

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

SEPTEMBER 30, 2015

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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WATER SUPPLY AUTHORITY
LECANTO, FLORIDA**

SEPTEMBER 30, 2015

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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, 2015, 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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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

INDEPENDENT AUDITORS' REPORT
(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, 2015, 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 16, 2016, 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 2014 financial statements, and our report dated December 23, 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, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

Durvis, Gray and Company, LLP

March 16, 2016
Ocala, Florida

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2014-2015 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, 2015, as compared to September 30, 2014. 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 \$126,334 or 4.7%. Depreciation of plant equipment at the Charles A. Black (CAB) Water Supply Facilities represented \$163,448 of this amount.
- Operating account revenues at \$203,350 were relatively stable compared to the prior year and exceeded operating account costs by \$508. Project account revenues at \$188,400 were down from the prior year due to changes in the irrigation audit program. Project account costs exceeded revenues by \$132,654, driven primarily by project-related costs incurred during the year and depreciation of plant equipment at the CAB facilities.
- Operating account expenses at \$202,842 were relatively stable compared to the prior year, while project account expenses at \$321,054 were down substantially from the prior year (\$506,113) due to the completion of the 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 a 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 \$1,409 over the previous year due to minor population growth. Member assessments totaled \$143,350 and represented 37% of the Authority's total Operating Revenues. Project revenues were \$24,813, a decrease of \$77,353 from the previous fiscal year, and represented 6.4% of the Authority's total Operating Revenues. Citrus wellfield capital payments and the administrative surcharge revenues remained the same. Combined, the Citrus wellfield revenues totaled \$223,587 and represented 57.1% 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
2014-2015 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
- Continuation of Cooperation 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 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 5.8% or \$163,903 in Total Assets during the 2014-2015 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.

Assets	FYE 2014	FYE 2015	% Change	\$ Change
Current and Other Assets	\$1,530,379	\$1,529,924	-0.1%	\$-455
Capital Assets	1,307,174	1,143,726	-12.5%	-163,448
Total Assets	\$2,837,553	\$2,673,650	-5.8%	-\$163,903

The Authority’s Total Liabilities decreased by \$37,569 or -30.5%. As Accounts Payable these amounts are relatively insignificant in that the Authority has no long-term debt.

Liabilities	FYE 2014	FYE 2015	% Change	\$ Change
Operating Account A/P	\$16,597	\$15,953	-3.9%	\$-644
Water Resource Project Account A/P	106,617	69,692	-34.6%	-36,925
Total Liabilities	\$123,214	\$85,645	-30.5%	-\$37,569

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2014-2015 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 2014 and 2015 for comparison purposes.

Net Position	FYE 2014	FYE 2015	% Change	\$ Change
Investment in Capital Assets	\$ 1,307,174	\$ 1,143,726	-12.5%	\$ -163,448
Unrestricted Net Position	1,407,165	1,444,279	2.7%	37,114
Total Net Position	<u>\$ 2,714,339</u>	<u>\$ 2,588,005</u>	4.7%	<u>\$ -126,334</u>

The majority of the decrease from FYE 2014 to FYE 2015 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 repayment of the construction costs 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 2014-15 were received from Citrus, Hernando, Marion and Sumter counties. These per capita assessments are approved each year. For FY 2014-15, 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 a 35-year debt repayment schedule 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.

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2014-2015 FISCAL YEAR ENDING FINANCIAL REPORT
(Concluded)**

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

The last source of revenue during FY 2014-15 came from cooperatively funded projects, including the Irrigation Audit Water Conservation project. During FY 2014-15, the Authority received matching funds of \$24,813 for the Irrigation Audit project. A comparison of revenues from FY 2013-14 and FY 2014-15 is provided in the following table:

Operating Revenue	FYE 2014	FYE 2015	% Change	\$ Change
Local Assessments (Per Capita)	\$ 141,941	\$ 143,350	1.0%	\$ 1,409
Citrus Wellfield Administrative Funds	60,000	60,000	0.00%	0
Citrus Wellfield Water Resource:	163,587	163,587	0.00%	0
Project Funds				
Project Revenue	<u>102,166</u>	<u>24,813</u>	-75.8%	<u>-77,353</u>
Total Operating Revenue	<u>\$ 467,694</u>	<u>\$ 391,750</u>	-16.3%	<u>\$ -75,944</u>

Operating expenses for the Authority decreased by 30% during FY 2014-15 over FY 2013-14, primarily due to completion of the Regional Water Supply Plan update in FY2013-14. The following table provides a comparison of expenditures for FYE 2014 and 2015:

Operating Expenditures	FYE 2014	FYE 2015	% Change	\$ Change
Professional Services	\$ 181,536	\$ 180,678	-0.4%	\$ 858
General and Administrative	18,553	22,164	19.5%	3,611
Water Resource Projects	342,665	157,606	-54.0%	-185,059
Depreciation	<u>163,448</u>	<u>163,448</u>	0.0%	<u>0</u>
Total Operating Expenditures	<u>\$ 706,202</u>	<u>\$ 523,896</u>	-57.5%	<u>\$ -180,590</u>

Non-operating revenues increased by 745% 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 2014	FYE 2015	% Change	\$ Change
Interest Income - General Fund	\$ 2,391	\$ 2,947	23.3%	\$ 556
Unrealized Gain (Loss) on Investments	<u>-1,611</u>	<u>2,865</u>	0.0%	<u>4,476</u>
Total Non-Operating Revenue	<u>\$ 780</u>	<u>\$ 5,812</u>	745.0%	<u>\$ 5,032</u>

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, 2015,
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2014
 WITHLACOCHEE REGIONAL WATER SUPPLY AUTHORITY
 LECANTO, FLORIDA**

	Business-type Activities - Enterprise Fund			2014 Total
	2015			
	Operating Account	Project Account	Total	
Assets				
Current Assets				
Cash and Investments	\$ 563,363	\$ 955,170	\$ 1,518,533	\$ 1,503,790
Accounts Receivable - Local Governments	0	1,889	1,889	5,729
Accounts Receivable - SWFWMD	0	6,953	6,953	18,118
Prepaid Expense	2,549	0	2,549	2,742
Total Current Assets	<u>565,912</u>	<u>964,012</u>	<u>1,529,924</u>	<u>1,530,379</u>
Noncurrent Assets				
Capital Assets:				
Property and Equipment, Net of Accumulated Depreciation	0	1,143,726	1,143,726	1,307,174
Total Noncurrent Assets	<u>0</u>	<u>1,143,726</u>	<u>1,143,726</u>	<u>1,307,174</u>
Total Assets	<u>565,912</u>	<u>2,107,738</u>	<u>2,673,650</u>	<u>2,837,553</u>
Liabilities				
Accounts Payable	15,953	69,692	85,645	123,214
Total Liabilities	<u>15,953</u>	<u>69,692</u>	<u>85,645</u>	<u>123,214</u>
Net Position				
Investment in Capital Assets	0	1,143,726	1,143,726	1,307,174
Unrestricted	549,959	894,320	1,444,279	1,407,165
Total Net Position	<u>\$ 549,959</u>	<u>\$ 2,038,046</u>	<u>\$ 2,588,005</u>	<u>\$ 2,714,339</u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2014
WITHLACOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-type Activities - Enterprise Fund			2014
	2015			
	Operating Account	Project Account	Total	
Operating Revenues				
Member Assessments:				
Citrus County	\$ 26,704	\$ 0	\$ 26,704	\$ 26,745
Hernando County	33,024	0	33,024	32,890
Marion County	63,652	0	63,652	63,268
Sumter County	19,970	0	19,970	19,038
Total Member Assessments	<u>143,350</u>	<u>0</u>	<u>143,350</u>	<u>141,941</u>
Project Revenues:				
Project Revenue - Irrigation Audit Revenue	0	24,813	24,813	36,379
Project Revenue - Master Plan Update	0	0	0	65,787
Total Project Revenues	<u>0</u>	<u>24,813</u>	<u>24,813</u>	<u>102,166</u>
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	<u>60,000</u>	<u>163,587</u>	<u>223,587</u>	<u>223,587</u>
Total Operating Revenues	<u>203,350</u>	<u>188,400</u>	<u>391,750</u>	<u>467,694</u>
Operating Expenses				
Professional Services:				
Consulting Executive Director	80,000	0	80,000	80,000
Admin Assistance Services	39,663	0	39,663	37,500
Legal Services	8,385	0	8,385	12,066
Financial Consultation and Accounting Services	1,500	0	1,500	1,600
Lobbyist Fees	42,000	0	42,000	42,000
Audit Services	9,130	0	9,130	8,370
General and Administrative	22,164	0	22,164	18,553
Water Resource Projects	0	157,606	157,606	342,665
Depreciation	0	163,448	163,448	163,448
(Total Operating Expenses)	<u>(202,842)</u>	<u>(321,054)</u>	<u>(523,896)</u>	<u>(706,202)</u>
Operating Income (Loss)	<u>508</u>	<u>(132,654)</u>	<u>(132,146)</u>	<u>(238,508)</u>
Nonoperating Revenue				
Interest Income	2,947	0	2,947	2,391
Unrealized (Loss)/Gain on Investments	808	2,057	2,865	(1,611)
Total Nonoperating Revenue	<u>3,755</u>	<u>2,057</u>	<u>5,812</u>	<u>780</u>
Increase (Decrease) in Net Position	4,263	(130,597)	(126,334)	(237,728)
Net Position, Beginning of Year	545,696	2,168,643	2,714,339	2,952,067
Net Position, End of Year	<u>\$ 549,959</u>	<u>\$ 2,038,046</u>	<u>\$ 2,588,005</u>	<u>\$ 2,714,339</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2015,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2014
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-type Activities - Enterprise Fund			2014
	2015			
	Operating	Project	Total	Total
	Account	Account		
Cash Flows from Operating Activities				
Member Assessments Received	\$ 143,350	\$ 0	\$ 143,350	\$ 141,941
Wellfield Revenues Received	60,000	163,587	223,587	223,587
Project Revenues	0	39,818	39,818	122,833
Cash Paid to Contractors and Suppliers	(203,293)	(194,531)	(397,824)	(535,980)
Net Cash Provided by (Used in) Operating Activities	<u>57</u>	<u>8,874</u>	<u>8,931</u>	<u>(47,619)</u>
Cash Flows from Investing Activities				
Interest Income	2,947	0	2,947	2,391
Unrealized Gains/(Loss) on Investments	808	2,057	2,865	(1,611)
Net Cash Flows Provided by (Used in) from Investing Activities	<u>3,755</u>	<u>2,057</u>	<u>5,812</u>	<u>780</u>
Net Increase (Decrease) in Cash and Investments	3,812	10,931	14,743	(46,839)
Cash and Investments, Beginning of Year	<u>559,551</u>	<u>944,239</u>	<u>1,503,790</u>	<u>1,550,629</u>
Cash and Investments, End of Year	<u>\$ 563,363</u>	<u>\$ 955,170</u>	<u>\$ 1,518,533</u>	<u>\$ 1,503,790</u>
<u>Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	\$ 508	\$ (132,654)	\$ (132,146)	\$ (238,508)
Reconciling Adjustments:				
Depreciation	0	163,448	163,448	163,448
Decrease (Increase) in Accounts Receivable	0	15,005	15,005	20,667
Decrease (Increase) in Prepaid Expense	193	0	193	(2,571)
Increase (Decrease) in Accounts Payable	(644)	(36,925)	(37,569)	9,345
Net Cash Provided by (Used in) Operating Activities	<u>\$ 57</u>	<u>\$ 8,874</u>	<u>\$ 8,931</u>	<u>\$ (47,619)</u>

Supplemental Schedule of Noncash Investing and Financing Activities

There are no noncash investing and financing activities for the years ended September 30, 2015 and 2014.

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, 2014, 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 2015) 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
WITH LACOOCHEE 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 Governing Board as necessary to conduct the financial affairs of the Authority. The Authority does not use encumbrance accounting. All appropriations lapse at year-end.

Property Taxes

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

Cash and Investments

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

Accounting Estimates

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

Capital Assets - Property and Equipment

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

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

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

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
WITH LACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Revenue Recognition (Concluded)

■ **Wellfield Revenues**

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

Risk Assessment and Management

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

Note 2 - Deposits and Investments

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

Deposits

As of September 30, 2015, 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, 2015, all of the Authority's deposits were insured. The Authority's carrying amount of deposits for September 30, 2015, was \$1,613 and the bank balance was \$3,991.

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. Fund B was dissolved as of September 30, 2015. Investments in the State Pool Florida PRIME were \$1,516,920 at September 30, 2015.

NOTES TO FINANCIAL STATEMENTS
WITHLACOOCHEE 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>
Capital Assets Being Depreciated				
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>
 Accumulated Depreciation:				
Office Equipment	(1,948)	(274)	0	(2,222)
Wellfield - Citrus County	<u>(3,589,837)</u>	<u>(163,174)</u>	<u>0</u>	<u>(3,753,011)</u>
(Total Accumulated Depreciation)	<u>(3,591,785)</u>	<u>(163,448)</u>	<u>0</u>	<u>(3,755,233)</u>
 Total Capital Assets Being Depreciated	 <u>\$ 1,307,174</u>	 <u>\$ (163,448)</u>	 <u>\$ 0</u>	 <u>\$ 1,143,726</u>

Depreciation expense is \$163,448 for the year ended September 30, 2015.

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>	
2016	\$ 60,000	\$ 163,587	\$ 223,587
2017	60,000	163,587	223,587
2018	60,000	163,587	223,587
2019	60,000	163,587	223,587
2020	60,000	163,587	223,587
2021	60,000	163,587	223,587
2022	60,000	163,586	223,586
2023	0	42,500	42,500
2024	0	42,500	42,500
2025	0	42,500	42,500
2026	0	42,500	42,500
2027	0	42,500	42,500
Total	<u>\$ 420,000</u>	<u>\$ 1,357,608</u>	<u>\$ 1,777,608</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, 2016: Hernando County for \$47,750, Marion County for \$35,475, and Citrus County for \$36,875.

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, 2016, and shall not exceed \$25,000 for the fiscal year. During the fiscal year ended September 30, 2015, expenses totaled the Authority \$19,536.

**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, 2015, and have issued our report thereon dated March 16, 2016.

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.

Durvis, Gray and Company, LLP

March 16, 2016
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, 2015, 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, 2015.

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

March 16, 2016
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, 2015, and have issued our report thereon dated March 16, 2016.

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 *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 16, 2016, 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. Corrective actions have been taken to address findings and 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 16, 2016.

Certified Public Accountants

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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 that we 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.

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.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2015, 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, 2015. 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. In connection with our audit, we did not have any such recommendations.

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.



March 16, 2016
Ocala, Florida