

**BIG BEND WATER AUTHORITY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**BIG BEND WATER AUTHORITY  
TABLE OF CONTENTS  
SEPTEMBER 30, 2019**

	<u>Page Number(s)</u>
<b>Independent Auditors' Report</b>	1 – 2
<b>Management's Discussion and Analysis</b>	3 – 5
<b>Basic Financial Statements</b>	
Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 18
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	19
Schedule of Contributions – FRS/HIS	20
<b>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 <i>Government Auditing Standards</i></b>	21 – 22
<b>Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General</b>	23 – 24
<b>Independent Accountants' Examination Report</b>	25
<b>Management's Response</b>	26

## 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, 2019, 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.

- 1 -

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

### ***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 United 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, 2019, 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.

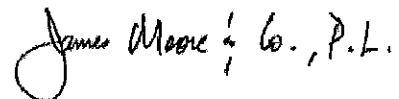
### ***Other Matters***

#### ***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 July 31, 2020, 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.



Gainesville, Florida  
July 31, 2020

**BIG BEND WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 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.

**BIG BEND WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2019**  
(Continued)

**CONDENSED FINANCIAL INFORMATION**

	2018	2019	Change	% Change
<b>Assets</b>				
Non-capital assets	\$ 1,209,825	\$ 1,383,878	\$ 174,053	14.39
Capital assets	12,302,672	11,933,511	(369,161)	(3.00)
<b>Total assets</b>	<b>13,512,497</b>	<b>13,317,389</b>	<b>(195,108)</b>	<b>(1.44)</b>
<b>Deferred outflows of resources</b>	<b>243,596</b>	<b>183,943</b>	<b>(59,653)</b>	<b>-</b>
<b>Liabilities</b>				
Current liabilities	276,558	287,607	11,049	4.00
Long-term liabilities	3,487,302	3,275,287	(212,015)	(6.08)
<b>Total liabilities</b>	<b>3,763,860</b>	<b>3,562,894</b>	<b>(200,966)</b>	<b>(5.34)</b>
<b>Deferred inflows of resources</b>	<b>37,839</b>	<b>110,285</b>	<b>72,446</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	9,065,074	8,808,256	(256,818)	(2.83)
Restricted	100,020	120,226	20,206	20.20
Unrestricted	789,300	899,671	110,371	13.98
<b>Total net position</b>	<b>\$ 9,954,394</b>	<b>\$ 9,828,153</b>	<b>\$ (126,241)</b>	<b>(1.27)</b>
<b>Revenues</b>				
Operating revenues	\$ 1,220,635	\$ 1,279,917	\$ 59,282	4.86
Capital grants and contributions	78,599	-	(78,599)	(100.00)
Investment earnings	5,307	7,603	2,296	43.26
<b>Total revenues</b>	<b>1,304,541</b>	<b>1,287,520</b>	<b>(17,021)</b>	<b>(1.30)</b>
<b>Expenses</b>				
Water/sewer services	731,611	864,112	132,501	18.11
Depreciation	410,395	413,324	2,929	0.71
Gain (loss) on disposal of capital assets	-	59,200	59,200	100.00
Interest on long-term debt	79,856	77,125	(2,731)	(3.42)
<b>Total expenses</b>	<b>1,221,862</b>	<b>1,413,761</b>	<b>191,899</b>	<b>15.71</b>
<b>Change in net position</b>	<b>82,679</b>	<b>(126,241)</b>	<b>(208,920)</b>	<b>(252.69)</b>
<b>Beginning net position</b>	<b>9,871,715</b>	<b>9,954,394</b>	<b>82,679</b>	<b>0.84</b>
<b>Ending net position</b>	<b>\$ 9,954,394</b>	<b>\$ 9,828,153</b>	<b>\$ (126,241)</b>	<b>(1.27)</b>

**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Revenues were \$1,287,520, compared to expenses of \$1,413,761. This resulted in an decrease in net position of \$126,241.

**BIG BEND WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2019  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority spent about \$103,363 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 reduced existing debt by \$112,343 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, 2019**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,011,718
Investments	753
Restricted assets:	
Cash and cash equivalents	103,411
Investments	39,405
Accounts receivable, net	186,908
Inventory	21,343
Prepaid items	2,250
Deposits	18,090
Total current assets	<u>1,383,878</u>
Non-current assets	
Capital assets:	
Non-depreciable	313,350
Depreciable, net	11,620,161
Total non-current assets	<u>11,933,511</u>
<b>Total Assets</b>	<u><u>\$ 13,317,389</u></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to pensions	<u><u>\$ 183,943</u></u>
---------------------------------------	--------------------------

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 17,677
Customer deposits	98,378
Unearned revenue	21,000
Current portion of compensated absences	12,005
Payable from restricted assets:	
Accrued interest payable	22,590
Current maturities on long-term debt	115,957
Total current liabilities	<u>287,607</u>
Non-current liabilities	
Notes and bonds payable	3,009,298
Compensated absences	2,118
Net pension liability	263,871
Total noncurrent liabilities	<u>3,275,287</u>
<b>Total Liabilities</b>	<u><u>\$ 3,562,894</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	<u><u>\$ 110,285</u></u>
--------------------------------------	--------------------------

**NET POSITION**

Net investment in capital assets	\$ 8,808,256
Restricted for debt service	120,226
Unrestricted	899,671
<b>Total Net Position</b>	<u><u>\$ 9,828,153</u></u>

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, 2019**

<b>Operating revenues</b>	
Water and wastewater revenues	\$ 1,152,386
Other operating revenues	127,531
Total operating revenues	<u>1,279,917</u>
<b>Operating expenses</b>	
Operating and management services	418,850
Other operating expenses	445,262
Depreciation and amortization	413,324
Total operating expenses	<u>1,277,436</u>
<b>Operating income</b>	<u>2,481</u>
<b>Nonoperating revenues (expenses)</b>	
Investment income	7,603
Gain (loss) on disposal of capital assets	(59,200)
Interest expense	<u>(77,125)</u>
Total nonoperating revenues (expenses)	<u>(128,722)</u>
<b>Change in net position</b>	<u>(126,241)</u>
<b>Net position, beginning of year</b>	9,954,394
<b>Net position, end of year</b>	<u><u>\$ 9,828,153</u></u>

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, 2019**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,202,060
Cash payments to employees	(380,148)
Cash payments to suppliers	(435,381)
Net cash provided by (used in) operating activities	<u>386,531</u>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on notes and bonds payable	(112,343)
Interest paid on notes and bonds payable	(78,131)
Payments to acquire and construct plant property	(103,363)
Net cash provided by (used in) capital and related financing activities	<u>(293,837)</u>
<b>Cash flows from investing activities</b>	
Interest received	7,445
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>100,139</u>
<b>Cash and cash equivalents, beginning of year</b>	1,014,990
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,115,129</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Cash flows from operating activities	
Operating income (loss)	\$ 2,481
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	413,324
Changes in assets and liabilities	
Decrease (Increase) in accounts receivable	(84,865)
Decrease (Increase) in inventory and prepaid expenses	11,109
Increase (Decrease) in accounts payable and accrued expenses	(1,228)
Increase (Decrease) in customer deposits payable	3,185
Increase (Decrease) in unearned revenue	3,823
Increase (Decrease) in compensated absences	4,126
Increase (Decrease) in net pension liability	34,576
Total adjustments	<u>384,050</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 386,531</u></u>
<b>Cash and cash equivalents classified as:</b>	
Unrestricted	\$ 1,011,718
Restricted	103,411
Total cash and cash equivalents	<u><u>\$ 1,115,129</u></u>

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

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(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, 2019 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 \$5,800 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.

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(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) **Impact fees**—The Authority has not adopted any ordinances or resolutions to levy impact fees in accordance with Section 163.31801, Florida Statutes.

(l) **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.

(m) **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.

(n) **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.

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(3) Capital Assets:**

Changes in the Authority's capital assets for the year ended September 30, 2019, were as follows:

	<u>Balance October 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 264,501	\$ -	\$ -	\$ 264,501
Construction in progress	96,675	11,374	(59,200)	48,849
Total capital assets not being depreciated	<u>361,176</u>	<u>11,374</u>	<u>(59,200)</u>	<u>313,350</u>
Capital assets being depreciated:				
Vehicles	112,451	-	-	112,451
Water plant and structure	6,451,007	-	-	6,451,007
Pipeline	2,232,962	4,735	-	2,237,697
Waste water pipeline	6,470,797	85,732	-	6,556,529
Waste water plant and structure	253,053	-	-	253,053
Office equipment	32,559	-	-	32,559
Machinery and equipment	105,954	1,522	-	107,476
Total capital assets being depreciated	<u>15,658,783</u>	<u>91,989</u>	<u>-</u>	<u>15,750,772</u>
Less accumulated depreciation for:				
Vehicles	(96,529)	(3,352)	-	(99,881)
Water plant and structure	(1,428,414)	(156,564)	-	(1,584,978)
Pipeline	(1,149,738)	(80,198)	-	(1,229,936)
Waste water pipeline	(802,928)	(163,502)	-	(966,430)
Waste water plant and structure	(125,911)	(4,696)	-	(130,607)
Office equipment	(29,900)	(910)	-	(30,810)
Machinery and equipment	(83,867)	(4,102)	-	(87,969)
Total accumulated depreciation	<u>(3,717,287)</u>	<u>(413,324)</u>	<u>-</u>	<u>(4,130,611)</u>
Total capital assets being depreciated, net	<u>11,941,496</u>	<u>(321,335)</u>	<u>-</u>	<u>11,620,161</u>
<b>Capital assets, net</b>	<u>\$ 12,302,672</u>	<u>\$ (309,961)</u>	<u>\$ (59,200)</u>	<u>\$ 11,933,511</u>

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

The following is a summary of changes in long-term liabilities for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 2,384,598	\$ -	\$ 104,343	\$ 2,280,255	\$ 106,957
Bonds payable	853,000	-	8,000	845,000	9,000
Compensated absences	9,997	11,878	7,752	14,123	12,005
Total	<u>\$ 3,247,595</u>	<u>\$ 11,878</u>	<u>\$ 120,095</u>	<u>\$ 3,139,378</u>	<u>\$ 127,962</u>

**BIG BEND WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

Long-term debt at September 30, 2019, 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. \$ 626,496

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. 739,341

Note Payable to finance wastewater system improvements. Payable in semi-annual installments of \$27,409 on December and June 15, including interest—from 1.56% to 2.09%. Payable from the Pledged Revenues, after satisfaction of any senior obligation. The preceding loans are senior to this obligation. 914,418

Total notes payable 2,280,255

**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. 845,000

Total notes and bonds payable \$ 3,125,255

Aggregate maturities of notes and bonds payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 115,957	\$ 75,327	\$ 191,284
2021	119,638	71,202	190,840
2022	123,388	68,270	191,658
2023	127,208	65,244	192,452
2024	131,101	62,124	193,224
2025-2029	716,559	264,766	981,325
2030-2034	827,876	169,737	997,613
2035-2039	468,396	84,241	552,637
2040-2044	187,132	48,490	235,622
2045-2049	185,000	28,026	213,026
2050-2052	123,000	5,889	128,890
Total	<u>\$ 3,125,255</u>	<u>\$ 943,316</u>	<u>\$ 4,068,571</u>

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(5) Pension Plan:**

**Plan Description and Administration**

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the entity'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 entity 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. Eligible retirees and beneficiaries receive 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 four 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.

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(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](http://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**

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2019	After June 30, 2019
Regular Class	8.26%	8.47%
Senior Management	24.06%	25.41%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

For the plan year ended June 30, 2019, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 15,576
Entity Contributions – HIS	4,510
Employee Contributions – FRS	8,150



**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

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

At September 30, 2019, the entity reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 173,001
HIS	90,870
Total	<u>\$ 263,871</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the 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, 2019 and June 30, 2018, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2019</u>	<u>2018</u>
FRS	0.000502347%	0.000673450%
HIS	0.000812138%	0.001497967%

For the year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 44,559
HIS	11,465
Total	<u>\$ 56,024</u>

*Deferred outflows/inflows related to pensions:*

At September 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,261	\$ (107)	\$ 1,104	\$ (111)
Changes of assumptions	44,434	-	10,522	(7,427)
Net different between projected and actual investment earnings	-	(9,571)	59	-
Change in Authority's proportionate share	37,429	(30,341)	74,065	(62,728)
Contributions subsequent to measurement date	4,764	-	1,305	-
	<u>\$ 96,888</u>	<u>\$ (40,019)</u>	<u>\$ 87,055</u>	<u>\$ (70,266)</u>

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows 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:

<u>Year Ending</u>	<u>Total</u>
2020	\$ 21,061
2021	20,610
2022	20,120
2023	12,676
2024	3,324
Thereafter	(10,202)
Total	<u>\$ 67,589</u>

*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 2019 for the period July 1, 2013, through June 30, 2018. 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 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

*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 2019, 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.

**BIG BEND WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	11.0%	6.7%
Private equity	10.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

*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 entity calculated using the current discount rates, as well as what the entity'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:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.90%	\$ 299,062	\$ 173,001	\$ 67,720
HIS	3.50%	103,733	90,870	80,157

(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.

**BIG BEND WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**(8) Related Party Transactions:**

Supplies were purchased from an entity owned by a board member. The amount was approximately \$9,700 for the year ended September 30, 2019.

Automotive repairs were purchased from an entity owned by a relative of an employee. The amount was approximately \$7,900 for the year ended September 30, 2019.

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, as adjusted for the provisions of GASB Statement No. 95, which delayed the implementation dates of certain provisions. Management has not currently determined what, if any, impact implementation of the following will have on the Authority’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, 2019.
- (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 June 15, 2021.
- (c) 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, 2019.
- (d) GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 91 are effective for periods beginning after December 15, 2021.

**(10) Subsequent Events:**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Authority as of July 31, 2020, management believes that a material impact on the Authority’s financial position and results of future operations is reasonably possible.

**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,				
	2019	2018	2017	2016	2015
<b>Florida Retirement System (FRS)</b>					
Proportion of the net pension liability	0.000502347%	0.000673450%	0.000393842%	0.000357216%	0.000354628%
Proportionate share of the net pension liability	173,001	202,847	116,536	90,197	45,805
Covered payroll	271,670	489,368	176,744	156,654	142,434
Proportionate share of the net pension liability as a percentage of covered payroll	63.68%	41.45%	65.93%	57.58%	32.16%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%
<b>Health Insurance Subsidy Program (HIS)</b>					
Proportion of the net pension liability	0.000812138%	0.001497967%	0.000554498%	0.000507456%	0.000469510%
Proportionate share of the net pension liability	90,870	158,547	59,290	59,142	47,883
Covered payroll	271,670	489,368	176,744	156,654	142,434
Proportionate share of the net pension liability as a percentage of covered payroll	33.45%	32.40%	33.55%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	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 Authority 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,				
	2019	2018	2017	2016	2015
<b>Florida Retirement System (FRS)</b>					
Contractually required contribution	\$ 15,576	\$ 19,193	\$ 11,034	\$ 9,001	\$ 8,812
Contributions in relation to the contractually required contribution	(15,576)	(19,193)	(11,034)	(9,001)	(8,812)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 271,670	\$ 489,368	\$ 176,744	\$ 156,654	\$ 142,434
Contributions as a percentage of covered payroll	5.73%	3.92%	6.24%	5.75%	6.19%
<b>Health Insurance Subsidy Program (HIS)</b>					
Contractually required contribution	\$ 4,510	\$ 8,124	\$ 3,265	\$ 2,656	\$ 2,036
Contributions in relation to the contractually required contribution	(4,510)	(8,124)	(3,265)	(2,656)	(2,036)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 271,670	\$ 489,368	\$ 176,744	\$ 156,654	\$ 142,434
Contributions as a percentage of covered payroll	1.66%	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 Authority will present information for only those years

**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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 31, 2020.

***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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify one deficiency in internal control that we consider to be a significant deficiency, as described in the following paragraph:

- 21 -

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

### **2019-001 – Utility Billing Rates**

During our testing of utility billing revenue, we noted a sample of seven customer accounts July billing did not agree to recalculated amount. As a result, water billings were underbilled for the identified customers. We recommend that management investigate the error to determine the issue with the billing. Additionally, management should perform a review of billing throughout the year to verify that bills are calculated correctly.

### ***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*.

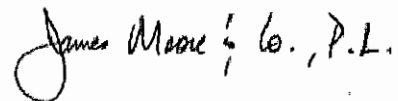
### **Big Bend Water Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the letter titled Management's Response to the Auditor's Comments, 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 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.

Gainesville, Florida  
July 31, 2020





**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, 2019, and have issued our report thereon dated July 31, 2020.

**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 July 31, 2020, 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. The following summarizes the status of prior year findings and recommendations:

**2018-001 Utility Billing Changes – Corrective action taken.**

**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.

## **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:

### **2019-002 Utility Utilization**

During our testing of utility billing, we noted that the water system has an annual utilization percentage of approximately 56% which is inefficient compared to other water systems. Additionally, we noted that monthly utilization is highly volatile with large utilization variances month to month. We recommend the Authority work with their engineers and software vendor to determine ways to increase their utilization and minimize potential water loss/uncaptured consumption.

## **Additional Matters**

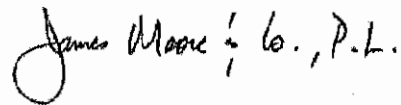
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants 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.



Gainesville, Florida  
July 31, 2020

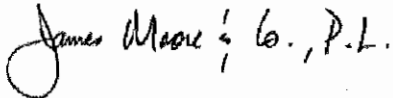
## INDEPENDENT ACCOUNTANTS' REPORT

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, 2019. 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, 2019, 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, 2019.



Gainesville, Florida  
July 31, 2020

- 25 -

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

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

July 30, 2020

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, 2019, and reviewed the auditors' findings addressed in their audit report.


Schedule of Findings 2009-001

In this comment, the auditor's noted a sampling of seven customer's accounts. July billings did not agree with the auditors recalculated amounts. We have contacted the software vendor to determine the discrepancy in the rate calculations and rectifying the calculation differences with the vendor.

On item 2019-002, utility utilization, we have been working with our engineers and software vendor to determine why this has been occurring and we are currently in the process of a water facility plan to look at upgrading our old distribution system and meters.

The professional manner with which our auditors conducted the 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