal agreement creating the Authority, revised in 2014, provides that each of the County signatories to the Agreement appropriate funds on a per capita basis to fund the operations of the Authority. The per capita appropriations (19¢ per person for 2014) are based upon the most current annual population estimates available at the time the budget is adopted. Per capita appropriations become effective after adoption by the Authority's Governing Board and approved by each of the respective Boards of County Commissioners.

The Authority prepares an annual budget each year and forwards copies to the member counties by June 1<sup>st</sup>. The member counties 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.

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

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

**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.

**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.

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

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

**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, 2014, 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, 2014, all of the Authority's deposits were insured. The Authority's carrying amount of deposits for September 30, 2014, was \$2,032 and the bank balance was \$2,032.

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 was restricted by the State Board of Administration and was not available for use. On September 5, 2014, Fund B's liquid cash holding were distributed to the Florida PRIME. 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 \$1,501,758 and \$0, respectively, at September 30, 2014.

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

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Capital Assets Being Depreciated</b>				
Office Equipment	\$ 3,728	\$ 0	\$ 0	\$ 3,728
Wellfield - Citrus County	<u>4,895,231</u>	<u>0</u>	<u>0</u>	<u>4,895,231</u>
Total Assets Being Depreciated	<u>4,898,959</u>	<u>0</u>	<u>0</u>	<u>4,898,959</u>
<b>Accumulated Depreciation:</b>				
Office Equipment	(1,674)	(274)	0	(1,948)
Wellfield - Citrus County	<u>(3,426,663)</u>	<u>(163,174)</u>	<u>0</u>	<u>(3,589,837)</u>
(Total Accumulated Depreciation)	<u>(3,428,337)</u>	<u>(163,448)</u>	<u>0</u>	<u>(3,591,785)</u>
<b>Total Capital Assets Being Depreciated</b>	<u>\$ 1,470,622</u>	<u>\$ (163,448)</u>	<u>\$ 0</u>	<u>\$ 1,307,174</u>

Depreciation expense is \$163,488 for the year ended September 30, 2014.

**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:

<u>Fiscal Year Ending</u>	<u>Cost Portion</u>		<u>Total</u>
	<u>Administrative</u>	<u>Facilities</u>	
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	<u>0</u>	<u>42,500</u>	<u>42,500</u>
<b>Total</b>	<u>\$ 480,000</u>	<u>\$ 1,521,195</u>	<u>\$ 2,001,195</u>

**NOTES TO FINANCIAL STATEMENTS**  
**WITH LACOOCHEE 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, 2015: Hernando County for \$48,150, Marion County for \$32,350 and Citrus County for \$40,250.

**General Engineering and Technical Services**

On February 19, 2014, the Authority entered into an agreement with Water Recourse Associates, Inc. to assist the Authority Board and Executive Director with policy, programmatic, and technical aspects of the Authority on an as-needed basis. The contract is effective through September 30, 2015, and shall not exceed \$35,000. During the fiscal year ended September 30, 2014, expenses totaled the Authority \$8,262.01.

**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, 2014, and have issued our report thereon dated December 23, 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.

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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 December 23, 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*

December 23, 2014  
Ocala, Florida



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

We have examined the Withlacoochee Regional Water Supply Authority's (the Authority) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

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

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

*Purvis, Gray and Company, LLP*

December 23, 2014  
Ocala, Florida

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

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, 2014, and have issued our report thereon dated December 23, 2014.

### Auditors' Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with American Institute of Certified Public Accountants Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in that report dated December 23, 2014, if any, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Uncorrected findings are listed in the below table:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2012-13 FY Finding #	2011-12 FY Finding #
2012 - 1	2012-1	2012 - 1

### Official Title and Legal Authority

Section 10.554(1)(i)5.a., *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.

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition**

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Authority 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)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. See the accompany management letter comment report for recommendations, if any.

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative 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*

December 23, 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, 2014 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*

December 23, 2014  
Ocala, Florida

### **Certified Public Accountants**

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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





December 29, 2014

James E. Adkins, Chairman  
Withlacoochee Regional Water Supply Authority  
3600 W. Sovereign Path, Suite 228  
Lecanto, Florida 34461

Re: Management Response to Management Letter Comment in FY2013-14 Audit

Dear Mr. Adkins:

This letter is in response to the Management Letter and Management Letter Comments contained in the Fiscal Year 2013-14 Annual Audit conducted by Purvis, Gray & Company.

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 #	2012-13 FY Finding #	2011-12 FY Finding #
2012-1	2012-1	2012-1

This finding is reiterated in the 2013-14 FY Management Letter and is responded to below.

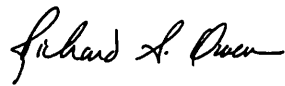
Management Letter Comments

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 provisions in the 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 2013-14 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 continued meetings with County staff to discuss a revised interlocal agreement and associated rate structures and these discussions continue in the current year. Absent the ability to enter into a mutually acceptable revised interlocal agreement, it may be appropriate to develop an amendment to the existing agreement to address these antiquated provisions. This topic will be scheduled for Board discussion and ultimately approval as these deliberations continue.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard S. Owen". The signature is fluid and cursive, with the first name "Richard" being more prominent than the last name "Owen".

Richard S. Owen, AICP  
Executive Director