

**SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY**

BASIC FINANCIAL STATEMENTS

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

JUNE 30, 2016

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

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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, 2016, 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, 2016 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Nick Evans LLP

Irvine, California
December 16, 2016

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF NET POSITION

June 30, 2016

ASSETS:

Current assets:

Cash and cash equivalents (Note 2)	\$ 5,330,962
Cash and investments (Note 2)	2,000,000
Accounts receivable	55,478
Due from City of Gilroy	2,086
Due from City of Morgan Hill	1,504
Due from other governments	7,952

Total current assets	7,397,982
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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	13,736,386

Subtotal	105,758,959
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Less: accumulated depreciation	(53,686,375)
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Total capital assets being depreciated, net	52,072,584
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Land	13,396,202
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Construction in progress	27,028,351
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Total capital assets, net	92,497,137
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TOTAL ASSETS	99,895,119
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See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2016

LIABILITIES:

Current liabilities:

Accounts payable	\$ 950,076
Retention payable	931,911
Due to City of Gilroy	50,092
Due to City of Morgan Hill	36,273
Unearned revenue	<u>438,845</u>

Total current liabilities	<u>2,407,197</u>
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Noncurrent liabilities:

Compensated absences	<u>22,774</u>
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Total noncurrent liabilities	<u>22,774</u>
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TOTAL LIABILITIES	<u>2,429,971</u>
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NET POSITION:

Net investment in capital assets	92,497,137
Unrestricted	<u>4,968,011</u>

TOTAL NET POSITION	<u><u>\$ 97,465,148</u></u>
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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, 2016

OPERATING REVENUES:	
Operating contributions from City of Gilroy	\$ 5,235,337
Operating contributions from City of Morgan Hill	3,790,244
Other charges for services	<u>87,163</u>
TOTAL OPERATING REVENUES	<u>9,112,744</u>
OPERATING EXPENSES:	
Sewage treatment	7,899,867
Pretreatment program	568,765
Plant operations	196,243
Depreciation	<u>2,668,430</u>
TOTAL OPERATING EXPENSES	<u>11,333,305</u>
OPERATING LOSS	<u>(2,220,561)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest contributions from City of Morgan Hill	42,492
Rental income	87,500
Interest income	49,116
Miscellaneous expense	(104,894)
Interest expense and related fees	<u>(624,474)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(550,260)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	<u>(2,770,821)</u>
CAPITAL CONTRIBUTIONS:	
Capital contribution from City of Gilroy	9,964,559
Capital contribution from City of Morgan Hill	<u>7,210,509</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>17,175,068</u>
CHANGE IN NET POSITION	14,404,247
NET POSITION AT BEGINNING OF YEAR	<u>83,060,901</u>
NET POSITION AT END OF YEAR	<u><u>\$ 97,465,148</u></u>

See accompanying notes to the basic financial statements.

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from system users	\$ 10,391,046
Rental income received	87,500
Miscellaneous expense	(104,894)
Cash payments to suppliers for goods and services	(6,967,018)
Cash payments to employees for services	<u>(485,345)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,921,289</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	<u>33,778</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>33,778</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash paid for capital assets	(17,391,539)
Member contributions toward interest	42,492
Member contributions toward principal	10,275,592
Capital contributions	17,175,068
Interest paid on bonds	(42,667)
Principal paid on bonds	<u>(12,125,000)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,066,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	<u>49,116</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>49,116</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	938,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,392,833</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,330,962</u></u>

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, 2016

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (2,220,561)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,668,430
Rental income	87,500
Miscellaneous expense	(104,894)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	1,177
(Increase) decrease in due from City of Gilroy	1,178,295
(Increase) decrease in due from City of Morgan Hill	862,372
(Increase) decrease in due from other governments	(5,759)
Increase (decrease) in accounts and retention payable	1,429,978
Increase(decrease) in unearned revenue	(978,028)
Increase (decrease) in compensated absences	2,779
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,921,289

CASH AND CASH EQUIVALENTS -
FINANCIAL STATEMENT CLASSIFICATION:

Current assets:	
Cash and cash equivalents	\$ 5,330,962
TOTAL CASH AND CASH EQUIVALENTS	\$ 5,330,962

There were no significant noncash financing, capital or investing transactions for the year ended June 30, 2016.

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, 2016

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the South County Regional Wastewater Authority (the Authority) have been prepared in accordance 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.

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. The current agreement terminates the joint power agreement entered into in 1979 (the Agreement of 1979). 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, 2016

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 nonoperating 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 services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net position of the Authority has been reported as restricted when its use is constrained more narrowly than the reporting unit in which it is 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.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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

d. New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2015-2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *“Fair Value Measurement and Application”*. GASB Statement No. 72 requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the Authority’s financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 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”*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the Authority.

GASB Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, was required to be implemented in the current fiscal year, and did not impact the Authority.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the Authority.

GASB Statement No. 82, *“Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73”*, changed the measurement of covered payroll reported in required supplementary information and did not impact the Authority.

SOUTH COUNTY REGIONAL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

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

- 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”*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, 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 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.
- GASB 81 - *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB 82 - *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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

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) until that time. The Authority has no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so 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 2015-2016, the Authority capitalized \$33,777 in interest.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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

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.

j. 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

k. 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. *Interest income* includes interest earnings, and any gains or losses realized upon the liquidation or sale of investments.

l. 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.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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

m. 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, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and cash equivalents	\$ 5,330,962
Cash and investments	<u>2,000,000</u>
Total cash and investments	<u>\$ 7,330,962</u>

Cash and investments as of June 30, 2016 consisted of the following:

Equity in City of Gilroy investment pool	\$ 40,299
Investments	<u>7,290,663</u>
Total cash and Investments	<u>\$ 7,330,962</u>

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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, 2016

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 to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Equity in City of Gilroy investment pool	\$ 40,299	\$ -	\$ -	\$ 40,299
U.S. Government Sponsored Agency Securities:				
Federal Home Loan Bank	-	-	2,000,000	2,000,000
Local Agency Investment Fund	5,290,663	-	-	5,290,663
	\$ 5,330,962	\$ -	\$ 2,000,000	\$ 7,330,962

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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, or the Authority's investment policy, and the actual rating by Standard and Poor's as of year end for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total as of June 30, 2016</u>	<u>AAA</u>	<u>AA+</u>	<u>Not Rated</u>
Equity in City of Gilroy investment pool	N/A	\$ 40,299	\$ -	\$ -	\$ 40,299
U.S. Government Sponsored Agency Securities:					
Federal Home Loan Bank	N/A	2,000,000	-	2,000,000	-
Local Agency Investment Fund	N/A	<u>5,290,663</u>	<u>-</u>	<u>-</u>	<u>5,290,663</u>
		<u>\$ 7,330,962</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 5,330,962</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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Government Sponsored Agency Securities	\$ 2,000,000

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

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.

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.

Equity in Cash and Investment Pool of the City of Gilroy:

The Authority does not have a separate bank account; however, the Authority's cash and investments are maintained in an investment pool managed by the City. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. 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 calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. At June 30, 2016, the Authority had a cash balance of \$40,299.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements:

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Authority has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Authority's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the Authority's management. Authority management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Authority management's perceived risk of that investment.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by Authority's asset manager from a third party service provider.

The following is a description of the recurring valuation methods and assumptions used by the Authority to estimate the fair value of its investments.

For a large portion of the Authority's portfolio, the Authority's asset manager applies its leveling methodology across all securities in a specific sector (i.e. U.S. Government Sponsored Agency Securities). Inputs to its pricing models are based on observable market inputs in active markets.

The Authority has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	Quoted Prices <u>Level 1</u>	Observable Inputs <u>Level 2</u>	Unobservable Inputs <u>Level 3</u>	<u>Total</u>
U.S. Government Sponsored Agency Securities:				
Federal Home Loan Bank	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
Total Leveled Investments	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	2,000,000
Equity in City of Gilroy investment pool*				40,299
Local Agency Investment Fund*				<u>5,290,663</u>
 Total Investment Portfolio				 <u>\$ 7,330,962</u>

*Not subject to fair value measurements.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2016 is as follows:

	Beginning Balance <u>July 1, 2015</u>	Additions	Deletions	Ending Balance <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 13,396,202	\$ -	\$ -	\$ 13,396,202
Construction in progress	<u>9,636,812</u>	<u>17,391,539</u>	<u>-</u>	<u>27,028,351</u>
Total capital assets, not being depreciated	<u>23,033,014</u>	<u>17,391,539</u>	<u>-</u>	<u>40,424,553</u>
Capital assets, being depreciated:				
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 and equipment	<u>13,736,386</u>	<u>-</u>	<u>-</u>	<u>13,736,386</u>
Total capital assets, being depreciated	<u>105,758,959</u>	<u>-</u>	<u>-</u>	<u>105,758,959</u>
Less accumulated depreciation for:				
Buildings and improvements	(31,242,942)	(1,704,690)	-	(32,947,632)
Land improvements	(4,765,870)	(190,342)	-	(4,956,212)
Infrastructure	(3,513,264)	(295,412)	-	(3,808,676)
Fleet (vehicles)	(926,615)	(50,902)	-	(977,517)
Office furniture and equipment	<u>(10,569,254)</u>	<u>(427,084)</u>	<u>-</u>	<u>(10,996,338)</u>
Total accumulated depreciation	<u>(51,017,945)</u>	<u>(2,668,430)</u>	<u>-</u>	<u>(53,686,375)</u>
Total capital assets being depreciated, net	<u>54,741,014</u>	<u>(2,668,430)</u>	<u>-</u>	<u>52,072,584</u>
Total capital assets, net	<u>\$ 77,774,028</u>	<u>\$ 14,723,109</u>	<u>\$ -</u>	<u>\$ 92,497,137</u>

Depreciation expense was \$2,668,430 for the year ended June 30, 2016.

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

For the year ended June 30, 2016

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year
Bonds payable:					
Morgan Hill Series 2002	\$ 12,125,000	\$ _____	\$ (12,125,000)	\$ _____	\$ _____

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%. During the year ended June 30, 2016 these bonds were paid in full.

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.

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.

6. SUBSEQUENT EVENTS:

Events occurring after June 30, 2016 have been evaluated for possible adjustments to the financial statements or disclosure as of December 16, 2016, 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, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ -	\$ 252,404	\$ 5,078,558	\$ 5,330,962
Cash and investments	-	-	2,000,000	2,000,000
Accounts receivable	-	-	55,478	55,478
Due from City of Gilroy	-	2,086	-	2,086
Due from City of Morgan Hill	-	1,504	-	1,504
Due from other governments	-	-	7,952	7,952
Total current assets	-	255,994	7,141,988	7,397,982
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	-	-	(53,686,375)	(53,686,375)
Total capital assets being depreciated, net	-	-	52,072,584	52,072,584
Land	-	-	13,396,202	13,396,202
Construction in progress	-	10,867,158	16,161,193	27,028,351
Total capital assets, net	-	10,867,158	81,629,979	92,497,137
TOTAL ASSETS	-	11,123,152	88,771,967	99,895,119

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF NET POSITION
(CONTINUED)

June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ -	\$ 128,919	\$ 821,157	\$ 950,076
Retention payable	-	186,062	745,849	931,911
Due to City of Gilroy	-	-	50,092	50,092
Due to City of Morgan Hill	-	-	36,273	36,273
Unearned revenue	-	204,930	233,915	438,845
Total current liabilities	-	519,911	1,887,286	2,407,197
Noncurrent liabilities:				
Compensated absences	-	-	22,774	22,774
Total noncurrent liabilities	-	-	22,774	22,774
TOTAL LIABILITIES	-	519,911	1,910,060	2,429,971
NET POSITION:				
Net investment in capital assets	-	10,867,158	81,629,979	92,497,137
Unrestricted	-	(263,917)	5,231,928	4,968,011
TOTAL NET POSITION	\$ -	\$ 10,603,241	\$ 86,861,907	\$ 97,465,148

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
OPERATING REVENUES:				
Operating contributions from City of Gilroy	\$ -	\$ -	\$ 5,235,337	\$ 5,235,337
Operating contributions from City of Morgan Hill	-	-	3,790,244	3,790,244
Other charges for services	-	-	87,163	87,163
TOTAL OPERATING REVENUES	-	-	9,112,744	9,112,744
OPERATING EXPENSES:				
Sewage treatment	-	-	7,899,867	7,899,867
Pretreatment program	-	-	568,765	568,765
Plant operations	-	-	196,243	196,243
Depreciation	-	-	2,668,430	2,668,430
TOTAL OPERATING EXPENSES	-	-	11,333,305	11,333,305
OPERATING LOSS	-	-	(2,220,561)	(2,220,561)
NONOPERATING REVENUES (EXPENSES):				
Interest contributions from City of Morgan Hill	42,492	-	-	42,492
Rental income	-	-	87,500	87,500
Interest income	29	-	49,087	49,116
Miscellaneous income (expense)	-	(106,803)	1,909	(104,894)
Interest expense and related fees	(624,474)	-	-	(624,474)
TOTAL NONOPERATING REVENUES (EXPENSES)	(581,953)	(106,803)	138,496	(550,260)
LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(581,953)	(106,803)	(2,082,065)	(2,770,821)
TRANSFERS AND CAPITAL CONTRIBUTIONS:				
Transfers in	-	27,271	6,507	33,778
Transfers out	(33,778)	-	-	(33,778)
Capital contribution from City of Gilroy	-	1,754,358	8,210,201	9,964,559
Capital contribution from City of Morgan Hill	-	1,265,191	5,945,318	7,210,509
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	(33,778)	3,046,820	14,162,026	17,175,068
CHANGE IN NET POSITION	(615,731)	2,940,017	12,079,961	14,404,247
NET POSITION AT BEGINNING OF YEAR	615,731	7,663,224	74,781,946	83,060,901
NET POSITION AT END OF YEAR	\$ -	\$ 10,603,241	\$ 86,861,907	\$ 97,465,148

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from system users	\$ -	\$ 1,558,588	\$ 8,832,458	\$ 10,391,046
Rental income received	-	-	87,500	87,500
Miscellaneous income (expense)	-	(106,803)	1,909	(104,894)
Cash payments to suppliers for goods and services	-	-	(6,967,018)	(6,967,018)
Cash payments to employees for services	-	-	(485,345)	(485,345)
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	1,451,785	1,469,504	2,921,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from/(paid to) other funds	-	(1,131,739)	1,165,517	33,778
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(1,131,739)	1,165,517	33,778
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash paid for capital assets	-	(3,087,191)	(14,304,348)	(17,391,539)
Member contributions toward interest	42,492	-	-	42,492
Member contributions toward principal	10,275,592	-	-	10,275,592
Capital contributions	-	3,019,549	14,155,519	17,175,068
Interest paid on bonds	(42,667)	-	-	(42,667)
Principal paid on bonds	(12,125,000)	-	-	(12,125,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,849,583)	(67,642)	(148,829)	(2,066,054)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	29	-	49,087	49,116
NET CASH PROVIDED BY INVESTING ACTIVITIES	29	-	49,087	49,116
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,849,554)	252,404	2,535,279	938,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,849,554	-	2,543,279	4,392,833
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -	\$ 252,404	\$ 5,078,558	\$ 5,330,962

(Continued)

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS
(CONTINUED)

For the year ended June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ -	\$ -	\$ (2,220,561)	\$ (2,220,561)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	-	-	2,668,430	2,668,430
Rental income	-	-	87,500	87,500
Miscellaneous income (expense)	-	(106,803)	1,909	(104,894)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	1,177	1,177
(Increase) decrease in due from City of Gilroy	-	752,700	425,595	1,178,295
(Increase) decrease in due from City of Morgan Hill	-	542,825	319,547	862,372
(Increase) decrease in due from other governments	-	-	(5,759)	(5,759)
Increase (decrease) in accounts and retention payable	-	220,245	1,209,733	1,429,978
Increase (decrease) in unearned revenue	-	42,818	(1,020,846)	(978,028)
Increase (decrease) in compensated absences	-	-	2,779	2,779
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ -	\$ 1,451,785	\$ 1,469,504	\$ 2,921,289
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:				
Current assets:				
Cash and cash equivalents	\$ -	\$ 252,404	\$ 5,078,558	\$ 5,330,962
TOTAL CASH AND CASH EQUIVALENTS	\$ -	\$ 252,404	\$ 5,078,558	\$ 5,330,962

ADDITIONAL SCHEDULES

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

ANALYSIS OF AVAILABLE RESOURCES

For the year ended June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
BEGINNING RESOURCES AVAILABLE:				
Debt service reserve	\$ 1,849,554	\$ -	\$ -	\$ 1,849,554
Operating reserve	-	(116,743)	4,807,880	4,691,137
TOTAL BEGINNING RESOURCES	1,849,554	(116,743)	4,807,880	6,540,691
SOURCE OF FUNDS (WORKING CAPITAL):				
Revenues	-	-	9,202,153	9,202,153
Investment income	29	-	49,087	49,116
Member capital contributions	-	3,019,549	14,155,519	17,175,068
Member interest contributions	42,492	-	-	42,492
Member principal contributions	10,275,592	-	-	10,275,592
TOTAL SOURCES	10,318,113	3,019,549	23,406,759	36,744,421
USE OF FUNDS (WORKING CAPITAL):				
Expenses (excluding depreciation)	-	106,803	8,664,875	8,771,678
Interest incurred	42,667	-	-	42,667
Principal paid	12,125,000	-	-	12,125,000
Capital expenditures incurred	-	3,087,191	14,304,348	17,391,539
Transfers	-	27,271	6,507	33,778
TOTAL USES	12,167,667	3,221,265	22,975,730	38,364,662
ADJUSTMENTS:				
Adjustments for other assets and liabilities (bond discount, etc.)	-	54,542	(6,981)	47,561
TOTAL ADJUSTMENTS	-	54,542	(6,981)	47,561
TOTAL CHANGES IN RESOURCES	(1,849,554)	(147,174)	424,048	(1,572,680)
ENDING RESOURCES AVAILABLE	\$ -	\$ (263,917)	\$ 5,231,928	\$ 4,968,011
RECAP OF ENDING RESOURCES:				
Debt service reserve	\$ -	\$ -	\$ -	\$ -
Operating reserve	-	(263,917)	5,231,928	4,968,011
TOTAL ENDING RESOURCES	\$ -	\$ (263,917)	\$ 5,231,928	\$ 4,968,011

SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY

COMPOSITION OF AVAILABLE RESOURCES

For the year ended June 30, 2016

	Debt Service	Plant Construction	Sewage Treatment Operations	Totals
BEGINNING RESOURCES AVAILABLE:				
Cash	\$ 1,849,554	\$ -	\$ 4,543,279	\$ 6,392,833
Receivables	1,532,443	1,299,115	1,876,635	4,708,193
Payables	(1,532,443)	(1,415,858)	(1,612,034)	(4,560,335)
TOTAL BEGINNING RESOURCES	\$ 1,849,554	\$ (116,743)	\$ 4,807,880	\$ 6,540,691
ENDING RESOURCES AVAILABLE:				
Cash	\$ -	\$ 252,404	\$ 7,078,558	\$ 7,330,962
Receivables	-	3,590	63,430	67,020
Payables	-	(519,911)	(1,910,060)	(2,429,971)
TOTAL ENDING RESOURCES	\$ -	\$ (263,917)	\$ 5,231,928	\$ 4,968,011