

CLAY COUNTY UTILITY AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors,
Clay County Utility Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Clay County Utility Authority (the Authority), as of and for the years ended September 30, 2020 and 2019, 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

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
December 14, 2020

Management's Discussion and Analysis

Managerial Philosophy and Strategic Objectives

The senior management team of the Clay County Utility Authority (Authority) offers interested parties additional insight, a strategic perspective and further analysis of key operational factors that may help the reader gain a deeper understanding of the financial statements for the year ended September 30, 2020.

The Authority is an Independent Special District in the State of Florida. The Florida Legislature created the Authority on October 1, 1994 by special act (F.S. 94-491) to manage the water, wastewater, and reclaimed water systems in the unincorporated areas of Clay County, Florida. The Authority also serves adjacent jurisdictions per specific inter-local governmental agreements. The Authority serves customers in Clay, Duval, and Bradford Counties and uses proprietary fund accounting to report the Authority's financial position.

The Authority operates, to the extent possible as a publicly owned utility, using sound business practices of private enterprise. We accept the responsibility of providing our customers with the best long-term value at the lowest reasonable cost.

We recognize the Authority provides essential services that are central to public health, safety, and general welfare as well as essential to the quality of life for the communities we serve. We understand our responsibilities as good stewards of our water, environmental, and financial resources. The communities we serve depend on environmentally and economically sustainable water supplies. The Authority continues to invest in technology, infrastructure, and training aimed at keeping the utility in an environmentally and economically sustainable position.

The Authority continues to use advanced wastewater treatment techniques. In addition, we continue to expand our reclaimed water initiative. Our reclaimed water distribution system includes seven storage and pumping plants. Our reclaimed water customers irrigated their lawns with an average of 4.59 million gallons per day during the fiscal year ending September 30, 2020, this equates to conserving approximately 1.67 billion gallons of drinking water per year. We continue to augment our reclaimed water supply through our partnership with the Town of Orange Park and the St. Johns River Water Management District.

Financial Overview

The Authority continues the expansion of facilities to support the population growth of within the service area. The Authority also continues to expand the capacity within the reclaimed water system. Service rates remained unchanged from fiscal year 2012 to 2014 however, in 2015, service rates were increased 5.4% to address the cost of renewal and replacement of existing infrastructure. In fiscal year 2020 service rates were increased by 2%, resulting in an average annual price increase of 1.46% from 2012 through 2020.

Management originally established 15.0% reduction goal in per capita water demand from our base year 2009. Our analysis shows the Authority's customers are using roughly 20% less water per capita in fiscal year 2019/2020 when compared to the base fiscal year of fiscal year 2008/2009. Customers have aggregately decreased total water demand by 3.89%, even though our customer base has grown by 7,864 accounts during this time.

The Authority's cash reserves, borrowing capacity and scheduled fiscal year 2020/2021 service rates are adequate to support currently planned maintenance and expansion projects. Contributions in aid of construction continue to be a major source of capital.

Condensed Statement of Net Position (\$000)

	For the Year Ended September 30, 2020				
	2020	2019	% Change	2018	% Change
Capital assets – net	291,938	279,010	4.6	265,873	4.9
Current assets	34,326	39,184	(12.4)	36,945	6.1
Investments, current	6,151	11,411	(46.1)	5,980	90.8
Other non-current assets	9,939	7,210	37.9	5,823	23.8
Investments, non-current	40,066	0	100	5,378	(100.0)
Deferred Outflow of Resources	2,169	2,401	(9.7)	2,636	(8.9)
Totals	<u>384,589</u>	<u>339,216</u>	13.4	<u>322,636</u>	5.1
Liabilities and fund equity					
Net position	270,358	253,898	6.5	238,675	6.4
Long-term liabilities, net	98,542	70,251	40.3	71,511	(1.8)
Current liabilities, including restricted	15,689	15,067	4.1	12,450	21.0
Totals	<u>384,589</u>	<u>339,216</u>	13.4	<u>322,636</u>	5.1

Capital Assets - Net

Net Capital assets increased \$12,928,000 during the fiscal year 2019/2020. The increase is mainly attributed to \$24,738,000 of various utility expansions and dispositions, offset by \$11,932,000 of depreciation expense. Developers contributed \$6,841,000 of those assets.

For the year 2019, capital assets increased \$13,137,000. The increase is mainly attributed to \$24,206,000 of various utility expansions and dispositions, offset by \$11,069,000 of depreciation expense. Developers contributed \$8,744,903 of those assets.

Current Assets

The change in current assets is due to the decrease in cash. Excess cash was transferred to investments to maximize interest earnings.

Net Position

The net position can serve as a useful indicator of our financial position, with an increase of \$16,460,000 the net investment in capital assets, the largest portion of the Authority's net position, 76%, reflects the net investment in capital assets (e.g., land, buildings, equipment, infrastructure, and intangible assets), these assets are used to provide services to customers; consequently, these assets are not available for future spending. The restricted portion of the net position, 0.9%, is capacity charges that are subject to capital improvements, developer, and other contributions of \$12,718,000 were received in fiscal year 2020, approximately \$3,511,000 of which was cash. The unrestricted portion, 22%, increased 5%. Net income is an unrestricted reserve used for future capital funding.

Long-Term Debt - Net

In fiscal year 2019, the net long-term debt increased \$27,907,000. The debt increased due to additional monies borrowed to fund budgeted capital projects due to projected growth in Clay County over the next 5 – 10 years.

Current Liabilities

Current liabilities increased \$622,000 due largely to the increase in the current portion of the long-term debt.

Condensed Statement of Revenues, Expenses, and Changes in Net Position (\$000)

	For the Year Ended September 30, 2020				
	2020	2019	% Change	2018	% Change
Operating revenues	48,064	45,233	6.3	42,353	6.8
Operating expenses	<u>(42,384)</u>	<u>(40,067)</u>	5.8	<u>(38,781)</u>	3.3
Operating income	5,680	5,166	9.9	3,572	44.6
Non-operating (expenses), net	(1,938)	(1,194)	62.3	(1,619)	(26.3)
Contributions and grants	<u>12,718</u>	<u>11,250</u>	13.0	<u>7,600</u>	48.0
Increase in Net Position	<u>16,460</u>	<u>15,222</u>	8.1	<u>9,553</u>	59.3

Operating Revenues

Operating revenue was over 7% of management projections. Operating revenue is 51% fixed through base charges and 49% is variable through usage charges. Consequently, climatic conditions such as rainfall and temperature will cause revenue fluctuations. A large majority (91.4%) of residential customers continue to use no more water than the second-tier allowance in fiscal 2020.

In the prior year, operating revenue was within 1.0% of management projections. A large majority (91.5%) of residential customers continue to use no more water than the second-tier allowance in fiscal 2019.

Operating Expenses

The increase of \$2,317,000 in operating expenses in 2020 is largely due to \$777,000 increase in wages and related benefits, \$526,000 increase in subcontractors and depreciation expense increased \$862,000.

The increase of \$1,286,000 in operating expenses in 2019, was largely due to \$1,026,479 increase in wages and related benefits resulting from additional staffing, and a 2.9% cost of living allowance and merit.

Non-Operating Revenue and Expenses

The increase of \$743,000 in non-operating revenue and expenses is due to an increase of \$362,000 in interest income, an increase of \$636,000 in interest expense and an increase in debt issuance costs of \$429,000.

During fiscal 2019, the decrease of \$425,000 in non-operating revenue and expenses is due to an increase of \$327,000 in interest income, a reduction of \$89,000 in interest expense and an increase of \$8,000 on sale of assets.

Contributions in Aid of Construction

Developers and others are required to contribute property (water, wastewater and reclaimed water lines) in their developments and cash for their proportional share of existing water, wastewater, and reclaimed water plant capacity in order to connect to the Authority's systems. Contributed property was \$6,841,000 in 2020, compared to \$8,744,000 in 2019. Cash contributions totaled \$5,877,000 in 2020, of which \$908,000 was grant money compared to cash contributions of \$2,505,000, of which \$0 was grant money in 2019. Additionally, the Authority began deferring capacity charges for developers in 2016. At the end of Fiscal Year 2020 the pending deferred charges totaled, \$6,442,000, with expected capacity fees from these charges at \$2,201,517 in fiscal year 2021.

Utility Service Demand Trend

An Equivalent Residential Connection (ERC) is the equivalent flow that can be anticipated from one residential connection.

The following table provides historical information on average annual usage per ERC, **expressed in thousands of gallons**. The calculation of ERCs is derived by dividing the Annual Base Revenue by the Annual Residential Base Rate. The usage per ERC is a calculation of the gallons used divided by the ERCs.

Fiscal Yr Ending	<u>Water</u>		<u>Sewer</u>		<u>Reuse</u>	
	<u>ERCs</u>	<u>Use/ERC</u>	<u>ERCs</u>	<u>Use/ERC</u>	<u>ERCs</u>	<u>Use/ERC</u>
9/30/2008	46,453	99.8	41,717	76.6	7,230	252.3
9/30/2009	46,267	90.7	41,643	71.0	7,392	203.7
9/30/2010	47,069	88.4	42,490	69.6	7,736	202.3
9/30/2011	46,423	94.6	41,750	75.2	6,769	215.5
9/30/2012	47,982	79.5	43,463	68.1	8,325	121.9
9/30/2013	48,364	74.2	43,729	65.7	8,706	107.4
9/30/2014	49,382	71.3	44,614	64.0	9,279	94.7
9/30/2015	49,810	73.5	45,017	64.8	9,640	103.2
9/30/2016	51,735	75.6	46,845	66.0	10,342	120.3
9/30/2017	52,419	76.0	47,613	66.2	10,860	131.6
9/30/2018	53,392	77.1	48,401	50.9	11,379	118.8
9/30/2019	54,192	81.7	49,146	54.8	11,914	140.4
9/30/2020	54,140	82.1	48,965	53.4	12,457	100.5

Economic Factors and Next Year's Rate

The Authority experienced immaterial economic effects from the outbreak of COVID-19 in 2020. The Authority's Board of Supervisors did temporarily suspend the utility's policy of disconnecting service for non-payment on April 30, 2020. The Authority's Board of Supervisors later reinstated the policy of disconnecting service for non-payment with a glide path to bringing customers with past due balances to current beginning August 25, 2020. All customer accounts with past due balances should be back with to current by January 26, 2021.

Our evaluation of customer water demand shows per capita water demand has remained stable with the Authority's tiered rate structure. In fiscal year 2019/2020, customers within the first two water use tiers (up to 12,000 gallons per month) accounted for 91.6% of the Authority's customers. We consider the Authority's conservation efforts have reached a mature level.

The Authority has adopted an Alternative Water Supply (AWS) surcharge of \$1.09 per water bill and a one-time AWS capacity charge of \$355 per new account to support the development of AWS. An AWS is simply any sustainable water source with its supporting infrastructure for processing and delivery that does not originate from the upper Florida Aquifer. The AWS surcharge and capacity charge are necessary to address AWS requirements from the St. Johns River Water Management District (SJRWMD), the Suwannee River Water Management District (SRWMD), and the Florida Department of Environmental Protection (FDEP) associated with Minimum Flows and Levels (MFL) and North Florida Regional Water Supply Planning. The AWS surcharge and capacity charge are also necessary to put the Authority in the best position possible to continue development of infrastructure to provide all the rate payers of the Authority with sustainable water supplies.

The Authority continues to progress with the development of AWS. We initiated the sampling and testing of water quality and water quantity in the Storm Water Harvesting project with the Florida Department of Transportation (FDOT). The Authority's consultants are completing the evaluation of the Lower Floridan Aquifer as a potential AWS system. The Authority commenced the design of a Treatability Pilot Project

evaluating and educating the public related to direct and indirect potable reclaimed water as an AWS. For additional information, please visit: <https://www.clayutility.org/aws/default.aspx> .

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jeffrey S. Wesselman, CPA, Chief Financial Officer, 3176 Old Jennings Road, Middleburg, Florida, 32068.

**CLAY COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 27,021,992	\$ 33,028,990
Restricted cash and cash equivalents	2,550,335	2,654,009
Investments	34,511,435	11,599,882
Accounts receivable, net	2,387,523	2,779,807
Prepaid items and inventory	921,657	839,396
Total current assets	67,392,942	50,902,084
Non-current assets		
Restricted cash and cash equivalents	10,784,551	6,539,009
Restricted investments	11,951,938	-
Notes receivable	352,674	363,850
Utility plants	429,764,422	388,161,800
Construction in process	22,050,766	38,915,013
Accumulated depreciation	(159,877,006)	(148,066,648)
Total non-current assets	315,027,345	285,913,024
Total Assets	\$ 382,420,287	\$ 336,815,108
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred loss on bond refunding	\$ 2,168,915	\$ 2,401,241
<u>LIABILITIES</u>		
Current liabilities		
Accounts and retainage payable	\$ 1,254,296	\$ 1,594,721
Accrued expenses	1,005,598	1,267,368
Unearned revenues	430,620	261,329
Customer deposits	3,563,488	3,661,475
Liabilities payable from current restricted assets:		
Accounts and retainage payable	1,592,458	1,899,332
Interest payable	957,877	754,677
Current portion of long-term debt	6,919,315	5,278,625
Total current liabilities	15,723,652	14,717,527
Non-current liabilities		
Non-current portion of long-term debt	98,508,002	70,601,071
Total non-current liabilities	98,508,002	70,601,071
Total Liabilities	\$ 114,231,654	\$ 85,318,598
<u>NET POSITION</u>		
Net investment in capital assets	\$ 200,631,718	\$ 205,531,710
Restricted for:		
Capital projects	6,379,022	3,223,543
Debt service	4,405,529	3,315,466
Unrestricted	58,941,279	41,827,032
Total Net Position	\$ 270,357,548	\$ 253,897,751

The accompanying notes to financial statements are an integral part of these statements.

CLAY COUNTY UTILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Operating revenues		
Charges for services	\$ 46,567,578	\$ 43,923,044
Miscellaneous revenues	1,496,475	1,309,953
Total operating revenues	48,064,053	45,232,997
Operating expenses		
Wages and related benefits	15,025,171	14,248,193
Operating expenses	9,544,640	9,510,710
Subcontractors	3,786,133	3,260,744
In lieu of taxes	2,097,421	1,977,716
Depreciation expense	11,931,108	11,069,168
Total operating expenses	42,384,473	40,066,531
Operating income	5,679,580	5,166,466
Nonoperating revenues (expenses)		
Interest income	1,106,906	744,381
Interest expense	(2,620,858)	(1,984,826)
Gain (loss) on sale of assets	6,008	46,030
Debt issuance costs	(429,603)	-
Total nonoperating revenues (expenses)	(1,937,547)	(1,194,415)
Income (loss) before capital contributions	3,742,033	3,972,051
Capital contributions and grants		
Developer and other contributions	11,808,924	11,250,401
Capital grants	908,840	-
Total capital contributions	12,717,764	11,250,401
Change in net position	16,459,797	15,222,452
Net position, beginning of year	253,897,751	238,675,299
Net position, end of year	\$ 270,357,548	\$ 253,897,751

The accompanying notes to financial statements are an integral part of these statements.

**CLAY COUNTY UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from customers	\$ 48,538,817	\$ 45,165,875
Payments to suppliers	(13,753,459)	(12,482,706)
Payment in lieu of taxes	(2,097,421)	(1,977,716)
Payments to employees	(15,286,941)	(14,123,057)
Net cash provided by (used in) operating activities	<u>17,400,996</u>	<u>16,582,396</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of bonds and loans	48,753,960	4,749,233
Debt issuance costs	(429,603)	-
Principal paid on long-term debt	(19,206,339)	(4,969,299)
Interest paid on long-term debt	(2,185,332)	(1,706,899)
Payments to acquire and construct plant property	(18,318,677)	(14,789,522)
Capital contributions	4,967,610	2,505,498
Capital grants	908,840	-
Net cash provided by (used in) capital and related financing activities	<u>14,490,459</u>	<u>(14,210,989)</u>
Cash flows from investing activities		
Purchases of investments	(46,216,759)	(11,410,915)
Sales of investments	11,353,268	11,169,625
Interest income	1,106,906	744,381
Net cash provided by (used in) investing activities	<u>(33,756,585)</u>	<u>503,091</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,865,130)</u>	<u>2,874,498</u>
Cash and cash equivalents, beginning of year	42,222,008	39,347,510
Cash and cash equivalents, end of year	<u>\$ 40,356,878</u>	<u>\$ 42,222,008</u>
Cash and cash equivalents classified as:		
Unrestricted	\$ 27,021,992	\$ 33,028,990
Restricted	2,550,335	2,654,009
Restricted - noncurrent	10,784,551	6,539,009
Total cash and cash equivalents	<u>\$ 40,356,878</u>	<u>\$ 42,222,008</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Cash flows from operating activities		
Operating income	\$ 5,679,580	\$ 5,166,466
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	11,931,108	11,069,168
Changes in assets and liabilities		
Decrease (Increase) in accounts and notes receivable	403,460	(317,327)
Decrease (Increase) in prepaid items and inventory	(82,261)	(244,383)
Increase (Decrease) in accounts and retainage payable	(340,425)	533,131
Increase (Decrease) in accrued expenses	(261,770)	125,136
Increase (Decrease) in unearned revenue	169,291	(17,842)
Increase (Decrease) in customer deposits	(97,987)	268,047
Total adjustments	<u>11,721,416</u>	<u>11,415,930</u>
Net cash provided by (used in) operating activities	<u>\$ 17,400,996</u>	<u>\$ 16,582,396</u>
Supplemental schedule of noncash investing, capital, and financing activities:		
Deferred loss on refunding amortization	\$ 232,326	\$ 234,628
Utility plant property contributed by developers	6,841,314	8,744,903

The accompanying notes to financial statements are an integral part of these statements.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(1) Summary of Significant Accounting Policies:

The accounting policies of the Clay County Utility Authority (the Authority) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant policies.

(a) **Reporting entity**—The Authority is an independent special district established on October 1, 1994, pursuant to Chapter 94-491, Laws of Florida (1994), to provide Clay County, Florida and other territorial limits near the County with certain publicly owned water, wastewater and reclaimed water facilities. The governing body of the Authority consists of seven members acting as the Board of Supervisors. The Authority has adopted Governmental Accounting Standards Board (GASB) Codification and has determined that there are no component units that meet the criteria for inclusion in the Authority's financial statements.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the Authority are organized and reported as a proprietary fund type Enterprise Fund. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The principal operating revenues of the Authority are charges for water, wastewater, and reclaimed water services, and operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority uses the accrual basis of accounting in accordance with the GASB Codification. Revenues are recognized when earned and measurable, and expenses are recognized when incurred.

(c) **Cash and cash equivalents**—Cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(d) **Investments**—Investments solely consist of certificates of deposit and are valued at cost plus accrued interest, which approximates fair value.

(e) **Accounts receivable**—The Authority's accounts receivable consists of amounts due from consumers. The Authority performs account evaluations on their consumers and requires collateral deposits.

(f) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(g) **Restricted assets and net position**—Certain assets are required to be segregated from other assets due to various bond indenture agreements and restricted revenue streams. These assets are legally restricted for specific purposes such as debt service, construction, and renewals and replacements. The remaining excess of restricted assets over liabilities is reflected as restricted net position.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

(h) **Property and plant**—Property and plant are recorded at cost less accumulated depreciation, except contributed assets which are recorded at acquisition value on the date of contribution. Expenditures of \$1,000 or more are capitalized. Depreciation, on a straight-line basis, is charged over estimated useful lives as follows:

Buildings and Building Improvements	25 years
Water, Wastewater, and Reclaimed Water Lines	40 years
Equipment	7, 15, 25 years

(i) **Bond discounts, premiums, and deferred amounts**—Bond discounts, premiums, and deferred amounts, consisting of deferred outflows from loss on refunding of long-term debt, are deferred and amortized over the term of the bonds using the effective interest method.

(j) **Deferred outflows/inflows of resources**—In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has only one item, deferred loss on bond refunding, which qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority had no deferred inflows at September 30, 2020 and 2019.

(k) **Net position flow assumption**—Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Authority’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(l) **Revenue recognition**—Operating revenue consists primarily of charges for services, which are billed to customers for water, wastewater, and reclaimed water service. Billings are included in revenue as meters are read each month. Unbilled revenues are accrued based on estimated consumption of the most recent billing.

(m) **Capital contributions**—Capital contributions represent contributions of certain water distribution and wastewater collection systems. Such contributions are recognized as increases in net position in the period they are received.

(n) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(2) **Deposits and Investments:**

(a) **Deposits and Investments**—In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Authority's deposits at year end are considered insured for custodial credit risk purposes.

At September 30, 2020, the Authority's cash and investments consisted of the following:

Types of Cash and Investments	Average Maturity	Credit Quality	Amount
Investments and restricted investments			
Certificates of deposit	0.12 years	N/A	\$ 46,463,373
Cash on deposit			40,356,878
Total cash and investments (unrestricted and restricted)			<u>\$ 86,820,251</u>

At September 30, 2019, the Authority's cash and investments consisted of the following:

Types of Cash and Investments	Average Maturity	Credit Quality	Amount
Investments and restricted investments			
Certificates of deposit	0.37 years	N/A	\$ 11,599,882
Cash on deposit			42,222,008
Total cash and investments (unrestricted and restricted)			<u>\$ 53,821,890</u>

(b) **Custodial credit risk**—For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the Authority's investment policy specifies certain requirements to pre-qualify financial institutions and brokers/dealers and an annual review of the institutions used.

(c) **Credit risk**—Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Authority does have a formal investment policy that limits its investments to high quality investments to control credit risk, which requires diversification of investments, limited investments in securities with higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools or money market funds.

(d) **Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has no formal policy relating to a specific investment-related risk. In accordance with the provisions of the state statutes governing allowable investments, the Authority manages its exposure to declines in fair values by limiting the maturity of specific investments to provide sufficient liquidity to pay obligations as they come due.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(3) Accounts and Notes Receivable:

Unbilled receivables represent amounts earned which have not yet been billed, along with other amounts which can be invoiced upon completion or attainment of contract objectives. Allowance for doubtful accounts is estimated by analysis of accounts receivable balance over 60 days, and historical collection trends. Accounts receivable at September 30, 2020 and 2019, consist of the following:

	2020	2019
Billed customer receivables	\$ 675,263	\$ 912,560
Unbilled customer receivables	1,524,383	1,748,301
Notes receivable – current portion	45,141	51,664
Other receivables	348,815	449,422
Gross accounts receivable	2,593,602	3,161,947
Less: Allowance for uncollectables	(206,079)	(382,140)
Total accounts receivable, net	\$ 2,387,523	\$ 2,779,807

As part of the notes receivable included above, many such agreements have a long-term portion based on extended payment schedules. The long-term balance of the notes receivables totaled \$352,674 and \$363,850 at September 30, 2020 and 2019, respectively. Based on an assessment of interest rates and repayment schedules, management does not believe any calculated discount to the gross receivable amount would be material, and no such provision has been made.

(4) Capital Assets:

Changes in the Authority's capital assets for the years ended September 30, 2020 and 2019, were as follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 5,268,724	\$ -	\$ -	\$ 5,268,724
Construction in progress	38,915,013	24,497,077	(41,361,324)	22,050,766
Total capital assets not being depreciated	44,183,737	24,497,077	(41,361,324)	27,319,490
Capital assets being depreciated:				
Machinery and equipment	378,038,630	41,171,900	(237,358)	418,973,172
Buildings	4,854,446	668,080	-	5,522,526
Accumulated depreciation	(148,066,648)	(12,017,722)	207,364	(159,877,006)
Total capital assets being depreciated, net	234,826,428	29,822,258	(29,994)	264,618,692
Capital Assets, net	\$279,010,165	\$ 54,319,335	\$ (41,391,318)	\$291,938,182

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(4) **Capital Assets:** (Continued)

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 5,268,724	\$ -	\$ -	\$ 5,268,724
Construction in progress	32,843,566	21,526,319	(15,454,872)	38,915,013
Total capital assets not being depreciated	<u>38,112,290</u>	<u>21,526,319</u>	<u>(15,454,872)</u>	<u>44,183,737</u>
Capital assets being depreciated:				
Machinery and equipment	360,258,457	18,204,311	(424,138)	378,038,630
Buildings	4,794,617	59,829	-	4,854,446
Accumulated depreciation	<u>(137,292,318)</u>	<u>(11,169,499)</u>	<u>395,169</u>	<u>(148,066,648)</u>
Total capital assets being depreciated, net	<u>227,760,756</u>	<u>7,094,641</u>	<u>(28,969)</u>	<u>234,826,428</u>
Capital Assets, net	<u><u>\$265,873,046</u></u>	<u><u>\$ 28,620,960</u></u>	<u><u>\$ (15,483,841)</u></u>	<u><u>\$279,010,165</u></u>

Depreciation expense for 2020 and 2019 was \$11,931,108 and \$11,069,168, respectively. Additional depreciation amounts of \$86,614 and \$100,331 in 2020 and 2019, respectively, related to equipment used for construction in progress and was capitalized as part of the cost of construction in progress.

Commitments on outstanding construction contracts for improvements and maintenance of the utility systems totaled \$7,114,052 at September 30, 2020.

(5) **Compensated Absences:**

Paid time off (PTO) is earned on a bi-weekly basis (regular 80 hours worked) at established rates based upon years of service. Employees with one full year of service or more are required to take no less than forty consecutive hours of PTO each calendar year.

In December of each year, employees are paid for any hours in excess of forty hours (eighty at employee's request) in their PTO accrual account. Employees with less than six (6) months of service are not eligible for payment of unused PTO.

Because PTO accruals exceeds limitations on compensated absence balances at calendar year-end, all balances are considered to be current, and no long-term portion has been calculated. As such, these amounts have not been included in the long-term debt activity summary in Note 6.

Outstanding compensated absences, included in accrued expenses on the statements of net position, totaled \$742,278 and \$637,190 at September 30, 2020 and 2019, respectively.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(6) Bonds and Notes Payable:

Long-term debt at September 30, 2020 and 2019, is comprised of the following:

	2020	2019
\$42,210,677 Utility System Revenue and Refunding Note, Series 2015; with variable payment amounts due semi-annually and principal payments due from 2016 through 2031. Interest is fixed at 2.82%.	\$ 38,664,255	\$ 40,255,203
\$48,495,000 Utility System Revenue and Refunding Note, Series 2019; with variable payment amounts due semi-annually and principal payments due from 2020 through 2039. Interest is fixed at 2.03%.	46,880,000	-
\$10,000,000 Clay County Utility Authority Utilities System Revenue Note, Series 2009; due in semi-annual installments commencing on May 1, 2009 through 2029, with interest at 4.24%. Interest rate amended to 2.97% in August 2013. Paid off in early 2020.	-	5,593,468
\$10,236,041 Utility System Revenue and Refunding Bonds, Series 2012; due in annual installments varying from \$237,103 to \$1,901,056 plus interest payable semi-annually at 1.86% through 2024.	5,815,365	7,226,643
\$12,788,239 Clean Water State Revolving Fund loan with maximum \$14,179,180 available balance; due in semi-annual installments of \$399,298 through 2039 including interest at 0.94% until the payment amount is adjusted by amendment.	12,317,203	12,443,590
\$4,066,297 Clean Water State Revolving Funds; due in semi-annual installments commencing on November 15, 2010, through 2030 with interest at 2.92%. Paid off in early 2020.	-	2,513,724
\$10,300,628 Clean Water State Revolving Fund; due in semi-annual installments commencing on May 15, 2010, through 2030 with interest ranging from 2.85% to 3.24%. Paid off in early 2020.	-	5,710,250
\$461,195 The School Board of Clay County, Florida, present value annual services of capital lease in which ownership will be transferred at the end of the term in 2021.	34,587	76,595
\$1,735,142 Clean Water State Revolving Fund; due in semi-annual installments of \$54,020 including interest ranging from 1.29% to 3.10%, beginning on January 15, 2017, through 2032.	915,866	1,011,168
\$1,430,069 payable to a software vendor in conjunction with a server and enterprise software licensing agreement; due in annual installments of \$286,013 including interest ranging from 0% to 4.20%, beginning on February 1, 2019, through 2023.	800,041	1,049,055
Bonds and notes payable	105,427,317	75,879,696
Less: Current portion of bonds and notes payable	(6,919,315)	(5,278,625)
Long-term bonds and notes payable, net	\$ 98,508,002	\$ 70,601,071

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

6) **Bonds and Notes Payable:** (Continued)

Activity in bonds and notes payable for the years ended September 30, 2020 and 2019, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2020	\$ 75,879,696	\$ 48,753,960	\$ (18,957,325)	\$ 105,427,317	\$ 6,919,315
2019	\$ 76,038,012	\$ 4,810,983	\$ (4,969,299)	\$ 75,879,696	\$ 5,278,625

Debt service requirements to maturity are as follows at September 30, 2020:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 6,919,315	\$ 2,304,745	\$ 9,224,060
2022	7,034,886	2,146,503	9,181,389
2023	7,188,551	1,994,374	9,182,925
2024	7,059,158	1,842,498	8,901,656
2025	7,209,282	1,673,039	8,882,321
2026 – 2030	38,539,747	5,774,980	44,314,727
2031 – 2035	21,037,004	1,805,983	22,842,987
2036 – 2040	10,439,374	454,352	10,893,726
Totals	<u>\$105,427,317</u>	<u>\$ 17,996,474</u>	<u>\$ 123,423,791</u>

Net revenues of the water, wastewater, and reclaimed water utility system are pledged as collateral for the revenue bonds and the Clean Water State Revolving Funds.

(7) **Retirement Benefits:**

The Authority provides retirement benefits for all of its full-time employees through the Clay County Utility Authority Employees Plan (the Plan), which is a defined contribution plan administered by a financial institution. The Authority has the right to amend the Plan at any time, provided that no amendment or modification shall reduce the account balances of any participant. The Plan's benefits depend solely on amounts contributed plus investment income. The covered payroll for employees covered by this plan for the years ended September 30, 2020 and 2019, was \$11,078,030 and \$10,217,550, respectively, and the total payroll was \$11,084,747 and \$10,364,185 for the same years, respectively. Participants are fully vested after 5 years of service; rollovers from other qualified plans are 100% vested. No employee contributions are allowed by the Plan. The Authority contributes an amount equal to 10% of the participant's compensation for the year to the Plan. The Authority contributed \$1,107,803 and \$1,021,755 for the years ended September 30, 2020 and 2019, respectively.

(8) **Deferred Compensation Plan:**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by a financial institution. Participation is on a voluntary basis and contributions are made via payroll deduction. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. All plan assets are held in trust by the financial institution, and as such, no provision for plan assets or liabilities has been recorded on the Authority's financial statements.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(9) Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended September 30, 2020, the Authority did not reduce insurance coverage levels in place as of September 30, 2019. The Authority has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

(10) Other Post-Employment Benefits (OPEB):

Retirees and their dependents are permitted to remain covered under the Authority's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes. According to the Authority's employee handbook, retirees are defined as "Any full time employee age sixty-five (65) or older with at least five (5) years of continuous eligible service at the time of his/her retirement."

The Authority has previously engaged an actuary to calculate the outstanding liability for certain post-employment healthcare benefits provided by the Authority. Based on the Authority's policies, the OPEB liability was actuarially determined to be zero. There have been no changes to the Authority's policies or state statutes since that time which management believes would impact this determination as of September 30, 2020. As such, no OPEB liability has been recorded.

(11) Commitments and Contingencies:

In accordance with the Master Utility Services Agreement between the Authority and a developer, the Authority has granted connection fee credits which can be used by the developer or its assignee toward future connections in the specified development.

As part of this agreement, the developer contributed land valued at \$2,091,708 during the year ended September 30, 2016. In return, the developer received connection fee credits for future connections within the development equal to the agreed-upon value of the contributed land; however, should the developer cease plans to develop the land, no amounts will be due to the developer from the Authority, nor will the contributed property revert back to the developer.

At September 30, 2020, no connections have been made in this development and total future connection fee credits available to the developer totaled \$2,091,708.

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Authority as of December 14, 2020 management believes that a material impact on the Authority's net position and results of future operations is reasonably possible.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

(12) **New Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Authority’s financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

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

To the Board of Supervisors,
Clay County Utility Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the Clay County Utility Authority (the Authority) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

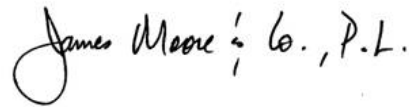
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daytona Beach, Florida
December 14, 2020

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Board of Supervisors,
Clay County Utility Authority:

Report on the Financial Statements

We have audited the basic financial statements of the Clay County Utility Authority (the Authority), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated December 14, 2020.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 14, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Clay County Utility Authority was established by special act by the Florida Legislature. There are no component units related to the Authority.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audits, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had no such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
December 14, 2020

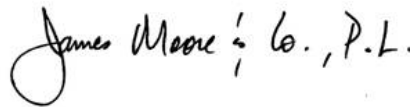
INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors,
Clay County Utility Authority:

We have examined the Clay County Utility Authority's (the Authority) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020. The Authority's management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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



Daytona Beach, Florida
December 14, 2020