

**SUWANNEE WATER AND SEWER
DISTRICT**

FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

SUWANNEE WATER AND SEWER DISTRICT

DISTRICT OFFICIALS

September 30, 2020

<u>OFFICIALS</u>	<u>TERM EXPIRATION</u>
Board Members	
Ben West	January 2022
Vernon Hodsdon	January 2024
James Clark	January 2024
John Taylor	January 2022
Greg Leggett	January 2022
Manager	
Keith Segar	
Office Manager	
Jerri Lynn Woods	
Attorney	
Rhett Bullard	

SUWANNEE WATER AND SEWER DISTRICT

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September 30, 2020

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KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

INDEPENDENT AUDITOR'S REPORT

Board Members
Suwannee Water and Sewer District
Suwannee, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of the Suwannee Water and Sewer District (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Suwannee Water and Sewer District, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof 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 on pages 3–7 and pension trend information on pages 32 to 33 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 27, 2021, on my consideration of the Suwannee Water and Sewer District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Suwannee Water and Sewer District's internal control over financial reporting and compliance.



Kenneth M. Daniels
Certified Public Accountant
August 27, 2021

**MANAGEMENT'S
DISCUSSION &
ANALYSIS**

SUWANNEE WATER AND SEWER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended September 30, 2020

Our discussion and analysis of the Suwannee Water and Sewer District’s financial performance provides an overview of District’s financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District’s financial statements, which begin in page 8.

FINANCIAL HIGHLIGHTS

The District’s significant financial accomplishments during the year ended September 30, 2020, were as follows:

The District purchased a utility work vehicle for \$8,973 to assist in providing timely repairs to its water/wastewater utility system.

The District added to its inventory of pumps and parts in the amount of \$37,000 to ensure that adequate supplies are on-hand for unforeseen repairs due to weather related events.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer–term view of the District’s finances.

Fund financial statements start on page 10. Proprietary fund financial statements offer short and long-term financial information about the activities the District operates like businesses, such as the water and sewer/wastewater departments.

Fund financial statements also report the District’s operations in more detail than the government–wide statements by providing information about the District’s most significant fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. The Statement of Net Position and the Statement of Activities on pages 8 and 9 report information about the District as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements also report the District’s net position and changes in them. The District’s net position, the difference between assets and liabilities, is one way to measure the District’s financial health, or position. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating. Additional other nonfinancial factors such as changes in the area’s economic conditions and the condition of the District’s capital assets should be considered in assessing the District’s overall health.

In the Statement of Net Position and the Statement of Activities, the District’s activities are considered business-type: the District charges fees to customers to help it cover the cost of certain utility services it provides. The District’s water and sewer/wastewater services are included in the business-type activities.

Reporting the District’s Fund

Our analysis of the District’s fund (one major) begins on page 6. The fund financial statements begin on page 10 and provide detailed information about the District’s Proprietary Fund. A description of the District’s Fund is as follows:

Proprietary funds – Services for which the District charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The District’s Enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

The District as a Whole

As indicated below, the District’s net position decreased approximately \$458,000. Depreciation on the District’s capital assets was largely responsible for the reduction.

The analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) for the District’s business type activities.

Detailed comments follow the tables and explain the significant changes between the current and prior year.

Table 1
NET POSITION
(In Thousands)

	<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,660	\$ 1,612
Capital assets	<u>8,037</u>	<u>8,587</u>
Total assets	9,697	10,199
Deferred outflows of resources	<u>80</u>	<u>84</u>
Total assets and deferred outflows of resources	<u>\$ 9,777</u>	<u>\$ 10,283</u>
Other liabilities	\$ 136	\$ 126
Long term liabilities	<u>3,156</u>	<u>3,214</u>

Total liabilities	<u>3,292</u>	<u>3,340</u>
Deferred inflows of resources	<u>93</u>	<u>93</u>
Net position		
Invested in Cap Assets	5,083	5,560
Unrestricted	<u>1,309</u>	<u>1,290</u>
Total net position	<u>6,392</u>	<u>6,850</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,777</u>	<u>\$ 10,283</u>

Explanation of Significant Changes Table 1

Current and other assets increased due to 1. the purchase of grinder pumps which were included in the supplies inventory and 2 increase in cash due to decreased personal services and fewer grinder pumps installed. Capital assets, net, decreased due to depreciation on the District's assets in the amount of \$559,000 Total liabilities decreased approximately \$48,000 due to annual debt service totaling \$73,000 which was offset by increases in customer deposits (deposit requirements have increased over time) of \$12,500 and the District's pension liability of \$20,000.

Table 2
CHANGES IN NET POSITION
(In Thousands)

Statement of Activities	<u>Business-type Activities</u>	
	<u>2020</u>	<u>2019</u>
Program revenues		
Water utility services	\$ 424	\$ 430
Sewer/wastewater services	594	614
General revenues		
Interest	10	6
Miscellaneous	<u>19</u>	<u>37</u>
Total revenues	<u>1,047</u>	<u>1,087</u>
Program expenses		
Water utility services	333	339
Sewer/wastewater services	608	716
Water/sewer combination services	<u>564</u>	<u>571</u>
Total expenses	<u>1,505</u>	<u>1,626</u>
Change in net position	(458)	(539)
Beginning net position	<u>6,850</u>	<u>7,389</u>
Ending net position	<u>\$ 6,392</u>	<u>\$ 6,850</u>

Explanation of Significant Changes Table 2

Business-type revenues decreased slightly – approximately \$25,000. A number of accounts deemed uncollectible were removed from the District's receivables resulting in lessor billings of

late fees and associated penalties. The District's sewer/wastewater expenses decreased due to the purchase of approximately 150 grinder pumps in the prior year and reduced wages in the current year (part-time office assistant replaced a full-time worker and another employee converted to contractual services for the first full year).

The District's Net Position

The District's net position invested in capital assets decreased due to depreciation of its capital assets. Unrestricted net position increased slightly due to reduced expenses as indicated above.

TABLE 3
CHANGES IN MAJOR FUND'S NET POSITION
(in Thousands)

Proprietary Fund			
Change in Net Position:			
Invested in Capital Assets			
<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>Percent Change</u>
\$ 5,083	\$ 5,560	\$ (477)	-8.6%

Unrestricted			
<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>Percent Change</u>
\$ 1,309	\$ 1,290	\$ 19	1.5%

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2020, the District had \$18.34 million invested in capital assets, including equipment and water and sewer plants. See Table 4 below. There was an increase over the prior year of \$9,000.

The capital addition of 2020 was a utility work vehicle (see financial highlights above).

Table 4
CAPITAL ASSETS (in Thousands)

	Business-type	
	<u>2020</u>	<u>2019</u>
Land and construction in progress	\$ 31	\$ 31
Plant and equipment	1,256	1,247
Water System	7,695	7,695
Sewer System	9,355	9,355
Total capital assets, gross	<u>\$ 18,337</u>	<u>\$ 18,328</u>

Debt

At year-end, the District had \$3.16 million in outstanding debt. A net decrease of approximately \$54,000 from the prior year, due to the District's bond payments (decrease of \$73,000) and pension liability (increase of \$20,000).

TABLE 5
OUTSTANDING DEBT AT YEAR-END
(in Thousands)

		<u>2020</u>	<u>Business-type Activities</u>		<u>2019</u>
Compensated absences	\$	4	\$		5
Revenue bonds payable		2,954			3,027
Pension liability		<u>202</u>			<u>182</u>
Totals	<u>\$</u>	<u>3,160</u>		<u>\$</u>	<u>3,214</u>

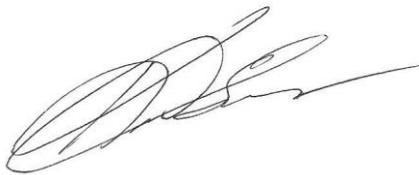
CURRENTLY KNOWN FACTS

The District's Proprietary Fund budget for the fiscal year 2020-21 budgeted \$1.04 million in revenues; water/sewer operating expenses of \$530,486; payroll expense of \$297,541; and loan payments of \$207,389.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, customers, and creditors, with a general overview of the District's finances and to show the District's accountability for the funds that it receives.

If you have questions about this report or need additional financial information, contact the District at PO Box 143/825 SE 327 Street, Suwannee, FL 32692.



Keith Segar
District Manager
Suwannee, Florida

**BASIC
FINANCIAL
STATEMENTS**

SUWANNEE WATER AND SEWER DISTRICT

STATEMENT OF NET POSITION

September 30, 2020

		<u>Business-type Activities</u>
Assets		
Cash	\$	784,232
Accounts receivable, net		66,849
Inventory		117,804
Restricted assets		
Cash		690,884
Capital assets		
Land		30,916
Other capital assets, net of depreciation		8,006,226
Total capital assets, net		8,037,142
Total assets		9,696,911
Deferred outflows of resources		
Pensions		80,512
Total assets and deferred outflows of resources	\$	9,777,423
 Liabilities		
Accounts payable	\$	8,373
Accrued interest		10,990
Health insurance payable		126
Retirement payable		1,455
Customer deposits		111,803
Long-term liabilities		
Due within one year		
Compensated absences		3,501
Revenue bonds payable		75,300
Due in more than one year		
Revenue bonds payable		2,878,500
Pension liability		202,489
Total liabilities		3,292,537
Deferred inflows of resources		
Deferred revenue - utility billings		23,769
Pensions		68,793
Total deferred inflows of resources		92,562
Net position		
Net investment in capital assets		5,083,342
Unrestricted		1,308,982
Total net position		6,392,324
Total liabilities, deferred inflows of resources, and net position	\$	9,777,423

SUWANNEE WATER AND SEWER DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Business type activities					
Water utility services	\$ 333,521	\$ 424,554	\$ -	\$ -	\$ 91,033
Sewer/wastewater services	608,098	593,671	-	-	(14,427)
Water/sewer combination services	<u>563,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(563,725)</u>
Total business type activities	<u>\$ 1,505,344</u>	<u>\$ 1,018,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(487,119)</u>
General revenues					
Interest					9,698
Rents					11,543
Miscellaneous					<u>8,012</u>
Total general revenues					<u>29,253</u>
Change in net position					(457,866)
Net position - beginning					<u>6,850,190</u>
Net position - ending					<u>\$ 6,392,324</u>

SUWANNEE WATER AND SEWER DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

September 30, 2020

Assets	
Current assets	
Cash and cash equivalents	\$ 784,232
Accounts receivable	89,349
Allowance for doubtful accounts	(22,500)
Inventory	117,804
Total current assets	<u>968,885</u>
Noncurrent assets	
Restricted assets	
Cash - certificates of deposit	416,095
Cash	274,789
Total restricted assets	<u>690,884</u>
Capital assets	
Land	30,916
Water plant	7,695,088
Sewage treatment plant	9,354,687
Equipment	1,256,651
Accumulated depreciation	(10,300,200)
Total capital assets	<u>8,037,142</u>
Total noncurrent assets	<u>8,728,026</u>
Total assets	<u>9,696,911</u>
Deferred outflows of resources	
Pensions	80,512
Total assets and deferred outflows of resources	<u>\$ 9,777,423</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 8,373
Accrued interest	10,990
Accrued leave	3,501
Health insurance payable	126
Retirement payable	1,455
Customer deposits	111,803
Revenue bonds payable, current portion	75,300
Total current liabilities	<u>211,548</u>
Noncurrent liabilities	
Revenue bonds payable	2,878,500
Pension liability	202,489
Total noncurrent liabilities	<u>3,080,989</u>
Total liabilities	<u>3,292,537</u>
Deferred inflows of resources	
Deferred revenue - utility billings	23,769
Pensions	68,793
Total deferred inflows of resources	<u>92,562</u>
Net position	
Invested in capital assets, net of related debt	5,083,342
Unrestricted	1,308,982
Total net position	<u>6,392,324</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,777,423</u>

SUWANNEE WATER AND SEWER DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Year Ended September 30, 2020

Operating revenues		
Charges for services		
Water	\$	414,384
Sewer		579,451
Miscellaneous (late, customer, and convenience fees)		<u>24,390</u>
Total operating revenues		<u>1,018,225</u>
Operating expenses		
Water utility services		
Operating expenses		<u>333,521</u>
Sewer/wastewater services		
Operating expenses		<u>474,144</u>
Water-sewer combination services		
Personal services		341,107
Operating expenses		<u>222,618</u>
Total water-sewer combination services		<u>563,725</u>
Total operating expenses		<u>1,371,390</u>
Operating income (loss)	\$	<u>(353,165)</u>
Nonoperating revenues (expenses)		
Interest earnings		9,698
Rents		11,543
Other		8,012
Interest expense		<u>(133,954)</u>
Total nonoperating revenues (expense)		<u>(104,701)</u>
Change in net position		(457,866)
Net position - beginning		<u>6,850,190</u>
Net position - ending	\$	<u><u>6,392,324</u></u>

SUWANNEE WATER AND SEWER DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2020

Cash flows from operating activities	
Cash received from customers and users	\$ 1,086,836
Cash payments for employees and benefits	(325,009)
Cash payments for goods and services	(514,048)
Net cash provided by (used for) operating activities	<u>247,779</u>
Cash flows from noncapital financing activities	
Rents	11,543
Other	8,012
Net cash provided by (used for) noncapital financing activities	<u>19,555</u>
Cash flows from capital and related financing activities	
Interest and other debt service costs paid	(134,227)
Purchases of capital assets	(8,973)
Payment of long-term debt	(73,300)
Net cash provided by (used for) capital and related financing activities	<u>(216,500)</u>
Cash flows from investing activities	
Interest revenue	9,698
Purchases of certificates of deposit	(9,197)
Net cash provided by (used for) investing activities	<u>501</u>
Net increase (decrease) in cash	51,335
Cash and cash equivalents - beginning	1,007,686
Cash and cash equivalents - ending	<u>\$ 1,059,021</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating income (loss)	<u>\$ (353,165)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	558,913
Changes in assets and liabilities	
Decrease (increase) in	
Accounts receivable, net	49,831
Inventory	(37,068)
Deferred outflows of resources - pensions	4,277
Increase (decrease) in	
Accounts payable	(5,609)
Accrued leave	(1,255)
Taxes payable	(19)
Retirement/withholding payable	(83)
Deposits	12,631
Deferred revenue	6,148
Pension liability	20,002
Deferred inflows of resources - pensions	(6,824)
Total adjustments	<u>600,944</u>
Net cash provided by (used for) operating activities	<u>\$ 247,779</u>
Noncash transactions	<u>\$ -</u>

(Continued)

See notes to financial statements.

SUWANNEE WATER AND SEWER DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2020

Reconciliation of cash reported on statement of net position
to cash reported on the statement of cash flows:

Per the statement of net position		
Cash and cash equivalents	\$	784,232
Restricted assets		
Cash - certificates of deposit		416,095
Cash		<u>274,789</u>
Total cash		1,475,116
Less certificates of deposit		
Debt service		<u>(416,095)</u>
Cash reported on the statement of cash flows	\$	<u><u>1,059,021</u></u>

SUWANNEE WATER AND SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE 1. – Summary of Significant Accounting Policies

The Suwannee Water and Sewer District is a dependent special district established under Dixie County Ordinance 94-04, adopted May 5, 1994, to provide the community of Suwannee, Florida, with adequate water and sewer systems. The District is managed by a five-member elected Board which is governed by the Florida Constitution, Statutes, Administrative Code and its own ordinances.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

A. Reporting Entity

These financial statements present only the Suwannee Water and Sewer District. As defined by GASBS No. 14, component units are legally separate entities that are to be included in the District's reporting entity because of the significance of the operating or financial relationships with the District. For the purpose of the District's basic financial statements, the reporting entity consists of those functions and activities administered directly by the District.

For the year ended September 30, 2020, there were no other entities to consider for inclusion as a component unit within the District's reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary funds and component units that are fiduciary in nature, if applicable. All District activities are considered business-type.

In the government-wide statement of net assets, the business-type activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The statement of activities presents a comparison, reporting the gross and net costs, between direct expenses and program revenues for the District's different business-type activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. There are no indirect expense allocations and, therefore, none have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's Proprietary Fund and focus on the determination of financial position and changes in financial position rather than upon net income.

The emphasis of fund financial statements is on the District's one major enterprise fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund operating revenues consist only of those resulting directly from the provision of the service provided. Nonoperating revenues represent all other receipts.

The District reports the following major enterprise fund:

Water and Sewer Utility Fund - this fund accounts for the operation, maintenance, and development of the District's water and sewer services.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus or accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations.

C. Assets, Liabilities Deferred Outflows/Inflows of Resources, and Net Position

Deposits

The District maintains one operating account for its water and sewer/waste water activities. All other deposit accounts are unique to the intended purpose (customer deposits and debt reserve). Interest earnings on all accounts, except the customer deposit account, are attributed to the operating fund.

Cash and Cash Equivalents

For purposes of the Enterprise Fund's Statement of Cash Flows, the District has defined cash and cash equivalents to include cash on hand, demand deposits, and certain certificates of deposit with original maturities of three months or less.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The enterprise fund uses the purchase method for accounting for the inventory.

Capital Assets

Capital assets purchased are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over their estimated useful lives. Estimated useful lives and the asset category's capitalization threshold are as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	15-35 years	\$5,000
Infrastructure/improvements	10-40 years	5,000
Equipment	5-15 years	5,000
Vehicles	5 years	5,000

Pensions

In the government-wide and fund statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS

plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as paid time off. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place. The calculation for the accrued paid time off is based upon the hourly balances and the employee's rate of pay at year-end.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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. The District only has one item(s) that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position reports 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. The District has two items that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note; the second category represents utility fees paid in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position/Restricted-Unrestricted Resources

The District periodically funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Restricted Assets

The District is required by loan agreement to establish and maintain prescribed amounts of resources (consisting of certificates of deposit) that can only be used to accumulate and pay for the subsequent year's debt service. Deposits placed by utility customers require that cash be restricted in the deposit amounts. The restricted amounts at year-end are as follows:

	<u>Amount</u>
Debt service reserve	\$ 587,105
Customer deposits	<u>103,779</u>
Total	<u>\$ 690,884</u>

NOTE 2. Deposits

Pursuant to Section 218.415(17), *Florida Statutes*, the District is authorized to invest surplus public funds in:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969, as provided in s. 163.01.
- (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, as defined in s. 280.02.
- (d) Direct obligations of the U.S. Treasury.

At September 30, 2020, the District's deposits held in Qualified Public Depositories totaled \$1,475,116. Of this balance, \$500,000 was covered by federal depository insurance. The remainder of \$975,116 is insured through the Bureau of Collateral Management, Division of Treasury, Department of Financial Services under *Florida Statutes* Chapter 280.

GASBS No. 9 provides that generally only investments with an original maturity of less than three months or less are cash equivalents. Therefore, on the Proprietary Funds' Statement of Cash Flows, the certificates of deposit with maturities of greater than three months are deemed investments. However, per GASBS No. 3, for disclosure purposes, the amounts are considered deposits (cash) and are included in the amounts above.

The District had no investments other than Certificates of Deposit (CDs) at September 30, 2020.

The District's CDs at September 30, 2020, were as follows:

Qualified Public Depository	Balance/Fair Value	Rate	Term	Maturity
Drummond Community Bank	\$ 44,602	2.40%	24 months	10/25/21
Drummond Community Bank	37,198	2.40%	24 months	12/02/21
Drummond Community Bank	106,047	2.40%	24 months	01/03/22
Drummond Community Bank	<u>228,248</u>	2.40%	24 months	01/03/22
Total certificates of deposit	<u>\$ 416,095</u>			

NOTE 3. Receivables

At September 30, 2020, the District was owed \$89,349, for billed services provided. The amounts and established allowances for uncollectible accounts are indicated below:

	<u>Accounts</u>	
Gross accounts receivable	\$	89,349
Allowance for doubtful accounts		<u>(22,500)</u>
Net accounts receivable	<u>\$</u>	<u>66,849</u>

NOTE 4. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 30,916	\$ -	\$ -	\$ 30,916
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>30,916</u>	<u>-</u>	<u>-</u>	<u>30,916</u>
Other capital assets				
Plant and equipment	1,247,678	8,973	-	1,256,651
Water System	7,695,088	-	-	7,695,088
Sewer System	<u>9,354,687</u>	<u>-</u>	<u>-</u>	<u>9,354,687</u>
Total other capital assets	<u>18,297,453</u>	<u>8,973</u>	<u>-</u>	<u>18,306,426</u>
Less accumulated depreciation for				
Plant and equipment	693,133	38,207	-	731,340
Water System	3,253,012	265,749	-	3,518,761
Sewer System	<u>5,795,142</u>	<u>254,957</u>	<u>-</u>	<u>6,050,099</u>
Total accumulated depreciation	<u>9,741,287</u>	<u>558,913</u>	<u>-</u>	<u>10,300,200</u>
Other capital assets, net	<u>8,556,166</u>	<u>(549,940)</u>	<u>-</u>	<u>8,006,226</u>
Business-type activities capital assets, net	<u>\$ 8,587,082</u>	<u>\$ (549,940)</u>	<u>\$ -</u>	<u>\$ 8,037,142</u>

Depreciation expense was charged the various functions as follows:

Business-type activities	
Water utility services	\$ 284,852
Sewer/wastewater services	<u>274,061</u>
Total physical environment	<u>\$ 558,913</u>

NOTE 5. Long-term Obligations

Revenue bonds payable

The District has the following revenue bonds payable at September 30, 2020:

A. Series 2007 issued September 26, 2007, in the amount of \$1,400,000. Forty annual payments average \$73,181, and include interest of 4.25%

B. Series 2011 issued January 27, 2011, in the amount of \$1,134,000. Forty annual payments average \$59,504, including interest of 4.375%.

C. Series 1996 issued September 4, 1996, in the amount of \$750,000. Thirty-eight annual payments average \$41,609, including interest of 4.50%

D. Series 1996A issued July 17, 1996, in the amount of \$554,000. Forty annual payments average \$32,369, including interest of 5.125%

The above bonds are secured by the gross revenues from the combined water and sewer/waste water systems. The bonds mature annually on September 1.

A sinking fund is required by the bond ordinances to accumulate funds to meet principal and interest payments. Monthly deposits of one-twelfth of the annual payment are required. Within the sinking fund, a reserve account is also to be established and requires funding over a ten-year period of a “monthly reserve deposit amount” equal to 1/120th of the “maximum bond service requirement” or \$209,921. Funding of the reserve may cease when the maximum bond service requirement is equaled or exceeded.

At September 30, 2020, \$587,105 was held in the sinking funds for debt service and reserve purposes exceeding the required amount.

The District incurred interest expense of \$133,954 on the above revenue bonds during the year ending September 30, 2020. The amount is included in the direct expense of the Town’s Water and Sewer/waste water Department.

Debt service requirements on long-term debt at September 30, 2020, are as follows:

	Series 2007		Series 2011		Series 1996		Series 1996A		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 23,800	\$ 49,398	\$ 16,000	\$ 43,006	\$ 20,500	\$ 21,083	\$ 15,000	\$ 17,425	\$ 75,300	\$ 130,912
2022	24,800	48,386	17,000	42,306	21,000	20,160	16,000	16,656	78,800	127,508
2023	25,900	47,332	18,000	41,563	22,000	19,215	17,000	15,836	82,900	123,946
2024	26,900	46,232	19,000	40,775	23,000	18,225	18,000	14,965	86,900	120,197
2025	28,100	45,088	20,000	39,944	24,000	17,190	19,000	14,043	91,100	116,265
2026-2030	159,400	206,486	110,000	186,156	140,500	68,603	112,000	54,530	521,900	515,775
2031-2035	196,400	169,596	138,000	159,775	177,500	33,683	143,000	22,755	654,900	385,809
2036-2040	241,800	124,168	171,000	126,788	40,000	1,800	-	-	452,800	252,756
2041-2045	297,700	68,230	212,000	85,881	-	-	-	-	509,700	154,111
2046-2050	<u>137,500</u>	<u>8,827</u>	<u>262,000</u>	<u>35,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,500</u>	<u>44,221</u>
	<u>\$ 1,162,300</u>	<u>\$ 813,743</u>	<u>\$ 983,000</u>	<u>\$ 801,588</u>	<u>\$ 468,500</u>	<u>\$ 199,958</u>	<u>\$ 340,000</u>	<u>\$ 156,210</u>	<u>\$ 2,953,800</u>	<u>\$ 1,971,499</u>

Pledged future revenues for the loan above are as follows:

Pledged Future Revenues:

Collateralized Debt - Revenue Bonds

Pledged revenue required for future principal and interest on existing notes payable	\$4,925,299
Term of commitment fiscal year ending September 30, 2020	30 years
Percentage of gross water/sewer system revenue pledged	100%
Current fiscal year pledged revenue	\$1,018,225
Current fiscal year principal and interest paid	\$207,527

Long-term debt activity for the year ended September 30, 2020, was as follows:

	<u>10/1/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2020</u>	Amounts due within <u>One Year</u>
Revenue bonds	\$ 3,027,100	\$ -	\$ 73,300	\$ 2,953,800	\$ 75,300
Compensated absences	4,756	8,668	9,923	3,501	3,501
Net pension liability	<u>182,487</u>	<u>20,002</u>	<u>-</u>	<u>202,489</u>	<u>-</u>
Totals	<u>\$ 3,214,343</u>	<u>\$ 28,670</u>	<u>\$ 83,223</u>	<u>\$ 3,159,790</u>	<u>\$ 78,801</u>

NOTE 6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance to mitigate the risk of property loss or other liabilities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7. Florida Retirement System (FRS) - Defined Benefit Pension Plan

General Information

The FRS was created in Chapter 121, *Florida Statutes*, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, *Florida Statutes*, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, *Florida Statutes*; Chapter 112, Part IV, *Florida Statutes*; Chapter 238, *Florida Statutes*; and FRS Rules, Chapter 60S, *Florida Administrative Code*; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature.

The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site.

The District's pension expense, FRS \$18,954 and HIS \$1,048, totaled \$20,002 for the fiscal year ended September 30, 2020.

FRS Pension Plan:

Plan Description: The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class – Members of the FRS who do not qualify for membership in the other classes.

Elected County Officers Class – Members who hold specified elective offices in local government.

Senior Management Service Class (SMSC) – Members in senior management level positions.

Special Risk Class – Members who are employed as law enforcement officers and meet the criteria to qualify for this class

Special Risk Administrative Support Class – Former Special Risk Class members who are transferred or reassigned to nonspecial risk law district's enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service except for members classified as special risk that are eligible for normal retirement benefits at age 55 or at any age after 25 years of service.

All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk that are eligible for normal retirement benefits at age 60 or at any age after 30 years of service.

Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a

period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided: Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment.

The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were as follows:

Class	<u>Percent of Gross Salary</u>		Total
	<u>Employee</u>	<u>Employer (1)</u>	<u>Contribution Rate</u>
FRS, Regular	3.00%	6.75%	9.75%
FRS, Elected County Officers	3.00%	47.10%	50.10%
FRS, Senior Management Service	3.00%	23.69%	26.69%
FRS, Special Risk Regular	3.00%	23.76%	26.76%
FRS, Special Risk Administrative	3.00%	36.87%	39.87%
DROP - Applicable to member from all of the above classes	0.00%	12.94%	12.94%

Notes

1. Rates include the normal cost and unfunded liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.

The District's contributions, including employee contributions, to the Plan totaled \$13,119, (District \$9,227; Employees \$3,892) for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2020, the District reported a liability of \$138,676 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was .000320068 percent, which was a decrease of .00002771 percent from its proportionate share of .000347781 percent measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$18,954.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 5,309	\$ -
Changes in assumptions	25,113	-
Net difference between projected and actual earnings on FRS pension plan investments	31,775	23,517
Changes in proportion and differences between District's FRS contributions and proportionate share of contributions	982	24,774
District FRS contributions subsequent to the measurement date	2,660	-
Total	<u>\$ 65,839</u>	<u>\$ 48,291</u>

The deferred outflows of resources related to pensions, totaling \$2,660, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30,	<u>Amount</u>
2021	\$ (1,197)
2022	(1,197)
2023	(1,197)
2024	(1,197)
2025	(1,197)
Thereafter	(1,077)

Actuarial Assumptions: The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used were developed as of a June 30, 2020, measurement date and are based on an actuarial valuation date of July 1, 2020. Valuations are performed annually.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	2.20%	2.20%	1.20%
Fixed income	19.00%	3.00%	2.90%	3.50%
Global equity	54.20%	8.00%	6.70%	17.10%
Real estate	10.30%	6.40%	5.80%	11.70%
Private equity	11.10%	10.80%	8.10%	25.70%
Strategic investments	4.40%	5.50%	5.30%	6.90%
Assumed inflation - mean			2.40%	1.70%

Note 1. As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Discount Rate: The discount rate used to measure the total pension liability was 6.80 percent. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.80 percent) or 1 percentage-point higher (7.80 percent) than the current rate:

	1% Decrease <u>5.80%</u>	Current Discount <u>6.80%</u>	1% Increase <u>7.80%</u>
District's proportionate share of the net pension liability	\$ <u>221,442</u>	\$ <u>138,676</u>	\$ <u>69,549</u>

Pension Plan Fiduciary Net Position: Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan: At September 30, 2020, the District reported \$860 owed for contributions to the Plan required for the fiscal year ended September 30, 2020.

HIS Pension Plan

Plan Description: The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided: For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, *Florida Statutes*. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, *Florida Statutes*. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,964 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2020, the District reported a net pension liability of \$63,813 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the June 30, 2020, fiscal year contributions of all participating members.

At June 30, 2020, the District's proportionate share was .000522631 percent, which was a decrease of .00003832 percent from its proportionate share of .000560951 percent measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$1,048. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 2,610	\$ 49
Changes in assumptions	6,862	3,710
Net difference between projected and actual earnings on FRS pension plan investments	50	16,743
Changes in proportion and differences between District's FRS contributions and proportionate share of contributions	4,546	-
District FRS contributions subsequent to the measurement date	<u>605</u>	<u>-</u>
Total	<u>\$ 14,673</u>	<u>\$ 20,502</u>

The deferred outflows of resources, totaling \$605 was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30,	<u>Amount</u>
2020	\$ (568)
2021	(568)
2022	(568)
2023	(568)
2024	(568)
Thereafter	(682)

Actuarial Assumptions The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the June 30, 2020, actuarial valuation was developed as of a June 30, 2020 measurement date, based on an actuarial valuation date of June 30, 2019. HIS plan valuations occur on a biennial basis.

Discount Rate The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.21 percent) or 1 percentage-point higher (3.21 percent) than the current rate:

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
District's proportionate share of the net pension liability	<u>\$ 73,765</u>	<u>\$ 63,813</u>	<u>\$ 55,667</u>

Pension Plan Fiduciary Net Position Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan At September 30, 2020, the District reported a payable of \$409 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2020.

FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan.

Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member’s accounts during the 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Contributions</u>		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
FRS, Regular	3.00%	3.30%	6.30%
FRs, Elected County Officers	3.00%	8.34%	11.34%
FRS, Senior Management Service	3.00%	4.67%	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds.

Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$4,954, (District \$3,490; Employees \$1,464) for the fiscal year ended September 30, 2020.

Payables to the Investment Plan At September 30, 2020, the District reported a payable of \$186 for the outstanding amount of contributions required for the fiscal year ended September 30, 2020.

NOTE 8. Current/Future Accounting Pronouncements

Due to the Covid-19 Virus, the Governmental Accounting Standards Board (GASB) postponed the effective dates of upcoming pronouncements via the issuance of GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The extensions range from twelve to eighteen months. The extended dates are as follows (effective fiscal year indicated):

Statement 84 and Implementation Guide 2019-2—reporting periods beginning after December 15, 2019: FY 2020-21

Statement 87 and Implementation Guide 2019-3—fiscal years beginning after June 15, 2021, and all reporting periods thereafter: FY 2021-22

Statement 89—reporting periods beginning after December 15, 2020: FY 2021-22

Statement 90—reporting periods beginning after December 15, 2019: FY 2020-21

Statement 91—reporting periods beginning after December 15, 2021: FY 2022-23

Statement 92, paragraphs 6 and 7—fiscal years beginning after June 15, 2021: FY 2021-22

Statement 92, paragraphs 8, 9, and 12—reporting periods beginning after June 15, 2021: FY 2021-22

Statement 92, paragraph 10—government acquisitions occurring in reporting periods beginning after June 15, 2021: FY 2021-22

Statement 93, paragraphs 13 and 14—fiscal years beginning after June 15, 2021, and all reporting periods thereafter: FY 2021-22

The District is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2021, and beyond.

Note 9. Subsequent Events

The District's Management has evaluated subsequent events through the date of the audit report – August 27, 2021, and reports the following:

Coronavirus Disease 2019 (COVID-19) – The infectious disease caused by severe acute respiratory syndrome coronavirus 2 has resulted in the significant closure of businesses nationwide. The District cannot estimate the impact of the effects at present, if any.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Suwannee Water and Sewer District
Schedule of the Proportionate Share of Net Pension Liability
Last 10 Fiscal Years

Florida Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000320%	0.000348%	0.000437%	0.000497%	0.000507%	0.000517%	0.000385%
District's proportionate share of the net pension liability (asset)	\$ 138,676	\$ 119,722	\$ 131,558	\$ 146,942	\$ 127,971	\$ 66,761	\$ 23,478
District's covered-employee payroll	\$ 178,550	\$ 186,589	\$ 202,081	\$ 218,814	\$ 247,106	\$ 223,290	\$ 178,283
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.67%	64.16%	65.10%	67.15%	51.79%	29.90%	13.17%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Health Insurance Subsidy Program

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000523%	0.000561%	0.000633%	0.000748%	0.000771%	0.000727%	0.000513%
District's proportionate share of the net pension liability (asset)	\$ 63,813	\$ 62,765	\$ 66,981	\$ 80,030	\$ 89,894	\$ 74,183	\$ 47,995
District's covered-employee payroll	\$ 178,550	\$ 186,589	\$ 202,081	\$ 218,814	\$ 247,106	\$ 223,290	\$ 178,283
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.74%	33.64%	33.15%	36.57%	36.38%	33.22%	26.92%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Notes to Schedule:

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District presents information for only those years for which information is available.

Note 2: The information in this schedule was determined as of June 30, 2020, the measurement date of the collective net pension liability.

**Suwannee Water and Sewer District
Schedule of Contributions
Last 10 Fiscal Years**

Florida Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,610	\$ 12,191	\$ 12,666	\$ 17,962	\$ 18,834	\$ 17,902	\$ 14,699
Contributions in relation to the contractually required contribution	<u>12,610</u>	<u>12,191</u>	<u>12,666</u>	<u>17,962</u>	<u>18,834</u>	<u>17,902</u>	<u>14,699</u>
Contribution deficiency (excess)	<u>\$ -</u>						
District's covered-employee payroll	\$ 186,589	\$ 186,589	\$ 202,081	\$ 218,814	\$ 247,106	\$ 223,290	\$ 178,283
Contributions as a percentage of covered-employee payroll	6.76%	6.53%	6.27%	8.21%	7.62%	8.02%	8.24%

Health Insurance Subsidy Program

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,964	\$ 3,073	\$ 3,354	\$ 3,632	\$ 4,102	\$ 3,036	\$ 2,171
Contributions in relation to the contractually required contribution	<u>2,964</u>	<u>3,073</u>	<u>3,354</u>	<u>3,632</u>	<u>4,102</u>	<u>3,036</u>	<u>2,171</u>
Contribution deficiency (excess)	<u>-</u>						
District's covered-employee payroll	\$ 178,550	\$ 186,589	\$ 202,081	\$ 218,814	\$ 247,106	\$ 223,290	\$ 178,283
Contributions as a percentage of covered-employee payroll	1.66%	1.65%	1.66%	1.66%	1.66%	1.36%	1.22%

Notes to Schedule:

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District presents information for only those years for which information is available.

Note 2: Covered employee payroll includes defined benefit actives, investment plan members, and members in DROP as applicable.

COMPLIANCE
SECTION

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

**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 Members
Suwannee Water and Sewer District
Suwannee, Florida

I 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 Standard* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Suwannee Water and Sewer District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Suwannee Water and Sewer District's basic financial statements, and have issued my report thereon dated August 27, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Suwannee Water and Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Suwannee Water and Sewer District's internal control. Accordingly, I do not express an opinion on the effectiveness of Suwannee Water and Sewer District'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as item 2019-001 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Suwannee Water and Sewer District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings as item 2019-002.

Suwannee Water and Sewer District's Response to Finding(s)

The District's response to the findings identified in my audit is described as Management's Response to Audit Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Kenneth M. Daniels
Certified Public Accountant
August 27, 2021

SUWANNEE WATER AND SEWER DISTRICT

SCHEDULE OF AUDIT FINDINGS

September 30, 2020

Internal Control Over Financial Reporting

2019-001 Reconciliation of Cash (Second Year)

Criteria: Transactions per the District's books should be reconciled to the related bank statements in a timely manner (immediately after receiving the monthly bank statements). Due to the susceptibility of cash to loss and the potential for errors in the District's books, the performance of the reconciliation is particularly important.

Condition: The periods October 2019 through June 2020 were reconciled on July 30, 2020. Although reconciled, the procedure lagged for up to eight months.

Cause: The failure to agree the bank to book transactions on a timely basis. The failure to perform the reconciliations existed for the nine-month period ending June 30, 2020.

Effect: Unreconciled cash increases 1) the risk that accounting errors can occur without being promptly detected and 2) the risk of loss.

Context: The late reconciliations were noted via interviews with staff and board members, review of trial balances, and review of bank statements/reconciliations for the twelve-month period ending September 30, 2020.

Recommendation: All transactions should be recorded in a timely manner preferably as they occur. Cash should be reconciled immediately after the monthly bank statements are received. The General Manager should review and approve the reconciliation and notate its agreement to the cash reported on the District's books. The reconciled balance should be presented to the Board of Directors at its monthly board meeting noting that cash has been reconciled and the books are complete.

Compliance and Other Matters

2019-002 Annual Audit (Second Year)

Criteria: *Florida Statutes* 218.32(1)(d) requires that "each local government entity that is required to provide for an audit under s. 218.39(1) must submit a copy of the audit report and annual financial report to the department (of Financial Services) within 45 days after the completion of the audit report but no later than nine months after the end of the fiscal year."

Condition: The District's annual audit and annual financial report were not completed in accordance with the above referenced statutes for the year ending September 30, 2020.

Cause: The failure to follow the Statutes indicated above is significant; however, it largely represents a health-related incident.

Effect: Noncompliance with *Florida Statutes*.

Context: The District again failed to follow procedures to ensure that a timely audit and completion of the annual financial report was performed.

Recommendation: I recommend that the District implement a methodology to ensure that the audit and annual financial report are completed and submitted timely in accordance with *Florida Statutes*.

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

INDEPENDENT ACCOUNTANT'S REPORT

To the Board Members
Suwannee Water and Sewer District
Suwannee, Florida

I have examined Suwannee Water and Sewer District's compliance with *Florida Statutes* 218.415 during the period October 1, 2019, to September 30, 2020. Management of the Suwannee Water and Sewer District is responsible for the District's compliance with the specified requirements. My responsibility is to express an opinion on the Suwannee Water and Sewer District's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Suwannee Water and Sewer District complied in all material respects with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Suwannee Water and Sewer District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on my judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. I believe that the evidence I obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

My examination does not provide a legal determination on Suwannee Water and Sewer District's compliance with the specified requirements.

In my opinion, the Suwannee Water and Sewer District, complied in all material respects, with the specified requirements indicated above during the period October 1, 2019, to September 30, 2020.



Kenneth M. Daniels
Certified Public Accountant
August 27, 2021

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

MANAGEMENT LETTER

To the Board Members
Suwannee Water and Sewer District
Suwannee, Florida

Report on the Financial Statements

I have audited the financial statements of the Suwannee Water and Sewer District, as of and for the fiscal year ended September 30, 2020, and have issued my report thereon dated August 27, 2021.

Auditor's Responsibility

I conducted my 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.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant'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 August 27, 2021, 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 I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as indicated below.

2016-001 Controls and Board Oversight (Fifth Year)

Criteria: Documentation of Board/Management involvement/review should be indicated on various documents to verify that review and approval has occurred.

Condition: Per review of the District's procedures the following was noted: no review and approval of bank reconciliation to trial balance amounts (See finding 2019-001).

Cause: Ineffective protocol.

Effect: Failure by management to ensure agreement of bank cash to the reconciled amounts per the financial records.

Context: The lack of the review and approval process was again noted during the walk-through of the District's cash reconciliation procedures, during interviews, and per the review of the bank reconciliation.

Recommendation: I again recommend that the bank reconciliation be agreed to the trial balance amounts and noted agreement indicated via a board member's signature.

2016-003 Review of Utility Receivables (Fifth Year)

Criteria: Utility accounts receivable should be periodically reviewed for possible write-off, filing of liens, and/or remittance to a collection agency for further attempts to collect.

Condition: From the fifty accounts tested for subsequent collections, seventeen were no longer being billed.

Cause: Lack of write-off of those accounts deemed uncollectible.

Effect: Accounts receivable potentially overstated requiring an offset by the allowance for doubtful accounts.

Context: Approximately twenty-seven percent of the receivable's dollar value at September 30, 2020, was tested for subsequent collections. Of the dollar amount tested (approximately \$24,750), approximately \$20,000 was from accounts no longer being billed.

Recommendation: Periodically, utility receivable accounts should be reviewed for delinquent or inactive status. Per that review and at least annually, the District Manager should present to the Board delinquent accounts receivable for further collection efforts or write-off consideration.

2016-005 Utility Customer Deposits (Fourth Year)

Criteria: The detailed listing of customer deposits held by the District should reconcile to the cash transactions and resulting balance on a monthly basis. In addition, the number of deposits held should agree to the number of accounts billed monthly.

Condition: From my audit of utility deposits, I again noted that the customer deposit list did not agree to the deposit account cash balance. The cash account was treated as dormant except to deposit funds to adequately cover the related liability. All other deposit transactions were accounted for in the District's operating account. From the comparison of utility accounts billed (918) for September 2020 to the number of utility deposits held (933) at September 30, 2020, I noted a difference of fifteen accounts.

Context: Examined the detailed utility customer deposit list and compared to the related bank statement and September 2020 utility billing.

Effect: Failure to agree the transactions to the detailed customer list and list of active customers could lead to an under/over statement of the associated liability.

Recommendation: To ensure that the utility deposit liability is correctly stated and supported by accurate documentation, I recommend that the District reconcile its list of utility deposits to the cash transactions in the deposit account and resulting balance as well as the active customers on a monthly basis.

2019-003 Payroll Classification (Second Year)

Criteria: To ensure the accuracy of reported payroll and the associated liability accounts, quarterly reconciliations of salaries and payroll taxes per Forms 941, Paychex quarterly reports, and the trial balance amounts (expenses and related liability accounts) should be performed.

Condition: There was no agreement of the payroll and payroll related liability accounts to the payroll records (Paychex).

Cause: Transactions were recorded into trial balance accounts as they occurred but without any reconciliation to the associated support (Florida Retirement System employee contributions/payroll liabilities \$14,688 and Employee insurance/payroll liabilities \$5,790) were overstated.

Effect: Payroll accounts required audit adjustments to agree to payroll records.

Recommendation: Quarterly, the District should agree the payroll journal amounts to the transfers on the bank statements and related quarterly payroll tax returns. The reconciliation should be presented to the District Manager for approval.

There were no current year findings.

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. See Note 1. The District's financial statements included no component units.

Financial Condition and Management

Section 10.554(1)(i)5a. and 10.556(7), *Rules of the Auditor General*, requires me to apply appropriate procedures and communicate the results of my determination as to whether or not the Suwannee Water and Sewer District, 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 my audit, I

determined that the Suwannee Water and Sewer District, did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5b. and 10.556(8), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor the Suwannee Water and Sewer District's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was performed as of September 30, 2020.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that I communicate any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations other than those indicated above.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with my audit, I did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b) *Florida Statutes*. (I determined that there were no applicable special district component units and, therefore, nothing to report.)

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires me to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

USDA Rural Development Department of Agriculture Requirements

1. The Suwannee Water and Sewer District adopted a budget in accordance with *Florida Statutes* 189.418.
2. The District had established a sinking fund in accordance with Article III, Section 3.04(C) Covenants, Special Funds and Application Thereof of the Bond Covenants.
3. The District's funds are collateralized in accordance with *Florida Statutes* 218.415.
4. Rates established by Rules and Regulations of the Suwannee Water and Sewer District are adequate to fund reserves and operating costs.
5. Insurance is carried on the District's real and personal property as well as dishonesty bonding on all employees who possess pledged funds.
6. The annual audit was performed using generally accepted accounting principles.
7. No instances of noncompliance with the Internal Revenue Code were noted.
8. No free utility services or preferential rates were provided by the District.
9. No significant instances of noncompliance were noted with the loan agreements.

Purpose of this Letter

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



Kenneth M. Daniels
Certified Public Accountant
August 27, 2021

**DISTRICT'S
RESPONSE TO
AUDIT FINDINGS**

Suwannee Water & Sewer District

P.O. Box 143 (825 SE 327th Street)
Suwannee, FL. 32692
Phone: (352) 542-7570
Fax: (352) 542-7691
Gmsuwanneewater@yahoo.com

August 27, 2021

RE: Schedule of Audit Findings and Management Letter Audit Findings

Mr. Daniels:

Please find below the District's responses to the referenced audit findings:

2019-001 Reconciliation of Cash

We will continue to work towards timely cash reconciliations. The District's goal is that cash will be reconciled on a monthly basis and reviewed by the District's Manager and Board. Outside assistance via an external bookkeeper will be secured to assist as needed.

2019-002 Annual Audit

Extenuating circumstances regarding an employee's health prevented the audit from being completed timely for the 2019-20 fiscal year. The District is working to ensure that future audits are completed and submitted on a timely basis.

2019-003 Payroll Classification

A quarterly review by the Office Manager and an outside bookkeeper will ensure that payroll is correctly recorded and classified. The review will be approved by the District Manager.

2016-001 Controls and Board Oversight

Monthly, the Manager and a board member will review the bank reconciliation and trial balance amounts noting agreement via signature.

2016-003 Review of Utility Receivables

At least annually, the utility receivables will be reviewed and those amounts deemed uncollectible will be submitted to the District's Board for write-off approval or further collection efforts.

2016-005 Utility Customer Deposits

Monthly, the utility customer deposit list will be agreed to the deposit cash account and associated transactions. In addition, the number of utility deposits held will be agreed to the monthly customers billed. Documentation of the agreement will be submitted to the Manager for review and approval.

Please contact me if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Segar', with a long horizontal flourish extending to the right.

Keith Segar
District Manager