

2019

Withlacoochee Regional Water Supply Authority

Financial Statements

For Fiscal Year Ended September 30, 2019

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

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

SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities and the major fund of Withlacoochee Regional Water Supply Authority (the Authority), as of and for the year ended September 30, 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

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.

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Authority, as of September 30, 2019, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

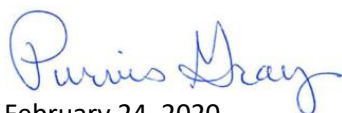
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3 through 6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 February 24, 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 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 City'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 Authority's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Authority's 2018 financial statements, and our report dated March 5, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented therein, as of and for the year ended September 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.



February 24, 2020
Ocala, Florida

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2018-2019 FISCAL YEAR ENDING FINANCIAL REPORT**

This management discussion and analysis of the Withlacoochee Regional Water Supply Authority's (WRWSA) financial performance provides an overview of the financial activities for the fiscal year (FY) ended September 30, 2019, as compared to September 30, 2018. The purpose of this overview is to provide readers with a comprehensive picture of the WRWSA's financial condition and results of operations. This discussion and analysis should be read in conjunction with the audited financial statements and related footnotes, as details there are not necessarily repeated in this analysis.

FINANCIAL HIGHLIGHTS

- Net Position of the Authority decreased by a net amount of \$160,435 or 7.2%. Depreciation of plant equipment at the Charles A. Black (CAB) Water Supply Facilities represented \$163,177 of this change.
- Operating account revenues were \$211,204 while operating account costs were \$206,569, leaving an operating account income of \$4,635. Project account revenues were \$338,869 while project account costs were \$545,727, leaving a project account loss of \$206,858. This loss was driven primarily by project-related costs incurred during the year (including the ongoing regional water supply plan, irrigation audit program, and water conservation grants) and depreciation of plant equipment at the CAB facilities.
- Revenues to the Authority consist of annual assessments of \$0.19 per capita, revenue from the Authority's water supply contract with Citrus County, and revenues from project cooperators. Member assessment revenues increased just slightly by \$1,696 over the previous year due to minor population growth. Member assessments totaled \$151,204. Revenues from the water supply contract with Citrus County totaled \$228,030. Of this amount \$60,000 was allocated to the Operating (administrative) Account, with the remaining amount of \$168,030 allocated to the Project Account.
- Net Position continues to provide the resources necessary to fund projects and continue to meet the obligations of the Authority. Revenue from the contract with Citrus County provides a funding source for both local and regional water resource projects that strengthen the Authority's role as a regional water planning and supply agency and allow the Authority to positively influence water supply development and conservation efforts in the region. In addition, assessment revenue from member governments continues to assist the Authority in its regional activities and enables the Authority to represent its member governments in regional and statewide water management decision making.

PROGRAM HIGHLIGHTS

During the fiscal year, the Authority continued to implement regional water supply planning, development, conservation, and member government support to ensure the long-term integrity of the region's water resources to the benefit of member governments. The Authority supported several special and on-going projects that increase the water supply capability of the region and are of unique benefit to the Authority members. Key projects include the following:

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2018-2019 FISCAL YEAR ENDING FINANCIAL REPORT**

- Joint Funding of Water Conservation Projects with Member Local Governments;
- Residential Irrigation System Evaluation Program;
- Legislative and Governmental Affairs Advocacy on behalf of the Authority and its Member Governments;
- Long-term water supply planning through the Regional Water Supply Plan Update, including expanding and refining the “Regional Framework” concept that will provide future infrastructure for introduction of Alternative Water Supplies into the region’s water supply systems; and
- Continued cooperation through a new agreement established October 1, 2016, with Citrus County in Operation of the Authority's Charles A. Black Wellfield and Water Supply Facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Balance Sheet and Statements of Revenues, Expenses, and Change in Net Position provide information about the activities of the Authority and present a longer-term view of the Authority’s finances. These statements include all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are considered regardless of when cash was received or disbursed. The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. Accompanying footnotes provide further information related to amounts presented on the financial statements.

Balance Sheet

As shown in the table below, there was a reduction of -6.89% or \$171,394 in Total Assets during the 2017-2018 FY. This amount is primarily the result of depreciation of the physical plant at the CAB #1 facility and project-related costs.

Assets	FYE 2018	FYE 2019	% Change	\$ Change
Current and Other				
Assets	\$1,693,967	\$1,690,810	-0.2%	-\$3,157
Capital Assets	\$653,549	\$490,184	-25.0%	-\$163,365
Total Assets	\$2,347,516	\$2,180,994	-7.1%	-\$166,522

The Authority’s Total Liabilities increased by \$6,087 or 5.2%. As Accounts Payable these amounts are relatively insignificant in that the Authority has no long-term debt.

Liabilities	FYE 2018	FYE 2019	% Change	\$ Change
Account A/P	\$116,908	\$110,821	-5.2%	-\$6,087
Total Liabilities	\$116,908	\$110,821	-5.2%	-\$6,087

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2018-2019 FISCAL YEAR ENDING FINANCIAL REPORT**

Computing and reflecting net position is one way to illustrate the financial health and financial position of the Authority. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. The following table summarizes net position for the Authority for FYE 2018 and 2019 for comparison purposes:

Net Position	FYE 2018	FYE 2019	% Change	\$ Change
Investment in Capital				
Assets	\$653,549	\$490,184	-25.0%	-\$163,365
Unrestricted Net Position	\$1,577,059	\$1,579,989	0.2%	\$2,930
Total Net Position	\$2,230,608	\$2,070,173	-7.2%	-\$160,435

The majority of the decrease from FYE 2018 to FYE 2019 in Capital Assets is attributable to the continued depreciation of the Authority’s CAB #1 water supply facility. The change in cash assets, both unrestricted and restricted, is a better indicator of the financial position of the Authority. To better balance the outflow of cash for water resource projects with revenue from the water supply contract with Citrus County, the Authority has set its annual grant obligation for budget purposes to a maximum outlay of \$130,000 per year and set its match at a maximum of 50% of the project total costs with a maximum of \$50,000 to any one grantee. These measures have reduced the net decrease in assets over time. As more local utilities apply to participate in the grants program, there will be greater demand on the Authority’s reserves.

Statement of Revenues, Expenses, and Changes in Net Position

Revenue for the Authority is categorized into unrestricted and restricted and is derived from three sources: (1) member government per capita assessments, (2) contractual payments made by Citrus County for water received from the Authority’s CAB facilities, and (3) project revenues for cooperatively funded projects. Member government assessments in FY 2018-2019 were received from Citrus, Hernando, Marion, and Sumter counties. These per capita assessments are approved each year. For FY 2018-2019, the Authority and its member governments approved \$.19/per capita. All of this revenue is unrestricted and used for administration of the Authority.

Revenues from the CAB facilities are established by contract between Citrus County and the Authority at a rate per 1,000 gallons pumped. The Authority allocates a portion of these revenues to its unrestricted account for administrative costs associated with the CAB facilities, and the remainder as restricted for water resource and supply development projects. This allocation of these CAB revenues into restricted and unrestricted accounts is an outcome of an inter-local Agreement between the Authority and the SWFWMD signed in 1987. Pursuant to this Agreement, the SWFWMD provided a grant to the Authority to construct the CAB facilities. As a part of this Agreement, the SWFWMD required the Authority to recoup the grant funds through the sale of water, and to utilize these funds for future water resource and supply development projects. Although this Agreement expired in 1999 and, therefore, the funds from the CAB wellfield are technically no longer required to be restricted and may be used for water supply projects as well as administration of the Authority, the Authority continues to track these funds separately. The purpose of the SWFWMD grant to the Authority was to enable the Authority to construct its initial water supply facility, generate revenues through the sale of water, and help make the Authority financially sound.

**WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
2018-2019 FISCAL YEAR ENDING FINANCIAL REPORT**

The last source of revenue during FY 2018-2019 came from cooperatively funded projects, including the Regional Water Supply Plan Update project and the Irrigation System Audit Water Conservation project. A comparison of revenues from FY 2017-18 and FY 2018-2019 is provided in the following table:

Operating Revenue	FYE 2018	FYE 2019	% Change	\$ Change
Local Assessments (Per Capita)	\$149,508	\$151,204	1.1%	\$1,696
Citrus Wellfield Administrative Funds	\$60,000	\$60,000	0.0%	\$0
Citrus Wellfield Water Resource Project Funds	\$164,001	\$168,030	2.6%	\$4,029
Project Revenue	\$78,950	\$170,839	116.4%	\$91,889
Total Operating Revenue	\$452,459	\$550,073	21.6%	\$97,614

Operating expenses for the Authority increased by 19.8% during FY 2017-18 over FY 2018-19. The following table provides a comparison of expenditures for FYE 2018 and 2019:

Operating Expenditures	FYE 2018	FYE 2019	% Change	\$ Change
Professional Services	\$180,055	\$190,460	5.8%	\$10,405
General and Administrative	\$15,398	\$16,109	4.6%	\$711
Water Resource Projects	\$269,179	\$382,362	42.0%	\$113,183
Depreciation	\$163,364	\$163,365	0.0%	\$1
Total Operating Expenditures	\$627,996	\$752,296	19.8%	\$124,300

Non-operating revenues increased by 61.30% from the previous year. The increase was attributable to a return on investment for funds with the State Board of Administration.

Non-Operating Revenues	FYE 2018	FYE 2019	% Change	\$ Change
Interest Income – General Fund	\$9,196	\$14,522	57.9%	\$5,326
Interest Income – Project Fund	\$16,709	\$27,266	63.2%	\$10,557
Total Non-Operating Revenues	\$25,905	\$41,788	61.3%	\$15,883

Request for Information

This financial report is designed to present users with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have any questions concerning the information provided in this report, or need additional financial information, contact the Executive Director at 3600 W. Sovereign Path, Ste. 228, Lecanto, FL 34461. Additional information concerning the Authority can be found on our website www.wrwsa.org.

FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 SEPTEMBER 30, 2019,
 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018
 WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
 LECANTO, FLORIDA**

	Business-Type Activities - Enterprise Fund			
	2019			2018
	Operating Account	Project Account	Total	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 724,545	\$ 896,675	\$ 1,621,220	\$ 1,609,815
Accounts Receivable - Local Governments	5,733	31,213	36,946	18,431
Accounts Receivable - SWFWMD	-	29,733	29,733	63,033
Prepaid Expense	2,911	-	2,911	2,688
Total Current Assets	733,189	957,621	1,690,810	1,693,967
Non-Current Assets				
Capital Assets:				
C.A.B. Wellfield	-	4,898,959	4,898,959	-
Accumulated Depreciation	-	(4,408,775)	(4,408,775)	653,549
Total Non-Current Assets	-	490,184	490,184	653,549
Total Assets	733,189	1,447,805	2,180,994	2,347,516
Liabilities				
Accounts Payable	13,834	96,987	110,821	116,908
Total Liabilities	13,834	96,987	110,821	116,908
Net Position				
Investment in Capital Assets	-	490,184	490,184	653,549
Unrestricted	719,355	860,634	1,579,989	1,577,059
Total Net Position	\$ 719,355	\$ 1,350,818	\$ 2,070,173	\$ 2,230,608

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2018
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-Type Activities - Enterprise Fund			2018 Total
	2019			
	Operating Account	Project Account	Total	
Operating Revenues				
Member Assessments:				
Citrus County	\$ 27,322	\$ -	\$ 27,322	\$ 27,180
Hernando County	34,588	-	34,588	34,106
Marion County	66,361	-	66,361	65,692
Sumter County	22,933	-	22,933	22,530
Total Member Assessments	<u>151,204</u>	<u>-</u>	<u>151,204</u>	<u>149,508</u>
Project Revenues:				
Project Revenue - SWFWMD - Water Supply Plan	-	105,198	105,198	32,067
Project Revenue - Local Governments - Irrigation Audit Revenue	-	21,123	21,123	-
Project Revenue - SWFWMD - Irrigation Audit Revenue	-	44,518	44,518	46,883
Total Project Revenues	<u>-</u>	<u>170,839</u>	<u>170,839</u>	<u>78,950</u>
Wellfield Revenues:				
C.A.B. Wellfield Revenues	60,000	168,030	228,030	224,001
Total Wellfield Revenues	<u>60,000</u>	<u>168,030</u>	<u>228,030</u>	<u>224,001</u>
Total Operating Revenues	<u>211,204</u>	<u>338,869</u>	<u>550,073</u>	<u>452,459</u>
Operating Expenses				
Professional Services:				
Consulting Executive Director	80,000	-	80,000	80,000
Admin Assistance Services	37,500	-	37,500	35,156
Legal Services	18,985	-	18,985	10,874
Financial Consultation and Accounting Services	1,650	-	1,650	2,000
Lobbyist Fees	42,000	-	42,000	42,000
Audit Services	10,325	-	10,325	10,025
General and Administrative	16,109	-	16,109	15,398
Water Supply Plan	-	207,395	207,395	-
Water Resource Projects	-	174,967	174,967	269,179
Depreciation	-	163,365	163,365	163,364
(Total Operating Expenses)	<u>(206,569)</u>	<u>(545,727)</u>	<u>(752,296)</u>	<u>(627,996)</u>
Operating Income (Loss)	<u>4,635</u>	<u>(206,858)</u>	<u>(202,223)</u>	<u>(175,537)</u>
Non-Operating Revenue				
Transfer	27,266	(27,266)	-	-
Interest Income	14,522	27,266	41,788	25,905
Total Non-Operating Revenue	<u>41,788</u>	<u>-</u>	<u>41,788</u>	<u>25,905</u>
Increase (Decrease) in Net Position	46,423	(206,858)	(160,435)	(149,632)
Net Position, Beginning of Year	<u>672,932</u>	<u>1,557,676</u>	<u>2,230,608</u>	<u>2,380,240</u>
Net Position, End of Year	<u>\$ 719,355</u>	<u>\$ 1,350,818</u>	<u>\$ 2,070,173</u>	<u>\$ 2,230,608</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
SEPTEMBER 30, 2019,
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2019
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA

	Business-Type Activities - Enterprise Fund			
	2019			2018
	Operating	Project	Total	
	Account	Account		
Cash Flows from Operating Activities				
Member Assessments Received	\$ 145,471	\$ -	\$ 145,471	\$ 149,508
Wellfield Revenues Received	60,000	197,576	257,576	267,727
Project Revenues	-	161,811	161,811	-
Cash Paid to Contractors and Suppliers	(215,567)	(379,674)	(595,241)	(454,127)
Net Cash Provided by (Used in) Operating Activities	(10,096)	(20,287)	(30,383)	(36,892)
Cash Flows from Investing Activities				
Interest Income	14,522	27,266	41,788	25,905
Net Cash Flows Provided by (Used in) from Investing Activities	14,522	27,266	41,788	25,905
Cash Flows from Non-Capital Financing Activities				
Transfers	27,266	(27,266)	-	-
Net Cash Flows Provided by (Used in) from Non-Capital Financing Activities	27,266	(27,266)	-	-
Net Increase (Decrease) in Cash and Investments	31,692	(20,287)	11,405	(10,987)
Cash and Cash Equivalents, Beginning of Year	692,853	916,962	1,609,815	1,620,802
Cash and Cash Equivalents, End of Year	724,545	896,675	1,621,220	1,609,815
<u>Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities</u>				
Operating Income (Loss)	4,635	(206,858)	(202,223)	(175,537)
Reconciling Adjustments:				
Depreciation	-	163,365	163,365	163,364
Decrease (Increase) in Accounts Receivable	(5,733)	20,518	14,785	(35,224)
Decrease (Increase) in Prepaid Expense	(223)	-	(223)	(107)
Increase (Decrease) in Accounts Payable	(8,775)	2,688	(6,087)	10,612
Net Cash Provided by (Used in) Operating Activities	\$ (10,096)	\$ (20,287)	\$ (30,383)	\$ (36,892)
<u>Supplemental Schedule of Non-Cash Investing and Financing Activities</u>				

There are no non-cash investing and financing activities for the years ended September 30, 2019 and 2018.

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Withlacoochee Regional Water Supply Authority (the Authority) is an independent special district serving the central Florida area. The Authority was organized in 1977 by an inter-local agreement between Citrus, Hernando, Levy, Marion, and Sumter Counties as provided by Florida State Law, Chapters 373.1962, and 163.01, Florida Statutes. The Authority amended the inter-local agreement in 1984 to release Levy County from membership. The remaining four counties and various municipalities from the region currently make up the Authority's Governing Board. The primary purpose of the Authority, as defined in the inter-local agreement, is to assist its members in the management of water resources and to provide dependable water supplies on a regional basis.

The Authority is not considered to be a component unit of any other entity, nor are there any component units for which the Authority exercises control or oversight.

Fund Structure and Basis of Accounting

The accounting policies of the Authority conform to generally accepted accounting policies for governmental entities and follows standards established by the Governmental Accounting Standards Board (GASB). All activities of the Authority are accounted for in a single major enterprise fund, which uses the accrual basis of accounting. The enterprise fund is composed of an unrestricted operating account for general and administrative functions of the fund and a project account to account for various project activities of the fund.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Classification of Revenues

The Authority classifies its revenues as operating or non-operating according to the following criteria:

- **Operating Revenues**—include activities that have the characteristics of exchange transactions, such as member assessments.
- **Non-Operating Revenues**—include activities that have the characteristics of non-exchange transactions, such as interest income.

Finance and Budgeting

The inter-local agreement creating the Authority, revised in 2014, provides that each of the county signatories to the Agreement appropriate funds on a per capita basis to fund the operations of the Authority. The per capita appropriations (19¢ per person for 2018) are based upon the most current annual population estimates available at the time the budget is adopted. Per capita appropriations become effective after adoption by the Authority's Governing Board and approved by each of the respective Boards of County Commissioners.

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

The Authority prepares an annual budget each year and forwards copies to the member counties by June 1st. The member counties may then take action in either approving or disapproving the proposed budget and provide for the necessary per capita appropriation. The budget may be amended by the Authority's Governing Board as necessary to conduct the financial affairs of the Authority. The Authority does not use encumbrance accounting. All appropriations lapse at year-end. Due to a lack of quorum required by the Authority's organizational documents, the budget for the 2018-2019 fiscal year was not approved until April 2019.

Property Taxes

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

Cash and Cash Equivalents

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

Accounting Estimates

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

Capital Assets - Property and Equipment

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

During the 1992-1993 year, the Authority completed the Charles A. Black (CAB) Wellfield Water Supply Project. The project consists of construction of a wellfield to provide Citrus County, a member government, with bulk water supply on an all-requirements basis. The wellfield is owned by the Authority, with a reversionary interest to Citrus County. The Authority and Citrus County entered into a new purchase agreement in 2017, which calls for the County to pay a per thousand gallon charge to the Authority for water received from the CAB Facilities. Citrus County is responsible for the operations and maintenance of the facility, as well as funding a replacement reserve account.

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

Revenue Recognition

■ **Member Assessments**

Revenues from member assessments are generally recognized ratably over the fiscal year of the Authority for which the assessments were budgeted. Amounts recognized, but not received at year-end, if any, are presented as accounts receivable from local governments in the accompanying statement of net position.

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

■ **Wellfield Revenues**

Revenues from wellfield operations were remitted on a rate per 1,000 gallon determined by contract. The revenues are allocated - \$60,000 for the administration and \$168,030 for facilities. Amounts recognized, but not received at year-end, if any, are also presented as accounts receivable from member governments in the accompanying statement of net position.

■ **South West Florida Water Management District (SWFWMD) Cooperative Funding Initiative Revenues**

Revenues from SWFWMD are generally recognized based on contract reimbursement rate of 50% of expense incurred for the Regional Irrigation System Audit Program. Amounts recognized, but not received at year-end, if any, are presented as accounts receivable from SWFWMD in the accompanying statement of net position.

■ **Cooperative Match for Irrigation Audit Program**

Revenues from members for cooperative match are generally recognized as a flat amount per audit in the respective member counties. Amounts recognized, but not received at year-end, if any, are presented as accounts receivable from local governments in the accompanying statement of net position.

Risk Assessment and Management

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

Due to the contracted nature of the Authority employees, it was determined that GASB Statement No. 75 did not apply.

Note 2 - Deposits and Cash Equivalents

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

Deposits

As of September 30, 2019, all of the Authority's deposits are maintained in banks and financial institutions, which are covered by the *Florida Security for Public Deposits Act*, Chapter 280 of the Florida Statutes, which requires that each public depository must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the Authority's name nor specify which collateral is held for the Authority's benefit. The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the Authority for any deposits not covered by depository insurance or collateral pledged by the depository as previously described. As of September 30, 2019, all of the Authority's deposits were insured. The Authority's carrying amount of deposits and bank balance for September 30, 2019, was \$129,348.

The Authority invests excess operating cash with the State Board of Administration (SBA) of Florida, Florida PRIME. The SBA investment pool invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes, and U.S. Government obligations. Investments in the State Pool Florida PRIME

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

were \$1,491,872 at September 30, 2019. Florida PRIME is administered by the Florida State Board of Administration (SBA) and managed by professional money managers. Florida PRIME invests exclusively in short-term, high-quality fixed income securities rated in the highest short-term rating category by one or more nationally recognized statistical rating agencies, or securities of comparable quality. Florida PRIME is considered a stable value investment pool and carried at amortized cost. The account balances approximate fair value, and balances are available for immediate withdrawal. The weighted average maturity of Florida PRIME at September 30, 2019, is 37 days. The weighted average life (WAL) of Florida PRIME at September 30, 2019, is 85 days. Florida PRIME has a Standard & Poor's rating of "AAAm". Neither fund was exposed to foreign currency risk during the year. Financial Statements for SBA can be found at sbaf1.com.

Note 3 - Capital Assets - Property and Equipment

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Office Equipment	\$ 3,728	\$ -	\$ -	\$ 3,728
Wellfield - Citrus County	<u>4,895,231</u>	<u>-</u>	<u>-</u>	<u>4,895,231</u>
Total Assets Being Depreciated	<u>4,898,959</u>	<u>-</u>	<u>-</u>	<u>4,898,959</u>
Accumulated Depreciation:				
Office Equipment	(2,876)	(188)	-	(3,064)
Wellfield - Citrus County	<u>(4,242,534)</u>	<u>(163,177)</u>	<u>-</u>	<u>(4,405,711)</u>
(Total Accumulated Depreciation)	<u>(4,245,410)</u>	<u>(163,365)</u>	<u>-</u>	<u>(4,408,775)</u>
Total Capital Assets Being Depreciated	<u>\$ 653,549</u>	<u>\$ (163,365)</u>	<u>\$ -</u>	<u>\$ 490,184</u>

Depreciation expense is \$163,365 for the year ended September 30, 2019.

Note 4 - Wellfield Cost Recovery

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

In addition Citrus County is required to maintain a renewal and replacement fund for the purpose of maintaining the facilities. The amount transferred will be in the amount of \$180,000 per year, with a minimum balance requirement of \$2,000,000 and a maximum of \$3,000,000. The fund balance in the account at the County as of September 30, 2019, was \$1,652,843.

**NOTES TO FINANCIAL STATEMENTS
WITHLACOOCHEE REGIONAL WATER SUPPLY AUTHORITY
LECANTO, FLORIDA**

Note 5 - Commitments

Local Government Water Supply Funding Assistance Program

During 1999, the Authority moved to participate with local governments in providing funding assistance for water supply projects. The primary purpose of the project is to assist local governments in funding local water resource projects. The Authority agrees to pay, on a reimbursement basis, one-half of the project cost not to exceed \$50,000 per approved project. The Authority has a commitment to provide funding assistance for water conservation to the following members for the fiscal year-end September 30, 2019: Hernando County for \$48,350, Marion County for \$42,595, and Citrus County for \$36,875. During the fiscal year, the Counties participated in the program with an expense incurred as of year-end of \$34,660 for Citrus, \$40,310 for Hernando, and \$5,282 for Marion.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE
COMPTROLLER GENERAL OF THE UNITED STATES; AND
THE *RULES OF THE AUDITOR GENERAL* OF THE STATE OF FLORIDA**

**INDEPENDENT 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 Governing Board
Withlacoochee Regional Water Supply Authority
Lecanto, 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 business-type activities and the major fund of Withlacoochee Regional Water Supply Authority (the Authority), as of and for the year ended September 30, 2019, and have issued our report thereon dated February 24, 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

**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***

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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 24, 2020
Ocala, Florida

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

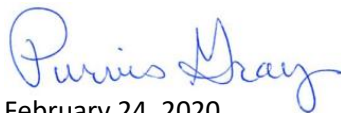
We have examined the Withlacoochee Regional Water Supply Authority's (the Authority) compliance with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2019, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

This report is intended solely for the information and use of the Florida Auditor General, the Governing Board of the Authority, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



February 24, 2020
Ocala, Florida

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Withlacoochee Regional Water Supply Authority (the Authority), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated February 24, 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; *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the 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 Accountant's Report on an examination conducted in accordance with the American Institute of Certified Public Accountants *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in that report dated February 24, 2020, if any, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority established for the Authority and a discussion of component units can be found in Note 1 of the financial statements, dated February 24, 2020.

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

MANAGEMENT LETTER

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 communicate 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 audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. 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.

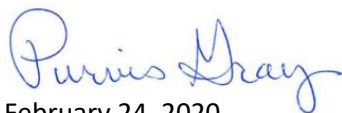
Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



February 24, 2020
Ocala, Florida