

Suwannee Water and Sewer District

Audit Report

September 30, 2013

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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, 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 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 April 8, 2014 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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida

April 8, 2014

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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

The following are financial highlights for fiscal year 2013:

- The District's overall net position decreased by approximately \$314,000, which is approximately a 3.2 percent decrease.
- Total ending unrestricted net position was \$1,259,055.
- The District had total operating expenses for the year of about \$1,245,000, compared to operating revenues of approximately \$1,034,000.

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 liabilities 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 and liabilities – 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

<i>As of September 30,</i>	2013	2012
Assets		
Non-capital assets	\$ 1,809,963	\$ 1,575,990
Capital assets	11,183,935	11,777,447
Total assets	12,993,898	13,353,437
Liabilities		
Current liabilities	171,668	161,760
Long-term liabilities	3,347,400	3,403,200
Total liabilities	3,519,068	3,564,960
Net position		
Net investment in capital assets	7,780,735	8,319,747
Restricted	170,243	155,671
Unrestricted	1,523,852	1,313,059
Total net assets	\$ 9,474,830	\$ 9,788,477

Changes In Net Position

<i>Year ended September 30,</i>	2013	2012
Revenues		
Operating revenues	\$ 1,034,349	\$ 1,002,032
Non-operating revenues	50,741	7,017
Total revenues	1,085,090	1,009,049
Expenses		
Operating expenses	1,245,256	1,280,085
Non-operating expenses	153,481	155,749
Total expenses	1,398,737	1,435,834
Loss before capital contributions	(313,647)	(426,785)
Capital contributions	-	206,534
Change in net position	(313,647)	(220,251)
Beginning net position	9,788,477	10,008,728
Ending net position	\$ 9,474,830	\$ 9,788,477

Suwannee Water and Sewer District
Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The net position of the District decreased by approximately \$314,000 or approximately 3.2%.

Ending unrestricted net position was \$1,523,852, which represents about 147% 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 \$54,500 during the current fiscal year. 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

<i>As of September 30,</i>	2013
Current assets	
Cash	\$ 971,424
Accounts receivable	110,697
Inventory	114,416
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Total current assets	1,196,537
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Noncurrent assets	
Cash	389,869
Investments	111,905
Accumulated dividends	32,896
Unamortized bond issue costs	78,756
Capital assets:	
Non-depreciable	30,917
Depreciable, net	11,153,018
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Total noncurrent assets	11,797,361
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Total assets	12,993,898
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Current liabilities	
Accounts payable and accrued expenses	6,480
Unearned revenue	12,527
Current portion of revenue bonds	55,800
Accrued revenue bond interest	12,603
Customer deposits	84,258
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Total current liabilities	171,668
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Noncurrent liabilities	
Revenue bonds payable	3,347,400
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Total liabilities	3,519,068
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Net position	
Net investment in capital assets	7,780,735
Restricted for debt service	170,243
Unrestricted	1,523,852
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Total net position	\$ 9,474,830
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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

<i>Year ended September 30,</i>	2013
Operating revenues	
Water & sewer revenues	\$ 1,034,349
Operating expenses	
Personal services	205,625
Operating expenses	443,872
Depreciation and amortization	595,759
Total operating expenses	1,245,256
Operating loss	(210,907)
Nonoperating revenues (expenses)	
Grant revenue	27,823
Interest revenue	6,177
Tower rental	16,741
Interest expense	(153,481)
Total nonoperating revenues (expenses)	(102,740)
Change in net position	(313,647)
Net position, beginning of year	9,788,477
Net position, end of year	\$ 9,474,830

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Suwannee Water and Sewer District

Statement of Cash Flows

<i>Year ended September 30,</i>	2013
Cash flows from operating activities	
Receipts from customers	\$ 1,025,703
Payments to suppliers	(508,853)
Payments to employees	(201,388)
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Net cash provided by operating activities	315,462
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Cash flows from noncapital financing activities	
Grant revenue	27,823
Tower rental	16,741
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Net cash provided by noncapital financing activities	44,564
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Cash flows from capital and related financing activities	
Payments on long-term debt	(54,500)
Payments of revenue bond interest	(153,685)
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Net cash used by capital and related financing activities	(208,185)
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Cash flows from investing activities	
Sale of investments	111,801
Purchase of investments	(111,905)
Interest and dividends received	3,683
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Net cash provided by investing activities	3,579
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Net increase in cash	155,420
Cash, beginning of year	1,205,873
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Cash, end of year	\$ 1,361,293
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Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (210,907)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	595,759
Changes in assets and liabilities:	
Accounts receivable	(13,221)
Inventory	(64,981)
Accounts payable and accrued expenses	4,237
Unearned revenue	832
Customer deposits	3,743
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Net cash provided by operating activities	\$ 315,462
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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, 2013 are insured or collateralized pursuant to Chapter 280, Florida Statutes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

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.

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, 2013, 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.

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 \$1,200 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. All accounts are deemed collectible by management at September 30, 2013.

Suwannee Water and Sewer District

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 – LONG-TERM DEBT

Revenue bonds payable at September 30, 2013, are comprised of the following:

\$750,000 Water and Sewer System Revenue Bonds, Series 1996; Due September 1, 2036; Interest at 4.55%	\$ 588,500
\$554,000 Water and Sewer System Revenue Bonds, Series 1996A; Due September 1, 2035; Interest at 5.125%	430,000
\$1,400,000 Water and Sewer System Revenue Bonds, Series 2007; Due September 1, 2047; Interest at 4.25%	1,303,700
\$1,134,000 Water and Sewer System Revenue Bonds, Series 2011; Due September 1, 2050; Interest at 4.375%	1,081,000
Total revenue bonds payable	3,403,200
Less: current portion	55,800
Long-term portion	\$3,347,400

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, 2013, the District had met all reserve requirements.

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

Year ending September 30,	Prinicpal	Interest	Total
2014	\$ 55,800	\$ 151,222	\$ 207,022
2015	59,000	148,702	207,702
2016	60,800	146,034	206,834
2017	64,100	143,287	207,387
2018	67,000	140,390	207,390
2019-2023	379,700	653,956	1,033,656
2024-2028	475,100	559,857	1,034,957
2029-2033	599,700	440,335	1,040,035
2034-2038	557,000	298,860	855,860
2034-2043	468,900	195,301	664,201
2044-2048	504,100	85,514	589,614
2049-2050	112,000	7,394	119,394
Total	\$ 3,403,200	\$ 2,970,852	\$ 6,374,052

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, 2013 follows:

	Balance October 1, 2012	Issued	Retired	Balance September 30, 2013	Due Within One Year
Revenue bonds	\$3,457,700	\$ -	\$ 54,500	\$ 3,403,200	\$55,800

NOTE 3 – CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended September 30, 2013 follows:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013
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	451,192	50,105	-	501,297
Water system	1,226,098	296,194	-	1,522,292
Sewer system	4,098,993	247,213	-	4,346,206
Total accumulated depreciation	5,776,283	593,512	-	6,369,795
Total capital assets being depreciated, net	11,746,530	(593,512)	-	11,153,018
Capital assets, net	\$11,777,447	\$ (593,512)	\$ -	\$ 11,183,935

NOTE 4 – PENSION PLAN

Plan Description. The District contributes to the Florida Retirement System (the “System”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. The System provides 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 System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-6491.

Funding Policy. The District is required to contribute at an actuarially determined rate. The employer contribution rate at September 30, 2013 for regular employees was 6.95%. Employees are required to contribute 3.0%. The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. The District’s contributions to the System for the years ended September 30, 2013, 2012, and 2011 were \$7,241, \$7,649 and \$15,457, respectively, equal to the required contributions for each year.

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.

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
2014	\$ 15,000	\$ 26,483	\$ 41,483	\$ 11,000	\$ 22,038	\$ 33,038	\$ 17,800	\$ 55,407	\$ 73,207	\$ 12,000	\$ 47,294	\$ 59,294	\$ 55,800	\$ 151,222	\$ 207,022
2015	15,500	25,808	41,308	12,000	21,474	33,474	18,500	54,651	73,151	13,000	46,769	59,769	59,000	148,702	207,702
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
5 Yr Sub- Total	82,000	125,372	207,372	61,000	104,193	165,193	96,700	269,157	365,857	67,000	230,913	297,913	306,700	729,635	1,036,335
2019 - 2023	101,500	105,211	206,711	77,000	87,022	164,022	119,200	246,781	365,981	82,000	214,942	296,942	379,700	653,956	1,033,656
2024 - 2028	126,500	80,303	206,803	100,000	65,081	165,081	146,600	219,216	365,816	102,000	195,257	297,257	475,100	559,857	1,034,957
2029 - 2033	163,000	47,600	210,600	130,000	36,389	166,389	180,700	185,283	365,983	126,000	171,063	297,063	599,700	440,335	1,040,035
2034 - 2038	115,500	9,730	125,230	62,000	4,818	66,818	222,500	143,480	365,980	157,000	140,832	297,832	557,000	298,860	855,860
2039 - 2043	-	-	-	-	-	-	273,900	92,008	365,908	195,000	103,293	298,293	468,900	195,301	664,201
2044 - 2048	-	-	-	-	-	-	264,100	28,639	292,739	240,000	56,875	296,875	504,100	85,514	589,614
2049 - 2050	-	-	-	-	-	-	-	-	-	112,000	7,394	119,394	112,000	7,394	119,394
Grand Total	\$ 588,500	\$ 368,216	\$ 956,716	\$ 430,000	\$ 297,503	\$ 727,503	\$ 1,303,700	\$ 1,184,564	\$ 2,488,264	\$ 1,081,000	\$ 1,120,569	\$ 2,201,569	\$ 3,403,200	\$ 2,970,852	\$ 6,374,052

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, 2013 and have issued our report thereon dated April 8, 2014.

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(7). 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 2012-2013 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, 2013.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

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, 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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
April 8, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise District's basic financial statements and have issued our report thereon dated April 8, 2014.

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 2013-001 through 2013-003 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 schedule of findings. 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.

Carri Riggs & Ingram, L.L.C.

Gainesville, Florida
April 8, 2014

Suwannee Water and Sewer District

Schedule of Findings

- 2013-001 (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.
- 2013-002 (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.
- 2013-003 (Reported in previous audit reports as items 12-3 and 11-3.)
- 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.

Suwannee Water & Sewer District

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

2013-01 (Reported in previous audit reports as items 11-1 and 10-1.)

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.

2013-02 (Reported in previous audit reports as items 11-2 and 10-2.)

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.

2012-03 (Reported in previous audit reports as items 11-3 and 10-3.)

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.