

**NATURE COAST REGIONAL WATER AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**September 30, 2020**

**NATURE COAST REGIONAL WATER AUTHORITY**

**ANNUAL FINANCIAL REPORT**

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## **INTRODUCTORY SECTION**

**NATURE COAST REGIONAL WATER AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2020**

<b>Chair</b>	<b>Sheila Watson</b>
<b>Vice Chairman</b>	<b>Bobby Crosby</b>
<b>Board Member</b>	<b>Mike Moore</b>
<b>Board Member</b>	<b>Duane Cannon</b>
<b>Attorney</b>	<b>Mark Logan</b>

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nature Coast Regional Water Authority  
Fanning Springs, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the Nature Coast Regional Water Authority (the "Authority") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### *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 of material misstatement.

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

as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

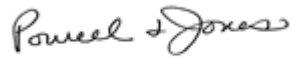
### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and the records used to prepare the basic financial statements. The 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 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 State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2021 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Powell & Jones". The signature is contained within a thin black rectangular border.

**POWELL & JONES**  
Certified Public Accountants  
July 13, 2021



## **NATURE COAST REGIONAL WATER AUTHORITY**

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

**September 30, 2020**

The management of the Nature Coast Regional Water Authority (the Authority) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended September 30, 2020.

#### **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 Authority 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 Authority'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 Authority 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 Authority 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, 2020 and 2019, and revenues, expenses and changes in net position for the years then ended, follows:

The following presents condensed data about net assets and changes in net position for 2020 and 2019.

**Net Position  
September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current assets		
Cash	\$ 3,466	\$ 3,999
Accounts receivable	-	540
Total current assets	<u>3,466</u>	<u>4,539</u>
Fixed assets		
Construction in progress	\$157,275	\$157,275
Infrastructure	2,401,206	2,401,206
Less accumulated depreciation	(210,106)	(150,075)
Total fixed assets	<u>2,348,375</u>	<u>2,408,406</u>
<b>Net position:</b>		
Net investment in capital assets	2,348,375	2,408,406
Unrestricted	3,466	4,539
Total net position	<u>\$ 2,351,841</u>	<u>\$ 2,412,945</u>

**Change in Net Position  
For the Fiscal Year Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Grant revenue	\$ -	\$ 66,625
City of Fanning Springs	12,634	6,571
Total revenues	<u>12,634</u>	<u>73,196</u>
<b>Expenses:</b>		
Operating expenses	<u>73,738</u>	<u>73,214</u>
Decrease in net position	(61,104)	(18)
Net position, beginning of year	<u>2,412,945</u>	<u>2,412,963</u>
Net position, end of year	<u>\$2,351,841</u>	<u>\$ 2,412,945</u>

**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Revenues were \$12,634 compared to expenses of \$73,196. This resulted in an decrease for the year of \$61,104. Because of this, net position decreased by same.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2020, the Authority had \$2,348,375 invested in capital assets, consisting of a pipeline to bring water services from Fanning Springs to the Old Town service area, or 1% more than in 2019.

#### Capital Assets at September 30, 2020 and 2019

	Business-type Activities	
	2020	2019
Construction in progress	\$ 157,275	\$ 157,275
Infrastructure	2,401,206	2,401,206
Subtotal	2,558,481	2,558,481
Accumulated depreciation	(210,106)	(150,075)
Capital assets, net	<u>\$2,348,375</u>	<u>\$ 2,408,406</u>

### Debt Administration

The Authority has no long-term debt.

## OTHER FINANCIAL INFORMATION

### ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations. The Authority is dependent on future federal and state grants for further expansion.

### FINANCIAL CONTACT

The Authority's financial statements are designed to present users (citizens, taxpayers, customers and creditors) with a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority's accountability. If you have any questions about the report or need additional financial information, contact the Authority at 17651 NW 90 Court, Fanning Springs, Florida 32693.

## **BASIC FINANCIAL STATEMENTS**

**NATURE COAST REGIONAL WATER AUTHORITY**

**STATEMENT OF NET POSITION**

September 30, 2020

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 3,466
Total current assets	<u>3,466</u>

Noncurrent assets:

Non-depreciable	157,275
Depreciable	<u>2,191,100</u>
Total noncurrent assets	<u>2,348,375</u>
Total assets	<u>2,351,841</u>

**NET POSITION**

Net investment in capital assets	2,348,375
Unrestricted	<u>3,466</u>
Total net position	<u>\$ 2,351,841</u>

See notes to financial statements.

**NATURE COAST REGIONAL WATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For the Fiscal Year Ended September 30, 2020**

<b>OPERATING REVENUES</b>	
Customer fees	\$ 12,634
<b>TOTAL OPERATING REVENUES</b>	<u>12,634</u>
<b>OPERATING EXPENSES</b>	
Auditing fees	2,593
Depreciation expense	60,031
Insurance expense	6,000
Legal fees	3,291
Other operating expense	1,823
<b>TOTAL OPERATING EXPENSES</b>	<u>73,738</u>
<b>OPERATING LOSS</b>	<u>(61,104)</u>
<b>NET POSITION, Beginning of Year</b>	<u>2,412,945</u>
<b>NET POSITION, End of Year</b>	<u>\$ 2,351,841</u>

See notes to financial statements.

**NATURE COAST REGIONAL WATER AUTHORITY**

**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2020

**CASH FLOWS USED BY OPERATING ACTIVITIES:**

Cash received from members and customers	\$ 12,634
Cash payments for goods and services	<u>(13,167)</u>
Net cash used in operating activities	<u>(533)</u>

Net decrease in cash (533)

Cash, beginning of year	<u>3,999</u>
Cash, end of year	<u>\$ 3,466</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES:**

Operating loss	<u>\$ (61,104)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	\$ 541
Depreciation expense	<u>60,030</u>
Total adjustments	<u>60,571</u>
Net cash used in operating activities	<u>\$ (533)</u>

See notes to financial statements.

**NATURE COAST REGIONAL WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020**

**NOTE 1. DESCRIPTION OF ENTITY**

**Description of Operations**

The Authority is a local unit of government created on June 8, 2009 through an interlocal agreement between Dixie County, Gilchrist County, the Town of Bell, the Town of Cross City, the City of Fanning Springs, and the City of Trenton. It is an independent special district created pursuant to the statutory authority provided in Section 163.01, *Florida Statutes*, to provide water, wastewater, and reclaimed water services.

On October 15, 2014, the Authority entered into an agreement with the City of Fanning Springs for a period of ten years to supply potable water to residents within the Authority's service area. The City's obligations include provision of water, operations, maintenance and management of the Authority's water system, personnel for the operation of the Authority, all billing functions, insurance, accounting, maintenance, repair and replacement of Authority water system components, security, operating permits, monthly reports and various other services as documented in the lease agreement.

The Authority's obligations include construction of the water facilities, as well as permits and funding for that purpose. The Authority is also obligated, at its expense, to be responsible for all audits required for government grants or loans obtained for construction of the water system.

**Reporting Entity**

The Authority uses the criteria established in GASB Statement No. 14 to define the reporting entity and identify component units. Component units are entities for which the Authority is considered to be financially accountable. There are no other entities that qualify for inclusion as a component unit within the Authority's reporting entity.

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

**a. Basis of Presentation and Accounting**

The Authority'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 Authority 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 Authority 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 Authority'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 Authority is determined by its measurement focus. The transactions of the Authority 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 Authority 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 Authority 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. Capital Assets**

The cost of additions to the utility plant and major replacements of retired units of property is capitalized. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 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 Authority 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 a water facility.

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 – 40 years
------------------------------------------	---------------

**d. Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues were earned from fees attached to the water bills of customers served by the pipeline that was completed in this fiscal year. There were no revenues because the facility is still under construction. 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 Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

**e. 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:

*Net investment in capital assets* - 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, 2020, as follows:

Cash and cash equivalents	\$ 3,466
Total cash and equivalents	<u>\$ 3,466</u>

**b. Deposits**

The financial institution in which the Authority'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 Authority'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.

**NOTE 4. ACCOUNTS RECEIVABLE**

There were no account receivables in the fiscal year.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2020, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Construction in progress	\$ 157,275	\$ -	\$ -	\$ 157,275
Infrastructure	<u>2,401,206</u>	<u>-</u>	<u>-</u>	<u>\$ 2,401,206</u>
Total fixed assets	2,558,481	-	-	2,558,481
Accumulated depreciation	<u>(150,075)</u>	<u>(60,031)</u>	<u>-</u>	<u>(210,106)</u>
Net assets	<u>\$2,408,406</u>	<u>\$ (60,031)</u>	<u>\$ -</u>	<u>\$ 2,348,375</u>

**NOTE 6. ACCOUNTS PAYABLE**

There were no accounts payable in the fiscal year.

**NOTE 7. GRANT AGREEMENTS**

In December, 2017, Nature Coast Regional Water Authority (NCRWA) entered into an agreement with Suwannee River Water Management District (SRWMD) in which NCRWA was awarded funding totaling \$5,979,740 for a three-phase project that is intended to improve the wastewater treatment provided at Otter Springs and the surrounding areas. The funding agreement between NCRWA and SRWMD covered phase one of this project which entailed the building of a pipeline to connect Otter Springs Park to the City of Fanning Springs wastewater facility. The award for this phase one component is \$1,779,980, at year end the Authority has drawn \$157,275 of these funds.

**NOTE 8. 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, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the County. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**NOTE 9. BUDGETS**

The following is a comparison of the appropriations to total expenses for the Enterprise Funds for the fiscal year ended September 30, 2020.

	<u>Appropriations</u>	<u>Expenses</u>	<u>Variance Positive (Negative)</u>
Enterprise Fund			
Operating expense	\$ 20,200	\$ 13,707	\$ 6,493
Depreciation expense	-	60,031	(60,031)
	<u>\$ 20,200</u>	<u>\$ 73,738</u>	<u>\$ (53,538)</u>

**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***

To the Board of Directors  
Nature Coast Regional Water Authority  
Fanning Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Nature Coast Regional Water Authority, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Nature Coast Regional Water Authority’s basic financial statements, and have issued our report thereon dated July 13, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nature Coast Regional Water Authority’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 Nature Coast Regional Water Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Nature Coast Regional Water Authority’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 2014-1  
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 Nature Coast Regional Water Authority 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. We currently utilize the services of our Treasurer, 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. The Board of Directors reviews 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 Directors.*

*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.*

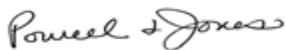
*This response was not subjected to the audit procedures applied in the audit and thus we express no opinion on it.*

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

As part of obtaining reasonable assurance about whether Nature Coast Regional Water Authority'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

July 13, 2021

NATURE COAST REGIONAL WATER AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 2020

	<u>CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<b>STATE FINANCIAL ASSISTANCE</b>						
Florida Department of Environmental Protection						
Passed through Suwannee River Water Management District						
Otter and Hart Springs Water Quality Improvement Proje	37.039	LP61035	<u>\$1,779,890</u>	<u>\$ 157,275</u>	<u>\$ -</u>	<u>\$ -</u>
Total state financial assistance			<u>\$1,779,890</u>	<u>\$ 157,275</u>	<u>\$ -</u>	<u>\$ -</u>
Total awards			<u>\$1,779,890</u>	<u>\$ 157,275</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of State Financial Assistance.



**NATURE COAST REGIONAL WATER AUTHORITY**

Notes to Schedule of Expenditures of State Financial Assistance

For the Fiscal Year Ended September 30, 2020

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

The accounting policies and presentation of the Single Audit Report of Nature Coast Regional Water Authority (the "Authority") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *OMB Uniform Requirements*, and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General.

**A. Reporting Entity**

The reporting entity consists of Nature Coast Regional Water Authority, the primary government. The Authority includes a Schedule of Expenditures of State Financial Assistance in the Compliance Section.

**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 modified accrual basis of accounting is followed in the Schedule of Expenditures of State Financial Assistance. 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 Authority 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.

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

To the Board of Directors  
Nature Coast Regional Water Authority  
Fanning Springs, Florida

We have audited the basic financial statements of Nature Coast Regional Water Authority (Authority) as of and for the year ended September 30, 2020, and have issued our report thereon dated July 13, 2021.

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 July 13, 2021. 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 in the prior year applicable to the management letter.

**CURRENT YEAR FINDINGS**

There were no other reportable findings in the current year applicable to the management letter.

**FINANCIAL COMPLIANCE MATTERS**

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

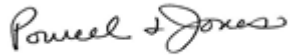
Financial Condition Assessment Procedures – As required by the *Rules of the Auditor General*, (Sections 10.554(1)(i)5.a and 10.556(8)), we applied financial condition assessment procedures to the Authority's financial statements. It is management's responsibility to monitor the entity's financial condition, 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.

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

A handwritten signature in cursive script that reads "Powell & Jones". The signature is contained within a rectangular box.

**POWELL & JONES**  
Certified Public Accountants  
July 13, 2021

## INDEPENDENT ACCOUNTANT'S REPORT

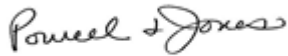
To the Board of Directors  
Nature Coast Regional Water Authority  
Fanning Springs, Florida

We have examined the Nature Coast Regional Water Authority's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2020. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority'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 Authority'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 Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of the Authority 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  
July 13, 2021

## Communication with Those Charged with Governance

To the Board of Directors  
Nature Coast Regional Water Authority  
Fanning Springs, Florida

We have audited the financial statements of Nature Coast Regional Water Authority for the year ended September 30, 2020. 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 Nature Coast Regional Water Authority are described Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. 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 Nature Coast Regional Water Authority'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 July 13, 2021.

*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*

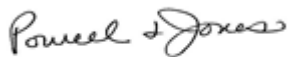
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 Directors and management of Nature Coast Regional Water Authority, 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  
July 13, 2021

**RESPONSE LETTER GOES HERE**