

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

TABLE OF CONTENTS

Independent Auditors’ Report	1-3
Management’s Discussion and Analysis	4-12
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Government-wide Statement of Activities	18
Notes to Basic Financial Statements.....	19-32
Required Supplementary Information	
Budgetary Comparison Schedule:	
General Fund.....	33-34
Note to Budgetary Comparison Schedule.....	35
Reporting Section	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.....	38-39

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Central Regional Wastewater Treatment and Disposal Board (the Board), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Central Regional Wastewater Treatment and Disposal Board as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012. 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 the budgetary comparison schedule on pages 3 through 10 and pages 33-34, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2014 on our consideration of the South Central Regional Wastewater Treatment and Disposal Board'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 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 Board's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, FL
January 3, 2014

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the South Central Regional Wastewater Treatment and Disposal Board (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended September 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Board exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$49,748,912 (*net position*). Of this amount, \$4,153,500 represents unrestricted net position, which may be used to meet the Board's ongoing obligations to creditors and excess return due to the City of Delray Beach and City of Boynton Beach.
- The Board's total net position decreased \$5,016,299 for the current year. This is an increase from prior year's decrease in net position of \$3,476,712. The decrease was mainly related to the Board's sale of 7% capacity of the Solid Waste Authority (SWA) Biosolids processing facility as outlined in the Third Amended Interlocal Government Agreement approved July 18, 2013. Net cost of production capacity less proceeds from the partial sale of processing capacity of the SWA processing facility of \$2,037,588 resulted in a net gain on disposal of \$114,264. Previous years Due to Other Governments decreased by \$352,848.
- At the close of the current fiscal year, the Board's governmental funds reported combined fund balances of \$4,267,512, an increase of \$607,964 in comparison with the prior year. Approximately 29% of this amount (\$1,260,760) is available for spending at the Board's discretion (*unassigned fund balance*). Of this amount \$501,274 is excess due to be returned to the participating cities in the FY 2013-2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

The government-wide financial statements include only the Board itself (known as the *primary government*). The Board does not have any component units.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be categorized as governmental funds.

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

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Board maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund which are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-32 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Board's general fund budgetary comparison schedule. Required supplementary information can be found on page 32 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Board, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$49,748,912, at the close of the most recent fiscal year.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Below is a condensed statement of net position as of September 30:

	<u>2013</u>	<u>2012</u>	Percentage Change
Cash and cash equivalents	\$ 4,394,408	\$ 4,169,408	5%
Receivables	598,903	734,997	-19%
Other current assets	130,213	175,314	-26%
Capital assets, net	<u>45,601,049</u>	<u>51,892,836</u>	-12%
Total Assets	<u>50,724,573</u>	<u>56,972,555</u>	-11%
Current liabilities	745,387	1,420,171	-48%
Non current liabilities	<u>119,649</u>	<u>787,173</u>	-85%
Total Liabilities	<u>865,036</u>	<u>2,207,344</u>	-61%
Advanced funding for construction	<u>110,625</u>	<u>--</u>	100%
Total Deferred Inflows of Resources	<u>110,625</u>	<u>--</u>	100%
Net Assets			
Net investment in capital assets	45,595,412	51,892,836	-12%
Unrestricted	<u>4,153,500</u>	<u>2,872,375</u>	45%
Total Net Position	<u>\$ 49,748,912</u>	<u>\$ 54,765,211</u>	-9%

By far, the largest portion of the Board's net position (91.6%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and intangible assets). The Board uses these capital assets to provide service to the City of Delray Beach and City of Boynton Beach. Accordingly, these assets are not available for future spending.

An additional portion of the Board's net position (8.4%) represents resources that are not subject to external restrictions on how they may be used. The balance of \$4,153,500 is unrestricted and may be used to meet the Board's needs.

At the end of the current fiscal year, the Board is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

However, the Board's overall net position reflects a decrease of \$5,016,299 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$5,016,299, an increase from the prior fiscal year activity of \$1,539,587 over last year's decrease of \$3,476,712 for an ending balance of \$49,748,912. Even with the Influent flow revenue coming in at 4% under last year, the Board's management was able to take various actions (e.g., reducing expenditures related to non-essential expenditures) that neutralized its effect on governmental activities. The change for general revenues for the fiscal year 2013 includes a gain on disposal of assets of \$126,348 related to the SWA sale of Biosolids processing capacity. Fiscal year 2012 included a loss of \$112,758 related to "A" clarifier rehabilitation project. There was a capital contribution made from the cities during fiscal year 2013 of \$673,964 to fund the final costs for the SWA biosolids processing capacity rights. The decrease in the overall net position of governmental activities is mainly the result of a recently executed Third Amendment to the Interlocal Government Agreement with the Solid Waste Authority Biosolids Processing Facility for a 7% sale of capacity.

Below is a condensed statement of activities for the fiscal years ended September 30:

	2013	2012	Percentage Change
Revenues			
Program revenues:			
Charges for services	\$ 8,358,535	\$ 8,709,529	-4%
Capital contributions	673,964	--	100%
General revenues	<u>219,822</u>	<u>19,949</u>	1002%
Total Revenues	<u>9,252,321</u>	<u>8,729,478</u>	6%
Program Expenses			
Physical environment	<u>11,729,758</u>	<u>11,352,068</u>	3%
Total Expenses	<u>11,729,758</u>	<u>11,352,068</u>	3%
Change in net position before transfers	(2,477,437)	(2,622,590)	-6%
Return of excess	<u>(2,538,862)</u>	<u>(854,122)</u>	197%
Change in net position	(5,016,299)	(3,476,712)	44%
Net Position - Beginning of Year	<u>54,765,211</u>	<u>58,241,923</u>	-6%
Net Position - End of Year	<u>\$ 49,748,912</u>	<u>\$ 54,765,211</u>	-9%

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Board's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Board itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board.

At September 30, 2013, the Board's governmental funds reported combined fund balances of \$4,267,512, an increase of \$607,964 in comparison with the prior year. Approximately 29.5% of this amount \$1,260,760 constitutes *unassigned fund balance*, which is available for spending at the Board's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned*. For the current year, the Board presents \$130,213 as nonspendable, to note that the amount is not in spendable form, and \$2,876,539 as assigned since this amount has been assigned for repair and replacement.

The general fund is the chief operating fund of the Board. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,260,760, while total fund balance increased to \$1,390,973. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 18.9 percent of total general fund expenditures, while total fund balance represents approximately 20.9 percent of that same amount.

The fund balance of the Board's general fund increased by \$130,214 during the current fiscal year.

The repair and replacement fund, the major capital projects fund, had a \$477,750 increase in fund balance during the current fiscal year. The fund reports a fully assigned fund balance of \$2,876,539 for repair and replacement projects.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for any amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Charges for services	\$ 6,880,587	\$ 7,183,910	\$ 303,323

The increase in the above revenues was caused by the actual Influent Flows annual average coming in at 16.59 mgd current year compared to a budgeted average influent flow of 16.0 mgd.

Over the last decade the Board has worked to identify and implement more automation in the Plant operations. The goal of this effort was to increase the efficiency of operating the Plant while decreasing expenditures related to meeting the obligations in the Board's federal operating permit.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances with five exceptions: 1) Actual expenditures for the plant costs for deep injection well process (\$727,516) exceeded the related appropriation of \$583,602, by \$143,914. The increase in deep well injection was due to increased rainfall; consumers not using volume of reclaim produced requiring disposal of reclaim water down injection well, 2) Laboratory permit testing actual of \$52,973 was below the related appropriation of \$127,285, by \$74,312 due to in house laboratory NELAC certification for TSS/fecal testing, and special testing not required through this fiscal year, 3) Electric utilities actual of \$1,075,755 was below the related appropriation of \$1,400,000, by \$324,245 for two reasons: First the overall usage of kilowatt hours was down, related to a decrease in running of certain equipment (scrubber fans only as required). Second, the appropriated rate was \$.075 per KW hour; actual average was \$.0625 per KH hour, 4) Insurance for commercial property actual of \$255,647 was below the related appropriation of \$290,010 by \$41,303. The Board's renewal date is November 18th, therefore we estimate when preparing the budget for the new year based on the previous year's percentage increase, 5) Engineering fees of \$190,532 exceeded the related appropriation of \$120,000, by \$70,532. The Florida Department of Environmental Protection "FDEP" requires a five [5] year study of the deep injection well (Mechanical Integrity Test) that was originally budgeted at \$54,600 and actual cost of an additional \$24,358. Also, FDEP required an "Ocean Outfall Report" as identified by the "2008 Ocean Outfall Elimination Law" as codified in ss.403.089; Florida Statutes that became an actual expense after the budget was completed and ratified. The cost of this study was \$43,000.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This year's overspending was, in fact, caused by weather and regulatory matters. Accordingly, the violations are displayed on the face of the *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual* and are disclosed in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Board's net investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$45,595,412 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and intangible assets. The total decrease in net capital assets for the current fiscal year was approximately 12%.

Major capital asset events during the current fiscal year included the following:

- Various projects related to machinery, equipment, and storm water drains at a cost of \$413,214.
- SWA Biosolids Third Amendment to the Interlocal Governmental Agreement capacity sale of 7% executed July 18, 2013. Proceeds from the Board's sale of capacity \$2,037,588, reducing the intangible asset by \$2,372,211 and a gain on sale of intangible asset of \$126,348. Also, accumulated amortization was adjusted for \$460,971 related to sale of capacity.

Additional information on the Board's capital assets can be found in Note 3 on page 27 of this report.

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, the Board had total debt outstanding of \$119,649 for compensated absences. In additions, the Solid Waste Authority third amendment to the Interlocal Government Agreement for Biosolids Processing and Recycling Exhibit VI for the Board's cost related to Gas Blender capital project is \$110,625 recorded as unearned revenue in the Repair and Replacement fund. Additional information on the Board's obligation is discussed under noncurrent liabilities in Note 6 – Commitments pages 18-30 of this report.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Based on actuarial calculations for purposes of complying with the requirements of Statement No. 45 of the Governmental Accounting Standards Board (GASB) pursuant to the Alternative Measurement Method (AMM) prepared by Gabriel, Roeder, Smith & Company, the Board's liability is not material for this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect the Board and were considered in developing the 2013-2014 fiscal year budget.

- The personnel services reflect an approximate 8% increase. The Board is reclassifying a part-time employee to full time. Estimated cost of health insurance coverage at 20% (as provided by the City of Boynton Beach's human resources department).
- A 4.6% increase in user rates beginning October 1, 2013 anticipating current and future expenditure increases due to additional state and federal water quality mandates.
- A 6% increase in services mainly related to SWA pelletization tipping fees cost increase.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Dennis L. Coates, 1801 North Congress Avenue, Delray Beach, FL 33445; dcoates@scrwwtp.org; 561-272-7061 Extension 302; or Maggi Woodall, Finance Administrator; mwoodall@scrwwtp.org; 561-272-7061 Extension 301.

BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,394,408
Receivables:	
Due from other governments	583,252
Accounts	15,651
Inventories	61,596
Prepayments	68,617
Capital assets not being depreciated	412,556
Capital assets being depreciated, net	45,188,493
Total Assets	50,724,573
Liabilities	
Accounts payable and other accrued liabilities	244,113
Due to other governments	501,274
Noncurrent liabilities:	
Due within one year	11,965
Due in more than one year	107,684
Total Liabilities	865,036
Deferred Inflows of Resources	
Advanced funding for construction	110,625
Net Position	
Net investment in capital assets	45,595,412
Unrestricted	4,153,500
Total Net Position	\$ 49,748,912

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Function/Program Activities	Expenses	Charges for Services	Program Revenues Capital Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Physical environment	\$ 11,729,758	\$ 8,358,535	\$ 673,964	\$ (2,697,259)
Total Governmental Activities	<u>\$ 11,729,758</u>	<u>\$ 8,358,535</u>	<u>\$ 673,964</u>	<u>(2,697,259)</u>
General revenues:				
				6,754
				98,804
				114,264
				<u>(2,538,862)</u>
				<u>(2,319,040)</u>
				(5,016,299)
				<u>54,765,211</u>
				<u>\$ 49,748,912</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2013

	General	Repair and Replacement	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,483,909	\$ 2,910,499	\$ 4,394,408
Due from other governments	583,252	--	583,252
Accounts receivable	15,651	--	15,651
Due from other funds	--	100,589	100,589
Inventories	61,596	--	61,596
Prepayments	68,617	--	68,617
Total Assets	<u>\$ 2,213,025</u>	<u>\$ 3,011,088</u>	<u>\$ 5,224,113</u>
Liabilities			
Accounts payable and other accrued liabilities	\$ 220,189	\$ 23,924	\$ 244,113
Due to other governments	501,274	--	501,274
Due to other funds	100,589	--	100,589
Total Liabilities	<u>822,052</u>	<u>23,924</u>	<u>845,976</u>
Deferred Inflows of Resources			
Advanced funding for construction	--	110,625	110,625
Fund Balances			
Nonspendable:			
Inventories	61,596	--	61,596
Prepayments	68,617	--	68,617
Assigned:			
Repairs and replacement	--	2,876,539	2,876,539
Unassigned	1,260,760	--	1,260,760
Total Fund Balances	<u>1,390,973</u>	<u>2,876,539</u>	<u>4,267,512</u>
Total Liabilities and Fund Balances	<u>\$ 2,213,025</u>	<u>\$ 3,011,088</u>	<u>\$ 5,224,113</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION**

SEPTEMBER 30, 2013

Total Governmental Fund Balances (Page 15) \$ 4,267,512

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Cost of assets	\$ 104,094,978	
Accumulated depreciation and amortization	<u>(58,493,929)</u>	45,601,049

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Compensated absences	<u>(119,649)</u>
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Net Position of Governmental Activities (Page 13) \$ 49,748,912

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	General	Repair and Replacement	Total Governmental Funds
Revenues			
Charges for services	\$ 7,183,910	\$ 1,174,625	\$ 8,358,535
Additional contributions	--	673,964	673,964
Investment earnings	1,311	5,443	6,754
Miscellaneous	98,804	--	98,804
Total Revenues	<u>7,284,025</u>	<u>1,854,032</u>	<u>9,138,057</u>
Expenditures			
Current:			
Physical environment	6,629,872	--	6,629,872
Capital outlay	22,665	1,376,282	1,398,947
Total Expenditures	<u>6,652,537</u>	<u>1,376,282</u>	<u>8,028,819</u>
Excess of Revenues Over Expenditures	<u>631,488</u>	<u>477,750</u>	<u>1,109,238</u>
Other Financing Sources and (Uses)			
Proceeds from sale of capital assets	--	2,037,588	2,037,588
Return of excess	(501,274)	(2,037,588)	(2,538,862)
Total Other Financing Uses	<u>(501,274)</u>	<u>--</u>	<u>(501,274)</u>
Net Change in Fund Balances	130,214	477,750	607,964
Fund Balances - Beginning of Year	<u>1,260,759</u>	<u>2,398,789</u>	<u>3,659,548</u>
Fund Balances - End of Year	<u>\$ 1,390,973</u>	<u>\$ 2,876,539</u>	<u>\$ 4,267,512</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

**Net Change in Fund Balances -Total Governmental Funds
(Page 17)**

\$ 607,964

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation and amortization:

Expenditures for capital assets	\$ 1,398,947	
Gain on disposal of capital assets	114,264	
Less proceeds from sale of disposal	(2,037,588)	
Less current year depreciation and amortization	<u>(5,092,948)</u>	(5,617,325)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in long-term compensated absences	(6,440)	
Other	<u>(498)</u>	<u>(6,938)</u>

Change in Net Position of Governmental Activities (Page 14)

\$ (5,016,299)

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

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

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

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

As required by generally accepted accounting principles, these basic financial statements present the reporting entity of the Board. Component units are legally separate entities for which the government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Board's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

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

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)***

Charges for services and intergovernmental revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Board.

The Board reports the following major governmental funds:

The *General Fund* is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Board except those required to be accounted for in another fund.

The *Repair and Replacement Fund*, a capital projects fund, is used to account for financial resources to be used for the acquisition or repair of major capital facilities.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Board implemented the following GASB Statement during the fiscal year ended September 30, 2013 that had an impact on the financial statements:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with original maturities of three months or less, include cash on hand, and investments with the Florida PRIME and Fund B. Investments in the Fund B at September 30, 2013 of \$15,111 are not considered material to the basic financial statements and therefore have been included as a part of cash and cash equivalents.

The Board has adopted an investment policy which authorizes the Board to invest any surplus public funds in the Florida PRIME, certificates of deposit, or savings accounts, provided that any such deposits are secured by collateral as prescribed by law, and repurchase agreements investing in direct obligations of the United States Treasury or any other government agencies.

The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which is fair value. Fund B is a fluctuating NAV pool and is reported based on the fair value factor (see Note 2).

Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method and consist of expendable chemicals and fuel.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. When purchased, acquired or constructed, capital assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net position. The Board's capitalization threshold is \$700. Capital assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

Capital Assets (continued)

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

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. Amortization of intangible assets has been provided over the estimated useful lives using the straight-line method of calculation.

The estimated lives for each major class of depreciable capital assets are as follows:

Buildings and improvements	6-50 years
Machinery and equipment	5-20 years
Intangible assets	20 years
Furniture, fixtures and office equipment	3-30 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. At this time, the Board does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unearned revenue, is reported only in the governmental funds balance sheet. The governmental funds report unearned revenues from one source: Solid Waste Authority funding for the Gas Blender Project. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

Compensated Absences

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

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations, retirements or utilization of cash out benefit.

Fund Equity

Equity in the government-wide statement of net position is displayed in three categories: 1) net investment in capital assets 2) restricted, 3) unrestricted. Net investment in capital assets consists of capital assets reduced by retainage payable as well as accumulated depreciation and amortization. Net position is reported as restricted when there are legal limitations imposed on their use by the Board or external restrictions by other governments, creditors, or grantors. There was no restricted net position as of September 30, 2013. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items and inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

Fund Equity (continued)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board—the organization’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Board’s or management’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board and executive director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Net Position Flow Assumption

Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the Board will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized.

INVESTMENTS

The State Board of Administration (SBA) administers the Florida PRIME (formerly known as the Local Government Surplus funds Trust Fund LGIP) and the Fund B Surplus Funds Trust Fund (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 like fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B does not meet the requirements of an SEC 2a-7 like fund and therefore is accounted for as a fluctuating NAV pool. As of September 30, 2013, the fair value factor for Fund B was \$1.13262284 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

As of September 30, 2013, the Board had the following investments, which are included in cash and cash equivalents:

<u>Investment Type</u>	<u>Fair Value</u>
Money market funds	<u>\$ 4,364,568</u>
Florida PRIME and Fund B	<u>\$ 29,840</u>

Interest Rate Risk

The Board's investment policy is structured so that securities mature to meet their cash needs and anticipated cash flow requirements, thereby avoiding the need to sell securities on the open market prior to their maturation and investing in primarily in shorter-term securities, unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements.

The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2013, is 44 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. Due to the nature of the securities in Fund B, the interest rate risk information is not available.

An estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at September 30, 2013, is estimated at 4.08 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life. The estimate of Fund B's WAL decreased to 4.04 as of September 30, 2013, from an estimate of 4.08 as of September 30, 2012. The decrease occurred because of a change in the calculation methodology for some of the mortgages underlying the Fund B notes. The affected mortgages, based on the latest cash flow estimates, will receive interest payments only in the future; therefore, the estimate of WAL for the underlying securities is now zero.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Credit Risk

The Board's investment policy limits investments to the safest types of securities, pre-qualifying the financial institutions with which the Board will do business.

Florida PRIME is rated AAAM by Standard and Poor's. The Fund B is not rated by a nationally recognized statistical rating agency.

Concentration of Credit Risk

The Board places no limits on the amount the Board may invest in any one issuer. At September 30, 2013, 99% of the Board's investments are in SunTrust NOW – Treasury Backed money market fund, with the remaining 1% in the Florida State Board of Administration's Florida PRIME and Fund B.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land and improvements	\$ 70,750	\$ --	\$ --	\$ --	\$ 70,750
Construction in progress	32,121	722,899	--	(413,214)	341,806
Total Capital Assets Not Being Depreciated	102,871	722,899	--	(413,214)	412,556
Capital assets being depreciated:					
Buildings and improvements	73,974,895	1,586	--	25,200	74,001,681
Machinery and equipment	23,947,165	--	(87,624)	331,244	24,190,785
Intangible assets (see Note 6)	7,370,799	--	(2,372,211)	--	4,998,588
Furniture, fixtures and office equipment	460,802	--	(26,204)	56,770	491,368
Total Capital Assets Being Depreciated	105,753,661	1,586	(2,486,039)	413,214	103,682,422
Less Accumulated Depreciation For					
Buildings and improvements	(37,775,852)	(2,948,045)	--	--	(40,723,897)
Machinery and equipment	(14,768,005)	(1,719,811)	80,344	--	(16,407,472)
Intangible	(1,123,707)	(350,450)	460,971	--	(1,013,186)
Furniture, fixtures and office equipment	(296,132)	(74,642)	21,400	--	(349,374)
Accumulated Depreciation	(53,963,696)	(5,092,948)	562,715	--	(58,493,929)
Total Capital Assets Being Depreciated, Net	51,789,965	(5,091,362)	(1,923,324)	413,214	45,188,493
Governmental Activities Capital Assets, Net	\$ 51,892,836	\$ (4,368,463)	\$ (1,923,324)	\$ --	\$ 45,601,049

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense of \$5,092,948 was charged to Physical Environment for the fiscal year ended September 30, 2013.

NOTE 4 - DUE FROM / TO OTHER GOVERNMENTS

The following is a summary of the amounts due from / to other governments:

	City of Boynton Beach	City of Delray Beach	Total
Due From Other Governments			
General fund	<u>\$ 335,277</u>	<u>\$ 247,975</u>	<u>\$ 583,252</u>
Due to Other Governments			
General fund	<u>\$ 294,599</u>	<u>\$ 206,675</u>	<u>\$ 501,274</u>

NOTE 5 - DEFINED CONTRIBUTION PLAN

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

Employees are eligible to participate from the date of employment. The Board and the employees contribute an amount equal to 10% and 6%, respectively, of the employee's base salary each month. The Board's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years of continuous service. Board contributions for, and interest forfeited by, employees who leave employment before six years of service are used to reduce the Board's current period contribution amount. Plan revisions and contribution requirements are established and may be amended by the governing board.

The Board's total payroll for the year ended September 30, 2013 was \$1,211,457. The Board's contributions were calculated using the base salary amount of \$1,144,345. Both the Board and the covered employees made the required contributions of \$114,435 and \$68,661, respectively, for a total of \$183,096.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 6 - COMMITMENTS

CONSTRUCTION COMMITMENTS

The status of contracts at September 30, 2013 is as follows:

Contractor	Project	Contract Amount	Expended September 30, 2013	Contract Balance to Complete
Solid Waste Authority	Engineering - Third Amendment Interlocal Agreement - Exhibit VI Gas Blender	\$ 110,625	\$ --	\$ 110,625
Hazen & Sawyer	Eng - wo#11-002 Construction Underground Ductile Iron Process Air Pipe	\$ 61,910	\$ 61,910	\$ --
	Eng - wo#12-001 Plant "B" Secondary Clarifier Rehab - Eng, Perm & bidding	123,110	123,104	6
	Eng - wo#12-002 Injection Well System Mechanical Integrity Test [MIT]	78,958	78,958	--
	Eng - wo#13-001 Plant "B" Secondary Clarifier Rehab - Eng Design	72,350	72,322	28
	Eng - wo#13-002 Plant "B" Secondary Clarifier Rehab - Eng Construction	134,890	56,182	78,708
	Fl Design Contractors - Plant "B" Secondary Clarifier Rehabilitation	<u>1,895,000</u>	<u>50,734</u>	<u>1,844,266</u>
Total Contract Commitments - Repair and Replacement		<u>\$ 2,366,218</u>	<u>\$ 443,210</u>	<u>\$ 1,923,008</u>

SLUDGE DISPOSAL

On November 8, 2012, the Board extended the contract with H&H LSD, Inc. for one year, with the option to renew yearly for an additional two years, for the removal and disposal of wastewater sludge. The contract provides a fixed price of \$10.30 per wet ton of dewatered wastewater sludge transported to the Solid Waste Authority facility. For the year ended September 30, 2013, the Board was charged \$201,201 for sludge hauling.

AGREEMENT WITH SOLID WASTE AUTHORITY

On June 7, 2005, amended on July 20, 2006 and July 18, 2013, the Board entered into an agreement with Palm Beach County, City of Boca Raton, Loxahatchee River Environmental Control District, Village of Royal Palm Beach, Solid Waste Authority, and East Coast Regional Wastewater Treatment Facilities and formed a partnership to participate in the development and operation of the Biosolids Processing Facility. This facility will assist in eliminating tons of phosphorus discharges per year to land areas that drain into Lake Okeechobee. Based on the information developed to date, the Board's participation has included: 1) payment of approximately \$6.7 million of the prorated portion of the facility capital costs (approximately 14.75%), and 2) delivery of up to 85 wet

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 6 – COMMITMENTS (CONTINUED)

AGREEMENT WITH SOLID WASTE AUTHORITY (CONTINUED)

tons/day of wastewater sludge at 15 percent solids tipping fees estimated for O&M costs of \$56.54 per ton. This participation secures an efficient, long-term and environmentally sound method to recycle and beneficially reuse the biosolids produced by the facility. Solid Waste Authority advised that the current year estimated fees for O&M costs would be \$56.54 per ton. The facility capital costs have been recorded as an intangible asset and are being amortized over the estimated life of the facility.

Solid Waste Authority Third Amended Interlocal Government Agreement for Biosolids Processing and Recycling was executed on July 18, 2013 for sale of 7% of the capacity to East Central Regional Wastewater (ECR). The Board's capacity share will now be 14.75%. The Board received SWA check for capital rebate in the amount of \$2,037,588, repaid City of Delray Beach and City of Boynton Beach \$964,481.50 each, less \$110,625 for the Board's share of the SWA gas blender capital project as outlined in Exhibit VI of the agreement; the Board has this amount recorded on the Statement of Net Position as a deferred inflow as "Advanced funding for construction".

CERTIFIED LAB TESTING SERVICE

On July 18, 2013, the Board authorized entering into a contract through September 17, 2014 with Advanced Environmental Laboratories, Inc. for regulatory testing. Effective June 15, 2011 the Board's lab was granted certification from the Florida Department of Health in compliance with National Environmental Laboratory Accreditation Conference (NELAC) Standards to perform analysis of "non-potable water – microbiology, general chemistry". Lab testing expenses for other Florida Department of Environmental Protection totaled \$52,973 for the fiscal year ended September 30, 2013.

NOTE 7 - CAPITAL PROJECTS

Expenditures for capital outlay as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances are composed of the following projects:

General Fund

Equipment replacement	\$ 22,665
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Repair and Replacement

Equipment replacement	<u>1,376,282</u>
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Total Capital Outlay

	<u>\$ 1,398,947</u>
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**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 113,209</u>	<u>\$ 143,474</u>	<u>\$ 137,034</u>	<u>\$ 119,649</u>	<u>\$ 11,965</u>

NOTE 9 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance. Specifically, the Board purchases commercial insurance for property, medical benefits, worker's compensation, general liability, pollution liability, automobile liability, errors and omissions, and directors and officers liability. The Board is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage in the last three years.

NOTE 10 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2013, the cities of Boynton Beach and Delray Beach paid in cash the following amounts to the Board:

	Boynton Beach	Delray Beach	Total
Sewer service - operations and maintenance	\$ 3,606,002	\$ 2,610,677	\$ 6,216,679
Sewer service - repair and replacement	<u>704,920</u>	<u>491,241</u>	<u>1,196,161</u>
Total Related Party Transactions	<u><u>\$ 4,310,922</u></u>	<u><u>\$ 3,101,918</u></u>	<u><u>\$ 7,412,840</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Charges for services	\$ 6,880,587	\$ 7,183,910	\$ 303,323
Interest income	--	1,311	1,311
Miscellaneous	--	98,804	98,804
Total Revenues	<u>6,880,587</u>	<u>7,284,025</u>	<u>403,438</u>
Physical Environment			
Personal services:			
Regular wages	1,201,190	1,211,457	(10,267)
Retirement contributions	125,000	131,576	(6,576)
Social security expense	105,000	99,599	5,401
Health and dental insurance	179,600	177,534	2,066
Overtime	61,000	86,279	(25,279)
Worker's compensation insurance	37,000	26,795	10,205
Disability protection	6,000	4,790	1,210
Sick leave	85,000	94,255	(9,255)
Unemployment compensation	2,000	--	2,000
Life insurance	1,200	511	689
Payroll contingency	1,000	871	129
Employee assistance program	1,000	347	653
Total Personal Services	<u>1,804,990</u>	<u>1,834,014</u>	<u>(29,024)</u>
Service contracts:			
Sludge hauling	195,000	201,201	(6,201)
Sludge pelletization	925,000	948,299	(23,299)
Contract work	63,500	55,888	7,612
Grit hauling	160,000	153,509	6,491
Audit	37,500	37,500	--
Lab permit testing	127,285	52,973	74,312
Legal - administrative and labor	42,000	39,269	2,731
Service - general and administrative	22,500	26,583	(4,083)
Meter calibration	11,000	9,282	1,718
Toxicity legal fees	--	2,740	(2,740)
Trash hauling	3,000	4,199	(1,199)
Medical services	1,500	823	677
Total Service Contracts	<u>1,588,285</u>	<u>1,532,266</u>	<u>56,019</u>
Operations and maintenance:			
Electricity	1,400,000	1,075,754	324,246
Injection well process	583,602	727,516	(143,914)
Insurance expense	297,010	255,647	41,363
Equipment repairs	39,000	56,593	(17,593)
Water	61,000	47,301	13,699
Repair contingency	5,000	10,534	(5,534)

(Continued)

See note to budgetary comparison schedule.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operations and maintenance (continued):			
Licenses and permits	\$ 16,400	\$ 13,180	\$ 3,220
Telephone	14,000	15,561	(1,561)
Automotive expense	22,500	23,458	(958)
Vehicles	7,000	5,909	1,091
Membership, dues and subscriptions	10,000	6,550	3,450
Grounds	20,000	17,699	2,301
Buildings	16,000	15,497	503
Technical sessions and training	15,000	11,068	3,932
Postage	3,000	3,646	(646)
Board expense	4,000	4,056	(56)
Education expense	1,000	1,560	(560)
Equipment rental	2,000	1,298	702
Taxes, penalties, and interest	--	4,989	(4,989)
Advertising	3,000	2,833	167
Total Operations and Maintenance	<u>2,519,512</u>	<u>2,300,649</u>	<u>218,863</u>
Supplies and chemicals:			
Chemicals	730,300	689,190	41,110
Laboratory supplies	34,000	22,573	11,427
General operating supplies	10,000	8,855	1,145
Oils, lubricants, grease and gas	7,500	4,687	2,813
Diesel fuel	15,000	12,645	2,355
Office supplies	8,000	9,087	(1,087)
Uniforms	8,000	7,340	660
Safety supplies	6,000	12,577	(6,577)
Small tools and equipment	2,000	2,338	(338)
Construction materials	1,000	--	1,000
Office equipment	1,000	1,366	(366)
Janitorial supplies	3,000	1,414	1,586
Laboratory equipment	2,000	--	2,000
Total Supplies and Chemicals	<u>827,800</u>	<u>772,072</u>	<u>55,728</u>
Engineering:			
General	120,000	190,533	(70,533)
Pretreatment program	--	338	(338)
Total Engineering	<u>120,000</u>	<u>190,871</u>	<u>(70,871)</u>
Total Physical Environment	<u>6,860,587</u>	<u>6,629,872</u>	<u>230,715</u>
Capital Improvements			
Equipment	20,000	22,665	(2,665)
Total Capital Improvements	<u>20,000</u>	<u>22,665</u>	<u>(2,665)</u>
Total Expenditures	<u>6,880,587</u>	<u>6,652,537</u>	<u>228,050</u>
Excess of Revenues over Expenditures	<u>\$ --</u>	<u>\$ 631,488</u>	<u>\$ 631,488</u>

See note to budgetary comparison schedule.

**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Board annually adopts an operating budget for the general fund. The procedures for establishing budgetary data are as follows:

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

Changes or amendments to the total budgeted expenditures of the Board must be approved by the Board. The legal level of budgetary control for the Board is exercised at the fund level. The Executive Director has the authority to utilize contingency accounts within the budget as a supplement for any line item which is over-expended. All transfers from the contingency account are subsequently presented to the Board for ratification. The budget is adopted on a basis consistent with generally accepted accounting principles. Unused appropriations lapse at the end of the fiscal year. The budgeted amounts presented in the accompanying financial statements are the original and final authorized amounts for the fiscal year.

Budgetary data for the capital outlay and repair and replacement funds are not presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

REPORTING SECTION

**INDEPENDENT AUDITORS' 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 Directors

South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the South Central Regional Wastewater Treatment and Disposal Board (the Board) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Marcum LLP

West Palm Beach, FL
January 3, 2014

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Directors
South Central Regional Wastewater Treatment and Disposal Board
Delray Beach, Florida

We have audited the financial statements of the governmental activities and each major fund of the South Central Regional Wastewater Treatment and Disposal Board (the Board), as of and for the year ended September 30, 2013, have issued our report thereon dated January 3, 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 3, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuses, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units related to the Board. The Board has made these disclosures in the notes to the financial statements.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement to be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Board did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Board for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Board's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

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

Marcum LLP

West Palm Beach, FL
January 3, 2014