

**HOMOSASSA SPECIAL WATER DISTRICT**  
**FINANCIAL REPORT**  
**For The Year Ended September 30, 2015**

Prepared by: Finance Department

## **INTRODUCTORY SECTION**

HOMOSASSA SPECIAL WATER DISTRICT

**TABLE OF CONTENTS**

Year Ended September 30, 2015

	<b><u>Page</u></b>
<b>I. Introductory Section:</b>	
Table of Contents	i
<b>II. Financial Section:</b>	
Independent Auditor's Report	1
Management Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet - General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	10
General Fund Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual	11
Statement of Net Position - Proprietary Fund	12
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund	13
Statement of Cash Flows - Proprietary Fund	14
Notes to Financial Statements	15
Required Supplementary Information	40
<b>III. Internal Control and Compliance Section:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	43
Management Comments and Required Communications	45
Communication with Those Charged with Governance	48
Adjusting Journal Entries Report	51
Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	57
Response to Management Comments	58

## **FINANCIAL SECTION**

This section contains the following subsections:

- . Independent Auditor's Report
- . Management's Discussion and Analysis
- . Basic Financial Statements
- . Required Supplementary Information

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
*Homosassa Special Water District*

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *Homosassa Special Water District*, (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The District's 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.

**MCDIRMIT DAVIS & COMPANY, LLC**

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of September 30, 2015, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 other post-employment and pension disclosures on pages 3-6 and 40-42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement 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 inquires 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 statement, 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 a report dated May 10, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
May 10, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Homosassa Special Water District we offer readers of the Homosassa Special Water District's financial statements this narrative overview and analysis of the financial activities of the Homosassa Special Water District (the District) for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements (beginning on page 7).

### Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3,610,686 (net position). Of this amount, \$442,294 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$22,484.
- As of the close of the current fiscal year, the Homosassa Special Water District's governmental funds reported combined ending fund balances of \$1,307,766, an increase of \$70,391 in comparison with the prior year. Unassigned fund balance for the General Fund was \$1,307,766 or twelve times the amount of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Homosassa Special Water District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 District's financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the District'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 District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Fund Financial Statements

Our analysis of the District's major funds begins on page 9. The fund financial statements begin on page 9 and provide detailed information about the funds. Some funds are required to be established by State law. However, the Board of Commissioners established another fund to help control and manage money for particular purposes. The District has a governmental fund and a proprietary fund.

*Governmental Fund* - The District's services are reported in the governmental fund, which focus on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's programs. 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.

*Proprietary Fund* - Operations that are financed and operated similar to private businesses are reported in the proprietary fund. This fund is reported using the accrual basis of accounting.

*Notes to the Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to financial statements can be found on pages 15 - 39 of this report.

### Government-Wide Financial Analysis

The District's net position for the year ending 2015 and 2014 were \$3,610,686 and \$3,978,851 respectively, a decrease of \$22,484. A large portion of the District's net position (49%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding.

#### Homosassa Special Water District Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 1,312,327	\$ 1,237,375	\$1,572,954	\$2,008,598	\$2,885,281	\$3,245,973
Capital assets	-	-	3,622,598	3,406,450	3,622,598	3,406,450
Total Assets	1,312,327	1,237,375	5,195,552	5,415,048	6,507,879	6,652,423
Deferred Outflows of Resources	11,640	-	100,895	-	112,535	-
Liabilities:						
Current liabilities	4,561	-	45,198	40,540	49,759	40,540
Noncurrent liabilities	97,297	48,303	2,803,911	2,584,729	2,901,208	2,633,032
Total Liabilities	101,858	48,303	2,849,109	2,625,269	2,950,967	2,673,572
Deferred Inflows of Resources	6,078	-	52,683	-	58,761	-
Net Position:						
Net investment in capital assets	-	-	1,769,795	1,405,652	1,769,795	1,405,652
Restricted	-	-	1,398,597	1,375,340	1,398,597	1,375,340
Unrestricted	1,216,031	1,189,072	(773,737)	8,787	442,294	1,197,859
Total Net Position	\$ 1,216,031	\$ 1,189,072	\$2,394,655	\$2,789,779	\$3,610,686	\$3,978,851



**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Homosassa Special Water District  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues-						
Charges for services	\$ -	\$ -	\$ 1,104,905	\$ 1,036,452	\$ 1,104,905	\$ 1,036,452
General Revenues-						
Ad valorem taxes	388,284	384,832	-	-	388,284	384,832
Investment income and miscellaneous	2,952	2,852	24,259	(417)	27,211	2,435
Total Revenues	<u>391,236</u>	<u>387,684</u>	<u>1,129,164</u>	<u>1,036,035</u>	<u>1,520,400</u>	<u>1,423,719</u>
<b>Expenses:</b>						
General government	119,527	101,935	-	-	119,527	101,935
Water system	-	-	1,423,357	1,343,068	1,423,357	1,343,068
Total Expenses	<u>119,527</u>	<u>101,935</u>	<u>1,423,357</u>	<u>1,343,068</u>	<u>1,542,884</u>	<u>1,445,003</u>
<b>Increase (Decrease) in Net Position Before Transfers</b>	271,709	285,749	(294,193)	(307,033)	(22,484)	(21,284)
<b>Transfers</b>	(209,000)	-	209,000	-	-	-
<b>Increase (Decrease) in Net Position</b>	62,709	285,749	(85,193)	(307,033)	(22,484)	(21,284)
<b>Net Position - beginning, as restated</b>	1,153,322	903,323	2,479,848	3,096,812	3,633,170	4,000,135
<b>Net Position - ending</b>	<u>\$ 1,216,031</u>	<u>\$ 1,189,072</u>	<u>\$ 2,394,655</u>	<u>\$ 2,789,779</u>	<u>\$ 3,610,686</u>	<u>\$ 3,978,851</u>

**Governmental Activities**

Charges for services for business-type activities increased 7% from 2014 to 2015. Total business-type expenses increased 6% from 2014 to 2015. Total governmental activities expenses increased \$17,592 (17%).

**Final Budget versus Actual Results - General Fund**

Total revenues for the year ending 2015 came in \$1,953 greater than what was budgeted. This is mainly due to investment income exceeding the budget.

Total expenditures for the year ending 2015 came in \$662,651 less than budgeted, due to budgeting for capital outlay, which was not expended in the General Fund.

**Capital Assets**

At September 30, 2015, the District's investment in capital assets amounts to \$3,622,598 (net of accumulated depreciation). This amount represents an increase of \$216,148 from the year ending September 30, 2014. This increase is due to additions exceeding current year depreciation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### **Economic Factors**

In 2015 the District increased rates where the meter rate section of the base rate was increased by \$1.00 and the block rates were increased by 5 cents to 9 cents per block. In fiscal year 2015-2016 the District has increased the base rate \$1.00.

For the 2015-2016 budget cycle, the Board opted not to go with the rolled back rate for the ad valorem tax rate, instead the same millage rate was used, which resulted in a 1.25% tax increase.

### **Requests for Information**

This financial report is designed to provide a general overview of the Homosassa Special Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to the office of the Homosassa Special Water District, P.O. 195, Homosassa, Florida 34487.

## **BASIC FINANCIAL STATEMENTS**

HOMOSASSA SPECIAL WATER DISTRICT

**STATEMENT OF NET POSITION**

September 30, 2015

	<b>Primary Government</b>		
	<b>Governmental Activities (General Fund)</b>	<b>Business-Type Activities (Water System Revenue Fund)</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 698,797	\$ 114,214	\$ 813,011
Receivables (net of allowance)	-	89,467	89,467
Internal balances	613,530	(613,530)	-
Prepays	-	1,398,597	1,398,597
Restricted cash and cash equivalents	-	433,439	433,439
Inventory-field supplies	-	150,767	150,767
Capital assets not being depreciated:			
Land	-	216,239	216,239
Construction in progress	-	266,359	266,359
Capital assets being depreciated, net of accumulated depreciation	-	3,140,000	3,140,000
Total assets	<u>1,312,327</u>	<u>5,195,552</u>	<u>6,507,879</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of pension earnings	<u>11,640</u>	<u>100,895</u>	<u>112,535</u>
<b>Liabilities:</b>			
Accounts payable	4,561	12,124	16,685
Customer deposits	-	33,074	33,074
Noncurrent liabilities:			
Due within one year	-	162,875	162,875
Due in more than one year	97,297	2,641,036	2,738,333
Total liabilities	<u>101,858</u>	<u>2,849,109</u>	<u>2,950,967</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of pension earnings	<u>6,078</u>	<u>52,683</u>	<u>58,761</u>
<b>Net Position:</b>			
Net investment in capital assets	-	1,769,795	1,769,795
Restricted for highway 19 project	-	1,398,597	1,398,597
Unrestricted	1,216,031	(773,737)	442,294
Total net position	<u>\$ 1,216,031</u>	<u>\$ 2,394,655</u>	<u>\$ 3,610,686</u>

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

HOMOSASSA SPECIAL WATER DISTRICT

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2015

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program</b>	<b>Net (Expense) Revenue and Changes in Position</b>		
		<b>Revenue</b>	<b>Charges for</b>	<b>Governmental</b>	<b>Business-type</b>
		<b>Services</b>	<b>Activities</b>	<b>Activities</b>	
Governmental Activities -					
General government	\$ 119,527	\$ -	\$ (119,527)	\$ -	\$ (119,527)
Total governmental activities	119,527	-	(119,527)	-	(119,527)
Business-type activities -					
Water	1,423,357	1,104,905	-	(318,452)	(318,452)
Total business-type activities	1,423,357	1,104,905	-	(318,452)	(318,452)
Total primary government	<u>\$ 1,542,884</u>	<u>\$ 1,104,905</u>	<u>(119,527)</u>	<u>(318,452)</u>	<u>(437,979)</u>
General Revenues:					
Property taxes			388,284	-	388,284
Investment income and miscellaneous			2,952	24,259	27,211
Transfers			(209,000)	209,000	-
Total general revenues and transfers			182,236	233,259	415,495
Change in net position			62,709	(85,193)	(22,484)
Net Position - beginning, as restated			1,153,322	2,479,848	3,633,170
Net Position - ending			<u>\$ 1,216,031</u>	<u>\$ 2,394,655</u>	<u>\$ 3,610,686</u>

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

HOMOSASSA SPECIAL WATER DISTRICT

**BALANCE SHEET**  
**GOVERNMENTAL FUND**

September 30, 2015

	<b><u>General Fund</u></b>
Assets:	
Cash and cash equivalents	\$ 698,797
Due from other funds	<u>613,530</u>
Total assets	<u><u>\$ 1,312,327</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	<u>\$ 4,561</u>
Total liabilities	<u>4,561</u>
Fund Balance:	
Unassigned	<u>1,307,766</u>
Total fund balance	<u><u>1,307,766</u></u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however they are recorded in the statement of net position under full accrual accounting.	5,562
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Other post employment benefits	(57,064)	
Net pension liability	<u>(40,233)</u>	<u>(97,297)</u>

Net position of governmental activities	<u><u>\$ 1,216,031</u></u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

HOMOSASSA SPECIAL WATER DISTRICT

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

Year Ended September 30, 2015

	<u>General Fund</u>
Revenues:	
Property taxes	\$ 388,284
Investment earnings	2,952
Total revenues	<u>391,236</u>
Expenditures:	
Current:	
General government	<u>111,845</u>
Total expenditures	<u>111,845</u>
Excess of Revenues Over Expenditures	<u>279,391</u>
Other Financing Sources(Uses):	
Transfers out	<u>(209,000)</u>
Total other financing sources (uses)	<u>(209,000)</u>
Net Change in Fund Balance	70,391
Fund Balance - beginning of year	<u>1,237,375</u>
Fund Balance - end of year	<u>\$ 1,307,766</u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:**

Net change in fund balances, governmental funds	\$ 70,391
Amounts reported for governmental activities in the Statement of Activities are different because:	
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.	1,079
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 the governmental funds.	<u>(8,761)</u>
Change in net position of governmental activities	<u>\$ 62,709</u>

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

HOMOSASSA SPECIAL WATER DISTRICT

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

Year Ended September 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property taxes	\$ 380,214	\$ 388,283	\$ 388,284	\$ 1
Investment income	1,000	1,000	2,952	1,952
Total revenues	381,214	389,283	391,236	1,953
<b>Expenditures:</b>				
<b>General Government:</b>				
Tax collection and assessment fee	16,000	16,364	16,363	1
Salaries, wages and benefits	58,227	59,077	59,479	(402)
Audit and accounting fees	19,000	19,000	16,190	2,810
Legal fees	15,200	19,875	18,793	1,082
Engineers	2,000	2,000	1,020	980
Capital Outlay	656,000	658,180	-	658,180
Total general government	766,427	774,496	111,845	662,651
Total expenditures	766,427	774,496	111,845	662,651
<b>Excess of Revenues Over Expenditures</b>	(385,213)	(385,213)	279,391	664,604
<b>Other Financing Sources (Uses)</b>				
Transfers out	(209,000)	(209,000)	(209,000)	-
Total other financing sources (uses)	(209,000)	(209,000)	(209,000)	-
<b>Net Change in Fund Balance</b>	(594,213)	(594,213)	70,391	664,604
<b>Fund Balance - beginning of year</b>	1,237,375	1,237,375	1,237,375	-
<b>Fund Balance - end of year</b>	\$ 643,162	\$ 643,162	\$ 1,307,766	\$ 664,604

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



HOMOSASSA SPECIAL WATER DISTRICT

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

September 30, 2015

	<b><u>Water System</u></b> <b><u>Revenue Fund</u></b>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 114,214
Accounts receivable, net	89,467
Prepaid expenses	1,398,597
Restricted cash and cash equivalents	433,439
Inventories	150,767
Total current assets	<u>2,186,484</u>
Noncurrent assets:	
Capital Assets:	
Land	216,239
Construction in progress	266,359
Buildings	429,191
Water distribution system	5,508,814
Improvements	880,411
Machinery and equipment	948,915
Software	33,359
Less accumulated depreciation	(4,660,690)
Total noncurrent assets	<u>3,622,598</u>
Total assets	<u>5,809,082</u>
Deferred Outflows of Resources	
Deferred outflows of pension earnings	<u>100,895</u>
Liabilities:	
Current liabilities:	
Accounts payable	12,124
Due to other funds	613,530
Customer deposits payable	33,074
Notes payable-current	151,927
Compensated absences-current	10,948
Total current liabilities	<u>821,603</u>
Noncurrent liabilities:	
OPEB Obligation	114,129
Compensated absences	43,794
Notes payable	2,134,315
Net pension liability	348,798
Total noncurrent liabilities	<u>2,641,036</u>
Total liabilities	<u>3,462,639</u>
Deferred Inflows of Resources	
Deferred inflows of pension earnings	<u>52,683</u>
Net Position:	
Net investment in capital assets	1,769,795
Restricted for highway 19 project	1,398,597
Unrestricted	(773,737)
Total net position	<u>\$ 2,394,655</u>

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

HOMOSASSA SPECIAL WATER DISTRICT

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

Year Ended September 30, 2015

	<b><u>Water System Revenue Fund</u></b>
Operating Revenues:	
Charges for services	\$ 1,104,905
Total operating revenues	<u>1,104,905</u>
Operating Expenses:	
Personal services	710,689
Utilities	52,452
Materials and supplies	128,635
Repairs and maintenance	66,859
Depreciation and amortization	243,143
Insurance	66,863
Other expenses	<u>92,346</u>
Total operating expenses	<u>1,360,987</u>
Operating loss	<u>(256,082)</u>
Nonoperating Revenue (Expenses):	
Investment income	24,259
Interest expense	<u>(62,370)</u>
Total nonoperating revenue (expenses)	<u>(38,111)</u>
Income (loss) before transfers	(294,193)
Transfers In	<u>209,000</u>
Change in net position	(85,193)
Total Net Position - beginning, as restated	<u>2,479,848</u>
Total Net Position - ending	<u><u>\$ 2,394,655</u></u>

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

HOMOSASSA SPECIAL WATER DISTRICT

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**

Year Ended September 30, 2015

	<b><u>Water System Revenue Fund</u></b>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,095,802
Cash paid to employees	(702,510)
Cash paid to suppliers	(343,272)
Net cash provided by operating activities	<u>50,020</u>
Cash Flows from Investing Activities:	
Investment income (loss)	24,259
Net cash provided by investing activities	<u>24,259</u>
Cash Flows from Noncapital Financing Activities:	
Transfer in from general fund	209,000
Increase in due to other funds	420,183
Net cash provided by noncapital financing activities	<u>629,183</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisitions and construction of capital assets	(460,143)
Payments on notes payable	(147,140)
Interest paid on notes payable	(62,370)
Net cash used by capital and related financing activities	<u>(669,653)</u>
Net Decrease in Cash	33,809
Cash and Cash Equivalents - beginning	513,844
Cash and Cash Equivalents - ending	<u>\$ 547,653</u>
<b>Classified as:</b>	
Cash	\$ 114,214
Restricted cash and cash equivalents	433,439
Total cash and cash equivalents	<u>\$ 547,653</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	<u>(256,082)</u>
Adjustments Not Affecting Cash:	
Depreciation	243,143
Loss on disposal	852
Change in Assets and Liabilities	
Decrease in accounts and unbilled revenue receivable	(10,693)
Increase in prepaid expenses	(23,257)
Decrease in accounts payable	3,068
Increase in OPEB obligation	17,524
Increase in deferred outflows	(42,120)
Decrease in deferred inflows	(98,755)
Increase in net pension liability	131,530
Increase in inventory	83,220
Increase in customers' deposits	1,590
Total adjustments	<u>306,102</u>
Net Cash Provided by Operating Activities	<u>\$ 50,020</u>

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

**NOTES TO FINANCIAL STATEMENTS**

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies:**

**A. Reporting Entity** - The *Homosassa Special Water District* (the District) was created pursuant to an act (Chapter 59-1177) passed by the Florida House and Senate in June 1959, establishing a public body corporate and political subdivision in Citrus County, Florida.

The Board of Commissioners of Homosassa Special Water District, a five-member group, is the level of government, which has governance responsibilities over all activities, related to supplying water to customers within the boundaries of the District.

In evaluating how to define the government, for financial reporting purposes, the District has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organizations' governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, there are no potential component units or related organizations of the District.

**B. 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 nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies - (Continued):**

***B. Government-Wide and Fund Financial Statements - (Continued)***

Separate financial statements are provided for; (1) the governmental fund (general fund), statement of revenue, expenditures and changes in fund balance- Budget and Actual; (2) proprietary fund (water system revenue fund), statements of revenue, expenses and changes in fund net position and cash flows.

***C. 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 as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Ad valorem taxes attach, as an enforceable lien, on property as of February 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent March 1 of the following year. Ad valorem tax revenues are recognized when they become available. Available includes those ad valorem tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Interest associated with the current fiscal period is considered susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

***Fund Accounting*** - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The funds used by the District are as follows:

The *General Fund* - is the major governmental fund of the District. It accounts for all financial resources, except those required to be accounted for in another fund.

The *Proprietary Fund - Water System Revenue Fund* - A proprietary fund is distinguished from a governmental fund in that proprietary funds report on the determination of net income, financial position, and cash flows. Activities reported in this fund generally include those services that are funded by user fees (or other income sources) that are structured to recover the costs of providing those specific services.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - (Continued):***

The Water System Revenue Fund is the proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of this fund is that the costs, including depreciation, of supplying water to customers within the District boundaries be financed or recovered primarily through user charges. The Water System Revenue Fund is also used to report all of the transactions and balances of special assessment projects.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's water system revenue fund are charges to customers for sales and services. The District also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

***Cash Equivalents*** - For purposes of the statement of cash flows, the water system revenue fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, including deposits with the local government surplus trust funds investment pool.

***Inventory - Field Supplies*** - Inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

***Receivables and Payables*** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities and Net Position or Equity***

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectible accounts. The District reserved \$9,365 for uncollectible accounts in the Water System Revenue Fund.

**Capital Assets** - Capital assets of the Water System Revenue Fund are recorded as expenditures at the time of purchase to satisfy budgetary requirements. At year-end, these assets are capitalized at cost for financial statement presentation. Cost includes capitalized interest on long-term obligations and overhead costs during the construction period of capital assets, when material. The District has adopted the accounting policy of capitalizing "infrastructure" capital assets (water lines and improvements, wells and similar assets) that are immovable and of value only to the District. Depreciation is calculated under the straight-line method and is charged to operations. The estimated lives of the assets, for determining depreciation charges are as follows:

<u>Assets</u>	<u>Years</u>
Water Distribution System and Water Treatment Plant	20-40
Office Buildings	30-40
Trucks, Equipment and Office Equipment	5-10
Software	3-5

Capital asset additions contributed to the Water System Revenue Fund are recorded as invested in capital assets at their estimated fair values at time of acquisition.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial 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/expenditure) until then. The District has one item that qualifies for reporting in this category for the year ended September 30, 2015, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial 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 District has one item that qualifies for reporting in this category for the year ended September 30, 2015, deferred inflows of pension earnings.



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities and Net Position or Equity - (Continued):***

***Net Position Flow Assumption*** - Sometimes the District 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 District's policy to consider restricted - net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions*** - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (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 governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District'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.

***Fund Balance Policies*** - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners is authorized to assign amounts for specific purposes. The Board of Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities and Net Position or Equity - (Continued):***

Net position in the government-wide statements are categorized as investment in capital assets, net, restricted or unrestricted. Investment in capital assets, net represents net position related to infrastructure and property, plant and equipment, net of any related debt.

***Budgets and Budgetary Accounting*** - The District is required by state law to adopt an annual budget for each fund. Each budget is adopted on the cash basis. This basis is not consistent with accounting principles generally accepted in the United States of America (GAAP). Budgetary comparisons presented in this report, for the General Fund, are on this non-GAAP budgetary basis; however, there were no items at September 30, 2015 which would require conversion to GAAP budgetary basis. The budget is used as a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30. The Board of Commissioners amends the budget as activities occur that warrant such changes. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by resolution of the Board of Commissioners.

The District's procedures in establishing budgetary data reflected in the financial statements are as follows:

- a) In August, the Board of Commissioners meets and develops a budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures, revenues and intergovernmental transfers.
- b) Prior to October 1, the Board of Commissioners holds a public hearing, then formally approves the budget.

Appropriations for the general fund lapse at the end of the fiscal year.

Encumbrance accounting is not used by the District.

***Estimates*** - The Board uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that were used.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 1 - Summary of Significant Accounting Policies (Continued):**

***D. Assets, Liabilities and Net Position or Equity - (Continued):***

**New GASB Statements Implemented**

In fiscal year 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements replace the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. GASB Statement No. 71 addresses the issue of the transition provisions in Statement No. 68. Beginning net position of governmental activities, business-type activities and proprietary funds has been restated and disclosed in Note 2.

**Note 2 - Accounting Changes and Restatement of Financial Statements:**

The implementation of GASB Statement No. 68 requires reporting the net pension liability, and related deferred inflows and outflows. As a result, the October 1, 2014 beginning net position of the Enterprise Fund, Business-type activities and Governmental activities of the government-wide financial statements were restated as follows:

	Governmental Activities	Business -Type Activities and Proprietary Fund
Net Position, October 1, 2014, previously stated	\$ 1,189,072	\$ 2,789,779
Restatement of Net Position Due FRS Net Pension Liability, deferred inflows and deferred outflows	(35,750)	(309,931)
Net Position, October 1, 2014, restated	<u>\$ 1,153,322</u>	<u>\$ 2,479,848</u>

In addition, the October 1, 2014 beginning balances on the long term debt schedules were restated to include the net pension liability.

**Note 3 - Cash and Investments:**

**Cash Equivalents** - At year-end, the carrying amount of the District's deposits was \$78,683 and the bank balance was \$87,256. All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 3 - Cash and Investments (Continued):**

**Investments** - Investments in all fund types are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment income. Investment income is recognized as earned and is allocated to the participating funds based on their equity participation.

The District's investment policies are governed by State Statutes which allow the following investments:

1. The Local Government Surplus Funds Trust (SBA);
2. SEC registered money market funds;
3. Interest bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Government and its agencies;
5. Fixed interest mutual funds.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund, therefore, the pool account balance can be used as fair value for the financial reporting.

At September 30, 2015, the District had the following investments:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Florida PRIME	<u>\$ 1,167,767</u>	AAAm	29 days

The District does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The District policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2015, all of the District's bank deposits were in qualified public depositories.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 4 - Capital Assets:**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities:</u>				
Capital Assets, not being depreciated:				
Land	\$ 216,239	\$ -	\$ -	\$ 216,239
Construction in progress	404,445	287,874	(425,960)	266,359
Total Capital Assets, not being depreciated	<u>620,684</u>	<u>287,874</u>	<u>(425,960)</u>	<u>482,598</u>
Capital Assets, being depreciated:				
Buildings	422,699	11,473	(4,981)	429,191
Water distribution system	5,181,034	451,810	(124,030)	5,508,814
Improvements/infrastructure	880,411	-	-	880,411
Machinery and equipment	887,906	133,146	(72,137)	948,915
Intangibles	32,539	1,800	(980)	33,359
Total Capital Assets Being Depreciated	<u>7,404,589</u>	<u>598,229</u>	<u>(202,128)</u>	<u>7,800,690</u>
Less Accumulated Depreciation for:				
Buildings	(127,698)	(12,456)	4,173	(135,981)
Water distribution system	(2,835,872)	(175,700)	124,030	(2,887,542)
Improvements/infrastructure	(801,849)	(11,553)	-	(813,402)
Machinery and equipment	(820,865)	(43,404)	72,093	(792,176)
Intangibles	(32,539)	(30)	980	(31,589)
Total Accumulated Depreciation	<u>(4,618,823)</u>	<u>(243,143)</u>	<u>201,276</u>	<u>(4,660,690)</u>
Total Capital Assets Being Depreciated, net	<u>2,785,766</u>	<u>355,086</u>	<u>(852)</u>	<u>3,140,000</u>
Business-type Activities Capital Assets, net	<u>\$3,406,450</u>	<u>\$ 642,960</u>	<u>\$ (426,812)</u>	<u>\$3,622,598</u>

Depreciation expense was \$243,143 and was charged to water activities for the year ended September 30, 2015.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 5 - Long-Term Liabilities:**

On July 25, 2013, the District signed a promissory note for \$2,600,000 to finance the costs of certain capital improvements consisting of water line replacement and expansion of the water utility system and pay off the Series 2006 Note. The note requires monthly principal and interest payments beginning August 25, 2013 and carries a fixed interest rate of 2.60%. The maturity date is July 25, 2028 and is secured by a pledge of water system revenue.

Total principal and interest remaining on the Series 2013 Note as of September 30, 2015 is \$2,690,901. For the year ended September 30, 2015, principal and interest paid was \$209,510 and total water system revenue pledged for the year was \$290,711.

A summary of long-term liability activity for the year ended September 30, 2015 is as follows:

	<b>Beginning Balance, as restated</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Other Post Employment Benefits	\$ 48,303	\$ 8,761	\$ -	\$ 57,064	\$ -
Net Pension Liability	25,062	15,171	-	40,233	-
Governmental Activities long-term liabilities	<u>\$ 73,365</u>	<u>\$ 23,932</u>	<u>\$ -</u>	<u>\$ 97,297</u>	<u>\$ -</u>
<b>Business-type Activities</b>					
Notes Payable:					
Series 2013 Note	\$2,433,382	\$ -	\$ (147,140)	\$2,286,242	\$ 151,927
Compensated Absences	54,742	-	-	54,742	10,948
Other Post Employment Benefits	96,605	17,524	-	114,129	-
Net Pension Liability	217,268	131,530	-	348,798	-
Business-type Activities long-term liabilities	<u>\$2,801,997</u>	<u>\$ 149,054</u>	<u>\$ (147,140)</u>	<u>\$2,803,911</u>	<u>\$ 162,875</u>

A schedule of debt maturities for notes payable is as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 151,927	\$ 57,583
2017	155,924	53,586
2018	160,027	49,483
2019	164,238	45,273
2020	168,559	40,951
2021-2025	911,702	135,848
2026-2028	573,865	21,935
	<u>\$ 2,286,242</u>	<u>\$ 404,659</u>

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Retirement Plans:**

***Florida Retirement System Retirement Plan*** - The District's employees participate in the Florida System Retirement Plan (the Plan), which is a conditionally qualified plan under Section 401(a) of the Internal Revenue Code. The Plan is a cost sharing public employee retirement system with one exception: All risks and costs are not shared by the District, but are the liability of the State of Florida. The Plan is funded through contributions by the District and the District has no legal obligation for paying benefits.

Generally, membership is mandatory for all employees. The District is required to contribute 7.26% for employees, 21.43% for senior management and 42.27% for commissioners (percentage in effect at September 30, 2015) of the employees'/commissioners' gross earnings, less merit pay and bonuses. Effective July 1, 2011, employees are required to contribute 3% of gross earnings. The District made the required contribution, amounting to \$49,894.

General Information - All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS**

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.



HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS (Continued)**

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular-7.37% and 7.26%; Special Risk Administrative Support-42.07% and 32.95%; Special Risk-19.82% and 22.04%; Senior Management Service-21.14% and 21.43%; Elected Officers'-43.24% and 42.27%; and DROP participants-12.28% and 18.75%.

These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The District's contributions, including employee contributions, to the Pension Plan totaled \$42,043 for the fiscal year ended September 30, 2015.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS (Continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the District reported a liability of \$223,850 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was .00173 percent, which was an increase (decrease) of .00013 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$25,206. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 23,632	\$ 5,309
Change of Assumptions	14,858	-
Net Difference Between Projected and Actual earnings on Pension Plan investments	-	53,452
Changes in Proportion and Differences Between District Pension Plan Contributions and Proportionate Share of Contributions	42,846	-
District Pension Plan Contributions Subsequent to the Measurement Date	10,251	-
Total	<u>\$ 91,587</u>	<u>\$ 58,761</u>

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS (Continued)**

The deferred outflows of resources related to the Pension Plan, totaling \$10,251 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2016	\$ (8,506)
2017	(8,506)
2018	(8,506)
2019	35,593
2020	10,179
Thereafter	2,321

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

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

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

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate - Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

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

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**FRS (Continued)**

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 580,046	\$ 223,850	\$ (72,564)

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

**HIS Plan**

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

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**HIS Plan (Continued)**

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$6,821 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the District reported a liability of \$165,181 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was .00162 percent, which was an increase (decrease) of .00007 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$13,232. In addition the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions	12,995	-
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	89	-
Changes in Proportion and Differences Between District HIS Plan Contributions and Proportionate Share of Contributions	5,722	-
District HIS Plan Contributions Subsequent to the Measurement Date	2,142	-
<b>Total</b>	<b>\$ 20,948</b>	<b>\$ -</b>

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**HIS Plan (Continued)**

The deferred outflows of resources related to the HIS Plan, totaling \$2,142 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 3,189
2017	3,189
2018	3,189
2019	3,171
2020	3,162
Thereafter	2,906

Actuarial Assumptions - The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.80 %

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

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

Discount Rate - The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**HIS Plan (Continued)**

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	<u>1% Decrease (2.80%)</u>	<u>Current Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 188,216	\$ 165,181	\$ 145,973

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

**Investment Plan**

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



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 6 - Employee Benefit Plans (Continued):**

**Investment Plan (Continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$1,032 for the fiscal year ended September 30, 2015.

**Section 457 Deferred Compensation Plan** - Effective October 15, 2002, the Board adopted a Section 457 Deferred Compensation Plan for the benefit of all employees and commissioners. Employees and commissioners may defer up to Internal Revenue Code limits. There were no costs incurred by the District for the Plan and no employer contributions were made to the Plan for the year ended September 30, 2015.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 7 - Risk Management:**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the District to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

**Note 8 - Interfund Receivables, Payables, and Transfers:**

As of September 30, 2015, the Water Fund owed the General Fund \$613,530 as a working capital loan that that is expected to be repaid in the following year.

**Note 9 - Contingencies:**

During the ordinary course of its operations, the District is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in opinion of the District's management and legal counsel, these matters are not anticipated to have a material financial impact on the District.

**Note 10 - Evaluation of Subsequent Events:**

The District has evaluated subsequent events through the date of the Independent Auditor's Report, the date which the financial statements were available to be issued.

**Note 11 - Other Post-Employment Benefits:**

In accordance with Florida Statutes Section 112.0801, the District makes continued group health insurance through the District's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the District, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retirees. The District has three retirees currently receiving benefits. The District has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 11 - Other Post-Employment Benefits (Continued):**

The most recent actuarial report for the District's Retiree Continuation Insurance plan was prepared as of September 30, 2015. The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2015 is as follows:

Annual Required Contribution	\$ 28,405
Interest on Net OPEB Obligation	4,347
Adjustment to Annual Required Contribution	(5,367)
	<hr/>
Annual OPEB Cost	27,385
Employer Contributions	(1,100)
	<hr/>
Increase in Net OPEB Obligation	26,285
Net OPEB Obligation (Beginning of Year)	144,908
	<hr/>
Net OPEB Obligation (End of Year)	<u>\$ 171,193</u>

**Three Year Trend Information -**

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2013	21,066	4.3%	126,394
9/30/2014	21,066	1.2%	144,908
9/30/2015	28,405	3.9%	171,193

**Summary of Actuarial Methods & Assumptions:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, normally presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress includes only one year so multi-year comparison is not available for this period.

HOMOSASSA SPECIAL WATER DISTRICT

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 11 - Other Post-Employment Benefits (Continued):**

**Summary of Actuarial Methods & Assumptions (Continued):**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District qualifies to use the alternative measurement method, and has elected to do so. The following are significant assumptions used.

**Actuarial Cost Method** - The entry age method actuarial cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over his working lifetime based on elapsed time from his date of hire until retirement.

**Amortization Method** - The level percentage of payroll amortization method was used, amortization payments or charges are calculated so that they represent a constant percentage of the projected covered payroll over 27 years.

**Mortality** - Rates in the RP2000 Mortality Table for Males and Females Projected 10 years.

**Retirement**- Retirement was assumed to occur as at age 65 for all employees.

**Health care Costs Trend Rates** - The cost of covered medical services has been assumed to increase in accordance with the following rates, compounded annually:

<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>
2017	8.00%	2021	5.30%	2025	5.20%
2018	7.00%	2022	5.20%	2026	
2019	6.00%	2023	5.20%	and later	4.70%
2020	5.50%	2024	5.20%		

**Retiree contributions** - Retirees electing post-employment healthcare coverage have been assumed to make monthly contributions equal to the premium charged to the active employees and retiree contributions are assumed to increase in accordance with the healthcare cost trend assumption.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2015

**Note 11 - Other Post-Employment Benefits (Continued):**

***Summary of Benefits***

***Other Post-Employment Benefits (OPEBs)*** - The District provides optional post-employment healthcare and life insurance coverage to eligible individuals.

***Eligible Individuals*** - Eligible individuals include all regular employees of the District who retire from active service and are eligible for retirement or disability benefits. Under certain conditions, eligible individuals for healthcare coverage also include spouses and dependent children.

***Required Monthly Premium for Post-Employment Healthcare Coverage*** - Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on the plan selected and whether the retiree elects single, single plus spouse, single plus children or family coverage.

HOMOSASSA SPECIAL WATER DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2015

Retiree Continuation Insurance Plan

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a) / c</b>
9/30/2015	\$ -	\$253,771	\$253,711	0.0%	\$ 510,934	49.67%
9/30/2012	\$ -	\$197,529	\$197,529	0.0%	\$ 473,001	41.76%
9/30/2010**	\$ -	\$436,764	\$436,764	0.0%	\$ 426,612	102.38%

\*\* initial valuation date

**Schedule of Contributions from Employers and Other  
Contributing Entities**

<b>Fiscal Year Ending</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2010	\$ 47,656	7.0%	\$ 44,320
9/30/2011	49,086	7.1%	89,792
9/30/2012	40,486	0.0%	129,646
9/30/2013	21,066	4.3%	126,394
9/30/2014	21,066	1.2%	144,908
9/30/2015	28,405	3.9%	171,193

HOMOSASSA SPECIAL WATER DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY**

Last 10 Fiscal Years

Florida Retirement System

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.001733008%	0.001600775%
District's Proportionate Share of the Net Pension Liability	\$ 223,850	\$ 97,671
District's Covered-employee Payroll	\$ 510,934	\$ 473,001
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	43.81%	20.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	96.09%

HIS Plan

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.001619668%	0.001547117%
District's Proportionate Share of the Net Pension Liability	\$ 165,181	\$ 144,659
District's Covered-employee Payroll	\$ 510,934	\$ 473,001
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	32.33%	30.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%	0.99%

HOMOSASSA SPECIAL WATER DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

Last 10 Fiscal Years

Florida Retirement System

	<u>2015</u>
Contractually Required Contribution	\$ 42,043
Contributions in Relation to the Contractually Required Contribution	<u>(42,043)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 District's Covered-employee Payroll	 \$ 510,934
 Contributions as a Percentage of Covered- employee Payroll	 8.23%

HIS Plan

	<u>2015</u>
Contractually Required Contribution	\$ 6,821
Contributions in Relation to the Contractually Required Contribution	<u>(6,821)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
 District's Covered-employee Payroll	 \$ 510,934
 Contributions as a Percentage of Covered- employee Payroll	 1.34%



**INTERNAL CONTROL AND COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Homosassa Special Water District

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of Homosassa Special Water District as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Homosassa Special Water District's basic financial statements, and have issued our report thereon dated May 10, 2016.

***Internal Control over Financial Reporting***

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

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

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

**MCDIRMIT DAVIS & COMPANY, LLC**

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TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Homosassa Special Water District'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
May 10, 2016

**MANAGEMENT COMMENTS**

Board of Commissioners  
*Homosassa Special Water District*  
 Homosassa, Florida

**Report on the Financial Statements**

We have audited the financial statements of *Homosassa Special Water District* (the “District”), Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 10, 2016.

**Auditor’s 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; and Chapter 10.550, Rules of the Auditor General.

**Other Reports**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 10, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below:

<b>Tabulation of Uncorrected Audit Findings</b>		
<b>Current Year Finding #</b>	<b>2013-14 FY Finding #</b>	<b>2012-2013 FY Finding #</b>
15-01	14-01	NA

## **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. This information has been disclosed in the notes to the financial statements.

## **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the District 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 District 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 District'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.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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 fiscal year ended September 30, 2015. 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. See Appendix A for current year comments and recommendations.

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 use of the Legislative Auditing Committee, members of the Florida Senate, and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

Orlando, Florida  
May 10, 2016

HOMOSASSA SPECIAL WATER DISTRICT

APPENDIX A - CURRENT YEAR RECOMMENDATIONS TO  
IMPROVE THE DISTRICT'S FINANCIAL MANAGEMENT, ACCOUNTING  
PROCEDURES AND INTERNAL CONTROLS

Year Ended September 30, 2015

**ML 15-1- Inventory Management**

**Criteria** - Inventory should be accurately tracked and secured.

**Condition** - No formal inventory management system is maintained, and inventory items are kept in an unlocked garage during business hours.

**Cause** - During our audit, we noted several adjustments had to be made to the manual inventory counts maintained, as well as prices of inventory items that were not consistent from year to year. Inventory items are also kept in an unlocked garage.

**Effect** - Inventory values may be inaccurate due to manual nature of inventory listing and price tracking. Also, inventory is susceptible to theft due to the inventory being unsecured during business hours.

**Recommendation** - We recommend that the District consider purchasing and implementing a formal inventory management system or software due to the large volume of inventory products on hand, as well as take steps to ensure the inventory is secure.

To the Board of Directors  
*Homosassa Special Water District*  
Homosassa, Florida

We have audited the financial statements of Homosassa Special Water District as of and for the year ended September 30, 2015, and have issued our report thereon dated May 10, 2016. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 6, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Homosassa Special Water District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated May 10, 2016.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

**MCDIRMIT DAVIS & COMPANY, LLC**

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803  
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Homosassa Special Water District is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the District changed accounting policies related to the adoption Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

Management's estimate of the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the allowance for depreciation and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the allowance for uncollectible accounts is based on historical collection rates and analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

## **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements



In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes the misstatements that we identified as a result of our audit procedures and were corrected by management.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Homosassa Special Water District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated May 10, 2016.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with Homosassa Special Water District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Homosassa Special Water District's auditors.

This report is intended solely for the information and use of the Board of Commissioners and management of Homosassa Special Water District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*McDiernit Davis & Company, LLC*

Orlando, Florida  
May 10, 2016

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
To adjust inventory to actual			
52.177220.000	Radio Read Program	75,165.00	
52.520000.480	Field Supplies	8,055.00	
52.150010.000	Inventory-Field Supplies		83,220.00
<b>Total</b>		<b>83,220.00</b>	<b>83,220.00</b>
<b>Adjusting Journal Entries JE # 2</b>			
To accrue year end unbilled revenue			
52.124000.000	Unbilled Revenue Receivable	7,756.00	
52.401000.000	Water Sales		7,756.00
<b>Total</b>		<b>7,756.00</b>	<b>7,756.00</b>
<b>Adjusting Journal Entries JE # 3</b>			
To correct coding of principal expense, and record current portion of NP			
52.251000.000	Loan Payable - Regions Bank	147,140.00	
52.520000.510	Debt Service Principal		147,140.00
<b>Total</b>		<b>147,140.00</b>	<b>147,140.00</b>
<b>Adjusting Journal Entries JE # 4</b>			
To correct beginning net assets			
52.101020.000	Regions Bank Operating Account	3,867.00	
52.202000.000	Accounts Payable	300.00	
52.304000.000	Unappropriated Surplus-Water	1.00	
52.304000.000	Unappropriated Surplus-Water	25,404.00	
52.101050.000	Cash in Bank Operating Account Superior		27,605.00
52.209000.000	Due To/From Other Funds-S.A.		1,967.00
<b>Total</b>		<b>29,572.00</b>	<b>29,572.00</b>
<b>Adjusting Journal Entries JE # 5</b>			
To correct bank balances closed in the prior year			
10.102015.000	Government Pool General Fund B	42.00	
52.102025.000	Government Pool Water Rev Fund B	4,271.00	
10.410000.000	Miscellaneous Income		42.00
52.410000.000	Miscellaneous Income		4,271.00
<b>Total</b>		<b>4,313.00</b>	<b>4,313.00</b>

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing (Continued)

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 6</b>			
Client provided Journal entry to expense items capitalized incorrectly			
52.520000.420	Field Repairs & Maintenance	120.00	
52.520000.420	Field Repairs & Maintenance	654.00	
52.520000.420	Field Repairs & Maintenance	2,227.00	
52.520000.450	Miscellaneous Expense	180.00	
52.520000.450	Miscellaneous Expense	550.00	
52.520000.470	Office Supplies & Expense	270.00	
52.520000.480	Field Supplies	44.00	
52.520000.480	Field Supplies	110.00	
52.520000.480	Field Supplies	198.00	
52.168000.000	Water Tank		550.00
52.174000.000	Peach Orchard Well		3,425.00
52.174225.000	Wilson Ave Xandau Bridge Crossing		198.00
52.178200.000	Elevated Tank Project		180.00
<b>Total</b>		<b><u>4,353.00</u></b>	<b><u>4,353.00</u></b>
<b>Adjusting Journal Entries JE # 7</b>			
To reclass capital assets incorrectly recorded in General Fund that belong in Water Fund			
10.205000.000	Accounts Payable-S.A.	121,722.00	
52.166000.000	Vehicles & Vehicle Equipment	85,088.00	
52.167000.000	Office Equipment	3,148.00	
52.168500.000	Well House Rehab	23,260.00	
52.177220.000	Radio Read Program	10,226.00	
10.510000.450	Miscellaneous Expense		1.00
10.510000.615	Vehicle		85,088.00
10.510000.625	Radio Read Install		10,226.00
10.510000.645	Well House Improvement		23,260.00
10.510000.650	Office Equipment		3,147.00
52.207000.000	Due to Water Fund		121,722.00
<b>Total</b>		<b><u>243,444.00</u></b>	<b><u>243,444.00</u></b>
<b>Adjusting Journal Entries JE # 8</b>			
To accrue accounts payable at year end.			
10.510000.330	Legal Fees	858.00	
10.510000.331	Suncoast Parkway	3,703.00	
52.520000.351	Utilities	3,062.00	
52.520000.410	Gas & Oil	3,784.00	
52.520000.420	Field Repairs & Maintenance	966.00	
52.520000.450	Miscellaneous Expense	40.00	
52.520000.450	Miscellaneous Expense	295.00	
52.520000.452	Water Samples	154.00	
52.520000.459	Supplies-Miscellaneous	483.00	
52.520000.470	Office Supplies & Expense	779.00	
52.520000.480	Field Supplies	2,616.00	
10.202000.000	Accounts Payable		4,561.00
52.202000.000	Accounts Payable		9,446.00
52.520000.450	Miscellaneous Expense		2,733.00
<b>Total</b>		<b><u>16,740.00</u></b>	<b><u>16,740.00</u></b>

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing (Continued)

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 9</b>			
To remove fixed assets disposed of during the year			
52.164000.900	Accum Deprec-Buildings	4,173.00	
52.164000.901	Accum Deprec- Water Dist. System	124,030.00	
52.164000.903	Accum Deprec-Equipment	14,003.00	
52.164000.903	Accum Deprec-Equipment	27,500.00	
52.164000.903	Accum Deprec-Equipment	30,590.00	
52.170950.000	Accumulated Amortization	980.00	
52.420000.000	Gain/Loss Fixed Asset Sale	852.00	
52.162000.000	Office Building		4,981.00
52.166000.000	Vehicles & Vehicle Equipment		27,500.00
52.166500.000	Equipment		30,590.00
52.167000.000	Office Equipment		14,047.00
52.168000.000	Water Tank		124,030.00
52.170900.000	Software Intangibles		980.00
<b>Total</b>		<b>202,128.00</b>	<b>202,128.00</b>
<b>Adjusting Journal Entries JE # 10</b>			
To record current year depreciation			
52.520000.900	Deprec Exp-Buildings	12,456.00	
52.520000.901	Deprec Exp-Water Dist. System	175,700.00	
52.520000.902	Deprec Exp-Improvements	11,553.00	
52.520000.903	Deprec Exp-Equipment	43,404.00	
52.520000.904	Amortization-Intangibles	30.00	
52.164000.900	Accum Deprec-Buildings		12,456.00
52.164000.901	Accum Deprec- Water Dist. System		175,700.00
52.164000.902	Accum Deprec-Improvements		11,553.00
52.164000.903	Accum Deprec-Equipment		43,404.00
52.170950.000	Accumulated Amortization		30.00
<b>Total</b>		<b>243,143.00</b>	<b>243,143.00</b>
<b>Adjusting Journal Entries JE # 11</b>			
To capitalize Radio Read Program into Water Distribution System (no longer CIP)			
52.170900.000	Software Intangibles	1,800.00	
52.171000.000	Water Dist System	424,160.00	
52.177220.000	Radio Read Program		425,960.00
<b>Total</b>		<b>425,960.00</b>	<b>425,960.00</b>
<b>Adjusting Journal Entries JE # 12</b>			
To record change in OPEB liability			
52.520000.144	Group Insurance	17,524.00	
52.237000.000	OPEB Obligation		17,524.00
<b>Total</b>		<b>17,524.00</b>	<b>17,524.00</b>

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing (Continued)

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 13</b>			
CJE to adjust to client TB after adjustments posted			
10.510000.110	Salaries and Wages	1,000.00	
10.510000.140	Payroll Taxes-FICA/MC	77.00	
10.510000.143	Employee Retirement	30.00	
52.101025.000	Regions Bank General Fund	1,107.00	
71.201000.000	Warrants(Checks) Payable	2,323.00	
10.101025.000	Regions Bank General Fund		1,107.00
52.520000.110	Salaries and Wages		1,000.00
52.520000.140	Payroll Taxes-FICA/MC		77.00
52.520000.143	Employee Retirement		30.00
71.101020.000	Regions Bank Operating Account		2,323.00
<b>Total</b>		<b><u>4,537.00</u></b>	<b><u>4,537.00</u></b>
<b>Adjusting Journal Entries JE # 14</b>			
To correct posting of retirement expense			
10.510000.143	Employee Retirement	3,017.00	
52.131000.000	Due from General Fund	3,017.00	
10.207000.000	Due to Water Fund		3,017.00
52.520000.143	Employee Retirement		3,017.00
<b>Total</b>		<b><u>6,034.00</u></b>	<b><u>6,034.00</u></b>
<b>Adjusting Journal Entries JE # 15</b>			
to eliminate transfers not made			
10.102010.000	Government Pool-Gen Fund	3,320.00	
10.101025.000	Regions Bank General Fund		3,320.00
<b>Total</b>		<b><u>3,320.00</u></b>	<b><u>3,320.00</u></b>
<b>Adjusting Journal Entries JE # 16</b>			
To correct general fund regions cash			
10.101025.000	Regions Bank General Fund	3,991.00	
10.101025.000	Regions Bank General Fund	7,746.00	
52.131000.000	Due from General Fund	3,991.00	
52.131000.000	Due from General Fund	7,746.00	
10.207000.000	Due to Water Fund		3,991.00
10.207000.000	Due to Water Fund		7,746.00
52.101020.000	Regions Bank Operating Account		3,991.00
52.101025.000	Regions Bank General Fund		7,746.00
<b>Total</b>		<b><u>23,474.00</u></b>	<b><u>23,474.00</u></b>
<b>Adjusting Journal Entries JE # 17</b>			
correct posting of transfer of meter deposit refunds to operating			
52.410000.000	Miscellaneous Income	6,280.00	
52.204000.000	Refunds Payable		6,280.00
<b>Total</b>		<b><u>6,280.00</u></b>	<b><u>6,280.00</u></b>

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing (Continued)

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 18</b>			
correct section 125 payments posted to incorrect fund			
52.101020.000	Regions Bank Operating Account	3,062.00	
71.217225.000	Section 125	3,062.00	
52.217225.000	Section 125		3,062.00
71.101020.000	Regions Bank Operating Account		3,062.00
<b>Total</b>		<b><u>6,124.00</u></b>	<b><u>6,124.00</u></b>
<b>Adjusting Journal Entries JE # 19</b>			
to correct posting of withholding payable already paid			
52.520000.144	Group Insurance	3,724.00	
52.217215.000	Due to Child Support		2,372.00
52.217225.000	Section 125		1,352.00
<b>Total</b>		<b><u>3,724.00</u></b>	<b><u>3,724.00</u></b>
<b>Adjusting Journal Entries JE # 20</b>			
eliminate transfer of assets to general fund (balances belong in water fund)			
10.207000.000	Due to Water Fund	191,112.00	
52.177220.000	Radio Read Program	191,112.00	
10.510000.625	Radio Read Install		189,312.00
10.510000.650	Office Equipment		1,800.00
52.209000.000	Due To/From Other Funds-S.A.		191,112.00
<b>Total</b>		<b><u>382,224.00</u></b>	<b><u>382,224.00</u></b>
<b>Adjusting Journal Entries JE # 21</b>			
Record beg NPL-FRS			
10.190000.000	FRS deferred Outflows	6,080.00	
10.303900.900	GW placeholder	21,497.00	
52.190000.000	FRS- deferred outflow	52,706.00	
52.304000.000	Unapportriated Surplus-Water	186,363.00	
10.239000.000	FRS NPL		10,101.00
10.290000.000	FRS deferred Inflows		17,476.00
52.239000.000	FRS-NPL		87,570.00
52.290000.000	FRS deferred inflows		151,499.00
<b>Total</b>		<b><u>266,646.00</u></b>	<b><u>266,646.00</u></b>

HOMOSASSA SPECIAL WATER DISTRICT

Journal Entry Listing (Continued)

Year Ended September 30, 2015

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 22</b>			
Record Beg NPL-HIS			
10.190000.000	FRS deferred Outflows	8.00	
10.190000.000	FRS deferred Outflows	700.00	
10.303900.900	GW placeholder	14,253.00	
52.190000.000	FRS- deferred outflow	61.00	
52.190000.000	FRS- deferred outflow	6,069.00	
52.304000.000	Unapportioned Surplus-Water	123,568.00	
10.239000.000	FRS NPL		14,961.00
52.239000.000	FRS-NPL		129,698.00
<b>Total</b>		<b>144,659.00</b>	<b>144,659.00</b>
<b>Adjusting Journal Entries JE # 23</b>			
record CY FRS activity			
10.190000.000	FRS deferred Outflows	1,060.00	
10.190000.000	FRS deferred Outflows	2,332.00	
10.290000.000	FRS deferred Inflows	11,398.00	
52.190000.000	FRS- deferred outflow	9,191.00	
52.190000.000	FRS- deferred outflow	20,218.00	
52.290000.000	FRS deferred inflows	98,816.00	
10.239000.000	FRS NPL		13,049.00
10.510000.220	FRS expense adjustment		681.00
10.510000.220	FRS expense adjustment		1,060.00
52.239000.000	FRS-NPL		113,130.00
52.520000.220	FRS pension adjustments		5,904.00
52.520000.220	FRS pension adjustments		9,191.00
<b>Total</b>		<b>143,015.00</b>	<b>143,015.00</b>
<b>Adjusting Journal Entries JE # 24</b>			
record CY HIS activity			
10.190000.000	FRS deferred Outflows	222.00	
10.190000.000	FRS deferred Outflows	1,238.00	
10.510000.220	FRS expense adjustment	884.00	
52.190000.000	FRS- deferred outflow	1,920.00	
52.190000.000	FRS- deferred outflow	10,730.00	
52.520000.220	FRS pension adjustments	7,670.00	
10.239000.000	FRS NPL		2,122.00
10.510000.220	FRS expense adjustment		222.00
52.239000.000	FRS-NPL		18,400.00
52.520000.220	FRS pension adjustments		1,920.00
<b>Total</b>		<b>22,664.00</b>	<b>22,664.00</b>
<b>Adjusting Journal Entries JE # 25</b>			
record interest on prepaid HWY 19 project			
52.101060.000	US Highway 19 Escrow	23,257.00	
52.409000.000	Interest Income		23,257.00
<b>Total</b>		<b>23,257.00</b>	<b>23,257.00</b>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Commissioners  
*Homosassa Special Water District*

We have examined Homosassa Special Water District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

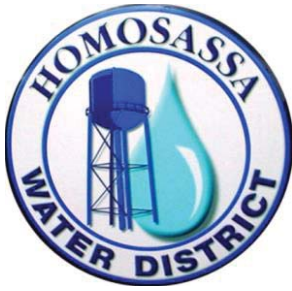
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly,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

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

*MCDIRMIT DAVIS & COMPANY, LLC*

Orlando, Florida  
May 10, 2016





## Homosassa Special Water District

PO Box 195  
Homosassa, FL 34487

Business Hours: 7:00 AM - 5:30 PM, Monday - Thursday  
Excepting Holidays  
Phone (352) 628-3740 hswd@tampabay.rr.com Fax (352) 628-4865

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May 16, 2016

Auditor General's Office  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 W Madison St.  
Tallahassee, FL 32399-1450

Dear Sirs,

At a regular meeting of the Board of Commissioners of the Homosassa Special Water District held on Monday, May 16, 2016, the following decision was made concerning the recommendation on Internal Control under the Management Letter. Recommendation attached.

**1) Inventory Management**

Staff will present to the Board a proposal to update the security camera system that the District has on the office property, updating the security system will include a security camera in the Stock room area. Also staff will present the Board options for Managed Inventory Programs and a Bar Code System to better maintain the Inventory and Stock.

***Teresa Olds***  
***Office Manager***  
***Homosassa Special Water District***