

**SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2015**

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

TABLE OF CONTENTS

June 30, 2015

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Basic Financial Statements:	
Statement of Net Position	3 - 4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6 - 7
Notes to the Basic Financial Statements	8 - 22
Supplementary Information:	23
Combining Statement of Net Position	24 - 25
Combining Statement of Revenues, Expenses and Changes in Net Position	26
Combining Statement of Cash Flows	27 - 28
Additional Schedules:	29
Analysis of Available Resources	30
Composition of Available Resources	31

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
South County Regional  
Wastewater Authority  
Gilroy, California

We have audited the accompanying financial statements of the South County Regional Wastewater Authority (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority'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 Authority'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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 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.

## **Emphasis of Matter**

As discussed in Note 5 to the financial statements, the Authority restated net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining statements and additional schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were 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 combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*White Nelson Dickel Evans LLP*

Irvine, California  
December 18, 2015

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF NET POSITION

June 30, 2015

ASSETS:

Current assets:

Cash and cash equivalents (Note 2)	\$ 2,543,279
Cash and investments (Note 2)	2,000,000
Accounts receivable	56,655
Due from City of Gilroy	1,130,289
Due from City of Morgan Hill	827,603
Due from other governments	2,193
Installment sale receivable - current (Notes 1j and 4)	1,320,000

Restricted assets:

Cash and cash equivalents with fiscal agent (Note 2)	1,849,554
Accrued interest on installment sale receivable	<u>212,443</u>

Total current assets	<u>9,942,016</u>
----------------------	------------------

Noncurrent assets:

Capital assets (Note 3):

Buildings and improvements	67,494,863
Land improvements	10,681,371
Infrastructure	12,758,116
Fleet (vehicles)	1,088,223
Office furniture, fixtures and equipment	<u>13,736,386</u>

Subtotal	105,758,959
----------	-------------

Less: accumulated depreciation	<u>(51,017,945)</u>
--------------------------------	---------------------

Total capital assets being depreciated, net	54,741,014
---	------------

Land	13,396,202
------	------------

Construction in progress	<u>9,636,812</u>
--------------------------	------------------

Total capital assets, net	<u>77,774,028</u>
---------------------------	-------------------

Other assets:

Installment sale receivable (Notes 1j and 4)	<u>8,955,592</u>
--	------------------

TOTAL ASSETS	<u>96,671,636</u>
--------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount on refunding	<u>627,818</u>
------------------------------	----------------

See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2015

LIABILITIES:

Current liabilities:

Accounts payable	\$ 331,382
Retention payable	120,627
Unearned revenue	1,416,873
Revenue bonds payable - current (Note 4)	<u>1,320,000</u>

Total current liabilities	<u>3,188,882</u>
---------------------------	------------------

Current liabilities payable from restricted assets:

Accrued interest payable	<u>212,443</u>
--------------------------	----------------

Noncurrent liabilities:

Compensated absences	19,995
Revenue bonds payable (Note 4)	<u>10,817,233</u>

Total noncurrent liabilities	<u>10,837,228</u>
------------------------------	-------------------

TOTAL LIABILITIES	<u>14,238,553</u>
-------------------	-------------------

NET POSITION:

Net investment in capital assets	77,774,028
Unrestricted	<u>5,286,873</u>

TOTAL NET POSITION	<u><u>\$ 83,060,901</u></u>
--------------------	-----------------------------

See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2015

OPERATING REVENUES:	
Operating contributions from City of Gilroy	\$ 4,419,619
Operating contributions from City of Morgan Hill	3,326,379
Other charges for services	98,653
TOTAL OPERATING REVENUES	7,844,651
OPERATING EXPENSES:	
Sewage treatment	7,075,653
Pretreatment program	550,508
Plant operations	148,099
Depreciation	2,675,710
TOTAL OPERATING EXPENSES	10,449,970
OPERATING LOSS	(2,605,319)
NONOPERATING REVENUES (EXPENSES):	
Interest contributions from City of Morgan Hill	513,581
Rental income	87,500
Interest income	49,239
Miscellaneous income	85,199
Interest expense and related fees	(216,413)
TOTAL NONOPERATING REVENUES (EXPENSES)	519,106
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,086,213)
CAPITAL CONTRIBUTIONS:	
Capital contribution from City of Gilroy	2,976,671
Capital contribution from City of Morgan Hill	2,214,678
TOTAL CAPITAL CONTRIBUTIONS	5,191,349
CHANGE IN NET POSITION	3,105,136
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	79,955,765
NET POSITION AT END OF YEAR	\$ 83,060,901

See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from system users	\$ 9,929,953
Rental income received	87,500
Miscellaneous income	85,199
Cash payments to suppliers for goods and services	(7,161,007)
Cash payments to employees for services	<u>(485,345)</u>

NET CASH PROVIDED BY  
OPERATING ACTIVITIES

2,456,300

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES:

Cash paid for fixed assets	(5,563,372)
Member contributions toward interest	532,175
Member contributions toward principal	1,275,000
Capital contributions	4,298,379
Interest paid on bonds	(532,175)
Principal paid on bonds	<u>(1,275,000)</u>

NET CASH USED BY CAPITAL AND  
RELATED FINANCING ACTIVITIES

(1,264,993)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	<u>38,795</u>
----------------------------------	---------------

NET INCREASE IN CASH  
AND CASH EQUIVALENTS

1,230,102

CASH AND CASH EQUIVALENTS AT  
BEGINNING OF YEAR

3,162,731

CASH AND CASH EQUIVALENTS AT  
END OF YEAR

\$ 4,392,833

See accompanying notes to the basic financial statements.

(Continued)

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (2,605,319)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,675,710
Rental income	87,500
Miscellaneous income	85,199
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	84,497
(Increase) decrease in due from City of Gilroy	338,941
(Increase) decrease in due from City of Morgan Hill	154,344
(Increase) decrease in due from other governments	(817)
Increase (decrease) in accounts and retention payable	220,884
Increase(decrease) in unearned revenue	1,416,873
Increase (decrease) in compensated absences	<u>(1,512)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,456,300</u></u>

CASH AND CASH EQUIVALENTS -

FINANCIAL STATEMENT CLASSIFICATION:

Current assets:	
Cash and cash equivalents	\$ 2,543,279
Restricted assets:	
Cash and cash equivalents with fiscal agent	<u>1,849,554</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 4,392,833</u></u>

There were no significant noncash financing, capital or investing transactions for the year ended June 30, 2015.

See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the South County Regional Wastewater Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Authority are described below.

a. Description of Reporting Entity:

The Authority was created on July 1, 1992 by the City of Morgan Hill and the City of Gilroy (Member Agencies). The purpose of the Authority is to plan and implement regional solutions to the wastewater treatment and management problems resulting from the generation of wastewater within the service areas of the Member Agencies. To achieve this purpose, the Authority constructs, maintains and operates facilities for sewage treatment and wastewater reclamation. The City of Gilroy has a 58.1% ownership interest in the Authority. The City of Morgan Hill has a 41.9% ownership interest in the Authority. This agreement terminates the joint power agreement entered into in 1979 (the Agreement of 1979).

The Authority is governed by a Board of Directors which consists of three members from the Gilroy City Council and two members from the Morgan Hill City Council.

The Authority is classified as a joint venture with respect to the two member agencies. Although the City of Gilroy controls three of the five members of the Board of Directors, the City of Gilroy does not have the ability to impose its will on the Authority beyond its representation on the Board. The Authority's budget and member contribution requirements are approved by the Board of Directors of the Authority. Although the City of Gilroy provides accounting services, engineering services, and administrative support to the Authority, day-to-day operations associated with the Authority have been contracted directly by the Authority to a private provider of services for wastewater management and operations.

b. Basic Financial Statements:

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the basic financial statements.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Internal activity has been eliminated in the accompanying financial statements.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with sewer operations. The principal operating revenues of the Authority are contributions from Member Agencies. Operating expenses include cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net position of the Authority has been reported as restricted when their use is constrained more narrowly than the reporting unit in which they are reported as a result of state laws governing such use. When both restricted and unrestricted resources are available for use, the Authority uses restricted resources first, then unrestricted resources as they are needed. For capital expenditures, legally available restricted bond proceeds are used first, then other restricted resources, then unrestricted resources are used if needed.

d. New Accounting Pronouncements:

**Current Year Standards:**

GASB 68 - "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*", required to be implemented in the current fiscal year and did not impact the Authority.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

**Current Year Standards (Continued):**

GASB 69 - "*Government Combinations and Disposals of Government Operations*", required to be implemented in the current fiscal year and did not impact the Authority.

GASB 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", required to be implemented in the current fiscal year and did not impact the Authority.

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the Authority's financial reporting requirements in the future:

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

e. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Authority has reported the deferred amount on refunding as deferred outflows of resources.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority has no deferred inflows of resources.

f. Operating Contributions:

Operating contributions from the members are recognized when the related operating costs are incurred. Members are billed amounts equal to the actual operating expenses incurred less other revenues including contributions from nonmember users.

g. Capital Contributions:

In accordance with generally accepted accounting principles for local governmental units, the Authority has recorded the following transactions as capital contributions:

- Capital grants and other contributions from third parties restricted for property, plant, and equipment.
- Cash contributed from members for property, plant, and equipment.

h. Capitalization of Interest:

Interest paid on bonds (net of interest earnings on the investment of unexpended bond proceeds) is capitalized as a cost of property, plant and equipment until the assets constructed with bond proceeds are ready for their intended use.

During the period of construction, member cash contributions toward capitalized interest increase the members' investment in the joint venture and are recorded by the Authority as capital contributions.

In fiscal year 2014-2015, the Authority capitalized \$395,553 in interest.

i. Balances Due To/From Member Agencies:

Balances shown as due to/from agencies represent each member's over/under payment towards the funding of current year operations and plant construction.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

j. Installment Sales Receivable:

The Authority has recorded an installment sales receivable for capacity rights sold to member agencies under installment purchase agreements. Capacity rights are sold to members in return for member contributions toward (and ownership in) the facilities of the Authority. The members' obligation has been valued at the amount of principal payments agreed to be made by the members under the terms of the installment purchase agreements.

k. Capital Assets:

Property, plant and equipment purchases greater than \$10,000 are capitalized at original acquisition cost or estimated acquisition cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. Capital assets acquired under capital leases are recorded at the net present value of the total lease payments. Depreciation is charged to operations, using a straight-line method, based on the estimated useful life of the assets. The estimated useful lives of the assets are as follows:

Furniture and fixtures	10 to 20 years
Vehicles	8 years
Machinery and equipment	5 to 25 years
Treatment plant	40 years
Buildings	40 years
Sewer lines	50 years
Land improvements	50 years

l. Investments:

Investments are reported in the accompanying Statement of Net Position at fair value.

Changes in fair value that occur during the fiscal year are recognized as *increase (decrease) in fair value of investments* reported for that fiscal year. *Investment income* includes interest earnings, and any gains or losses realized upon the liquidation or sale of investments.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

m. Cash Equivalents:

For purposes of the statement of cash flows, cash represents funds that effectively may be withdrawn at any time without prior notice of penalty (such as demand deposits and mutual funds). Cash equivalents are investments that are short-term and highly liquid and that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

n. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

2. CASH AND INVESTMENTS:

**Cash and Investments:**

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and cash equivalents	\$ 2,543,279
Cash and investments	2,000,000

Restricted Asset:

Cash and cash equivalents with fiscal agent	<u>1,849,554</u>
---	------------------

Total cash and investments	<u>\$ 6,392,833</u>
----------------------------	---------------------

Cash and investments as of June 30, 2015 consisted of the following:

Equity in City of Gilroy investment pool	\$ 12,345
Investments	<u>6,380,488</u>
Total cash and Investments	<u>\$ 6,392,833</u>

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the Authority's Investment Policy:**

The table below identifies the investment types that are authorized for the Authority by the California Government Code and the Authority's investment policy. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds with fiscal agent that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Investment Types <u>Authorized by State Law</u>	Authorized by Investment <u>Policy</u>	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Government Sponsored Agency Securities	Yes	5 years	None	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

N/A - Not Applicable

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

Investment of debt proceeds with fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The table below identifies the investment types that are authorized for investments with fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Agency Securities	None	None	None
Banker's Acceptances	365 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	180 days	None	None
Investment Agreements	N/A	None	None
N/A - Not Applicable			

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments with fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	
Equity in City of Gilroy investment pool	\$ 12,345	\$ -	\$ -	\$ 12,345
U.S. Government Sponsored Agency Securities:				
Federal Farm Credit Bank	-	-	1,000,000	1,000,000
Federal National Mortgage Association	-	-	1,000,000	1,000,000
Local Agency Investment Fund	2,530,934	-	-	2,530,934
Held by Fiscal Agent:				
Money Market Funds	<u>1,849,554</u>	<u>-</u>	<u>-</u>	<u>1,849,554</u>
	<u>\$ 4,392,833</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 6,392,833</u>

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating by Standard and Poors as of year end for each investment type.

Investment Type	Minimum Legal Rating	Total as of June 30, 2015	AAA	AA	Not Rated
Equity in City of Gilroy investment pool	N/A	\$ 12,345	\$ -	\$ -	\$ 12,345
U.S. Government Sponsored Agency Securities:					
Federal Farm Credit Bank	A	1,000,000	-	1,000,000	-
Federal National Mortgage Association	A	1,000,000	-	1,000,000	-
Local Agency Investment Fund	N/A	2,530,934	-	-	2,530,934
Held by Fiscal Agency:					
Money Market Funds	A	<u>1,849,554</u>	<u>1,849,554</u>	<u>-</u>	<u>-</u>
		<u>\$ 6,392,833</u>	<u>\$ 1,849,554</u>	<u>\$ 2,000,000</u>	<u>\$ 2,543,279</u>

**Concentration of Credit Risk:**

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Authority investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	U.S. Government Sponsored Agency Securities	\$ 1,000,000
Federal National Mortgage Association	U.S. Government Sponsored Agency Securities	\$ 1,000,000

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk:**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as with fiscal agent, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

**Investment in State Investment Pool:**

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance July 1, 2014 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 13,396,202	\$ -	\$ -	\$ 13,396,202
Construction in progress	<u>7,050,110</u>	<u>5,579,996</u>	<u>(2,993,294)</u>	<u>9,636,812</u>
Total capital assets, not being depreciated	<u>20,446,312</u>	<u>5,579,996</u>	<u>(2,993,294)</u>	<u>23,033,014</u>
Capital assets, being depreciated:				
Buildings and improvements	67,247,762	247,101	-	67,494,863
Land improvements	10,681,371	-	-	10,681,371
Infrastructure	10,028,548	2,729,568	-	12,758,116
Fleet (vehicles)	1,088,223	-	-	1,088,223
Office furniture and equipment	<u>13,736,386</u>	<u>-</u>	<u>-</u>	<u>13,736,386</u>
Total capital assets, being depreciated	<u>102,782,290</u>	<u>2,976,669</u>	<u>-</u>	<u>105,758,959</u>
Less accumulated depreciation for:				
Buildings and improvements	(29,543,193)	(1,699,749)	-	(31,242,942)
Land improvements	(4,514,547)	(251,323)	-	(4,765,870)
Infrastructure	(3,274,719)	(238,545)	-	(3,513,264)
Fleet (vehicles)	(870,615)	(56,000)	-	(926,615)
Office furniture and equipment	<u>(10,139,161)</u>	<u>(430,093)</u>	<u>-</u>	<u>(10,569,254)</u>
Total accumulated depreciation	<u>(48,342,235)</u>	<u>(2,675,710)</u>	<u>-</u>	<u>(51,017,945)</u>
Total capital assets being depreciated, net	<u>54,440,055</u>	<u>300,959</u>	<u>-</u>	<u>54,741,014</u>
Total capital assets, net	<u>\$ 74,886,367</u>	<u>\$ 5,880,955</u>	<u>\$ (2,993,294)</u>	<u>\$ 77,774,028</u>

Depreciation expense was \$2,675,710 for the year ended June 30, 2015.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
Bonds payable:					
Morgan Hill Series 2002	\$ 13,400,000	\$ _____	\$ (1,275,000)	\$ 12,125,000	\$ 1,320,000

**Morgan Hill Series 2002:**

The Authority issued refunding revenue bonds on October 3, 2002 in the amount of \$25,390,000. Interest was payable at rates ranging from 2.0% to 4.5%. The outstanding balance at June 30, 2015 was \$12,125,000.

The bonds were secured by an assignment and pledge of installment payments made by the City of Morgan Hill pursuant to the Second Amended and Restated Installment Purchase Agreement relating to capacity rights in regional wastewater facilities.

Under terms of the Installment Purchase Agreement, the City of Morgan Hill had incurred an obligation of \$29,904,000 in return for acquiring 41.9% of the capacity rights for the constructed assets.

Covenants within the Installment Purchase Agreement required the City of Morgan Hill to, among other things, maintain insurance on the facility, establish wastewater rates which were sufficient to pay the operating costs and debt service on the bonds, and to provide net revenues equal to at least 1.15 times the annual installment payments due. The Authority must maintain a reserve equal to \$1,849,400. As of June 30, 2015, the actual reserve was \$1,849,554, which consisted of \$199 in the reserve account and \$1,849,355 in an escrow account.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

**Morgan Hill Series 2002 (Continued):**

Debt service requirements to maturity (including sinking fund installments) on the bonds subsequent to June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,320,000	\$ 483,463	\$ 1,803,463
2017	1,375,000	431,281	1,806,281
2018	1,430,000	376,900	1,806,900
2019	1,495,000	316,531	1,811,531
2020	1,560,000	251,613	1,811,613
2021	1,625,000	183,931	1,808,931
2022	1,700,000	111,150	1,811,150
2023	1,620,000	36,450	1,656,450
Total	\$ 12,125,000	\$ 2,191,319	\$ 14,316,319

The aforementioned revenue bonds are presented in the accompanying financial statements as follows:

Gross bonds payable	\$ 12,125,000
Plus unamortized bond premium, net	73,106
Less unamortized bond discount	(60,873)
Net bonds payable (total)	12,137,233
Less current principal outstanding	(1,320,000)
Long-term principal outstanding	\$ 10,817,233

On June 30, 2015, the City of Morgan Hill issued sewer revenue bonds in the amount of \$15,690,000 to (1) finance certain public improvements and (2) to prepay the outstanding Morgan Hill Series 2002 bonds. After the prepayment, which was closed on August 3, 2015, there is no longer any outstanding debt on the Authority's financial statements for the City of Morgan Hill. The City of Morgan Hill's sewer enterprise fund maintains an obligation to generate net revenue to pay its outstanding obligation off over time without any responsibility or requirements from the Authority.

SOUTH COUNTY REGIONAL  
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
(CONTINUED)

For the year ended June 30, 2015

5. RESTATEMENT OF NET POSITION:

Net position as of July 1, 2014 was restated from \$81,083,239 to \$79,955,765 to remove capital assets which were recorded incorrectly in fiscal year 2013-2014.

6. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of December 18, 2015, including the prepayment of the Morgan Hill Series 2002 bonds as explained in Note 4, which is the date these financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

## SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

## COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 2,543,279	\$ 2,543,279
Cash and investments	-	-	2,000,000	2,000,000
Accounts receivable	-	-	56,655	56,655
Due from City of Gilroy	-	754,786	375,503	1,130,289
Due from City of Morgan Hill	-	544,329	283,274	827,603
Due from other governments	-	-	2,193	2,193
Due from other funds	-	-	1,159,010	1,159,010
Installment sale receivable - current	1,320,000	-	-	1,320,000
Restricted assets:				
Cash and cash equivalents with fiscal agent	1,849,554	-	-	1,849,554
Accrued interest on installment sale receivable	212,443	-	-	212,443
<b>Total current assets</b>	<b>3,381,997</b>	<b>1,299,115</b>	<b>6,419,914</b>	<b>11,101,026</b>
Noncurrent assets:				
Capital assets:				
Buildings and improvements	-	-	67,494,863	67,494,863
Land improvements	-	-	10,681,371	10,681,371
Infrastructure	-	-	12,758,116	12,758,116
Fleet (vehicles)	-	-	1,088,223	1,088,223
Office furniture, fixtures and equipment	-	-	13,736,386	13,736,386
Subtotal	-	-	105,758,959	105,758,959
Less: accumulated depreciation	-	-	(51,017,945)	(51,017,945)
Total capital assets being depreciated, net	-	-	54,741,014	54,741,014
Land	-	-	13,396,202	13,396,202
Construction in progress	-	7,779,967	1,856,845	9,636,812
<b>Total capital assets, net</b>	<b>-</b>	<b>7,779,967</b>	<b>69,994,061</b>	<b>77,774,028</b>
Other assets:				
Installment sale receivable	8,955,592	-	-	8,955,592
<b>TOTAL ASSETS</b>	<b>12,337,589</b>	<b>9,079,082</b>	<b>76,413,975</b>	<b>97,830,646</b>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred amount on refunding	627,818	-	-	627,818

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ -	\$ 19,882	\$ 311,500	\$ 331,382
Retention payable	-	74,854	45,773	120,627
Due to other funds	-	1,159,010	-	1,159,010
Unearned revenue	-	162,112	1,254,761	1,416,873
Revenue bonds payable - current	1,320,000			1,320,000
Total current liabilities	1,320,000	1,415,858	1,612,034	4,347,892
Current liabilities payable from restricted assets:				
Accrued interest payable	212,443	-	-	212,443
Noncurrent liabilities:				
Compensated absences	-	-	19,995	19,995
Revenue bonds payable	10,817,233	-	-	10,817,233
Total noncurrent liabilities	10,817,233	-	19,995	10,837,228
<b>TOTAL LIABILITIES</b>	<b>12,349,676</b>	<b>1,415,858</b>	<b>1,632,029</b>	<b>15,397,563</b>
<b>NET POSITION:</b>				
Net investment in capital assets	-	7,779,967	69,994,061	77,774,028
Unrestricted	615,731	(116,743)	4,787,885	5,286,873
<b>TOTAL NET POSITION</b>	<b>\$ 615,731</b>	<b>\$ 7,663,224</b>	<b>\$ 74,781,946</b>	<b>\$ 83,060,901</b>

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>OPERATING REVENUES:</b>				
Operating contributions from City of Gilroy	\$ -	\$ -	\$ 4,419,619	\$ 4,419,619
Operating contributions from City of Morgan Hill	-	-	3,326,379	3,326,379
Other charges for services	-	-	98,653	98,653
<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>-</b>	<b>7,844,651</b>	<b>7,844,651</b>
<b>OPERATING EXPENSES:</b>				
Sewage treatment	-	-	7,075,653	7,075,653
Pretreatment program	-	-	550,508	550,508
Plant operations	-	-	148,099	148,099
Depreciation	-	-	2,675,710	2,675,710
<b>TOTAL OPERATING EXPENSES</b>	<b>-</b>	<b>-</b>	<b>10,449,970</b>	<b>10,449,970</b>
<b>OPERATING LOSS</b>	<b>-</b>	<b>-</b>	<b>(2,605,319)</b>	<b>(2,605,319)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest contributions from City of Morgan Hill	513,581	-	-	513,581
Rental income	-	-	87,500	87,500
Interest income	10,598	-	38,641	49,239
Miscellaneous income (expense)	-	(103,172)	188,371	85,199
Interest expense and related fees	(216,413)	-	-	(216,413)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>307,766</b>	<b>(103,172)</b>	<b>314,512</b>	<b>519,106</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>307,766</b>	<b>(103,172)</b>	<b>(2,290,807)</b>	<b>(2,086,213)</b>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS:</b>				
Transfers in	-	279,111	116,442	395,553
Transfers out	(395,553)	-	-	(395,553)
Capital contribution from City of Gilroy	-	929,762	2,046,909	2,976,671
Capital contribution from City of Morgan Hill	-	670,518	1,544,160	2,214,678
<b>TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>(395,553)</b>	<b>1,879,391</b>	<b>3,707,511</b>	<b>5,191,349</b>
<b>CHANGE IN NET POSITION</b>	<b>(87,787)</b>	<b>1,776,219</b>	<b>1,416,704</b>	<b>3,105,136</b>
<b>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</b>	<b>703,518</b>	<b>5,887,005</b>	<b>73,365,242</b>	<b>79,955,765</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 615,731</b>	<b>\$ 7,663,224</b>	<b>\$ 74,781,946</b>	<b>\$ 83,060,901</b>

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from system users	\$ -	\$ 272,634	\$ 9,657,319	\$ 9,929,953
Rental income received	-	-	87,500	87,500
Miscellaneous income (expense)	-	(103,172)	188,371	85,199
Cash payments to suppliers for goods and services	-	-	(7,161,007)	(7,161,007)
Cash payments to employees for services	-	-	(485,345)	(485,345)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>-</b>	<b>169,462</b>	<b>2,286,838</b>	<b>2,456,300</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash received from/(paid to) other funds	(395,553)	1,389,737	(994,184)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(395,553)</b>	<b>1,389,737</b>	<b>(994,184)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Cash paid for fixed assets	-	(1,870,956)	(3,692,416)	(5,563,372)
Member contributions toward interest	532,175	-	-	532,175
Member contributions toward principal	1,275,000	-	-	1,275,000
Capital contributions	395,553	311,757	3,591,069	4,298,379
Interest paid on bonds	(532,175)	-	-	(532,175)
Principal paid on bonds	(1,275,000)	-	-	(1,275,000)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>395,553</b>	<b>(1,559,199)</b>	<b>(101,347)</b>	<b>(1,264,993)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	154	-	38,641	38,795
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>154</b>	<b>-</b>	<b>1,229,948</b>	<b>1,230,102</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,849,400</b>	<b>-</b>	<b>1,313,331</b>	<b>3,162,731</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,849,554</b>	<b>\$ -</b>	<b>\$ 2,543,279</b>	<b>\$ 4,392,833</b>

(Continued)

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ -	\$ -	\$ (2,605,319)	\$ (2,605,319)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	-	-	2,675,710	2,675,710
Rental income	-	-	87,500	87,500
Miscellaneous income (expense)	-	(103,172)	188,371	85,199
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	-	19,058	65,439	84,497
(Increase) decrease in due from City of Gilroy	-	-	338,941	338,941
(Increase) decrease in due from City of Morgan Hill	-	-	154,344	154,344
(Increase) decrease in due from other governments	-	-	(817)	(817)
Increase (decrease) in accounts and retention payable	-	91,464	129,420	220,884
Increase (decrease) in unearned revenue	-	162,112	1,254,761	1,416,873
Increase (decrease) in compensated absences	-	-	(1,512)	(1,512)
	<u>\$ -</u>	<u>\$ 169,462</u>	<u>\$ 2,286,838</u>	<u>\$ 2,456,300</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 2,543,279	\$ 2,543,279
Restricted assets:				
Cash and cash equivalents with fiscal agent	1,849,554	-	-	1,849,554
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,849,554</u>	<u>\$ -</u>	<u>\$ 2,543,279</u>	<u>\$ 4,392,833</u>

**ADDITIONAL SCHEDULES**

## SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

## ANALYSIS OF AVAILABLE RESOURCES

For the year ended June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>BEGINNING RESOURCES AVAILABLE:</b>				
Debt service reserve	\$ 1,849,400	\$ -	\$ -	\$ 1,849,400
Operating reserve	-	(22,006)	4,409,394	4,387,388
<b>TOTAL BEGINNING RESOURCES</b>	<u>1,849,400</u>	<u>(22,006)</u>	<u>4,409,394</u>	<u>6,236,788</u>
<b>SOURCE OF FUNDS (WORKING CAPITAL):</b>				
Revenues	-	-	7,844,651	7,844,651
Investment income	10,598	-	38,641	49,239
Member capital contributions	395,553	311,757	3,591,069	4,298,379
Member interest contributions	532,175	-	-	532,175
Member principal contributions	1,275,000	-	-	1,275,000
<b>TOTAL SOURCES</b>	<u>2,213,326</u>	<u>311,757</u>	<u>11,474,361</u>	<u>13,999,444</u>
<b>USE OF FUNDS (WORKING CAPITAL):</b>				
Expenses (excluding depreciation)	-	103,172	7,774,260	7,877,432
Interest incurred	532,175	-	-	532,175
Principal paid	1,275,000	-	-	1,275,000
Capital expenditures incurred	-	1,870,956	3,692,416	5,563,372
Transfers	395,553	(1,389,757)	994,204	-
<b>TOTAL USES</b>	<u>2,202,728</u>	<u>584,371</u>	<u>12,460,880</u>	<u>15,247,979</u>
<b>ADJUSTMENTS:</b>				
Adjustments for other assets and liabilities (bond discount, etc.)	(10,444)	177,877	1,385,005	1,552,438
<b>TOTAL ADJUSTMENTS</b>	<u>(10,444)</u>	<u>177,877</u>	<u>1,385,005</u>	<u>1,552,438</u>
<b>TOTAL CHANGES IN RESOURCES</b>	<u>154</u>	<u>(94,737)</u>	<u>398,486</u>	<u>303,903</u>
<b>ENDING RESOURCES AVAILABLE</b>	<u>\$ 1,849,554</u>	<u>\$ (116,743)</u>	<u>\$ 4,807,880</u>	<u>\$ 6,540,691</u>
<b>RECAP OF ENDING RESOURCES:</b>				
Debt service reserve	\$ 1,849,554	\$ -	\$ -	\$ 1,849,554
Operating reserve	-	(116,743)	4,807,880	4,691,137
<b>TOTAL ENDING RESOURCES</b>	<u>\$ 1,849,554</u>	<u>\$ (116,743)</u>	<u>\$ 4,807,880</u>	<u>\$ 6,540,691</u>

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMPOSITION OF AVAILABLE RESOURCES

For the year ended June 30, 2015

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
<b>BEGINNING RESOURCES AVAILABLE:</b>				
Cash	\$ 1,849,400	\$ -	\$ 3,313,331	\$ 5,162,731
Receivables	1,506,036	45,485	1,323,916	2,875,437
Payables	<u>(1,506,036)</u>	<u>(67,491)</u>	<u>(227,853)</u>	<u>(1,801,380)</u>
<b>TOTAL BEGINNING RESOURCES</b>	<b><u>\$ 1,849,400</u></b>	<b><u>\$ (22,006)</u></b>	<b><u>\$ 4,409,394</u></b>	<b><u>\$ 6,236,788</u></b>
<b>ENDING RESOURCES AVAILABLE:</b>				
Cash	\$ 1,849,554	\$ -	\$ 4,543,279	\$ 6,392,833
Receivables	1,532,443	1,299,115	1,876,635	4,708,193
Payables	<u>(1,532,443)</u>	<u>(1,415,858)</u>	<u>(1,612,034)</u>	<u>(4,560,335)</u>
<b>TOTAL ENDING RESOURCES</b>	<b><u>\$ 1,849,554</u></b>	<b><u>\$ (116,743)</u></b>	<b><u>\$ 4,807,880</u></b>	<b><u>\$ 6,540,691</u></b>