

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

**SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13-22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	23
Notes to Required Supplementary Information	24
INDEPENDENT AUDITOR'S 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>	25-26
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	27
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	28-29



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida ("Board") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of September 30, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance 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 budgetary comparison information 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 March 4, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Board's 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 Board's internal control over financial reporting and compliance.

B. & Associates

March 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida, ("Board") provides a narrative overview of the Board's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the Board's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

- The assets of the Board exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$35,129,091.
- The change in the Board's total net position in comparison with the prior fiscal year was (\$1,383,111), a decrease. The key components of the Board's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2019, the Board's governmental fund reported fund balance of \$17,863,436, a decrease of \$4,192,374 in comparison with the prior year. A portion of fund balance is restricted for repair and replacement and capital improvements; non-spendable for prepaid items and inventory; and the remainder is unassigned fund balance which is available for spending at the Board's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Board that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Board include general government related to operations and the basic services it provides. The Board does not have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Board's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Board's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and both capital projects funds, all of which are considered major funds.

The Board adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Board, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the Board's net position are reflected in the following table:

	NET POSITION		Percentage Change
	SEPTEMBER 30,		
	2019	2018	
Current and other assets	\$ 19,713,208	\$ 23,688,427	-17%
Capital assets, net of depreciation	31,438,019	29,632,260	6%
Total assets	51,151,227	53,320,687	-4%
Current liabilities	1,967,044	1,671,532	18%
Long-term liabilities	14,055,092	15,136,953	-7%
Total liabilities	16,022,136	16,808,485	-5%
Net position			
Net investment in capital assets	17,458,019	29,632,260	-41%
Restricted	15,833,926	5,027,017	215%
Unrestricted	1,837,146	1,852,925	-1%
Total net position	\$ 35,129,091	\$ 36,512,202	-4%

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The largest portion of the Board's net position (50%) reflects its net investment in capital assets (e.g. land, building, machinery, equipment, vehicles, and intangible assets) less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide service to the City of Delray Beach and the City of Boynton Beach. Accordingly, these assets are not available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Board's net position (45%) represents resources that are subject to external restrictions on how they may be used.

The Board's net position decreased during the most recent fiscal year. The decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

The key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2019	2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 7,722,874	\$ 7,744,780	0%
Operating grants and contributions	1,200,000	-	N/A
Capital grants and contributions	753,089	2,053,200	-63%
General revenues	109,977	101,745	8%
Total revenues	9,785,940	9,899,725	-1%
Expenses:			
Physical environment	10,380,875	10,610,720	-2%
Interest	425,220	36,541	
Total expenses	10,806,095	10,647,261	1%
Transfers (return of excess)	(362,956)	(749,777)	-52%
Change in net position	(1,383,111)	(1,497,313)	-8%
Net position - beginning	36,512,202	38,009,515	-4%
Net position - ending	\$ 35,129,091	\$ 36,512,202	-4%

As noted in the table above and in the statement of activities, the cost of all government activities during the fiscal year ended September 30, 2019, was \$10,806,095. The costs of the Board's activities were funded by program revenues consisting primarily of charges for services. The remainder of the current fiscal year revenue includes related-party contributions, interest revenue, and miscellaneous income. The majority of the decrease in program revenue was primarily due to decreased capital contributions from related parties in the current fiscal year. The increase in current fiscal year expenses is primarily the result of higher interest expense related to debt issued in the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Board pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Directors. The general fund budget for the fiscal year ended September 30, 2019 was amended to increase revenues by \$1,200,000, use of fund balance by \$246,562 and increase appropriations by \$1,446,562. Actual general fund expenditures for the fiscal year ended September 30, 2019 did not exceed appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the Board had \$114,225,579 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$82,787,560 has been taken, resulting in a net book value of \$31,438,019. More detailed information regarding the Board's capital assets is included in the notes to the financial statements.

Debt Obligations

At September 30, 2019, the Board had \$13,980,000 in Note Payable outstanding and \$87,164 for compensated absences. More detailed information about the Board's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The following economic factors currently affect the Board and were considered in developing the 2020 fiscal year budget:

- 1.6% increase in the O&M user rates beginning October 1, 2019
- 5.6% increase in Reclaim water wholesale user rates beginning October 1, 2019
- 2% decrease in operations and maintenance budget due to estimated reduction in flow (17.5 MGD to 17.0 MGD)

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Plant Manager, Douglas Levine at 1801 North Congress Avenue, Delray Beach, FL 33445.

BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities
ASSETS	
Cash	\$ 3,825,113
Investments	33,148
Due from other governments	572,253
Accounts receivable	550
Inventory	116,877
Prepays	80,708
Restricted assets:	
Cash	15,084,559
Capital assets:	
Nondepreciable	6,148,104
Depreciable, net	<u>25,289,915</u>
Total assets	<u>51,151,227</u>
 LIABILITIES	
Accounts payable and accrued liabilities	325,031
Contracts and retainage payable	1,161,785
Due to other governments	362,956
Accrued interest payable	105,200
Non-current liabilities:	
Due within one year	12,072
Due in more than one year	<u>14,055,092</u>
Total liabilities	<u>16,022,136</u>
 NET POSITION	
Net investment in capital assets	17,458,019
Restricted for repair and replacement	1,911,152
Restricted for capital improvement	13,922,774
Unrestricted	<u>1,837,146</u>
Total net position	<u>\$ 35,129,091</u>

See notes to the financial statements

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Physical environment	\$ 10,380,875	\$ 7,722,874	\$ -	\$ 753,089	\$ (1,904,912)
Interest	425,220	-	1,200,000	-	774,780
Total governmental activities	10,806,095	7,722,874	1,200,000	753,089	(1,130,132)
General revenues:					
Investment earnings				6,205	
Miscellaneous				103,772	
Total general revenues				109,977	
Transfers to other governments					(362,956)
Total general revenues and transfers					(252,979)
Change in net position					(1,383,111)
Net position - beginning					36,512,202
Net position - ending					\$ 35,129,091

See notes to the financial statements

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2019**

	Major Funds			Total Governmental Funds
	General	Repair and Replacement	Capital Projects	
ASSETS				
Cash	\$ 1,971,635	\$ 1,853,478	\$ 15,084,559	\$ 18,909,672
Investments	-	33,148	-	33,148
Due from other governments	572,253	-	-	572,253
Accounts receivable	550	-	-	550
Due from other fund	-	24,526	-	24,526
Inventory	116,877	-	-	116,877
Prepaid items	80,708	-	-	80,708
Total assets	<u>\$ 2,742,023</u>	<u>\$ 1,911,152</u>	<u>\$ 15,084,559</u>	<u>\$ 19,737,734</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 325,031	\$ -	\$ -	\$ 325,031
Due to other governments	362,956	-	-	362,956
Due to other fund	24,526	-	-	24,526
Contracts and retainage payable	-	-	1,161,785	1,161,785
Total liabilities	<u>712,513</u>	<u>-</u>	<u>1,161,785</u>	<u>1,874,298</u>
Fund balances:				
Nonspendable:				
Inventory	116,877	-	-	116,877
Prepaid items	80,708	-	-	80,708
Restricted for:				
Repair and replacement	-	1,911,152	-	1,911,152
Capital improvement	-	-	13,922,774	13,922,774
Unassigned	1,831,925	-	-	1,831,925
Total fund balances	<u>2,029,510</u>	<u>1,911,152</u>	<u>13,922,774</u>	<u>17,863,436</u>
Total liabilities and fund balances	<u>\$ 2,742,023</u>	<u>\$ 1,911,152</u>	<u>\$ 15,084,559</u>	<u>\$ 19,737,734</u>

See notes to the financial statements

**SOUTH CENTRAL REGIONAL WASTEWATER
 TREATMENT AND DISPOSAL BOARD
 DELRAY BEACH, FLORIDA
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019**

Fund balance - governmental funds		\$ 17,863,436
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.</p>		
Cost of capital assets	114,225,579	
Accumulated depreciation	<u>(82,787,560)</u>	31,438,019
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(105,200)	
Note payable	(13,980,000)	
Accrued compensated absences	<u>(87,164)</u>	<u>(14,172,364)</u>
Net position of governmental activities		<u>\$ 35,129,091</u>

See notes to the financial statements

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds			Total Governmental Funds
	General	Repair and Replacement	Capital Projects	
REVENUES				
Charges for services	\$ 7,415,475	\$ 307,399	\$ -	\$ 7,722,874
Contribution from other governments	1,200,000	749,777	-	1,949,777
Investment earnings	3,486	2,719	3,312	9,517
Miscellaneous revenues	103,772	-	-	103,772
Total revenues	<u>8,722,733</u>	<u>1,059,895</u>	<u>3,312</u>	<u>9,785,940</u>
EXPENDITURES				
Current:				
Personnel Services	1,551,733	-	-	1,551,733
Service Contracts	1,693,707	-	-	1,693,707
Physical environment	3,162,332	-	-	3,162,332
Supplies and chemicals	369,841	-	-	369,841
Debt Service:				
Principal	1,090,000	-	-	1,090,000
Interest	356,561	-	-	356,561
Capital outlay	28,345	327,466	5,035,373	5,391,184
Total expenditures	<u>8,252,519</u>	<u>327,466</u>	<u>5,035,373</u>	<u>13,615,358</u>
Excess (deficiency) of revenues over (under) expenditures	470,214	732,429	(5,032,061)	(3,829,418)
OTHER FINANCING SOURCES (USES)				
Return of Excess	(362,956)	-	-	(362,956)
Total other financing sources (uses)	<u>(362,956)</u>	<u>-</u>	<u>-</u>	<u>(362,956)</u>
Net change in fund balances	107,258	732,429	(5,032,061)	(4,192,374)
Fund balances - beginning	<u>1,922,252</u>	<u>1,178,723</u>	<u>18,954,835</u>	<u>22,055,810</u>
Fund balances - ending	<u>\$ 2,029,510</u>	<u>\$ 1,911,152</u>	<u>\$ 13,922,774</u>	<u>\$ 17,863,436</u>

See notes to the financial statements

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ (4,192,374)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	1,090,000
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.	5,391,184
Depreciation on capital assets is not recognized in the governmental fund financial statements but is reported as an expense in the statement of activities.	(3,571,027)
Some expenses reported in the statement of activities do not require the use of current financial resources; and, therefore, are not reported as expenditures in governmental funds. The details of the differences are as follows:	
Change in long-term compensated absences	(17,837)
Change in accrued interest	(68,659)
Loss on disposal of fixed assets	(14,398)
Change in net position of governmental activities	\$ (1,383,111)

See notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The South Central Regional Wastewater Treatment and Disposal Board (the "Board") was established by an interlocal agreement as a joint venture between the Cities of Boynton Beach, Florida and Delray Beach, Florida (the "Cities") on December 26, 1974. The Board was established as an Independent Special District pursuant to Section 163.01 of the Florida Statutes and the Florida Interlocal Cooperation Act of 1969. The agreement created a legal entity which provides wastewater treatment and disposal services to the South Central region of Palm Beach County without regard to political or governmental boundaries.

The Board is governed by a body composed of the Council members from each City. The Board has the authority to accept and disburse funds, transact business, and enter into contracts for budgeted items. In addition, the Board has the authority, subject to approval by a majority vote of each City Council before becoming effective, to adopt an annual budget, establish rates and charges for operations, maintenance, expansions and construction, enter into contracts for non-budgeted items, and authorize the return of any excess funds or levy additional charges for deficits of the Board to the respective cities.

The basic financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting principles and policies used in the preparation of these financial statements.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that no component units exist which would require inclusion in this report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not restricted to a particular program are reported instead as *general revenues*.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and any claims or judgments, are recorded only when payment is due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

User Charges

Charges billed to the Cities are based on each City's flow for the month. At the end of the fiscal year any excess or deficiency of program revenue over operational expenses is calculated. The excess or deficiency is shared proportionately based on flow. See Note 9 for a more detailed explanation of "Return of Excess".

The Board reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

Repair and Replacement Fund (Capital Projects Fund)

This fund accounts for the financial resources to be used for the acquisition, construction, or repair of major infrastructure.

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of assets for specific projects.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Note covenants and contractual restrictions.

Deposits and Investments

The Board's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The Board has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Board may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Board has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

The Board records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are valued at cost using the first-in, first-out (FIFO) method and consist of expendable chemicals and fuel.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$700 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Intangible assets are recorded at cost. When purchased or acquired, the intangible asset is recorded as expenditures in the governmental fund and capitalized as assets in the government-wide statement of net position. The balance represents the processing capacity rights owned by the Board in the Solid Waste Authority's pelletization plant.

Capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	6-50
Machinery and equipment	5-20
Intangible assets	20
Furniture, fixtures and office equipment	3-30

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Compensated Absences

It is the Board's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from the Board service. Vacation is accrued as a liability when benefits are earned by the employees, that is, the employees have rendered services that give rise to the vacation liability and it is probable that the Board will compensate the employees in some manner, e.g., in cash or in paid time-off, prior to termination or retirement. The Board uses the vesting method in accruing sick leave liability for employees who are eligible to receive termination benefits upon separation and/or sick bank cash out benefit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences (Continued)

Vacation and sick pay is accrued when earned in the government-wide financial statements. A liability for those amounts is reported in the governmental funds if they have matured as a result of employee resignations, cash out, termination or retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally made out of the general fund.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Loan premiums and discounts are deferred and amortized ratably over the life of the loan. Debt issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Board can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board. Commitments may be changed or lifted only by the Board taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Board first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position (Continued)

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Board's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The Board is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- In July of each year, the Plant Manager submits a proposed operating budget to the Board for the fiscal year commencing for following October 1st.
- When the operating budget is approved by the Board, it is submitted to the Councils of the Cities of Boynton Beach and Delray Beach for ratification.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The Board's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The Board's investments were held as follows at September 30, 2019:

	<u>Amortized cost</u>	<u>Credit Risk</u>	<u>Maturities</u>
Florida PRIME	\$ 33,148	S&P AAAM	Weighted average of the fund portfolio: 37 days
Total Investments	<u>\$ 33,148</u>		

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Board places no limit on the amount the Board may invest in any one issuer.

Interest rate risk – The Board does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the Board measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Board has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Board's investments have been reported at amortized cost above.

External Investment Pool – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2019 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 24,526
Repair and replacement	24,526	-
Total	<u>\$ 24,526</u>	<u>\$ 24,526</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. Monies are either transferred from repair and replacement (“R&R”) to pay general fund for the R&R’s expenditures or transferred from the general fund to the R&R fund for reserves. In the case of the Board, the balances between the general fund and the repair and replacement fund relate to pending reserve transfers from the general fund to the R&R fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 70,750	\$ -	\$ -	\$ 70,750
Construction in progress	1,129,637	5,123,030	(175,313)	6,077,354
Total capital assets, not being depreciated	<u>1,200,387</u>	<u>5,123,030</u>	<u>(175,313)</u>	<u>6,148,104</u>
Capital assets, being depreciated				
Buildings and improvements	76,334,479	33,483	-	76,367,962
Machinery and equipment	25,991,580	391,388	(306,457)	26,076,511
Intangible assets (see note 2)	5,109,192	-	-	5,109,192
Furniture, fixtures and office equipment	505,214	18,596	-	523,810
Total capital assets, being depreciated	<u>107,940,465</u>	<u>443,467</u>	<u>(306,457)</u>	<u>108,077,475</u>
Less accumulated depreciation for:				
Buildings and improvements	(54,545,271)	(2,556,200)	-	(57,101,471)
Machinery and equipment	(22,174,466)	(748,206)	292,059	(22,630,613)
Intangible assets (see note 2)	(2,299,789)	(259,032)	-	(2,558,821)
Furniture, fixtures and office equipment	(489,066)	(7,589)	-	(496,655)
Total accumulated depreciation	<u>(79,508,592)</u>	<u>(3,571,027)</u>	<u>292,059</u>	<u>(82,787,560)</u>
Total capital assets, being depreciated, net	<u>28,431,873</u>	<u>(3,127,560)</u>	<u>(14,398)</u>	<u>25,289,915</u>
Governmental activities capital assets, net	<u>\$ 29,632,260</u>	<u>\$ 1,995,470</u>	<u>\$ (189,711)</u>	<u>\$ 31,438,019</u>

Depreciation and amortization expense was charged to Physical Environment for the fiscal year ended September 30, 2019.

NOTE 7 – LONG TERM LIABILITIES

Note Payable

In September 2019, the Board obtained a \$15,070,000 Note to finance the acquisition and construction of certain plant improvements. The loan matures on January 1, 2033 and bears a fixed interest rate of 3.1%. Interest is to be paid semiannually on each January 1 and July 1. Principal on the Note is to be paid serially commencing January 1, 2019 through January 1, 2033.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Long-term Debt Activity

The Loan Agreement established a renewal and replacement fund requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements. The Note is secured by a pledge of the net revenues of the system. The Board agrees to set rates and charges in amounts that will provide Net Revenues in each fiscal year equal to 125% of the annual debt service requirement for that fiscal year and to adopt annual budgets to meet this and other debt covenants.

The changes in long-term liabilities for the fiscal year ended September 30, 2019, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Note Payable	\$15,070,000	\$ -	\$ (1,090,000)	\$ 13,980,000	\$ 820,000
Compensated Absences	69,327	94,337	(76,500)	87,164	12,072
Total	<u>\$15,139,327</u>	<u>\$ 94,337</u>	<u>\$ (1,166,500)</u>	<u>\$14,067,164</u>	<u>\$ 832,072</u>

At September 30, 2019, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2020	\$ 820,000	\$ 408,457	\$ 1,228,457
2021	840,000	383,474	1,223,474
2022	870,000	357,739	1,227,739
2023	895,000	331,175	1,226,175
2024	920,000	303,860	1,223,860
2025-2029	5,035,000	1,080,214	6,115,214
2030-2033	4,600,000	281,887	4,881,887
Total	<u>\$ 13,980,000</u>	<u>\$ 3,146,806</u>	<u>\$ 17,126,806</u>

NOTE 8 – DEFINED CONTRIBUTION PLAN

The South Central Regional Wastewater Treatment and Disposal Board Retirement Plan is a defined contribution 401(a) plan established by the Board to provide benefits at retirement to the employees of the Board. The plan is administered by an independent third party administrator.

Full time employees are eligible to participate from the date of employment. Effective June 2017, the plan was amended and adopted with changes to the employer contribution percentage based on years of service:

- 0-5 years – 12% employer contribution
- 6-10 years – 15% employer contribution
- 11-15 years - 18% employer contribution
- 16-20 years – 21% employer contribution
- 21 + years – 24% employer contribution

The employee contribution is 6%. Both employee and employer contributions are based on services actually rendered in the course of employment with the exception of bonuses and overtime. The Board's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years of continuous service. Board contributions for, and interest forfeited by, employees who leave employment before six years of service are used to reduce the board's current period contribution amount. Outstanding forfeiture amount at end of fiscal year was \$8,678. Plan revisions and contribution requirement are established and may be amended by the governing board.

NOTE 8 – DEFINED CONTRIBUTION PLAN (Continued)

The Board's total payroll for the year ended September 30, 2019 was \$1,218,097. The Board's contributions were calculated on the amount of \$932,892. Both the Board and covered employees made the required contribution of \$10,685 (net of \$122,335 in forfeiture deductions) and \$55,952, respectively.

NOTE 9 – COMMITMENTS

Sludge Disposal

For the year ended September 30, 2019, the Board was charged \$262,148 for sludge hauling.

Interlocal Agreement

On June 7, 2005, amended on July 20, 2006 and July 18, 2013, the Board entered into an agreement with Palm Beach County, City of Boca Raton, Loxahatchee River Environmental Control District, Village of Royal Palm Beach, Solid Waste Authority, and East Coast Regional Wastewater Treatment Facilities and formed a partnership to participate in the development and operation of the Biosolids Processing Facility. This facility will assist in eliminating tons of phosphorus discharges per year to land areas that drain into Lake Okeechobee. Based on the information developed to date, the Board's participation has included: 1) payment of approximately \$6.7 million of the prorated portion of the facility capital costs (approximately 21.75%), and 2) delivery of up to 85 wet tons/day of wastewater sludge at 15 percent solids tipping fees estimated for O&M costs of \$56.54 per ton. This participation secures an efficient, long-term and environmentally sound method to recycle and beneficially reuse the biosolids produced by the facility. The Facility capital costs have been recorded as an intangible asset and are being amortized over the estimated life of the facility.

Solid Waste Authority advised that the current year estimated fees for O&M costs would be \$53.08 per wet ton received. Subsequent to year end, a true-up was done and it was determined that the actual rate was \$48.19 resulting in a rebate of \$113,817 to the District. The amount was reflected as a reduction of costs for the subsequent fiscal year.

Certified Lab Testing Service

Effective June 15, 2011 The Board's lab was granted certification from the Florida Department of Health, in compliance with National Environmental Laboratory Accreditation Conference (NELAC) standards to perform analysis of non-potable water for both microbiology and general chemistry. The Board has a multi-year contract with Pace Analytical Services. The original contract was from April 8, 2015 thru April 7, 2017 with the option to renew for two (2) additional one year periods. At the February 26, 2018 Board meeting, the authorization was to exercise the second renewal to extend the term of the contract for laboratory services from April 8, 2018 through April 7, 2019. Lab testing expenses totaled \$33,919 for the year ended September 30, 2019.

Blower and Efficiency Upgrade Project

As of September 30, 2019, the Board has a contract with PCL Construction Inc. for \$13,009,430, of which approximately \$8,476,667 was not completed at September 30, 2019. In addition, there was \$1,616,034 outstanding commitment for Owner Direct Purchases related to the project.

NOTE 10 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2019, the Cities of Boynton Beach and Delray Beach incurred user charges in the following amounts. At September 30, 2019 there is a receivable of \$572,253 from the Cities.

	Boynton Beach	Delray Beach	Total
Sewer service - operations and maintenance	\$ 3,931,200	\$ 2,883,645	\$ 6,814,845
Project Funding	427,073	322,704	749,777
Sewer service - repair and replacement	176,940	130,459	307,399
Debt service	600,000	600,000	1,200,000
Total Related Party Transactions	\$ 5,135,213	\$ 3,936,808	\$ 9,072,021

NOTE 11 – RETURN OF EXCESS

On December 26, 1974 the Board entered into an interlocal agreement, Annex I, with the Cities of Boynton Beach and Delray Beach to establish and provide the basis of operation, supervision, management, maintenance, repair and replacement costs determination and billing of the Regional Plant. Boynton Beach and the Delray Beach have agreed to pay to the Board a proportional part of the Board's "operating costs". Pursuant to the most recent resolution to the agreement in 1986, the operational costs are paid by each City based on the ratio of each city's flow to the total amount of flows. Any excess or deficiency for the fiscal year is shared in the same manner.

In 2016, the Board made the decision to retain \$500,000 from the excess funds that are to be returned to the cities to replace certain Bar Screens. Replacing these bar screens will allow the plant to run more efficiently and be more cost effective as it will save wear and tear on the pumps, prevent the clogging of pipes and disruptions in the flow, increase high amperage and restrict air diffusion as well as save on the manpower of constantly clearing out the flow boxes. During the prior and current fiscal years, the Board made the decision to retain \$953,200 and \$749,777, respectively, from the 2017 and 2018 excess funds that are to be returned to the cities to fund certain plant improvement projects.

As of the September 30, 2019, the total excess amount due to the Cities of Boynton Beach and Delray Beach is as follows;

	Boynton Beach	Delray Beach	Total
September 30, 2019 Excess	\$ 208,919	\$ 154,037	\$ 362,956
Total Excess to be returned	\$ 208,919	\$ 154,037	\$ 362,956

NOTE 12 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 7,851,032	\$ 7,851,032	\$ 7,415,475	\$ (435,557)
Contribution from other governments	-	1,200,000	1,200,000	-
Investment earnings	-	-	3,486	3,486
Miscellaneous revenues	-	-	103,772	103,772
Total revenues	<u>7,851,032</u>	<u>9,051,032</u>	<u>8,722,733</u>	<u>(328,299)</u>
EXPENDITURES				
Current:				
Personnel Services	2,000,175	2,000,175	1,551,733	448,442
Service Contracts	1,975,200	1,975,200	1,693,707	281,493
Operations and maintenance	2,586,857	2,586,857	3,162,332	(575,475)
Supplies and chemicals	1,099,800	1,099,800	369,841	729,959
Debt Service:				
Principal	-	1,090,000	1,090,000	-
Interest	-	356,562	356,561	1
Capital outlay	189,000	189,000	28,345	160,655
Total expenditures	<u>7,851,032</u>	<u>9,297,594</u>	<u>8,252,519</u>	<u>1,045,075</u>
Excess (deficiency) of revenues over (under) expenditures	-	(246,562)	470,214	716,776
OTHER FINANCING SOURCES (USES)				
Return of Excess	-	-	(362,956)	(362,956)
Use of prior year surplus	-	246,562	-	(246,562)
Total other financing sources (uses)	<u>-</u>	<u>246,562</u>	<u>(362,956)</u>	<u>(609,518)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	107,258	<u>\$ 107,258</u>
Fund balance - beginning			<u>1,922,252</u>	
Fund balance - ending			<u>\$ 2,029,510</u>	

See notes to required supplementary information

**SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD
DELRAY BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Board is required to establish a budgetary system and an approved Annual Budget for the general fund. The Board's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Directors. The general fund budget for the fiscal year ended September 30, 2019 was amended to increase revenues by \$1,200,000, use of fund balance by \$246,562 and increase appropriations by \$1,446,562. Actual general fund expenditures for the fiscal year ended September 30, 2019 did not exceed appropriations.



**INDEPENDENT AUDITOR'S 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 Commissioners
South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida ("Board") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our opinion thereon dated March 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Devar & Associates

March 4, 2020



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Commissioners
South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

We have examined South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida, (the "Board") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board'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 Board complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Board complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report 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, management, and the Board of Commissioners of South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

March 4, 2020



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Commissioners
South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida (the "Board") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 4, 2020.

Auditor's 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Auditor's 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, which are dated March 4, 2020, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Board, as described in the first paragraph, we report the following:

- I. **Current year findings and recommendations.**
- II. **Status of prior year findings and recommendations.**
- III. **Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Commissioners of South Central Regional Wastewater Treatment and Disposal Board, Delray Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

March 4, 2020

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

2018-01, 2017-01, 2016-01, 2015-02, 2015-05 Payroll and related

Current Status: Matter has been resolved.

2018-02 Note Compliance

Current Status: Matter has been resolved.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2019.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2019.

4. The name or official title and legal authority of the Board are disclosed in the notes to the financial statements.
5. The Board has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2019. It is management's responsibility to monitor 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.