

Suwannee Water and Sewer District

Audit Report

September 30, 2015



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Suwannee Water and Sewer District

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Suwannee Water and Sewer District
Suwannee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Suwannee Water and Sewer District (the "District"), as of and for the year ended September 30, 2015, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2015, and the changes in its financial position and its cash flows

Change in Accounting Principle

As discussed in Note 7 to the financial statements, the District restated its beginning net position due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension trend information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
July 13, 2016



Suwannee Water and Sewer District

Management's Discussion and Analysis

This discussion and analysis of the Suwannee Water and Sewer District (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2015:

- The District's overall net position decreased by approximately \$456,305, which is approximately a 5.2% percent decrease.
- Beginning net position was restated by \$103,153 due to the implementation of GASB's new pension accounting standards that were effective in 2015.
- Total ending unrestricted net position was \$1,521,478.
- The District had total operating expenses for the year of about \$1,349,992, compared to operating revenues of approximately \$1,025,536.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The first financial statement is the Statement of Net Position. This statement includes all of the District's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets/deferred outflows and liabilities/deferred inflows – can be used to measure the District's financial position.

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

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

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

Suwannee Water and Sewer District

Management's Discussion and Analysis

The following tables present condensed, comparative data about net position and changes in net position.

Net Position

	2015	2014
Assets		
Non-capital assets	\$ 1,947,161	\$ 1,826,349
Capital assets	9,996,911	10,590,423
Total assets	11,944,072	12,416,772
Deferred outflows	80,414	-
Liabilities		
Current liabilities	230,362	183,835
Long-term liabilities	3,365,844	3,288,400
Total liabilities	3,596,206	3,472,235
Deferred inflows	43,201	-
Net position		
Net investment in capital assets	6,708,510	7,243,023
Restricted	155,090	148,584
Unrestricted	1,521,479	1,552,930
Total net position	\$ 8,385,079	\$ 8,944,537

Changes In Net Position

	2015	2014
Revenues		
Operating revenues	\$ 1,025,536	\$ 966,865
Non-operating revenues	16,700	17,169
Total revenues	1,042,236	984,034
Expenses		
Operating expenses	1,349,992	1,284,562
Non-operating expenses	148,549	151,009
Total expenses	1,498,541	1,435,571
Change in net position	(456,305)	(451,537)
Beginning net position, as restated for 2015	8,841,384	9,396,074
Ending net position	\$ 8,385,079	\$ 8,944,537

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The net position of the District decreased by approximately \$456,305 or approximately 5.2% from the previous year.

Ending unrestricted net position was \$1,521,478, which represents about 148% of annual operating revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District had no significant capital activity. Please refer to a note to the accompanying financial statements entitled Capital Asset Activity for more detailed information.

Debt Administration

The District's long-term debt was reduced by \$59,000 during the current fiscal year for structured repayments on outstanding bond issues. However, overall long term debt increased due to the implementation of the pension standards. Please refer to a note to the accompanying financial statements entitled Long-term Debt for more detailed information about the District's long-term debt activity.

ECONOMIC FACTORS

We are currently unaware of any conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Office at P.O. Box 143, Suwannee, Florida 32692.

Suwannee Water and Sewer District

Statement of Net Position
As of September 30, 2015

Current assets	
Cash	\$ 737,149
Accounts receivable, net	76,830
Inventory	88,457
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Total current assets	902,436
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Noncurrent assets	
Cash	77,367
Investments	934,462
Accumulated dividends	32,896
Capital assets:	
Non-depreciable	30,917
Depreciable, net	9,965,994
<hr/>	
Total noncurrent assets	11,041,636
<hr/>	
Total assets	11,944,072
<hr/>	
Deferred outflows - pension related	80,414
<hr/>	
Current liabilities	
Accounts payable and accrued expenses	52,402
Unearned revenue	14,320
Accrued revenue bond interest	12,169
Customer deposits	87,971
Current portion of long-term liabilities	63,500
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Total current liabilities	230,362
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Noncurrent liabilities	
Revenue bonds payable	3,227,600
Net pension liability	138,244
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Total noncurrent liabilities	3,365,844
<hr/>	
Total liabilities	3,596,206
<hr/>	
Deferred inflows - pension related	43,201
<hr/>	
Net position	
Net investment in capital assets	6,708,511
Restricted for debt service	155,090
Unrestricted	1,521,478
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Total net position	\$ 8,385,079
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*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*



Suwannee Water and Sewer District

Statement of Revenues, Expenses and Changes in Net Position
Year ended September 30, 2015

Operating revenues	
Water & sewer revenues	\$ 1,025,536
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Operating expenses	
Personal services	327,443
Operating expenses	429,037
Depreciation expense	593,512
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Total operating expenses	1,349,992
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Operating loss	(324,456)
<hr/>	
Nonoperating revenues (expenses)	
Interest revenue	6,029
Tower rental	10,671
Interest expense	(148,549)
<hr/>	
Total nonoperating revenues (expenses)	(131,849)
<hr/>	
Change in net position	(456,305)
<hr/>	
Net position, beginning of year, as restated	8,841,384
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Net position, end of year	\$ 8,385,079
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*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

Suwannee Water and Sewer District

Statement of Cash Flows
Year ended September 30, 2015

Cash flows from operating activities	
Receipts from customers	\$ 1,020,103
Payments to suppliers	(341,177)
Payments to employees	(296,967)
<hr/>	
Net cash provided by operating activities	381,959
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Cash flows from noncapital financing activities	
Tower rental	10,671
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Cash flows from capital and related financing activities	
Payments on long-term debt	(59,000)
Payments of revenue bond interest	(148,772)
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Net cash used by capital and related financing activities	(207,772)
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Cash flows from investing activities	
Sale of investments	930,547
Purchase of investments	(934,462)
Interest and dividends received	6,029
<hr/>	
Net cash used by investing activities	2,114
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Net increase (decrease) in cash	186,972
Cash, beginning of year	627,544
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Cash, end of year	\$ 814,516
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Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (324,456)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	593,512
Provision for allowance	16,431
Changes in assets and liabilities:	
Accounts receivable	(6,456)
Inventory	60,100
Deferred outflows	(68,812)
Deferred inflows	(81)
Net pension liability	69,471
Accounts payable and accrued expenses	41,227
Unearned revenue	(1,003)
Customer deposits	2,026
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Net cash provided by operating activities	\$ 381,959
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*The accompanying "Notes to Financial Statements"
form an integral part of this statement.*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Suwannee Water and Sewer District (the “District”) conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The District is a special-purpose local government established by Dixie County Ordinance 94-04, adopted in May 1994, to provide the community of Suwannee, Florida with adequate water and sewer systems. The District is managed by a five-member elected board.

The District uses the criteria established in GASB Statement No. 14, as subsequently amended, to define the reporting entity and identify component units. Component units are entities for which the District is considered to be financially accountable. There are no other entities to consider for inclusion as a component unit within the District’s reporting entity.

Basis of Presentation

The accounts of the District are reported as a proprietary fund type - Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private sector business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The District’s operating revenues result from exchange transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

The District utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities they are incurred, regardless of the timing of the related cash flows.

Cash

The District’s cash consists of legally authorized demand deposits. The institutions in which such deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the total bank balances on deposit at September 30, 2015 are insured or collateralized pursuant to Chapter 280, Florida Statutes. For purposes of the statement of cash flows, the District considers only highly liquid investments with original maturities of less than three months to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The District invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the District is authorized to invest excess public funds in the following instruments: the Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

At September 30, 2015, and during the year then ended, investments consisted of certificates of deposit in qualified public depositories with original maturities of more than three months. Such investments are stated at cost and are entirely insured or collateralized.

The District does not have a formal investment policy.

Inventory

Inventory is valued at cost (first-in, first-out).

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight line method. The estimated useful lives are as follows:

Plant and equipment	5-20 Years
Water system	10-40 Years
Sewer system	10-35 Years

Compensated Absences

The District's policy allows a limited accumulation and vesting of unused employee vacation leave time. Sick leave is not paid upon termination. A liability for accrued compensated absences of \$2,800 is reported in the accompanying financial statements and included in accounts payable and accrued expenses.

Allowance for Doubtful Accounts

The District uses the allowance method for recording bad debts. Accounts receivable are presented net of an allowance of \$16,431 at September 30, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is defined as the consumption of net assets applicable to a future reporting period.

A *deferred inflow of resources* is defined as the acquisition of net assets applicable to a future reporting period.

Pensions

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 Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Net Position

In the accompanying statement of net position, *restricted net position* is subject to restrictions beyond the District's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 2 – LONG-TERM DEBT

Revenue bonds payable at September 30, 2015, are comprised of the following:

\$750,000 Water and Sewer System Revenue Bonds, Series 1996; Due September 1, 2036; Interest at 4.55%	\$ 558,000
\$554,000 Water and Sewer System Revenue Bonds, Series 1996A; Due September 1, 2035; Interest at 5.125%	407,000
\$1,400,000 Water and Sewer System Revenue Bonds, Series 2007; Due September 1, 2047; Interest at 4.25%	1,267,400
\$1,134,000 Water and Sewer System Revenue Bonds, Series 2011; Due September 1, 2050; Interest at 4.375%	1,056,000
Total revenue bonds payable	3,288,400
Less: current portion	60,800
Long-term portion	\$ 3,227,600

Net revenues of the water and sewer system are pledged as collateral for the Water and Sewer Revenue Bonds. The bond resolutions contain various reserve and sinking fund requirements. As of September 30, 2015, the District had met all reserve requirements.

Aggregate future debt service requirements for the revenue bonds are as follows:

Year ending September 30,	Principal	Interest	Total
2016	\$ 60,800	\$ 146,034	\$ 206,834
2017	64,100	143,287	207,387
2018	67,000	140,390	207,390
2019	69,400	137,364	206,764
2020	73,300	134,227	207,527
2021-2025	415,000	618,827	1,033,827
2026-2030	521,900	515,771	1,037,671
2031-2035	654,900	384,742	1,039,642
2036-2040	452,800	251,956	704,756
2041-2045	509,700	154,110	663,810
2046-2050	399,500	44,220	443,720
Total	\$ 3,288,400	\$ 2,670,928	\$ 5,959,328

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 2 – LONG-TERM DEBT (CONTINUED)

Long-term debt activity for the year ended September 30, 2015 follows:

	Balance October 1, 2014 (as restated)	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Revenue bonds	\$ 3,347,400	\$ -	\$ 59,000	\$ 3,288,400	\$ 60,800
Net pension liability	71,473	69,471	-	140,944	2,700
Total	\$ 3,418,873	\$ 69,471	\$ 59,000	\$ 3,429,344	\$ 63,500

NOTE 3 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2015 follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated:				
Land	\$ 30,917	\$ -	\$ -	\$ 30,917
Capital assets being depreciated:				
Plant and equipment	794,201	-	-	794,201
Water system	7,658,842	-	-	7,658,842
Sewer system	9,069,770	-	-	9,069,770
Total capital assets being depreciated	17,522,813	-	-	17,522,813
Less: accumulated depreciation for:				
Plant and equipment	551,402	50,105	-	601,507
Water system	1,818,486	296,194	-	2,114,680
Sewer system	4,593,419	247,213	-	4,840,632
Total accumulated depreciation	6,963,307	593,512	-	7,556,819
Total capital assets being depreciated,	10,559,506	(593,512)	-	9,965,994
Capital assets, net	\$ 10,590,423	\$ (593,512)	\$ -	\$ 9,996,911

NOTE 4 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The District's contribution rates as of September 30, 2015, were as follows:

	FRS	HIS
Regular class	5.60%	1.66%
Special risk class	20.38%	1.66%
Senior management service class	19.77%	1.66%
Elected officials	40.61%	1.66%
DROP from FRS	11.22%	1.66%

The District's contributions for the year ended September 30, 2015, were \$12,478 to the FRS and \$3,036 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2015, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 66,761	\$ 74,183
Proportion at:		
Current measurement date	0.0005%	0.0007%
Prior measurement date	0.0004%	0.0005%
Pension expense (benefit)	\$ 7,541	\$ 8,549

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,048	\$ 1,583	\$ -	\$ -
Changes of assumptions	4,431	-	5,836	-
Net difference between projected and actual earnings on pension plan investments	23,515	39,457	40	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,334	2,161	18,398	-
Employer contributions subsequent to the measurement date	2,888	-	924	-
Total	\$ 55,216	\$ 43,201	\$ 25,198	\$ -

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2016	\$ 745	\$ 3,918
2017	745	3,918
2018	745	3,918
2019	745	3,918
2020	4,729	3,908
Thereafter	1,418	4,694
Total	\$ 9,127	\$ 24,274

NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.65%	N/A
Discount rate	7.65%	3.80%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.2%	3.1%
Fixed income	18%	4.8%	4.7%
Global equity	53%	8.5%	7.2%
Real estate (property)	10%	6.8%	6.2%
Private equity	6%	11.9%	8.2%
Strategic investments	<u>12%</u>	6.7%	6.1%
	<u><u>100%</u></u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Employer's proportionate share of the net pension liability	\$ 172,994	\$ 66,761	\$ (21,641)	\$ 84,528	\$ 74,183	\$ 65,557

NOTE 4 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2015, totaled \$1,763.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS

The District provides other postemployment benefits (OPEB) by allowing retirees to participate in the District's employee healthcare insurance plan (the "Plan"). Substantially all of the District's employees may become eligible for participation in the Plan if they reach retirement age while working for the District.

The benefits provided and the premium costs charged to the retirees match the benefits and costs provided to active employees. The Plan charges premiums to active employees and retirees based on age-adjusted rates rather than blended-rates. Because of this premium structure and the fact that the District provides no payments directly on behalf of the Plan participants, it was determined by actuarial valuation that there is no implicit rate subsidy created through District participation in the Plan. Consequently, no OPEB liability has been recorded in the accompanying financial statements.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, the beginning net position of the District is restated as follows:

Net position-beginning of the year, as previously reported	\$ 8,944,537
Net pension liability	(71,473)
Deferred outflows other than employer contributions subsequent to measurement date	7,921
Deferred outflows- employer contributions subsequent to measurement date	3,681
Deferred inflows	(43,282)
<u>Net position- beginning of year, as restated</u>	<u>\$ 8,841,384</u>

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2016. The statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The District is currently evaluating the effects that these statements will have on its financial statements for 2016.

**Required Supplementary
Information**

Suwannee Water and Sewer District

**Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)**

Florida Retirement System	2015
Employer's proportion of the net pension liability (asset)	0.0005%
Employer's proportionate share of the net pension liability (asset)	\$ 66,761
Employer's covered-employee payroll (2)	\$ 220,679
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.25%
Plan fiduciary net position as a percentage of the total pension liability	92.00%
Health Insurance Subsidy Program	2015
Employer's proportion of the net pension liability (asset)	0.0007%
Employer's proportionate share of the net pension liability (asset)	\$ 74,183
Employer's covered-employee payroll (2)	\$ 220,679
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.62%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Suwannee Water and Sewer District

**Schedules of Employer Contributions
Last 10 Fiscal Years**

Florida Retirement System	2015
Contractually required contribution	\$ 12,478
Contributions in relation to the contractually required contribution	12,478
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 223,290
Contributions as a percentage of covered-employee payroll	5.59%
<hr/>	
Health Insurance Subsidy Program	2015
Contractually required contribution	\$ 3,036
Contributions in relation to the contractually required contribution	3,036
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll (1)	\$ 223,290
Contributions as a percentage of covered-employee payroll	1.36%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Supplementary Information

Suwannee Water and Sewer District

Schedule of Future Debt Service Payments

	1996 Bonds			1996 A Bonds			2007 Bonds			2011 Bonds			All Bonds		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2016	\$ 16,500	\$ 25,110	\$ 41,610	\$ 12,000	\$ 20,859	\$ 32,859	\$ 19,300	\$ 53,865	\$ 73,165	\$ 13,000	\$ 46,200	\$ 59,200	\$ 60,800	\$ 146,034	\$ 206,834
2017	17,000	24,368	41,368	13,000	20,244	33,244	20,100	53,044	73,144	14,000	45,631	59,631	64,100	143,287	207,387
2018	18,000	23,603	41,603	13,000	19,578	32,578	21,000	52,190	73,190	15,000	45,019	60,019	67,000	140,390	207,390
2019	18,500	22,793	41,293	14,000	18,911	32,911	21,900	51,298	73,198	15,000	44,362	59,362	69,400	137,364	206,764
2020	19,500	21,960	41,460	15,000	18,194	33,194	22,800	50,367	73,167	16,000	43,706	59,706	73,300	134,227	207,527
5 Yr Sub- Total	89,500	117,834	207,334	67,000	97,786	164,786	105,100	260,764	365,864	73,000	224,918	297,918	334,600	701,302	1,035,902
2021-2025	110,500	100,643	211,143	85,000	78,925	163,925	129,500	236,436	365,936	90,000	207,593	297,593	415,000	618,827	1,033,827
2026-2030	140,500	68,604	209,104	112,000	54,523	166,523	159,400	206,487	365,887	110,000	186,157	296,157	521,900	515,771	1,037,671
2031-2035	177,500	32,614	210,114	143,000	22,757	165,757	196,400	169,596	365,996	138,000	159,775	297,775	654,900	384,742	1,039,642
2036-2040	40,000	1,000	41,000	-	-	-	241,800	124,168	365,968	171,000	126,788	297,788	452,800	251,956	704,756
2041-2045	-	-	-	-	-	-	297,700	68,229	365,929	212,000	85,881	297,881	509,700	154,110	663,810
2046-2050	-	-	-	-	-	-	137,500	8,826	146,326	262,000	35,394	297,394	399,500	44,220	443,720
Grand Total	\$ 558,000	\$ 320,695	\$ 878,695	\$ 407,000	\$ 253,991	\$ 660,991	\$ 1,267,400	\$ 1,074,506	\$ 2,341,906	\$ 1,056,000	\$ 1,026,506	\$ 2,082,506	\$ 3,288,400	\$ 2,670,928	\$ 5,959,328

**Additional Elements Required by
the Rules of the Auditor General**



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MANAGEMENT LETTER

Board of Commissioners
Suwannee Water and Sewer District
Suwannee, Florida

We have audited the financial statements of the Suwannee Water and Sewer District (the "District"), as of and for the fiscal year ended September 30, 2015 and have issued our report thereon dated July 13, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings that accompanies this letter.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the 2014-2015 annual financial report was filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the audit report for the fiscal year ended September 30, 2015.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Board of Commissioners, the District's management and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Caru, Riggs & Ingram, L.L.C.

Gainesville, Florida
July 13, 2016

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

Board of Commissioners
Suwannee Water and Sewer District
Suwannee, Florida

We have examined the Suwannee Water and Sewer District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the District's management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Gainesville, Florida
July 13, 2016

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*

Board of Commissioners
Suwannee Water and Sewer District
Suwannee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Suwannee Water and Sewer District (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 13, 2016. Our report on the financial statements emphasized that the District restated its beginning net position due to the implementation of the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-001 through 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying letter of response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

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

Caru, Riggs & Ingram, L.L.C.

Gainesville, Florida
July 13, 2016



Suwannee Water and Sewer District

Schedule of Findings

- 2015-001 (Reported in previous audit reports as items 2014-001 and 2013-001.)
- Condition* – Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.
- Recommendation* – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. We recommend that bank statements be opened by the General Manager and that the bank reconciliations be approved by the Treasurer. Additionally, all corrections to the general ledger should be documented through the use of journal entries and the journal entries should be approved by someone other than the individual who prepares and makes the corrections.
- 2015-002 (Reported in previous audit reports as items 2014-002 and 2013-002.)
- Condition* – Although the District maintains a list of all its tangible personal property, it does not have complete, detailed records of all its property and equipment. Currently, the list provided for audit does not include cost or acquisition date.
- Recommendation* – Management should establish and maintain detailed records of all capital assets. The records should include the date of acquisition, cost, description and location of the asset. These records can be maintained using spreadsheets outside its accounting software or the District may want to pursue adding the capital assets/depreciation modules to its accounting package.
- 2015-003 (Reported in previous audit reports as items 2014-003 and 2013-003.)
- Condition* – As part of the audit process, we proposed material adjustments to the District’s financial statements. It was also necessary for us to assist with the preparation of your financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.
- Recommendation* – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

Schedule of Findings

2015-004 *Condition* – During the year, the District had a significant change in its accounting personnel; as a consequence, we noted that the District’s bank accounts were not reconciled timely and when the reconciliations took place, certain discrepancies could not be resolved. Additionally, federal payroll deposits were not made as scheduled by IRS rules which resulted in significant penalties and interest levied by the IRS. We also noted that although scheduled payments were made on the District’s outstanding bonds, such payments were not recorded in the accounting records until the subsequent period.

Recommendation – We recommend that the District provide adequate training to its accounting personnel on the accounting software used, and that financial statements be presented to the Board at least on a quarterly basis, so the Board may monitor the District’s financial condition and completeness of its accounting records.

Suwannee Water & Sewer District

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07/15/2016

Sherrill F. Norman, State of Florida Auditor General

Suwannee Water and Sewer District schedule of findings for the year ending September 30, 2013.

2015-001 (Reported in previous audit reports as items 12-1 and 11-1.)

Condition – Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Recommendation – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

Response: The Board has reviewed every facet of the duties of employees and management will continue to pursue avenues to prevent any one person having control over transactions. Segregation of duties, such as bank statements reconciliation by a non-authorized signer on the account has been implemented. Additionally office staff does not have and will continue not to have check-signing authority. With only one employee in the office during certain periods there are limitations to further segregation of duties.

2015-002 (Reported in previous audit reports as items 12-2 and 11-2.)

Condition – The District does not have complete, detailed records of all its property and equipment.

Recommendation – Management should establish and maintain detailed records of all capital assets. The records should include the date of acquisition, cost, description and location of the asset.

Response: Management recognizes lack of detailed records for some property and equipment. Many due to previous expansion projects. Current management and staff are working to identify and inventory all current capital assets and to ensure that all new purchases are inventoried in a manner that will allow for more complete tracking.

2015-003 (Reported in previous audit reports as items 12-3 and 1-3.)

Condition – As part of the audit process, we proposed material adjustments to the District's financial statements. It was also necessary for us to assist with the preparation of your financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

Response: After a review of the cost and benefits recitative to the small size of the District it is not financially prudent to add the operating cost of the District by increasing staff or contracted personnel. We will continue to improve the skills and educate the staff on audit requirements to minimize the adjustments at the end of the year.

2015-004

During the year, the District had significant change in its accounting personnel; as a consequence, we noted that the districts bank accounts were not reconciled timely and when the reconciliation took place, certain discrepancies could not be resolved. Additionally, federal payroll deposits were not made as scheduled by IRS rules which resulted in significant penalties and interest levied by the IRS. We also noted that although scheduled payments were made on the Districts outstanding bond, such payments were not recorded in the accounting records until the subsequent period.

Recommendation - We recommend that the District provide adequate training to its accounting personnel on the accounting software used, and that the financial statement be presented to the Board at least quarterly basis, so the Board may monitor the Districts financial condition and completeness of its accounting records.

Response: The District hired an Accountant/QuickBooks expert to monitor the District's finances and accounting practices each quarter and to provide assistance to the office staff. QuickBooks 2015 for Small Business Use training has been provided to the Office accounting staff at the Santa Fe College, in addition ongoing training will be provided by the District to staff. Administrative layers of oversight have been put in place to ensure that all financial requirements are completed, processed and submitted by their due dates. The Board continues to review the Districts Financial conditions on a monthly basis.

Sincerely,

Robert Bogosta *Robert Bogosta*

General Manager, Suwannee Water & Sewer District