

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

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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, 2014, 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.

Auditors' 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 auditors' 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, 2014, 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.

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 31-33, 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 November 8, 2015 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
November 8, 2015

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 year ended September 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Board exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$46,372,019 (*net position*). Of this amount, \$3,139,238 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 \$3,376,983 for the current year. This is a decrease from prior year's decrease in net position of \$1,639,406.
- At the close of the current fiscal year, the Board's governmental funds reported combined fund balances of \$3,173,789, a decrease of \$1,093,723 in comparison with the prior year. Approximately 43.8% of this amount (\$1,390,972) is available for spending at the Board's discretion (*unassigned fund balance*).

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.

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).

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 11-12 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 year. Such information may be useful in assessing a Board's near-term financing requirements.

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 13-16 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 17-30 of this report.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 31 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 exceeded liabilities and deferred inflows by \$46,372,019, at the close of the most recent year.

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

	2014	2013	Percentage Change
Cash and cash equivalents	\$ 3,560,421	\$ 4,394,408	-19%
Receivables	681,613	598,903	14%
Other current assets	121,080	130,213	-7%
Capital assets, net	43,328,021	45,601,049	-5%
Total Assets	47,691,135	50,724,573	-6%
Current liabilities	1,164,924	745,387	56%
Non current liabilities	129,791	119,649	8%
Total Liabilities	1,294,715	865,036	50%
Advanced funding for construction	24,401	110,625	100%
Total Deferred Inflows of Resources	24,401	110,625	100%
Net Assets			
Net investment in capital assets	43,232,781	45,595,412	-5%
Unrestricted	3,139,238	4,153,500	-24%
Total Net Position	\$ 46,372,019	\$ 49,748,912	-7%

By far, the largest portion of the Board's net position (93.2%) 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 the City of Boynton Beach. Accordingly, these assets are not available for future spending.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

An additional portion of the Board's net position (6.8%) represents resources that are not subject to external restrictions on how they may be used. The balance of \$3,139,238 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.

However, the Board's overall net position reflects a decrease of \$3,376,893 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 \$3,376,893, a decrease from the prior fiscal year activity of \$1,639,406 over last year's decrease of \$5,016,299 for an ending balance of \$46,372,019, even with the influent flow revenue coming in at 6.1% over last year due to the January flooding rain events. The change for general revenues for the fiscal year 2014 includes a loss on disposal of assets of \$22,419 related to the replacement of unrepairable equipment. 2013 included a gain of \$126,348 related to the sale of the SWA Biosolids processing capacity. There was a capital contribution received from the cities during fiscal year 2014 of \$86,224 to fund the capital costs for the SWA gas blender project.

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

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 8,872,451	\$ 8,358,535	6%
Capital contributions	86,224	673,964	100%
General revenues	<u>91,126</u>	<u>219,822</u>	-59%
Total Revenues	<u>9,049,801</u>	<u>9,252,321</u>	-2%
Program Expenses			
Physical environment	<u>11,855,353</u>	<u>11,729,758</u>	1%
Total Expenses	<u>11,855,353</u>	<u>11,729,758</u>	1%
Change in net position before transfers	(2,805,552)	(2,477,437)	13%
Return of excess	<u>(571,341)</u>	<u>(2,538,862)</u>	-77%
Change in net position	(3,376,893)	(5,016,299)	-33%
Net Position - Beginning of Year	<u>49,748,912</u>	<u>54,765,211</u>	-9%
Net Position - End of Year	<u>\$ 46,372,019</u>	<u>\$ 49,748,912</u>	-7%

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, 2014, the Board's governmental funds reported combined fund balances of \$3,173,789, a decrease of \$1,093,723 in comparison with the prior year. Approximately 43.8% of this amount (\$1,390,972) 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 \$121,080 as nonspendable, to note that the amount is not in spendable form, and \$1,647,847 as assigned since this amount has been assigned for repair and replacement. There is also \$13,890 assigned in the General Fund for the payment of the FP&L generator upgrade.

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 \$1,390,972, while total fund balance increased to \$1,525,942. 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 19.7% of total general fund expenditures, while total fund balance represents approximately 21.6% of that same amount.

The fund balance of the Board's general fund increased by \$134,969 during the current fiscal year.

The repair and replacement fund, the major capital projects fund, had a \$1,228,692 decrease in fund balance during the current fiscal year. The fund reports a fully assigned fund balance of \$1,647,847 for repair and replacement projects.

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.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

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	\$ 7,231,199	\$ 7,640,596	\$ 409,397

The increase in the charges for services was caused by the actual influent flows annual average coming in at 17.0 mgd in the 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 significant variances as follows: 1) Overtime wages of \$160,869 exceeded appropriation of \$61,000, by \$99,869. The increase was due to January flooding rain that resulted in 8 weeks of overtime to operate and stabilize plant. Also, staff in operations and maintenance were covering for positions not filled and for current employees' time off due to vacation/illness. 2) Actual expenditures for the plant costs for deep injection well process \$718,626 exceeded the related appropriation of \$620,146, by \$98,480. The increase in deep well injection was due to increased January rainfall; consumers not using the volume of reclaimed water produced requiring disposal of reclaimed water down injection well. 3) Laboratory permit testing actual of \$45,764 was below the related appropriation of \$122,285, by \$76,520 due to legislative 5 year permit renewal, extensive local limits testing not required by FLDEP, in house laboratory NELAC certification for TSS/fecal testing, and special testing not required through this year. 4) Electric utilities actual of \$1,173,420 was below the related appropriation of \$1,400,000, by \$226,579 for two reasons: First, the overall usage of kilowatt hours was down, related to a decrease in running of certain equipment (January rain event discharge through ocean outfall, less pumps running due to gravity feed). Second, the appropriated rate was \$.075 per KW hour; actual average was \$.0625 per KH hour, 5) Engineering fees of \$111,036 was below the related appropriation of \$170,000, by \$58,963 due to FLDEP not requiring the five year permit renewal local limit testing. 6) Chemicals actual expenditures of \$597,973 were under the related appropriation of \$736,000, by \$138,026. New meters to automate the polymer system were installed for more efficient use of product.

This year's overspending was, in fact, caused by weather and regulatory matters. Accordingly, the variances 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.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Board's net investment in capital assets for its governmental activities as of September 30, 2014, amounts to \$43,328,201 (net of accumulated depreciation and amortization and retainage). 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 14.6%.

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

- Various projects related to machinery, equipment, and storm water drains at a cost of \$2,561,484.

Additional information on the Board's capital assets can be found in Note 3 on page 25 of this report.

LONG-TERM OBLIGATIONS

At the end of the current year, the Board had total debt outstanding of \$129,791 for compensated absences summarized in Note 8 – Long Term Liabilities on page 30 of this report. In addition, the Solid Waste Authority third amendment to the Interlocal Agreement for Biosolids Processing and Recycling for the Board's cost related to Gas Blender capital project is \$24,401 which is recorded as a deferred inflow in the Repair and Replacement fund. Additional information on the Board's obligations are discussed under construction commitments in Note 6 – Commitments on page 27 of this report.

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.

SOUTH CENTRAL REGIONAL WASTEWATER TREATMENT AND DISPOSAL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors currently affect the Board and were considered in developing the 2014-2015 fiscal year budget.

- The personnel services reflect an approximate 4.5% increase. The Board is reclassified a part-time employee to full time. Increase in the estimated cost of health insurance coverage at 15% (as provided by the City of Boynton Beach's human resources department).
- A 4.4% increase in user rates beginning October 1, 2014 in anticipation of current and future expenditure increases due to additional state and federal water quality mandates.
- A 5.8% increase in services mainly related to SWA pelletization tipping fees cost increase.
- A 7.6% increase in operating assets related to FPL Air Quality Generator upgrade.

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, Colin Groff, 1801 North Congress Avenue, Delray Beach, FL 33445; groffe@bbfl.us; 561-272-7061 Extension 302.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,560,421
Receivables:	
Due from other governments	659,419
Accounts	22,194
Inventories	67,380
Prepaid items	53,700
Capital assets not being depreciated	2,529,397
Capital assets being depreciated, net	<u>40,798,624</u>
Total Assets	<u>47,691,135</u>
Liabilities	
Accounts payable and accrued liabilities	593,583
Due to other governments	571,341
Noncurrent liabilities:	
Due within one year	12,979
Due in more than one year	<u>116,812</u>
Total Liabilities	<u>1,294,715</u>
Deferred Inflows of Resources	
Advanced funding for construction	<u>24,401</u>
Net Position	
Net investment in capital assets	43,232,781
Unrestricted	<u>3,139,238</u>
Total Net Position	<u>\$ 46,372,019</u>

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

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Contributions	
Governmental Activities				
Physical environment	\$ 11,855,353	\$ 8,872,451	\$ 86,224	\$ (2,896,678)
Total Governmental Activities	<u>\$ 11,855,353</u>	<u>\$ 8,872,451</u>	<u>\$ 86,224</u>	<u>(2,896,678)</u>
General revenues:				
Investment income				986
Miscellaneous				112,559
Loss on disposal of capital assets				(22,419)
Transfers to other governments				<u>(571,341)</u>
Total general revenues and transfers				<u>(480,215)</u>
Change in net position				(3,376,893)
Net position, beginning of year				<u>49,748,912</u>
Net position, end of year				<u>\$ 46,372,019</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, 2014

	General	Repair and Replacement	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,657,342	\$ 1,903,079	\$ 3,560,421
Due from other governments	659,419	--	659,419
Accounts receivable	22,194	--	22,194
Due from other funds	--	107,133	107,133
Inventories	67,380	--	67,380
Prepaid items	53,700	--	53,700
Total Assets	<u>\$ 2,460,035</u>	<u>\$ 2,010,212</u>	<u>\$ 4,470,247</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 255,619	\$ 337,964	\$ 593,583
Due to other governments	571,341	--	571,341
Due to other funds	107,133	--	107,133
Total Liabilities	<u>934,093</u>	<u>337,964</u>	<u>1,272,057</u>
Deferred Inflows of Resources			
Advanced funding for construction	--	24,401	24,401
Fund Balances			
Nonspendable:			
Inventories	67,380	--	67,380
Prepayments	53,700	--	53,700
Assigned:			
Construction costs	13,890	--	13,890
Repairs and replacement	--	1,647,847	1,647,847
Unassigned	1,390,972	--	1,390,972
Total Fund Balances	<u>1,525,942</u>	<u>1,647,847</u>	<u>3,173,789</u>
Total Liabilities and Fund Balances	<u>\$ 2,460,035</u>	<u>\$ 2,010,212</u>	<u>\$ 4,470,247</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, 2014

Total Governmental Fund Balances (Page 13) \$ 3,173,789

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	\$ 106,570,831	
Accumulated depreciation and amortization	<u>(63,242,810)</u>	43,328,021

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>(129,791)</u>
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Net Position of Governmental Activities (Page 11) \$ 46,372,019

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 YEAR ENDED SEPTEMBER 30, 2014

	General	Repair and Replacement	Total Governmental Funds
Revenues			
Charges for services	\$ 7,640,596	\$ 1,231,855	\$ 8,872,451
Additional contributions	--	86,224	86,224
Investment earnings (loss)	1,067	(81)	986
Miscellaneous	<u>112,559</u>	<u>--</u>	<u>112,559</u>
Total Revenues	<u>7,754,222</u>	<u>1,317,998</u>	<u>9,072,220</u>
Expenditures			
Current:			
Physical environment	7,032,629	--	7,032,629
Capital outlay	<u>15,283</u>	<u>2,546,690</u>	<u>2,561,973</u>
Total Expenditures	<u>7,047,912</u>	<u>2,546,690</u>	<u>9,594,602</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>706,310</u>	<u>(1,228,692)</u>	<u>(522,382)</u>
Other Financing Uses			
Return of excess	<u>(571,341)</u>	<u>--</u>	<u>(571,341)</u>
Total Other Financing Uses	<u>(571,341)</u>	<u>--</u>	<u>(571,341)</u>
Net Change in Fund Balances	134,969	(1,228,692)	(1,093,723)
Fund Balances - Beginning of Year	<u>1,390,973</u>	<u>2,876,539</u>	<u>4,267,512</u>
Fund Balances - End of Year	<u>\$ 1,525,942</u>	<u>\$ 1,647,847</u>	<u>\$ 3,173,789</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 THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Net Change in Fund Balances -Total Governmental Funds
(Page 15)**

\$ (1,093,723)

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	\$ 2,561,484	
Loss on disposal of capital assets	(22,420)	
Less current year depreciation and amortization	<u>(4,812,092)</u>	(2,273,028)

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	<u>(10,142)</u>
--	-----------------

Change in Net Position of Governmental Activities (Page 12)

\$ (3,376,893)

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 YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

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.

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Deposits and Investments

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 (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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 any item that qualifies for reporting in this category.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (continued)

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 item that meets this definition and is further described in the Interlocal Agreement section of Note 6.

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 and any applicable deferred inflow/outflow of resources. 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, 2014. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Equity (continued)

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

The State Board of Administration (SBA) administers the Florida PRIME and is 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. 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 investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

As of September 30, 2014, 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>\$ 3,532,317</u>
Florida PRIME	<u>\$ 28,104</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, 2014, is 39 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Board places no limits on the amount the Board may invest in any one issuer. At September 30, 2014, 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.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, 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	341,806	2,561,484	--	(444,643)	2,458,647
Total Capital Assets Not Being Depreciated	<u>412,556</u>	<u>2,561,484</u>	<u>--</u>	<u>(444,643)</u>	<u>2,529,397</u>
Capital assets being depreciated:					
Buildings and improvements	74,001,681	--	--	147,154	74,148,835
Machinery and equipment	24,190,785	--	(62,591)	256,824	24,385,018
Intangible assets (see Note 6)	4,998,588	--	--	--	4,998,588
Furniture, fixtures and office equipment	491,368	--	(23,040)	40,665	508,993
Total Capital Assets Being Depreciated	<u>103,682,422</u>	<u>--</u>	<u>(85,631)</u>	<u>444,643</u>	<u>104,041,434</u>
Less: Accumulated Depreciation For					
Buildings and improvements	(40,723,897)	(2,893,609)	--	--	(43,617,506)
Machinery and equipment	(16,407,472)	(1,602,531)	42,556	--	(17,967,447)
Intangible	(1,013,186)	(251,133)	--	--	(1,264,319)
Furniture, fixtures and office equipment	(349,374)	(64,819)	20,655	--	(393,538)
Accumulated Depreciation	<u>(58,493,929)</u>	<u>(4,812,092)</u>	<u>63,211</u>	<u>--</u>	<u>(63,242,810)</u>
Total Capital Assets Being Depreciated, Net	<u>45,188,493</u>	<u>(4,812,092)</u>	<u>(22,420)</u>	<u>444,643</u>	<u>40,798,624</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,601,049</u>	<u>\$ (2,250,608)</u>	<u>\$ (22,420)</u>	<u>\$ --</u>	<u>\$ 43,328,021</u>

Depreciation and amortization expense of \$4,812,092 was charged to Physical Environment for the year ended September 30, 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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>\$ 379,355</u>	<u>\$ 280,064</u>	<u>\$ 659,419</u>
Due to Other Governments			
General fund	<u>\$ 337,034</u>	<u>\$ 234,307</u>	<u>\$ 571,341</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, 2014 was \$1,251,920. The Board's contributions were calculated using the base salary amount of \$1,198,362. Both the Board and the covered employees made the required contributions of \$119,836 and \$72,662, respectively.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 6 - COMMITMENTS

CONSTRUCTION COMMITMENTS

The status of contracts at September 30, 2014 is as follows:

Contractor	Project	Contract Amount	Expended September 30, 2014	Contract Balance to Complete
Solid Waste Authority	Engineering - Third Amendment Interlocal Agreement - Exhibit VI Gas Blender	\$ 110,625	\$ 86,224	\$ 24,401
Hazen & Sawyer	Eng - wo#13-002 Plant "B" Secondary Clarifier Rehab - Eng Construction	\$ 134,890	\$ 134,755	\$ 135
	Fl Design Contractors - Plant "B" Secondary Clarifier Rehabilitation	1,948,824	1,809,551	139,273
Total Contract Commitments - Repair and Replacement		\$ 2,083,714	\$ 1,944,306	\$ 139,408

SLUDGE DISPOSAL

On September 1, 2014, the Board executed the final one year option to renew the contract with H&H LSD, Inc. for the removal and disposal of wastewater sludge. The contract provides a fixed price of \$10.54 per wet ton of dewatered wastewater sludge transported to the Solid Waste Authority facility. For the year ended September 30, 2014, the Board was charged \$229,344 for sludge hauling.

INTERLOCAL AGREEMENT

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 21.75%), and 2) delivery of up to 85 wet 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 \$55.03 per ton. The facility capital costs have been recorded as an intangible asset and are being amortized over the estimated life of the facility.

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 6 – COMMITMENTS (CONTINUED)

INTERLOCAL AGREEMENT (CONTINUED)

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 the 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 recorded the balance remaining of \$24,401 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. Subsequent to year end, on October 16, 2014, the Board extended the contract for the period from October 16, 2014 through January 15, 2015. 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 \$45,765 for the year ended September 30, 2014.

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	\$ 15,283
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Repair and Replacement

Equipment replacement	<u>2,546,690</u>
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Total Capital Outlay

	<u>\$ 2,561,973</u>
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**SOUTH CENTRAL REGIONAL WASTEWATER
TREATMENT AND DISPOSAL BOARD**

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 8 - LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized below:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 119,649</u>	<u>\$ 141,027</u>	<u>\$ 130,885</u>	<u>\$ 129,791</u>	<u>\$ 12,979</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, 2014, 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	\$ 3,770,471	\$ 2,745,176	\$ 6,515,647
Sewer service - repair and replacement	<u>720,225</u>	<u>498,679</u>	<u>1,218,904</u>
Total Related Party Transactions	<u>\$ 4,490,696</u>	<u>\$ 3,243,855</u>	<u>\$ 7,734,551</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

NOTE 11 – EXCESS OF EXPENDITURE OVER APPROPRIATION

During the year ended September 30, 2014, the Board had expenditures exceeding appropriations for the following functions:

Personnel Services expenditures exceeded the yearly appropriations by \$51,468. This excess was primarily caused by unexpected overtime incurred due to excess flow processed by the Board as a result of heavy rainfall in January of 2014.

Service Contracts expenditures exceeded the yearly appropriations by \$125,800. This excess was primarily caused by excess sludge pelletization costs incurred. The Plant is currently operating with 2 of the 3 Plant B Clarifiers since one of the Clarifiers is in the process of being rebuilt. As a result of the third clarifier being offline, there was an increase in the amount of solids that were transported to the pelletization plant for the year.

REQUIRED SUPPLEMENTARY INFORMATION

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Charges for services	\$ 7,231,199	\$ 7,640,596	\$ 409,397
Interest income	--	1,067	1,067
Miscellaneous	--	112,559	112,559
Total Revenues	<u>7,231,199</u>	<u>7,754,222</u>	<u>523,023</u>
Physical Environment			
Personnel services:			
Regular wages	1,280,750	1,251,920	28,830
Retirement contributions	125,000	130,093	(5,093)
Social security expense	113,000	106,337	6,663
Health and dental insurance	245,300	222,765	22,535
Overtime	61,000	160,870	(99,870)
Worker's compensation insurance	34,000	28,568	5,432
Disability protection	6,000	4,934	1,066
Sick leave	85,000	97,256	(12,256)
Life insurance	1,200	513	687
Payroll contingency	1,000	1,115	(115)
Employee assistance program	1,000	347	653
Total Personnel Services	<u>1,953,250</u>	<u>2,004,718</u>	<u>(51,468)</u>
Service contracts:			
Sludge hauling	222,000	229,344	(7,344)
Sludge pelletization	999,000	1,216,872	(217,872)
Contract work	63,500	30,294	33,206
Grit hauling	160,000	175,413	(15,413)
Audit	38,600	38,600	--
Lab permit testing	122,285	45,765	76,520
Legal - administrative and labor	42,000	28,889	13,111
Service - general and administrative	22,500	36,175	(13,675)
Meter calibration	11,000	6,615	4,385
Trash hauling	3,000	2,179	821
Medical services	1,500	1,039	461
Total Service Contracts	<u>1,685,385</u>	<u>1,811,185</u>	<u>(125,800)</u>
Operations and maintenance:			
Electricity	1,400,000	1,173,421	226,579
Injection well process	620,146	718,627	(98,481)
Insurance expense	299,010	260,763	38,247
Equipment repairs	39,000	46,203	(7,203)
Water	62,464	59,835	2,629
Repair contingency	5,000	11,178	(6,178)

(Continued)

See note to budgetary comparison schedule.

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

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

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Operations and maintenance (continued):			
Licenses and permits	\$ 13,725	\$ 17,714	\$ (3,989)
Telephone	14,000	16,571	(2,571)
Automotive expense	22,500	24,897	(2,397)
Vehicles	7,000	15,606	(8,606)
Membership, dues and subscriptions	10,000	10,475	(475)
Grounds	20,000	24,666	(4,666)
Buildings	16,000	11,122	4,878
Technical sessions and training	15,000	8,415	6,585
Postage	3,000	2,584	416
Board expense	4,000	7,432	(3,432)
Education expense	1,000	--	1,000
Equipment rental	2,000	770	1,230
Taxes, penalties, and interest	--	5,117	(5,117)
Advertising	3,000	2,816	184
Total Operations and Maintenance	<u>2,556,845</u>	<u>2,418,212</u>	<u>138,633</u>
Supplies and chemicals:			
Chemicals	736,000	597,974	138,026
Laboratory supplies	34,000	22,735	11,265
General operating supplies	10,000	9,913	87
Oils, lubricants, grease and gas	7,500	6,706	794
Diesel fuel	15,000	14,658	342
Office supplies	8,000	9,878	(1,878)
Uniforms	8,000	9,011	(1,011)
Safety supplies	6,000	7,580	(1,580)
Small tools and equipment	2,000	3,468	(1,468)
Construction materials	1,000	1,599	(599)
Office equipment	1,000	1,584	(584)
Janitorial supplies	3,000	1,899	1,101
Laboratory equipment	2,000	472	1,528
Total Supplies and Chemicals	<u>833,500</u>	<u>687,477</u>	<u>146,023</u>
Engineering:			
General	170,000	111,037	58,963
Total Engineering	<u>170,000</u>	<u>111,037</u>	<u>58,963</u>
Total Physical Environment	<u>7,198,980</u>	<u>7,032,629</u>	<u>166,351</u>
Capital Improvements			
Equipment	20,000	15,283	4,717
Total Capital Improvements	<u>20,000</u>	<u>15,283</u>	<u>4,717</u>
Total Expenditures	<u>7,218,980</u>	<u>7,047,912</u>	<u>171,068</u>
Excess of Revenues over Expenditures	<u>\$ 12,219</u>	<u>\$ 706,310</u>	<u>\$ 718,529</u>

See note to budgetary comparison schedule.

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

NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 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***

To the 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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 8, 2015.

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 Board'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness as item number 2014-001.

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*.

Board's Response to Findings

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Board'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 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
November 8, 2015

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

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2014-001 INTERNAL CONTROLS OVER RECORDING OF TRANSACTIONS

Criteria

All transactions associated with the operations of the Board should be recorded in the general ledger individually. Even if the financial impact of the transactions incurred result in no effect on the Board's fund balance/net position, the transactions should be recorded at the gross amount to ensure proper record keeping and financial close and reporting. The Board has a responsibility to safeguard its assets from loss or misuse.

Condition

During our audit we identified a cash transaction that was not recorded in the Board's general ledger. The exclusion of the transaction from the general ledger resulted in the Board's revenues and expenditures being understated by \$1,294. This amount represented proceeds from the sale of copper wire which was then used to acquire trees for the beautification of the Board's primary facility.

Cause

Lack of adequate internal controls over the recording of transactions.

Effect

The lack of proper record keeping of a transaction could lead to a financial statement misstatement.

Recommendation

We recommend that the Board record all transactions associated with the operations of the Board in the general ledger. Even if the financial impact of the transactions incurred result in no effect on the Board's fund balance/net position, the transactions should be recorded to ensure proper record keeping and financial reporting and safeguarding its assets from loss or misuse.

View of Responsible Officials and Planned Corrective Actions

The Board has implemented new controls to ensure all financial transactions are properly recorded along with new checks and balance processes to provide an audit trail for those transactions.

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

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 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, 2014, and have issued our report thereon dated November 8, 2015.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated November 8, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units related to the Board. The Board has made these disclosures in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Board 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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 year end.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Board for the year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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. We were however informed by management of a fraud having occurred during the financial statement audit for the fiscal year ended September 30, 2014. As a result, it was decided by the Board that the Board would engage a regulatory agency to perform a forensic audit. We delayed issuance of our independent auditors' report on the financial statements until completion of the forensic audit in order to evaluate the results and the impact on the FY 2014 audit. Based on our review of the report issued by the regulatory agency, we concluded that there were no items that would materially misstate the financial statements for the fiscal year ended September 30, 2014.

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal 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
November 8, 2015

**INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE PURSUANT TO SECTION 218.415 FLORIDA STATUTES**

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

We have examined South Central Regional Wastewater Treatment and Disposal Board's (the Board) compliance with Section 218.415 Florida Statutes during the year ended September 30, 2014. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Marcum LLP

West Palm Beach, FL
November 8, 2015