BIG BEND WATER AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

BIG BEND WATER AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

TABLE OF CONTENTS

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Big Bend Water Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Big Bend Water Authority (the Authority), as of and for the year ended September 30, 2018, 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

The Authority's 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Basis for Qualified Opinion

As discussed in Note (6) to the financial statements, the Authority has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the Unites States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses of the Authority. The effects of this departure from accounting principles generally accepted in the United States of America on the Authority's financial statements has not been determined.

Qualified Opinion

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 our report dated May 22, 2019, 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 grant agreements and other matters. The purpose of that 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.

James Moore & Co., P.L.

Gainesville, Florida
May 22, 2019

This discussion and analysis of the Big Bend Water Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the Authority's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains financial statements that report on the Authority, which is a proprietary fund-enterprise fund that provides the community with adequate water and wastewater treatment facilities. Enterprise funds are used to account for activities in a manner similar to private-sector business enterprises and use the accrual basis of accounting.

The first financial statement is the Statement of Net Position. This statement includes all of the Authority's assets, liabilities and deferred outflows/inflows using the accrual basis of accounting. All of the current year transactions are recorded, regardless of when cash is received or paid. Net position – the difference between assets, liabilities, and deferred outflows/inflows – can be used to measure the Authority's financial position.

The second financial statement is the Statement of Revenues, Expenses and Changes in Net Position. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Authority's financial health is improving or deteriorating. However, other non-financial factors must also be considered when assessing the overall health of the Authority.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the Authority's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the Authority's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The Authority has no governmental activities.

.

CONDENSED FINANCIAL INFORMATION

	2017	2018	Change	% Change
Assets				
Non-capital assets	$ 952,741	$ 1,209,825	$ 257,084	26.98
Capital assets	12,587,188	12,302,672	(284,516)	(2.26)
Total assets	13,539,929	13,512,497	(27,432)	(0.20)
Deferred outflows of resources	76,216	243,596	167,380	-
Liabilities				
Current liabilities	321,060	276,558	(44,502)	(13.86)
Long-term liabilities	3,408,273	3,487,302	79,029	2.32
Total liabilities	3,729,333	3,763,860	34,527	0.93
Deferred inflows of resources	15,097	37,839	22,742	-
Net position				
Net investment in capital assets	9,243,008	9,065,074	(177,934)	(1.93)
Restricted	46,930	100,020	53,090	113.13
Unrestricted	581,777	789,300	207,523	35.67
Total net position	$ 9,871,715	$ 9,954,394	$ 82,679	0.84
Revenues				
Operating revenues	$ 1,059,699	$ 1,220,635	$ 160,936	15.19
Capital grants and contributions	193,886	78,599	(115,287)	(59.46)
Impact fees and developer contributions	36,575	-	(36,575)	(100.00)
Investment earnings	849	5,307	4,458	525.09
Total revenues	1,291,009	1,304,541	13,532	1.05
Expenses				
Water/sewer services	698,028	731,611	33,583	4.81
Depreciation	404,411	410,395	5,984	1.48
Interest on long-term debt	85,049	79,856	(5,193)	(6.11)
Total expenses	1,187,488	1,221,862	34,374	2.89
Change in net position	103,521	82,679	(20,842)	(20.13)
Beginning net position	9,768,194	9,871,715	103,521	1.06
Ending net position	$ 9,871,715	$ 9,954,394	$ 82,679	0.84

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Revenues were $1,304,541, including recognition of capital contributions of $78,599 compared to expenses of $1,221,862. This resulted in an increase in net position of $82,679.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority spent about $125,878 on capital assets. Please refer to a note to the accompanying financial statements entitled Capital Asset Activity for more detailed information.

Debt Administration

The Authority received $2,828 of new Long-term debt and reduced existing debt by $109,411 during the year.

Please refer to a note to the accompanying financial statements entitled Long-term Liabilities for more detailed information.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority at Post Office Box 670, Steinhatchee, Florida 32359.

BIG BEND WATER AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS	
Current assets	
Cash and cash equivalents	$ 930,779
Investments	595
Restricted assets:	
Cash and cash equivalents	84,211
Investments	39,405
Accounts receivable, net	102,043
Inventory	51,292
Prepaid items	1,500
Total current assets	1,209,825
Non-current assets	
Capital assets:	
Non-depreciable	361,176
Depreciable, net	11,941,496
Total non-current assets	12,302,672
Total Assets	$ 13,512,497
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	$ 243,596
LIABILITIES	
Current liabilities	
Accounts payable	$ 18,905
Customer deposits	95,193
Unearned revenue	17,177
Current portion of compensated absences	9,343
Payable from restricted assets:	
Accrued interest payable	23,596
Current maturities on long-term debt	112,344
Total current liabilities	276,558
Non-current liabilities	
Notes payable	3,125,254
Compensated absences	654
Net pension liability	361,394
Total noncurrent liabilities	3,487,302
Total Liabilities	$ 3,763,860
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	$ 37,839
NET POSITION	
Net investment in capital assets	$ 9,065,074
Restricted for debt service	100,020
Unrestricted	789,300
Total Net Position	$ 9,954,394

The accompanying notes to financial statements are an integral part of this statement.

BIG BEND WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Operating revenues	
Water and wastewater revenues	$ 1,103,978
Other operating revenues	116,657
Total operating revenues	1,220,635
Operating expenses	
Operating and management services	408,307
Other operating expenses	323,304
Depreciation and amortization	410,395
Total operating expenses	1,142,006
Operating income	78,629
Nonoperating revenues (expenses)	
Investment income	5,307
Interest expense	(79,856)
Total nonoperating revenues (expenses)	(74,549)
Income (loss) before capital contributions	4,080
Capital contributions	
Capital grants	78,599
Total capital contributions	78,599
Change in net position	82,679
Net position, beginning of year	9,871,715
Net position, end of year	$ 9,954,394

The accompanying notes to financial statements are an integral part of this statement.

BIG BEND WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash flows from operating activities	
Cash received from customers	$ 1,235,197
Cash payments to employees	(366,578)
Cash payments to suppliers	(412,110)
Net cash provided by (used in) operating activities	456,509
Cash flows from capital and related financing activities	
Principal paid on notes and bonds payable	(106,583)
Interest paid on notes and bonds payable	(80,810)
Payments to acquire and construct plant property	(125,877)
Capital grants	78,599
Impact fees and other capital contributions	-
Net cash provided by (used in) capital and related financing activities	(234,671)
Cash flows from investing activities	
Interest received	5,307
Net increase (decrease) in cash and cash equivalents	227,145
Cash and cash equivalents, beginning of year	787,845
Cash and cash equivalents, end of year	$ 1,014,990
Reconciliation of operating income to net cash provided by operating activities	
Cash flows from operating activities	
Operating income	$ 78,629
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	410,395
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	6,390
Decrease (Increase) in inventory and prepaid expenses	(36,331)
Increase (Decrease) in accounts payable and accrued expenses	(52,475)
Increase (Decrease) in customer deposits payable	5,354
Increase (Decrease) in unearned revenue	2,818
Increase (Decrease) in compensated absences	759
Increase (Decrease) in net pension liability	40,970
Total adjustments	377,880
Net cash provided by operating activities	$ 456,509
Cash and cash equivalents classified as:	
Unrestricted	$ 930,779
Restricted	84,211
Total cash and cash equivalents	$ 1,014,990

The accompanying notes to financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies:

The accounting policies of the Big Bend Water Authority (the Authority) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant policies.

(a) **Reporting entity**—The Authority is a multi-county special unit of government created through an interlocal agreement between the Boards of County Commissioners of Dixie and Taylor Counties, dated September 6, 2007. It is an independent special district created pursuant to the authority provided in Chapter 163, Part 1, Florida Statutes.

The Authority uses the criteria established in GASB Statement No. 14, as amended, to define the reporting entity and identify component units. Component units are entities for which the Authority is considered to be financially accountable or entities that would be misleading to exclude. There are no other entities that qualify for inclusion as a component unit within the Authority's reporting entity.

(b) **Basis of presentation**—The financial transactions of the Authority are reported as a proprietary fund type - Enterprise Fund. Enterprise Funds are used to account for activities in a manner similar to private-sector business enterprises. The Authority's operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

(c) **Measurement focus and basis of accounting**—The Authority utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

(d) **Cash and cash equivalents**—The Authority's cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2018 are insured or collateralized pursuant to Chapter 280, Florida Statutes. For purposes of the statement of cash flows, the Authority considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

(e) **Investments**—Investments consisted of certificates of deposit in qualified public depositories with original maturities of more than three months. Such investments are stated at cost plus accrued interest, which approximates fair value.

(f) **Accounts receivable**—The Authority's accounts receivable are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable are net of a $3,525 allowance.

(g) **Inventory**—The Authority’s inventory consists of meters, pipes and other supplies used for water and sewer main installations. Inventory is valued at cost, based on the first-in, first-out method.

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Capital assets**—Capital assets are recorded at cost less accumulated depreciation, except contributed assets which are recorded at acquisition value on the date of contribution. Expenditures of $1,000 or more are capitalized. Depreciation, on a straight-line basis, is charged over estimated useful lives ranging from 3 to 40 years.

(i) **Compensated absences**—The Authority's policy is to allow limited vesting of employee vacation pay. Employees may not vest accumulated sick leave. A liability for compensated absences is accrued when incurred in the Authority's financial statements.

(j) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (5).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is deferred inflows of resources related to pensions, as discussed further in Note (5).

(k) **Net position flow assumption**—Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Authority's policy to consider restricted net position to have been used before unrestricted net position is applied.

(l) **Revenue recognition**—Operating revenue consists primarily of charges for services, which are billed to customers for water and wastewater. Billings are included in revenue as meters are read each month. Unbilled revenues are accrued based on estimated consumption of the most recent billing. Unearned revenue represents advance collections from customers.

(m) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) **Deposits and Investments:**

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act,* the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Authority's deposits at year end are considered insured for custodial credit risk purposes.

(3) Capital Assets:

Changes in the Authority's capital assets for the year ended September 30, 2018, were as follows:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Capital assets not being depreciated:				
Land	$ 264,501	$ -	$ -	$ 264,501
Construction in progress	96,675	-	-	96,675
Total capital assets not being depreciated	361,176	-	-	361,176
Capital assets being depreciated:				
Vehicles	95,691	16,760	-	112,451
Water plant and structure	6,448,507	2,500	-	6,451,007
Pipeline	2,224,412	8,550	-	2,232,962
Waste water pipeline	6,381,794	89,003	-	6,470,797
Waste water plant and structure	243,989	9,064	-	253,053
Office equipment	32,559	-	-	32,559
Machinery and equipment	105,954	-	-	105,954
Total capital assets being depreciated	15,532,906	125,877	-	15,658,783
Less accumulated depreciation for:				
Vehicles	(95,691)	(838)	-	(96,529)
Water plant and structure	(1,271,604)	(156,810)	-	(1,428,414)
Pipeline	(1,069,732)	(80,006)	-	(1,149,738)
Waste water pipeline	(640,627)	(162,301)	-	(802,928)
Waste water plant and structure	(121,233)	(4,677)	-	(125,910)
Office equipment	(28,510)	(1,390)	-	(29,900)
Machinery and equipment	(79,495)	(4,373)	-	(83,868)
Total accumulated depreciation	(3,306,892)	(410,395)	-	(3,717,287)
Total capital assets being depreciated, net	12,226,014	(242,668)	-	11,941,496
Capital assets, net	$ 12,587,190	$ (242,668)	$ -	$ 12,302,672

(4) Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 2,484,181	$ 2,828	$ 102,411	$ 2,384,598	$ 104,344
Bonds payable	860,000	-	7,000	853,000	8,000
Compensated absences	9,238	9,997	9,238	9,997	9,343
Total	$ 3,353,419	$ 2,828	$ 120,585	$ 3,247,595	$ 121,687

(4) **Long-Term Liabilities:** (Continued)

Long-term debt at September 30, 2018, is comprised of the following:

Notes Payable	
Note Payable to finance water system improvements. Payable in semi-annual installments of $24,999 on October and April 15, including interest from 2.64% to 3.52%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. There is no debt senior to this obligation.	$ 657,180
Note Payable to finance water system improvements. Payable in semi-annual installments of $29,281 on November and May 15, including interest at 2.67%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loan is senior to this obligation.	777,398
Note Payable to finance wastewater system improvements. Payable in semi-annual installments of $27,409 on December and June 15, including interest-from .78% to 1.045%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loans are senior to this obligation.	950,020
Total notes payable	2,384,598
Bonds Payable	
$875,000 Water and Sewer Bonds (2013 Series); Due in installments of $4,000 to $42,000, from September 1, 2015 through September 1, 2052; interest at 2.375%; to finance a sewer line extension.	853,000
Total notes and bonds payable	$ 3,237,598

Aggregate maturities of notes and bonds payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2019	$ 112,344	$ 78,131	$ 190,475
2020	115,956	75,325	191,281
2021	119,639	72,431	192,070
2022	123,387	69,444	192,831
2023	127,208	66,363	193,571
2024-2028	695,943	282,165	978,108
2029-2033	804,145	189,866	994,011
2034-2038	561,402	96,719	658,121
2039-2043	235,574	53,546	289,120
2044-2048	180,000	32,300	212,300
2049-2052	162,000	9,738	171,738
Total	$ 3,237,598	$ 1,026,028	$ 4,263,626

(5) **Pension Plan:**

Plan Description and Administration

The Authority participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Authority's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Authority are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

(5) **Pension Plan:** (Continued)

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2018	After June 30, 2018
Regular Class	7.92%	8.26%
Senior Management	22.71%	24.06%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for entity employees participating in FRS and HIS for the plan year ended June 30, 2018, were as follows:

Entity Contributions – FRS	$ 19,193
Entity Contributions – HIS	8,124
Employee Contributions – FRS	14,681

(5) **Pension Plan:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2018, the entity reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	$ 202,847
HIS	158,547
Total	$ 361,394

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and June 30, 2017, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2018	2017
FRS	0.000673450%	0.000393842%
HIS	0.001497967%	0.000554498%

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	$ 42,379
HIS	26,176
Total	$ 68,555

Deferred outflows/inflows related to pensions:

At September 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 17,184	$ (624)	$ 2,427	$ (269)
Changes of assumptions	66,280	-	17,632	(16,763)
Net different between projected and actual investment earnings	-	(15,672)	96	-
Change in Authority's proportionate share	46,163	(2,399)	89,104	(2,112)
Contributions subsequent to measurement date	3,648	-	1,062	-
	$ 133,275	$ (18,695)	$ 110,321	$ (19,144)

(5) **Pension Plan:** (Continued)

Amounts reported as deferred outflows (except for contributions made subsequent to the measurement date, which will be recognized in the succeeding fiscal year) and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year Ending	Total
2019	$ 50,336
2020	42,271
2021	26,979
2022	34,330
2023	24,958
Thereafter	22,173
Total	$ 201,047

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

(5) **Pension Plan:** (Continued)

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Authority calculated using the current discount rates, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.00%	$ 370,204	$ 202,847	$ 63,847
HIS	3.87%	280,575	158,547	140,184

(6) **Other Post-Employment Benefits (OPEB):**

The Authority provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The Authority has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(7) **Risk Management:**

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of employees. To manage its risks, the Authority participates in the Preferred Government Insurance Trust (the "Trust"), a public entity risk pool currently operating as a common risk management and insurance program for member districts. The Authority pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member.

(8) Related Party Transactions:

Supplies were purchased from an entity owned by a board member. The amount was approximately $7,600 for the year ended September 30, 2018.

Automotive repairs were purchased from an entity owned by a relative of an employee. The amount was approximately $100 for the year ended September 30, 2018.

Various residents and businesses have received sewer hook ups related to the septic tank elimination project funded through grants.

(9) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

(a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.

(b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15. 2019.

(c) GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 expands debt disclosure requirements related to direct borrowings and direct placements, while also clarifying which liabilities should be included when disclosing information related to debt. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.

(d) GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2018.

BIG BEND WATER AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Florida Retirement System (FRS)				
Proportion of the net pension liability	0.000673450%	0.000393842%	0.000357216%	0.000354628%
Proportionate share of the net pension liability	202,847	116,536	90,197	45,805
Covered payroll	489,368	176,744	156,654	142,434
Proportionate share of the net pension liability as a percentage of covered payroll	41.45%	65.93%	57.58%	32.16%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability	0.001497967%	0.000554498%	0.000507456%	0.000469510%
Proportionate share of the net pension liability	158,547	59,290	59,142	47,883
Covered payroll	489,368	176,744	156,654	142,434
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.55%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.
Note 2: 2018 amounts include make-up contributions, resulting in unusually large covered payroll and contribution amounts.

BIG BEND WATER AUTHORITY
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Florida Retirement System (FRS)				
Contractually required contribution	$ 19,193	$ 11,034	$ 9,001	$ 8,812
Contributions in relation to the contractually required contribution	(19,193)	(11,034)	(9,001)	(8,812)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 489,368	$ 176,744	$ 156,654	$ 142,434
Contributions as a percentage of covered payroll	3.92%	6.24%	5.75%	6.19%
Health Insurance Subsidy Program (HIS)				
Contractually required contribution	$ 8,124	$ 3,265	$ 2,656	$ 2,036
Contributions in relation to the contractually required contribution	(8,124)	(3,265)	(2,656)	(2,036)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 489,368	$ 176,744	$ 156,654	$ 142,434
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the County will present information for

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 Board of Directors,
Big Bend Water Authority:

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Big Bend Water Authority (the Authority) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 22, 2019.

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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
May 22, 2019

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Board of Supervisors,
Big Bend Water Authority:

Report on the Financial Statements

We have audited the basic financial statements of the Big Bend Water Authority (the Authority), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 22, 2019.

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; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 22, 2019, 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. All findings identified in the prior audit report were corrected during the current year.

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 Big Bend Water Authority was established by special act by the Florida Legislature. There are no component units related to the Authority.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Financial Condition and Management

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 to identify the specific condition(s) met. In connection with our audits, 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 for the Authority. 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 communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

2018-001 Utility Billing Changes

During our testing of utility billing, we noted one light commercial customer that was not being charged usage fees for wastewater activity, which resulted in the customer being charged the base rate only. We noted that the General Manager provided authorization for this change due to an issue with a shared meter; however, we noted that there is no documented policy establishing the authority for rate adjustments to be made outside of the general rate structure approved by the Board. To ensure all adjustments are handled in a consistent manner, we recommend the Authority consider adopting a policy to establish the approval process for any deviations from the approved rate structure.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note any such findings.

Big Bend Water Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in the attached response to findings as listed in the table of contents. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

James Moore & Co., P.L.

Gainesville, Florida
May 22, 2019

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors,
Big Bend Water Authority:

We have examined the Big Bend Water Authority's (the Authority) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies,* for the year ended September 30, 2018. The Authority's 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 with Section 218.415, Florida Statutes, *Local Government Investment Policies,* for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the Big Bend Water Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

James Moore & Co., P.L.

Gainesville, Florida
May 22, 2019

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

BIG BEND WATER AUTHORITY
1313 1ST Ave SE, P O BOX 670
Steinhatchee, FL 32359
(352)498-3576
FAX (352)498-3624
bbwa@bellsouth.net

May 24, 2019

Auditor General's Office
Sherrill F. Norman, CPA
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Ms. Norman.

We have received the audited financial statements for the year ending September 30, 2018, and reviewed the auditors' findings addressed in their audit report.

Schedule of Findings, 2018-001
In this comment, the auditor's noted a Utility Billing Customer that was not being charged usage fees for wastewater activity, which resulted in the customer being charged the base rate only. We noted that the General Manager provided authorization for this change due to an issue with a shared meter. It should be noted, that I discussed with the Office Manager to only charge the customer the minimum sewer usage, this due to the low amount of sewer. I, as the General Manager, have been authorized by the BBWA Board to manage the affairs of the utilities systems of BBWA and direct the employees of BBWA, all in accordance with the Interlocal Agreement creating the BBWA, applicable State, Federal and Local laws, regulations and ordinances, and the bylaws, policies and procedures established by the BBWA Board, as the same now exist or may be amended from time to time. At any given time, I make the BBWA Board aware of any issue I deem as important or necessary. The BBWA Board has always approved my decisions, and stood by those decisions. If the Authority and/or our attorney feel changes should be made, I feel those will be addressed.

The professional manner with which our auditors conducted their audit was excellent. We appreciate having the opportunity to work with them, and hope to be able to do so in the future.

Sincerely,

Mark Reblin
General Manager
BBWA