

**TAYLOR COASTAL WATER  
AND SEWER DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2015**

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AND SEWER DISTRICT**

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**TABLE OF CONTENTS**

	<b>PAGE NO.</b>
<b>INTRODUCTORY SECTION</b>	
List of Principal Officials	4
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	6 - 7
Management's Discussion and Analysis	8 - 10
<b>Basic Financial Statements</b>	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14
Notes to Financial Statements	15 - 27
<b>COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Taylor Coastal Water & Sewer District's Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program	32
Schedule of Taylor Coastal Water & Sewer District's Proportionate Share of Net Pension Liability - Florida Retirement System	33
Schedule of Taylor Coastal Water & Sewer District's Contributions - Florida Retirement System`	34
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of <i>Financial Statements Performed in Accordance with Government Auditing Standards</i>	35 - 36
Management Letter Required by Chapter 10.550, <i>Rules of the Auditor General</i>	37 - 38
Independent Accountant's Report	39
Communication with Those Charged with Governance	40 - 41

## **INTRODUCTORY SECTION**

**TAYLOR COASTAL WATER  
AND SEWER DISTRICT**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2015**

**CHAIRMAN**

**Lynn Aibejeris**

**VICE CHAIRMAN**

**Nonagene Malone**

**SECRETARY**

**Diane Carlton**

**COMMISSIONERS**

**Joel Singletary  
Troy Thompson  
Steve Brown**

**DISTRICT ATTORNEY**

**Mike Smith**

## **FINANCIAL SECTION**



Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Taylor Coastal Water and Sewer District  
Perry, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Taylor Coastal Water and Sewer District (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Taylor Coastal Water and Sewer District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

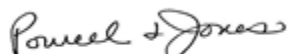
The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2016, on our consideration of the Taylor Coastal Water and Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Taylor Coastal Water and Sewer District's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Taylor Coastal Water and Sewer District's 2014 financial statements, and our report dated February 9, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**POWELL & JONES**  
Certified Public Accounts  
January 4, 2016

# **TAYLOR COASTAL WATER AND SEWER DISTRICT**

## **Management's Discussion and Analysis**

September 30, 2015

The management of the Taylor Coastal Water and Sewer District (the District) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended September 30, 2015.

### **Basic Financial Statements**

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting principles which is the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and the accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements.

The statement of net position presents information on the District's assets and liabilities, with the difference between the two 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 revenues, expenses and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the District for the fiscal year with the difference - the net income or loss - being combined with any capital grants to determine the net change in assets for the fiscal year. That change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

### **Condensed Financial Information**

Condensed financial information from the statements of net position at September 30, 2015 and 2014, and revenues, expenses and changes in net position for the years then ended, follows:



	September 30,	
	2015	2014
<b>Net position</b>		
Current and other assets	\$ 681,800	\$ 559,511
Capital assets, net	5,282,052	5,464,092
Total assets	<u>5,963,852</u>	<u>6,023,603</u>
Current liabilities	108,936	67,330
Long-term liabilities	1,390,979	1,364,707
Total liabilities	<u>1,499,915</u>	<u>1,432,037</u>
Net position:		
Invested in capital assets, net of related debt	3,946,629	4,107,885
Restricted	133,899	115,135
Unrestricted	383,409	368,546
Total net position	<u>\$ 4,463,937</u>	<u>\$ 4,591,566</u>

	For the Fiscal Year Ended September 30,	
	2015	2014
<b>Change in net position</b>		
Operating revenue:		
Revenue from water and sewer services	\$ 441,526	\$ 395,986
Total operating revenues	<u>446,993</u>	<u>395,986</u>
Operating expenses:		
Personnel services	135,891	120,656
Operating expenses	155,207	186,698
Total operating expenses, excluding depreciation	<u>291,098</u>	<u>307,354</u>
Depreciation	290,568	283,252
Total operating expenses, including depreciation	<u>581,666</u>	<u>590,606</u>
Operating loss	(134,673)	(194,620)
Net nonoperating revenue (expense)	<u>(56,156)</u>	<u>(57,769)</u>
Loss before capital contributions	(190,829)	(252,389)
Customer grinder pump contributions	116,038	83,598
EPA grant revenue	7,808	9,431
USDA-RD grant revenue	-	40,039
Change in net position	<u>(66,983)</u>	<u>(119,321)</u>
Beginning of year net position	4,591,566	4,630,197
Prior period adjustment	(60,646)	80,690
End of year net position	<u>\$ 4,463,937</u>	<u>\$ 4,591,566</u>

During the year ended September 30, 2015, net position decreased by \$127,629, primarily due to the capital grants coming to an end and the increase in depreciation.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2015, the District had \$5.2 million invested in capital assets, consisting primarily of its water supply system and sewer system.

#### Capital Assets at September 30, 2015 and 2014

	2015	2014
Land	\$ 279,337	\$ 279,337
Construction in progress	5,680	-
Buildings and improvements	7,953,822	7,942,439
Equipment	138,027	46,562
	<u>8,376,866</u>	<u>8,268,338</u>
Accumulated depreciation	(3,094,814)	(2,804,246)
Capital assets, net	<u>\$ 5,282,052</u>	<u>\$ 5,464,092</u>

### Debt Outstanding

At year-end, the District had \$1,335,423 in revenue bonds outstanding versus \$1,356,207 last year. The decrease of \$20,784 is due to the District making scheduled payments on the revenue bonds.

### Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Office Manager at 18820 Beach Road, Perry, Florida 32348.

## **BASIC FINANCIAL STATEMENTS**

**TAYLOR COASTAL WATER AND SEWER DISTRICT**  
**STATEMENT OF NET POSITION**  
September 30, 2015  
(With Summarized Financial Information for September 30, 2014)

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash	\$ 488,915	\$ 403,625
Inventory of supplies	89,535	116,352
Accounts receivable, net	41,803	33,937
Prepaid expenses	5,865	5,597
Total current assets	626,118	559,511
Capital Assets		
Land	279,337	279,337
Construction in progress	5,680	-
Buildings and improvements	74,641	66,241
Water system	931,499	931,499
Sewer system	6,947,682	6,944,699
Machinery and equipment	138,027	46,562
	8,376,866	8,268,338
Accumulated depreciation	(3,094,814)	(2,804,246)
Total capital assets, net of accumulated depreciation	5,282,052	5,464,092
Total assets	\$ 5,908,170	\$ 6,023,603
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 55,682	\$ -
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	28,173	10,403
Accrued liabilities	13,767	12,805
Accrued interest payable	4,391	4,459
Deferred revenue	17,261	18,989
Current portion of long-term debt	20,684	20,674
Total current liabilities	84,276	67,330
Long-term Liabilities		
Retirement payable	10,774	13,174
Contract payable	16,000	16,000
Pension liability	49,466	-
2005A Revenue Bonds payable	345,855	351,975
2005B Revenue Bonds payable	586,000	596,000
2011A Revenue Bonds payable	382,884	387,558
Total long-term liabilities	1,390,979	1,364,707
Total liabilities	1,475,255	1,432,037
<b>DEFERRED INFLOWS OF RESOURCES</b>	24,660	-
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	3,946,629	4,107,885
Restricted for debt service	68,018	77,135
Restricted for system expansion	65,881	38,000
Unrestricted	383,409	368,546
Total net position	\$ 4,463,937	\$ 4,591,566

See notes to financial statements.

**TAYLOR COASTAL WATER AND SEWER DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended September 30, 2015  
(With Summarized Financial Information for September 30, 2014)

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Water services	\$ 172,946	\$ 173,002
Sewer services	252,703	212,919
Connection fees	10,500	6,000
Penalties	3,937	3,829
Miscellaneous	6,907	236
Total operating revenues	<u>446,993</u>	<u>395,986</u>
<b>OPERATING EXPENSES</b>		
Personnel services	135,891	120,656
Operating expenses	155,207	186,698
Depreciation	290,568	283,252
Total operating expenses	<u>581,666</u>	<u>590,606</u>
Operating loss	<u>(134,673)</u>	<u>(194,620)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	1,905	1,001
Interest expense	(58,061)	(58,770)
Total nonoperating revenues (expenses)	<u>(56,156)</u>	<u>(57,769)</u>
Loss before capital contributions	<u>(190,829)</u>	<u>(252,389)</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Grinder pump contributions	116,038	83,598
EPA grant revenue	7,808	9,431
USDA - RD grant revenue	-	40,039
Total capital contributions	<u>123,846</u>	<u>133,068</u>
Change in net position	(66,983)	(119,321)
Net position at beginning of year	4,591,566	4,630,197
Prior period adjustment	(60,646)	80,690
Net position at end of year	<u>\$ 4,463,937</u>	<u>\$ 4,591,566</u>

See notes to financial statements.

**TAYLOR COASTAL WATER AND SEWER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2015  
(With Summarized Financial Information for September 30, 2014)

	2015	2014
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 437,400	\$ 386,760
Miscellaneous receipts	-	-
Cash payments to suppliers for goods and services	(110,887)	(219,301)
Cash payments for employee services	(177,130)	(120,700)
<b>Net cash provided by operating activities</b>	<b>149,383</b>	<b>46,759</b>
<b>Cash flows from capital and related financing activities:</b>		
Additions to capital assets	7,511	(33,969)
Capital grants	7,808	97,585
Principal paid on debt	(23,184)	(22,738)
Interest paid on debt	(58,129)	(58,999)
<b>Net cash used for capital and related financing activities</b>	<b>(65,994)</b>	<b>(18,121)</b>
<b>Cash flows from investing activities:</b>		
Investment proceeds	1,901	1,001
<b>Net cash provided by investing activities</b>	<b>1,901</b>	<b>1,001</b>
<b>Net increase in cash and cash equivalents</b>	85,290	29,639
<b>Cash and cash equivalents, beginning of year</b>	403,625	373,986
<b>Cash and cash equivalents, end of year</b>	<b>\$ 488,915</b>	<b>\$ 403,625</b>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
<b>Operating loss</b>	\$ (134,673)	\$ (194,620)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Depreciation	290,568	283,252
(Increase) decrease in current assets:		
Customer receivables	(7,866)	(9,226)
Inventories	26,818	(5,203)
Deferred outflows	(55,682)	-
Prepaid expenses	(267)	(5,414)
Increase (decrease) in current liabilities:		
Accounts payable	17,770	(21,986)
Deferred inflows	24,660	-
Pension liability	(11,180)	-
Deferred revenue	(1,728)	-
Accrued liabilities	963	(44)
<b>Net cash provided by operating activities</b>	<b>\$ 149,383</b>	<b>\$ 46,759</b>

See notes to financial statements.

**TAYLOR COASTAL WATER  
AND SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2015

**NOTE 1. DESCRIPTION OF ENTITY**

**Description of Operations**

The Taylor Coastal Water and Sewer District (the District) is a special district unit of government created by Ordinance 2000-10 on October 2, 2000, by the Board of County Commissioners of Taylor County, Florida. The purpose of the District is to acquire, construct, operate and maintain a water and sewer system to serve unincorporated areas of Taylor County and other customers and users as the District may determine. The initial Commissioners of the District were the governing board of Taylor Coastal Utilities, Inc. a not-for-profit entity located in Taylor County, Florida. The initial water and sewer system was operated and maintained by Taylor Coastal Utilities, Inc. The District is involved in a large sewer project to include areas of unincorporated Taylor County, Florida. On July 3, 2003, the entire existing water system operated and maintained by Taylor Coastal Utilities, Inc. was transferred by bill of sale, warranty deed and assignment of easements to the District for a sum of \$10. The District currently serves approximately 439 water customers, 361 of which also receive sewer service.

**Reporting Entity**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority. The designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

The District is a component unit of Taylor County, Florida. It is legally separate from other Taylor County agencies, but its governing body is appointed by the Taylor County Board of County Commissioners.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Basis of Presentation and Accounting**

The District's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The District has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components.

Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

### **b. Cash Equivalents and Investments**

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes bank certificates of deposit.

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year. Restricted investments, which consist primarily of U.S. government securities designated for specific projects and required to be segregated pursuant to debt covenants, and restricted cash, which consists of a money market account, and is presented as restricted cash.

### **c. Material and Supplies**

Materials and supplies inventory consists principally of spare parts that are recorded and expensed when purchased. Year end inventory is recorded at weighted average cost.



**d. Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during the current fiscal year. As applicable in a fiscal year, the cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to the construction of the first phase of a sewer which was completed during the current year.

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

Structures, pumps and other improvements	20 – 30 years
Office furniture, fixture and equipment	7 years

**e. Long-Term Debt and Issuance Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**f. Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**g. Net Position**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Invested in capital assets, net of related debt* - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other liabilities that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* - This component of net position consists of net position that does not meet the definition of “restricted” or “invested” in capital assets, net of related debt.”

**NOTE 3. CASH**

**a. Cash**

Cash is presented on the accompanying statements of net position as of September 30, 2015, as follows:

Cash and cash equivalents	\$ 488,915
Total cash and equivalents	<u>\$ 488,915</u>

**b. Deposits**

The financial institution in which the District’s monies are deposited is certified as a “Qualified Public Depository,” as required under the Florida Security for Public Deposits Act. This law requires every qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of an amount to be determined by the State Treasurer. Therefore, the District’s total deposits are insured by the Florida Depository Insurance Corporation and the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance. The law requires the State Treasurer to ensure that funds are entirely collateralized throughout the fiscal year.

Section 218.415, *Florida Statutes*, authorizes the District to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States, time deposits and savings accounts of Florida Qualified Depositories, and Securities and Exchange Commission restricted money market funds with the highest credit quality rating from a nationally recognized rating agency. At year end, the District’s invested funds were in a certificate of deposit at the “Qualified Public Depository” described above.

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District’s name. At year end the District’s investments was classified as Category 1.

**NOTE 4. CUSTOMER AND OTHER ACCOUNTS RECEIVABLE**

Customer and other accounts receivables were as follows:

Utility services accounts	\$ 41,803
Allowance for doubtful accounts	-
Net	<u>\$ 41,803</u>

Based upon collection history, the District has determined an allowance for doubtful accounts is not required for these receivables.

**NOTE 5. CAPITAL ASSETS**

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

	Balance Sept. 30, 2014	Reclassification Increases	Reclassification Decreases	Balance Sept. 30, 2015
Capital assets, not being depreciated:				
Land	\$ 279,337	\$ -	\$ -	\$ 279,337
Construction in progress	-	5,680	-	5,680
Total capital assets not being depreciated:	<u>279,337</u>	<u>5,680</u>	<u>-</u>	<u>285,017</u>
Capital assets, being depreciated:				
Water system	931,499	-	-	931,499
Sewer system	6,944,699	2,983	-	6,947,682
District building	66,241	8,400	-	74,641
Equipment	46,562	91,465	-	138,027
	<u>7,989,001</u>	<u>102,848</u>	<u>-</u>	<u>8,091,849</u>
Less: accumulated depreciation	<u>(2,804,246)</u>	<u>(290,568)</u>	<u>-</u>	<u>(3,094,814)</u>
Total capital assets being depreciated	<u>5,184,755</u>	<u>(187,720)</u>	<u>-</u>	<u>4,997,035</u>
Total capital assets	<u>\$ 5,464,092</u>	<u>\$ (182,040)</u>	<u>\$ -</u>	<u>\$ 5,282,052</u>

Depreciation for the year was \$290,568.

On June 22, 2012, the District was granted approximately twelve acres of land from the Suwannee River Water Management District. The deed of conveyances requires the property to be exclusively used as a wellfield and to house the District's offices, and contains a reverter clause if those uses are not maintained.

The District has completed a major construction project as of September 30, 2015. The project principally consists of a sewer collection system which was put into service at year end.

**NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses were as follows:

Contractors and vendors	\$ 28,173
Accrued payroll liabilities	13,767
Accrued interest	4,391
Total	<u>\$ 46,331</u>

**NOTE 7. DEFERRED REVENUE**

The District records deferred revenues in its statement of net position. Deferred revenues arise when resources are received by the District before it has fully earned them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the District has fully earned the revenue, the liability for deferred revenue is removed from the statement of net position and the revenue is recognized. As of September 30, 2015 the District had deferred revenue as follows:

Customer prepayments	\$ 17,261
	<u>\$ 17,261</u>

**NOTE 8. LONG-TERM DEBT**

**Revenue Bonds** - The District has issued bonds where the income derived from the acquired constructed assets is pledged to pay debt service. The following revenue bonds were outstanding at September 30, 2015:

Water and Sewer System Revenue Bonds, Series 2005A - The District issued the 2005A Series Bonds to refinance debt previously owed to USDA Rural Development by the Taylor Coastal Utilities, Inc. Revenues derived from the operation of the water and sewer system are pledged to service this debt. The outstanding balance at September 30, 2015, was \$351,865. The Bond Certificates mature annually from September 1, 2008 through September 1, 2044. The interest rate on the certificates is 4.25%.

Water and Sewer System Revenue Bonds, Series 2005B - The District issued the 2005B Series Bonds to pay off the interim financing notes issued July 18, 2003. Revenues derived from the operation of the water and sewer system are pledged to service this debt. The outstanding balance at September 30, 2015, was \$596,000. The Bond Certificates will mature annually from September 1, 2008 through September 1, 2044. The interest on the certificates is 4.25%.

Water and Sewer System Revenue Bonds, Series 2011A - The District issued the 2011A Series Bonds to refinance debt previously owed to Capital City Bank by the Taylor Coastal Water and Sewer District. Revenues derived from the operation of the water and sewer system are pledged to service this debt. The outstanding balance at September 30, 2015 was \$387,558. The Bond certificates mature annually from September 1, 2011 through September 1, 2050. The interest rate on the certificates is 4.375%.

Reserve Account - A reserve account is required by the two bond issues to accumulate sufficient funds to be used for: (a) repair and replacement of the water and sewer systems due to catastrophe, (b) construction of improvements to increase net revenues, and (c) payment of any principal and interest if the funds of the debt service account are insufficient. A yearly set aside amount of \$5,826 is to be made until a maximum reserve amount of \$58,159 is accumulated for the Revenue Bonds. At September 30, 2015, \$68,018 had been set aside in this reserve.

Revenue bond debt service requirements to maturity, including \$1,095,042 of interest, are as follows:

Fiscal Year Ending September 30	Series 2005A	Series 2005B	Series 2011A	Total
2016	\$ 20,957	\$ 36,330	\$ 21,834	\$ 79,121
2017	21,702	35,863	21,834	79,399
2018	21,404	36,395	21,834	79,633
2019	21,107	35,885	21,834	78,826
2020-2024	116,603	196,223	109,169	421,995
2025-2029	108,999	184,244	109,169	402,412
2030-2034	109,311	185,439	109,169	403,919
2035-2039	109,862	186,001	109,169	405,032
2040-2044	87,962	151,996	109,169	349,127
2045-2049	-	-	109,169	109,169
2050	-	-	21,833	21,833
	<u>617,907</u>	<u>1,048,376</u>	<u>764,183</u>	<u>2,430,466</u>
Interest amount	(266,042)	(452,376)	(376,625)	(1,095,043)
Total	<u>\$ 351,865</u>	<u>\$ 596,000</u>	<u>\$ 387,558</u>	<u>\$ 1,335,423</u>

A schedule of changes in long-term debt follows:

Series	Balance October 1, 2014	Increase	Decrease	Balance September 30, 2015	Due Within One Year
Series 2005A	\$ 357,975	\$ -	\$ (6,110)	\$ 351,865	\$ 6,000
Series 2005B	606,000	-	(10,000)	596,000	11,000
Series 2011A	392,232	-	(4,674)	387,558	4,878
	<u>\$ 1,356,207</u>	<u>\$ -</u>	<u>\$ (20,784)</u>	<u>\$ 1,335,423</u>	<u>\$ 21,878</u>

#### NOTE 9. LONG-TERM CONTRACT PAYABLE

On July 5, 2002, Taylor Coastal Utilities, the predecessor entity, entered into a contract with a developer whereby the District would reimburse the developer \$500 per water connection fee as vacant lots were sold. As of September 30, 2015, the District's liabilities to the developer were \$16,000, representing 32 unsold lots with water service.

#### NOTE 10. 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; and natural disasters for which the District carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability

**NOTE 11. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, include amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**NOTE 12. COMPARATIVE DATA**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data and related disclosures have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain elements of the prior year data have been reclassified for comparability purposes.

**NOTE 13. PENSION PLAN**

Plan Description - The District contributes to the Florida Retirement System (System), a cost-sharing multiple-employer defined benefit plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The District issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida, or by calling (850) 488-5706.

Funding Policy - The System is employee noncontributory. The District is required to contribute at an actuarially determined rate. The rates at September 30, 2015 were as follows: Regular Employees 7.26%. All plan members, as of July 1, 2011, are required to contribute a designated rate of 3%. The District's contributions to the System for the fiscal year ended September 30, 2015 were \$8,711, equal to the required contributions. The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature.

The System also provides a defined contribution type plan, which is not utilized by any District employees.

The District enrolled in the System effective October 1, 2007. At that time, it was determined that the effective date for participation was January, 2005, due to the District's status as a dependent special district of Taylor County. This determination resulted in a balance due the System of \$27,574 which was paid by the Taylor County Board of County Commissioners. The District has recorded this balance as a long-term liability and has begun repayment to the County effective October, 2008 at \$200 per month. The outstanding balance as of September 30, 2015 is \$10,774.

**NOTE 14. NET PENSION LIABILITY OF EMPLOYERS**

**A. Net Pension Liability**

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2014, the latest available information, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total Pension Liability (A)	\$156,115,763	\$9,443,629
Plan Fiduciary Net Position (B)	<u>(150,014,292)</u>	<u>(93,385)</u>
Net Pension Liability (A-B)	<u>\$ 6,101,471</u>	<u>\$9,350,244</u>

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2014. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

Taylor Coastal Water and Sewer District's portion of the total net pension liability for FRS and HIS are as follows:

	<u>Percent Share of Net Pension Liability</u>	<u>Amount</u>
FRS	0.000235983%	\$ 14,398
HIS	<u>0.000375048%</u>	<u>35,068</u>
Total	<u>0.000611031%</u>	<u>\$ 49,466</u>

It is assumed that this amount will not be materially different from 2015.

#### **B. Basis for Allocation**

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2012/2013 and 2013/2014. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for the fiscal year ended June 30, 2013, agree to the employer contribution amounts reported in the Florida CAFR. This report is available online (See Additional Financial and Actuarial Information). The aggregate employer contribution amounts for the fiscal year ended September 30, 2015, agree to the employer contribution amounts reported in the System's 2014 CAFR. The fiscal year ended June 30, 2014, was the first year for which a separately-issued CAFR was published for the System.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

### C. Actuarial Methods and Assumptions

Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The 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 calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2014:

- FRS: As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%
- HIS: The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

### D. Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at September 30, 2014.

FRS Net Pension Liability			HIS Net Pension Liability		
	Current			Current	
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
6.65%	7.65%	8.65%	3.29%	4.29%	5.29%
\$26,098,800,864	\$6,101,470,575	\$ (10,530,828,277)	\$10,635,145,405	\$9,350,244,011	\$8,277,719,058

### PENSION EXPENSE AND DEFERRED OUTFLOWS / (INFLOWS) OF RESOURCES

In accordance with GASB 68, paragraph 71, changes in the net pension liability are



recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

Taylor Coastal Water and Sewer District’s deferred inflows and outflows of resources for FRS and HIS are as follows:

	Outflows	Inflows
FRS	\$ 19,349	\$ 24,911
HIS	36,333	(251)
Total	<u>\$ 55,682</u>	<u>\$ 24,660</u>

The amount of pension expense recognized for Taylor Coastal Water and Sewer District is \$42,202.

Contributions to the pension plans from employers are not included in pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2014, was 6.3 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2014, are presented below for each plan.

Florida Retirement System

	Recognized in Expense Reporting Period Ending June 30, 2014	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 2,256,738,453	Current	\$ -	\$ -	\$ 2,256,738,453
Interest cost	11,489,920,524	Current	-	-	11,489,920,524
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains or losses (difference between expected and actual expense)	(71,240,997)	6.3 years	-	(377,577,284)	(448,818,281)
Effect of assumptions changes or inputs	199,372,297	6.3 years	1,056,673,174	-	1,256,045,471
Member contributions	(682,507,323)	Current	-	-	(682,507,323)
Projected investment earnings	(10,089,454,399)	Current	-	-	(10,089,454,399)
Changes in proportion and differences between contributions and proportionate share of contribution	-	6.3 years	843,049,488	(843,049,488)	-
Net difference between projected and actual investment earnings	(2,544,566,419)	5 years	-	(10,178,265,675)	(12,722,832,094)
Administrative expenses	18,351,882	Current	-	-	18,351,882
<b>Total</b>	<b>\$ 576,614,018</b>		<b>\$ 1,899,722,662</b>	<b>\$ (11,398,892,447)</b>	<b>\$ (8,922,555,767)</b>

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2014	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 190,371,170	Current	\$ -	\$ -	\$ 190,371,170
Interest cost	409,906,929	Current	-	-	409,906,929
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains or losses (difference between expected and actual expense)	-	7.2 years	-	-	-
Effect of assumptions changes or inputs	53,664,322	7.2 years	332,718,798	-	386,383,120
Member contributions	-	Current	-	-	-
Projected investment earnings	(5,829,821)	Current	-	-	(5,829,821)
Changes in proportion and differences between contributions and proportionate share of contribution	-	7.2 years	178,597,639	(178,597,639)	-
Net difference between projected and actual investment earnings	1,122,090	5 years	4,488,362	-	5,610,452
Administrative expenses	53,708	Current	-	-	53,708
<b>Total</b>	<b>\$ 649,288,398</b>		<b>\$ 515,804,799</b>	<b>\$ (178,597,639)</b>	<b>\$ 986,495,558</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period	FRS Expense	HIS Expense
2016	\$ (2,416,435,119)	\$ 54,786,412
2017	(2,416,435,119)	54,786,412
2018	(2,416,435,119)	54,786,412
2019	(2,416,435,118)	54,786,414
2020	128,131,300	53,664,322
Thereafter	38,439,390	64,397,188
Total	<u>\$ (9,499,169,785)</u>	<u>\$ 337,207,160</u>

#### **ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer, is located in the Florida CAFR for the fiscal year ended June 30, 2013, and in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2014. The state of Florida CAFR is available on line at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

The system's CAFR and the actuarial valuation reports as of July 1, 2014, are available online at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications/annual\\_reports](http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services Division of Retirement  
Bureau of Research and Member Communications  
P. O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

#### **NOTE 15. PRIOR PERIOD ADJUSTMENT**

The implementation of GASB 68 requires employers participating in cost-sharing defined benefit pension plans to report their proportionate share of the total net pension liability and deferred inflows/outflows of resources for the plan on their government-wide financial statements. The Authority participates in the Florida Retirement System which is a cost-sharing defined benefit pension plan and therefore has to report these amounts in their government-wide financial statements. A prior period adjustment decreasing net position by \$60,646 has been recognized to offset the recording of a net pension liability of \$67,100 and deferred outflows of resources of \$6,454 for the fiscal year ended September 30, 2014.

## **COMPLIANCE SECTION**

**TAYLOR COASTAL WATER AND SEWER DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended September 30, 2015

<u>Grantor/Program Title</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>						
<b>NON MAJOR PROGRAMS</b>						
U.S. Department of Environmental Protection						
Southeastern U.S. Regional Targeted Watershed Initiative	66.127	XP-95419411-0	2,466,800	582,454	7,808	7,808
<b>Total federal awards</b>			<u>\$ 2,466,800</u>	<u>\$ 582,454</u>	<u>\$ 7,808</u>	<u>\$ 7,808</u>

See notes to the schedule of expenditures of federal awards.

**TAYLOR COASTAL WATER AND SEWER DISTRICT**

**Notes to Schedule of Expenditures of Federal Awards**

**For the Fiscal Year Ended September 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the Taylor Coastal Water and Sewer District (the "District") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

**A. Reporting Entity**

This reporting entity consists of the Taylor Coastal Water and Sewer District. The District includes a Schedule of Expenditures of Federal Awards in the compliance Section for the purpose of additional analysis.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Taylor Coastal Water & Sewer District's Proportionate Share of  
Net Pension Liability  
Health Insurance Subsidy Program  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Taylor Coastal Water & Sewer District's proportion of the net pension liability	0.000375048	0.000371704
Taylor Coastal Water & Sewer District's proportionate share of the net pension liability	\$ 35,068	\$ 55,068
Taylor Coastal Water & Sewer District's covered-employee payroll	\$ 135,891	\$ 120,656
Taylor Coastal Water & Sewer District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.81%	29.06%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.99%

The amounts presented for each fiscal year were determined as of September 30

**Note 13:** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

**Note 14:** The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Florida Retirement System Comprehensive Annual Financial Report.

Due to time constraints for this report it will be released prior to receiving the Florida Retirement System's 2015 report which provides the 2015 net pension liability. The presented 2015 liability balance reflects the 2014 balance reported by the Florida Retirement System, which should not be materially different from the 2015 balances, due to the small size of Taylor Coastal Water & Sewer District's payroll and representative portion of the liability.

There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.



**Schedule of Taylor Coastal Water & Sewer District's Proportionate Share of  
Net Pension Liability  
Florida Retirement System  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Taylor Coastal Water & Sewer District's proportion of the net pension liability	0.00235983	0.000201797
Taylor Coastal Water & Sewer District's proportionate share of the net pension liability	\$ 14,398	\$ 14,398
Taylor Coastal Water & Sewer District's covered-employee payroll	\$ 135,891	\$ 120,656
Taylor Coastal Water & Sewer District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.60%	11.93%
Plan fiduciary net position as a percentage of the total pension liability	96%	96%

The amounts presented for each fiscal year were determined as of September 30.

**Note 13:** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

**Note 14:** The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Florida Retirement System Comprehensive Annual Financial Report.

Due to time constraints for this report it will be released prior to receiving the Florida Retirement System's 2015 report which provides the 2015 net pension liability. The presented 2015 liability balance reflects the 2014 balance reported by the Florida Retirement System, which should not be materially different from the 2015 balances, due to the small size of Taylor Coastal Water & Sewer District's payroll and representative portion of the liability.

There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.

**Schedule of Taylor Coastal Water & Sewer District's Contributions  
Florida Retirement System  
Last 10 Fiscal Years**

	2015	2014
Contractually required contribution	\$ 8,711	\$ 7,345
Contributions in relation to the contractually required contribution	(8,711)	(7,945)
Contribution deficiency (excess)	\$ -	\$ -
Taylor Coastal Water & Sewer's covered-employee payroll	\$ 135,891	\$ 120,656
Contributions as a percentage of covered-employee payroll	6.41%	6.09%

The amounts presented for each fiscal year were determined as of September 30.

**Note 13** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

**Note 14:** There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.

**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**

To the Board of Commissioners  
Taylor Coastal Water and Sewer District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Taylor Coastal Water and Sewer District, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Taylor Coastal Water and Sewer District's basic financial statements, and have issued our report thereon dated January 4, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Taylor Coastal Water and Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Taylor Coastal Water and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Taylor Coastal Water and Sewer 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

**Finding 2010-1 (Excess of third consecutive year)  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the

expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where Taylor Coastal Water and Sewer District is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

#### **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Board of Commissioners review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Board of Commissioners.***

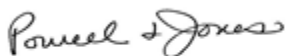
***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

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

As part of obtaining reasonable assurance about whether Taylor Coastal Water and Sewer 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.



**POWELL & JONES**  
Certified Public Accountants  
January 4, 2016

**MANAGEMENT LETTER REQUIRED BY  
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Commissioners  
Taylor Coastal Water and  
Sewer District

We have audited the basic financial statements of Taylor Coastal Water and Sewer District (District) as of and for the year ended September 30, 2015, and have issued our report thereon dated January 4, 2016

We have issued our 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* dated January 4, 2016. Disclosures in that report, should be considered in conjunction with this management letter.

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

**PRIOR YEAR FINDINGS** – There were no reportable findings during the prior year.

**CURRENT YEAR FINDINGS** – There were no reportable findings during the current year.

**FINANCIAL COMPLIANCE MATTERS**

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the District, for the fiscal year ended September 30, 2015.

Financial Emergency Status – We determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

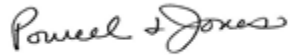
Financial Condition Assessment Procedures – As required by the *Rules of the Auditor General*, (Sections 10.554(1)(i)7.c and 10.556(7)), we applied financial condition assessment procedures to the District's financial statements. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

We noted no deteriorating financial conditions as defined by Rule 10.544(2)(f).

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

## **CONCLUSION**

We very much enjoyed the challenge and experiences with our audit of the District. We appreciate the helpful assistance of District staff in completing our audit and also the generally high quality of the District's financial records and internal controls.

A handwritten signature in cursive script that reads "Powell & Jones".

**POWELL & JONES**  
Certified Public Accountants  
January 4, 2016

## INDEPENDENT ACCOUNTANT'S REPORT

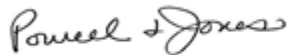
To the Board of Commissioners  
Taylor Coastal Water and  
Sewer District

We have examined Taylor Coastal Water and Sewer District's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

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



**POWELL & JONES**  
Certified Public Accountants  
January 4, 2016

## **Communication with Those Charged with Governance**

To the Board of Commissioners  
Taylor Coastal Water and Sewer District

We have audited the financial statements of Taylor Coastal Water and Sewer District for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Taylor Coastal Water and Sewer District are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. There are no sensitive estimates affecting Taylor Coastal Water and Sewer District's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 4, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

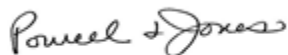
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of County Commissioners and management of Taylor Coastal Water and Sewer District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
January 4, 2016