

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

SEPTEMBER 30, 2017

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

SEPTEMBER 30, 2017

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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, 2017, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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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
(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, 2017, 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 6, 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 March 2, 2018, 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 2016 financial statements, and our report dated December 22, 2016, 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, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.



March 2, 2018
Ocala, Florida

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2016-2017 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, 2017, as compared to September 30, 2016. 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 \$68,613 or 2.8%. Depreciation of plant equipment at the Charles A. Black (CAB) Water Supply Facilities represented \$163,365 of this change.
- Operating account revenues were \$207,285 while operating account costs were \$191,910, leaving an operating account income of \$11,476. Project account revenues were \$173,926 while project account costs were \$332,908, leaving a project account loss of \$158,982. This loss was driven primarily by project-related costs incurred during the year (including the ongoing irrigation audit program and water conservation grants) and depreciation of plant equipment at the CAB facilities.
- Revenues to the Authority consist of annual assessments of \$0.19 per capita, revenue from the Authority's contract with Citrus County consisting of a rate per 1,000 gallons as per the new contract established October 1, 2016. These funds were generated to cover 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 \$43 over the previous year due to minor population growth. Member assessments totaled \$147,285. The Citrus County CAB administrative surcharge remained the same from the prior year at \$60,000. These two Operating Revenues totaled \$207,285 and represented 51% of the Authority's total combined Operating and Project Revenues. Project revenues were \$198,140, the majority of which (\$167,967) was from the Citrus County CAB capital recovery payments. Project revenues represented 49% of the Authority's total combined Operating and Project Revenues.
- Net Position continues to provide the resources necessary to fund projects and continue to meet the obligations of the Authority. 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 several 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
2016-2017 FISCAL YEAR ENDING FINANCIAL REPORT
(Continued)**

PROGRAM HIGHLIGHTS (Concluded)

- Joint Funding of Water Conservation Projects with Member Local Governments;
- Residential Irrigation Evaluation Program;
- Legislative and Governmental Affairs Advocacy on Behalf of the Authority and its Member Governments;
- 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; and
- Continued Cooperation through a new agreement established October 1, 2016, with Citrus County in Operation of the Authority's Charles A. Black Wellfield and Water Supply Facility.

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 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 considered 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 10.83% or \$71,294 in Total Assets during the 2016-2017 FY. This amount is primarily the result of depreciation of the physical plant at the CAB #1 facility and project-related costs.

Assets	FYE 2016	FYE 2017	% Change	\$ Change
Current and Other Assets	\$1,577,552	\$1,669,923	5.84%	\$ 92,071
Capital Assets	980,278	816,913	-16.67%	-163,365
Total Assets	\$2,557,830	\$2,486,536	-10.83%	-\$71,294

The Authority’s Total Liabilities increased by \$27,021 or 54.18%. As Accounts Payable these amounts are relatively insignificant in that the Authority has no long-term debt.

Liabilities	FYE 2016	FYE 2017	% Change	\$ Change
Operating Account A/P				
Water Resource Project	\$17,292	\$ 29,462	70.38%	\$ 12,170
Account A/P	91,685	76,834	-16.20%	14,851
Total Liabilities	\$108,977	\$106,296	54.18%	\$27,021

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2016-2017 FISCAL YEAR ENDING FINANCIAL REPORT
(Continued)**

Balance Sheet (Concluded)

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 2016 and 2017 for comparison purposes:

Net Position	FYE 2016	FYE 2017	% Change	\$ Change
Investment in Capital Assets	\$ 980,278	\$ 813,913	-16.67%	-\$ 163,365
Unrestricted Net Position	1,468,575	1,563,327	6.45%	94,752
Total Net Position	\$2,448,853	\$2,377,240	-10.22%	-\$ 68,613

The majority of the decrease from FYE 2016 to FYE 2017 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 payments made by Citrus County for water received from the Authority's CAB facilities, and (3) project revenues for cooperatively funded projects. Member government assessments in FY 2016-2017 were received from Citrus, Hernando, Marion, and Sumter counties. These per capita assessments are approved each year. For FY 2016-2017, 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 at a rate per 1,000 gallons pumped. The Authority allocates a portion of these revenues to its unrestricted account for administrative costs associated with the CAB facilities, and the remainder as restricted for water resource and supply development projects. This allocation of these CAB revenues into restricted and unrestricted accounts is an outcome of an interlocal Agreement between the Authority and the SWFWMD signed in 1987. Pursuant to this Agreement, the SWFWMD provided a grant to the Authority to construct the CAB facilities. As a part of this Agreement, the SWFWMD required the Authority to recoup the grant funds through the sale of water, and to utilize these funds for future water resource and supply development projects. Although this Agreement expired in 1999 and, therefore, the funds from the CAB wellfield 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 purpose of the SWFWMD grant to the Authority was to enable the Authority to construct its initial water supply facility, generate revenues through the sale of water, and help make the Authority financially sound.

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2016-2017 FISCAL YEAR ENDING FINANCIAL REPORT
(Concluded)**

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

The last source of revenue during FY 2016-2017 came from cooperatively funded projects, including the Irrigation Audit Water Conservation project. During FY 2016-2017, the Authority requested matching funds of \$30,173 for the Irrigation Audit project. A comparison of revenues from FY 2015-16 and FY 2016-2017 is provided in the following table:

Operating Revenue	FYE 2016	FYE 2017	% Change	\$ Change
Local Assessments (Per Capita)	\$147,242	\$147,285	0.03%	\$ 43
Citrus Wellfield Administrative Funds	60,000	60,000	0.00%	0
Citrus Wellfield Water Resource				
Project Funds	163,587	167,967	2.68%	4,380
Project Revenue	10,339	30,173	191.84%	19,834
Total Operating Revenue	\$381,168	\$405,425	194.55%	\$24,257

Operating expenses for the Authority decreased by 3.57% during FY 2016-17 over FY 2015-16. The following table provides a comparison of expenditures for FYE 2016 and 2017:

Operating Expenditures	FYE 2016	FYE 2017	% Change	\$ Change
Professional Services	\$183,368	\$175,450	-4.51%	\$ -7,918
General and Administrative	12,398	16,460	24.68%	4,062
Water Resource Projects	169,460	137,015	-23.68%	-32,445
Depreciation	163,448	163,365	-0.05%	-83
Total Operating Expenditures	\$528,674	\$492,290	-3.56%	\$ -36,384

Non-operating revenues increased by 18.0% from the previous year. The increase was attributable to a return on investment for funds with the State Board of Administration.

Non-Operating Revenues	FYE 2016	FYE 2017	% Change	\$ Change
Interest Income – General Fund	\$8,354	\$4,590	-82.0%	\$-3,764
Interest Income – Project Fund	0	13,662	100.0%	13,662
Total Non-Operating Revenues	\$8,354	\$18,252	18.0%	\$ 9,898

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.

FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2017,
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016
 WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
 LECANTO, FLORIDA**

	Business-type Activities - Enterprise Fund			2016 Total
	2017			
	Operating Account	Project Account	Total	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 616,635	\$ 1,004,167	\$ 1,620,802	\$ 1,572,952
Accounts Receivable - Local Governments	-	18,924	18,924	2,019
Accounts Receivable - SWFWMD	-	27,316	27,316	-
Prepaid Expense	2,581	-	2,581	2,581
Total Current Assets	<u>619,216</u>	<u>1,050,407</u>	<u>1,669,623</u>	<u>1,577,552</u>
Noncurrent Assets				
Capital Assets:				
Property and Equipment, Net of Accumulated Depreciation	-	816,913	816,913	980,278
Total Noncurrent Assets	<u>-</u>	<u>816,913</u>	<u>816,913</u>	<u>980,278</u>
Total Assets	<u>619,216</u>	<u>1,867,320</u>	<u>2,486,536</u>	<u>2,557,830</u>
Liabilities				
Accounts Payable	29,462	76,834	106,296	108,977
Total Liabilities	<u>29,462</u>	<u>76,834</u>	<u>106,296</u>	<u>108,977</u>
Net Position				
Investment in Capital Assets Unrestricted	-	816,913	816,913	980,278
	589,754	973,573	1,563,327	1,468,575
Total Net Position	<u>\$ 589,754</u>	<u>\$ 1,790,486</u>	<u>\$ 2,380,240</u>	<u>\$ 2,448,853</u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016
WITHLACOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-type Activities - Enterprise Fund			2016
	2017			
	Operating	Project	Total	Total
	Account	Account		
Operating Revenues				
Member Assessments:				
Citrus County	\$ 26,885	\$ -	\$ 26,885	\$ 26,752
Hernando County	33,596	-	33,596	33,241
Marion County	64,829	-	64,829	66,135
Sumter County	21,975	-	21,975	21,114
Total Member Assessments	<u>147,285</u>	<u>-</u>	<u>147,285</u>	<u>147,242</u>
Project Revenues:				
Project Revenue - Irrigation Audit Revenue	-	30,173	30,173	10,339
Total Project Revenues	<u>-</u>	<u>30,173</u>	<u>30,173</u>	<u>10,339</u>
Wellfield Revenues:				
C.A.B. Wellfield Revenues	60,000	167,967	227,967	223,587
Total Wellfield Revenues	<u>60,000</u>	<u>167,967</u>	<u>227,967</u>	<u>223,587</u>
Total Operating Revenues	<u>207,285</u>	<u>198,140</u>	<u>405,425</u>	<u>381,168</u>
Operating Expenses				
Professional Services:				
Consulting Executive Director	80,000	-	80,000	80,000
Admin Assistance Services	37,500	-	37,500	37,500
Legal Services	4,684	-	4,684	12,386
Financial Consultation and Accounting				
Services	1,500	-	1,500	2,000
Lobbyist Fees	42,000	-	42,000	42,000
Audit Services	9,766	-	9,766	9,482
General and Administrative	16,460	-	16,460	12,398
Water Resource Projects	-	137,015	137,015	169,460
Depreciation	-	163,365	163,365	163,448
(Total Operating Expenses)	<u>(191,910)</u>	<u>(300,380)</u>	<u>(492,290)</u>	<u>(528,674)</u>
Operating Income (Loss)	<u>15,375</u>	<u>(102,240)</u>	<u>(86,865)</u>	<u>(147,506)</u>
Nonoperating Revenue				
Interest Income	4,590	13,662	18,252	8,354
Total Nonoperating Revenue	<u>4,590</u>	<u>13,662</u>	<u>18,252</u>	<u>8,354</u>
Increase (Decrease) in Net Position	19,965	(88,578)	(68,613)	(139,152)
Net Position, Beginning of Year	<u>569,789</u>	<u>1,879,064</u>	<u>2,448,853</u>	<u>2,588,005</u>
Net Position, End of Year	<u>\$ 589,754</u>	<u>\$ 1,790,486</u>	<u>\$ 2,380,240</u>	<u>\$ 2,448,853</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2017,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-type Activities - Enterprise Fund			2016
	2017			
	Operating	Project	Total	Total
	Account	Account		
Cash Flows from Operating Activities				
Member Assessments Received	\$ 147,285	\$ -	\$ 147,285	\$ 147,242
Wellfield Revenues Received	60,000	151,900	211,900	223,587
Project Revenues	-	2,019	2,019	17,162
Cash Paid to Contractors and Suppliers	(179,740)	(151,866)	(331,606)	(341,926)
Net Cash Provided by (Used in) Operating Activities	27,545	2,053	29,598	46,065
Cash Flows from Investing Activities				
Interest Income	4,590	13,662	18,252	8,354
Net Cash Flows Provided by (Used in) from Investing Activities	4,590	13,662	18,252	8,354
Net Increase (Decrease) in Cash and Investments	32,135	15,715	47,850	54,419
Cash and Cash Equivalents, Beginning of Year	584,500	988,452	1,572,952	1,518,533
Cash and Cash Equivalents, End of Year	\$ 616,635	\$ 1,004,167	\$ 1,620,802	\$ 1,572,952
<u>Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 15,375	\$ (102,240)	\$ (86,865)	\$ (147,506)
Reconciling Adjustments:				
Depreciation	-	163,365	163,365	163,448
Decrease (Increase) in Accounts Receivable	-	(44,221)	(44,221)	6,823
Decrease (Increase) in Prepaid Expense	-	-	-	(32)
Increase (Decrease) in Accounts Payable	12,170	(14,851)	(2,681)	23,332
Net Cash Provided by (Used in) Operating Activities	\$ 27,545	\$ 2,053	\$ 29,598	\$ 46,065

Supplemental Schedule of Noncash Investing and Financing Activities

There are no noncash investing and financing activities for the years ended September 30, 2017 and 2016.

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, 2016, 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 2017) 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.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Finance and Budgeting (Concluded)

The Authority prepares an annual budget each year and forwards copies to the member counties by June 1st. 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 Authority's 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 Cash Equivalents

Cash and Cash Equivalents 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 Charles A. Black (CAB) Wellfield 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. The Authority and Citrus County entered into a new purchase agreement in 2017, which calls for the County to pay a per thousand gallon charge to the Authority for water received from the CAB Facilities. 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 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.

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

Revenue Recognition (Concluded)

■ **Wellfield Revenues**

Revenues from wellfield operations were remitted on a rate per 1,000 gallon determined by contract - \$60,000 for the admin fee and \$167,967 for facilities. 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 Cash Equivalents

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, 2017, 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, 2017, all of the Authority's deposits were insured. The Authority's carrying amount of deposits and bank balance for September 30, 2017, was \$2,671.

The Authority invests excess operating cash with the State Board of Administration (SBA) of Florida, Florida PRIME. The SBA investment pool invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes, and U.S. Government obligations. Investments in the State Pool Florida PRIME were \$1,618,131 at September 30, 2017. SBA is not subject to the requirements of GASB Statement No. 72.

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

Note 3 - Capital Assets - Property and Equipment

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Being Depreciated				
Office Equipment	\$ 3,728	\$ -	\$ -	\$ 3,728
Wellfield - Citrus County	<u>4,895,231</u>	<u>-</u>	<u>-</u>	<u>4,895,231</u>
Total Assets Being Depreciated	<u>4,898,959</u>	<u>-</u>	<u>-</u>	<u>4,898,959</u>
 Accumulated Depreciation:				
Office Equipment	(2,496)	(190)	-	(2,686)
Wellfield - Citrus County	<u>(3,916,185)</u>	<u>(163,175)</u>	<u>-</u>	<u>(4,079,360)</u>
(Total Accumulated Depreciation)	<u>(3,918,681)</u>	<u>(163,365)</u>	<u>-</u>	<u>(4,082,046)</u>
 Total Capital Assets Being Depreciated	 <u>\$ 980,278</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 816,913</u>

Depreciation expense is \$163,365 for the year ended September 30, 2017.

Note 4 - Wellfield Cost Recovery

Effective October 1, 2016, the contract between the Authority and Citrus County Board of County Commissioners was renegotiated to change the terms from a fixed annual amount to a volumetric rate based model designed to approximate the annual charges of the original contract. The rate as described in the agreement will be \$0.1335 per thousand gallons with a minimum payment established at \$224,000 per year. A cost of living adjustment is allowed based on the annual adjustment that the county applies to its customers' rate, not to exceed 3%. The contract term is 10 years with four additional renewals of 10 years each.

In addition Citrus County is required to maintain a renewal and replacement fund for the purpose of maintaining the facilities. The amount transferred will be in the amount of \$180,000 per year, with a minimum balance requirement of \$2,000,000 and a maximum of \$3,000,000. The balance in the account at the County as of September 30, 2017, was \$2,248,537.

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, 2017: Hernando County for \$47,500, Marion County for \$35,245, and Citrus County for \$36,875. During the fiscal year, the Counties participated in the program with an expense incurred as of year-end of \$31,521 for Citrus, \$43,210 for Hernando, and \$2,103 for Marion.

**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, 2017, and have issued our report thereon dated March 2, 2018.

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

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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*.

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

March 2, 2018
Ocala, Florida

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

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

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, 2017, 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2017.

This report is intended solely for the information and use of the Florida Auditor General, the Governing Board of the Authority, 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

March 2, 2018
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, 2017, and have issued our report thereon dated March 2, 2018.

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

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 Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in that report dated March 2, 2018, 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. There were no findings and/or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the Authority and a discussion of component units can be found in Note 1 of the financial statements, dated March 2, 2018.

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

MANAGEMENT LETTER
(Concluded)

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, see 2017-1 management letter recommendation.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to 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.



March 2, 2018
Ocala, Florida

MANAGEMENT LETTER COMMENT

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

Current Year Recommendation

2017-1 Period End Closing Routine

As a part of our audit, we noted that Withlacoochee Regional Water Supply Authority (the Authority) does not currently utilize a documented period end closing routing to ensure the completeness and timeliness of all general ledger transactions, reconciliations, schedules, and monthly system generated financial statements for management review. Such a closing routine would help the Authority to keep its books up to date and provide for an independent review of financial information which is desirable due to the limited personnel of the office.

Accordingly, we recommend that the Authority establish period end closing routines (monthly, quarterly, and annually) that would provide for the completeness and timeliness of all accounting and financial reporting functions. These routines might also provide for additional periodic training and continuing education opportunities.

Purvis, Gray and Company, LLP

March 2, 2018
Ocala, Florida

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March 2, 2018

Board of Directors
Withlacoochee Regional Water Supply Authority
3600 W Sovereign Path, Suite 228
Lecanto, FL 34461

RE: Fiscal Year 2016-17 Financial Statements and Independent Auditor's Report
Management Letter Comment

WRWSA Board of Directors:

This letter is in response to the Management Letter Comment, Current Year Recommendation, contained in the Fiscal Year 2016-17 Financial Statements and Independent Auditor's Report. The staff of the WRWSA will development and implement period end closing routines as recommended. These routines will be implemented no later than the third quarter of the current fiscal year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard S. Owen". The signature is fluid and cursive.

Richard S. Owen, AICP
Executive Director