

**WALTON/OKALOOSA/SANTA ROSA  
REGIONAL UTILITY AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2021**

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
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SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Walton/Okaloosa/Santa Rosa Regional Utility Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the RUA'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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Walton/Okaloosa/Santa Rosa Regional Utility Authority as of September 30, 2021, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, on our consideration of the Walton/Okaloosa/Santa Rosa Regional Utility Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Walton/Okaloosa/Santa Rosa Regional Utility Authority's internal control over financial reporting and compliance.

*Warren Overett, LLC*

Destin, Florida  
June 17, 2022

## **WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Walton/Okaloosa/Santa Rosa Regional Utility Authority's (RUA) annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal years ended September 30, 2021 and September 30, 2020.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts: management's discussion and analysis and basic financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The basic financial statements of the RUA report information about the RUA using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of the RUA's assets, deferred outflows, liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the consumption of resources applicable to a future reporting period (deferred outflows of resources) and the obligations to creditors (liabilities) and the acquisition of resources applicable to a future period (deferred inflows of resources). It also provides the basis for computing rate of return, evaluating the capital structure of the RUA and assessing the liquidity and financial flexibility of the RUA. All of the current year revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the RUA's operations over the past year and can be used to determine whether the RUA has successfully recovered its costs through user fees and other charges, profitability and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the RUA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, capital and related financing and investing activities and provides answers to such questions as: where did the cash come from, what was cash used for and what was the change in cash balances during the reporting period.

### **FINANCIAL ANALYSIS OF THE RUA**

The basic financial statements of the RUA begin on Page 7. The statement of net position and the statement of revenues, expenses and changes in net position report the net position of the RUA and related changes. The net position, the difference between assets, deferred outflows, liabilities and deferred inflows, is one way to measure the financial health or financial position. Over time, increases or decreases in the RUA's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors should be considered such as economic conditions, population growth and changing government legislation.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**NET POSITION**

The following table summarizes the statements of net position (in thousands) as of September 30:

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 29	\$ 30
Cash – restricted for debt service	232	232
Due from utility companies	<u>815</u>	<u>793</u>
Total current assets	1,076	1,055
<b>NON-CURRENT ASSETS</b>		
Due from utility companies	<u>9,483</u>	<u>10,443</u>
<b>TOTAL ASSETS</b>	<u>10,559</u>	<u>11,498</u>
<b>CURRENT LIABILITIES</b>		
Accrued liabilities	116	124
State revolving fund loans payable	<u>960</u>	<u>935</u>
Total current liabilities	1,076	1,059
<b>NON-CURRENT LIABILITIES</b>		
State revolving fund loans payable	<u>9,483</u>	<u>10,443</u>
<b>TOTAL LIABILITIES</b>	<u>10,559</u>	<u>11,502</u>
<b>NET POSITION</b>		
Unrestricted (deficit)	<u>-</u>	<u>(4)</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ (4)</u>

The decrease in total assets and total liabilities is due to decreased amounts due from utility companies and decreased liabilities, both resulting from debt payments made in the current year.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**NET POSITION – CONTINUED**

The following table summarizes the RUA's statements of revenues, expenses and change in net position (in thousands) for the year ended September 30:

	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Operating revenues	\$ 17	\$ 22
Non-operating revenues	287	300
Total revenues	304	322
<b>EXPENSES</b>		
Operating expenses	13	22
Non-operating expenses	287	300
Total expenses	300	322
<b>CHANGE IN NET POSITION</b>	4	-
<b>NET POSITION AT BEGINNING OF YEAR</b>	(4)	(4)
<b>NET POSITION AT END OF YEAR</b>	\$ -	\$ (4)

While the statements of net position show the change in financial position, the statements of revenues, expenses and changes in net position provide answers as to the nature and source of these changes. As shown in the table above, net position increased by \$4,000 for the year ended September 30, 2021. The change in net position resulted from RUA receiving enough funds from its members to rectify the prior year's deficit in net position.

**LONG-TERM DEBT**

During fiscal year 2021, debt payments continued on schedule. Future payment of all long-term debt on the books of the RUA is tied to amounts owed to the RUA by Destin Water Users (DWU), Inc. and South Walton Utility Company (SWUC) under their respective interlocal agreements with the RUA. The RUA is in compliance with all debt covenant requirements under the terms of the five SRF loans as of September 30, 2021. Final maturity on the SRF loans is scheduled for the fiscal year ending September 30, 2039.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**LONG-TERM DEBT – CONTINUED**

The following table summarizes the SRF loan activity (in thousands) for the year ended September 30, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
SRF Loan WW643071	\$ 7,545	\$ -	\$ (698)	\$ 6,847	\$ 719
SRF Loan WW170400	1,007	-	(76)	931	78
SRF Loan WW170410	792	-	(59)	733	61
SRF Loan WW170420	900	-	(44)	856	45
SRF Loan WW170430	1,134	-	(57)	1,077	57
	<u>\$ 11,378</u>	<u>\$ -</u>	<u>\$ (934)</u>	<u>\$ 10,444</u>	<u>\$ 960</u>

For more information on the RUA's long-term debt, see Note 4 to the financial statements.

**FUTURE ECONOMIC FACTORS**

Future financial activity for the RUA is expected to consist of monthly payments from DWU and SWUC with accumulated loan payments made semiannually to FDEP through the year 2038.

**CONTACTING THE RUA**

This financial report is designed to provide our members with a general overview of the RUA's finances and to demonstrate accountability for its funding. If you have questions about this report or need additional information, contact the RUA's Chief Financial Officer, at: 4801 E. Olive Road, Suite A, Pensacola, Florida 32514; e-mail address: dawn.schwartz@ECRC.org; phone number: (850) 332-7976 ext. 202 or toll free 1-800-226-8914 ext. 202.



**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

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**CURRENT ASSETS**

Cash	\$ 29,415
Cash – restricted for debt service	232,103
Due from utility companies	<u>814,795</u>

Total current assets 1,076,313

**NON-CURRENT ASSETS**

Due from utility companies	<u>9,483,073</u>
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**TOTAL ASSETS** 10,559,386

**CURRENT LIABILITIES**

Interest received in advance	11,417
Principal received in advance	37,552
Accrued interest payable	37,659
Project advances	29,415
State revolving fund loans payable	<u>960,270</u>

Total current liabilities 1,076,313

**NON-CURRENT LIABILITIES**

State revolving fund loans payable	<u>9,483,073</u>
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**TOTAL LIABILITIES** 10,559,386

**NET POSITION**

Unrestricted	<u>-</u>
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**TOTAL NET POSITION** \$ -

See notes to the financial statements.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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<b>OPERATING REVENUES</b>	
Membership fees	\$ 4,776
Member reimbursements	11,752
	16,528
<b>OPERATING EXPENSES</b>	
Personnel costs	3,290
Professional services	8,656
Office expense	1,022
	12,968
	3,560
<b>OPERATING INCOME</b>	
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	287,084
Interest expense	(287,084)
	-
	3,560
<b>CHANGE IN NET POSITION</b>	
	(3,560)
<b>NET POSITION AT BEGINNING OF YEAR</b>	
	(3,560)
<b>NET POSITION AT END OF YEAR</b>	
	\$ -

See notes to the financial statements.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from members	\$ 16,528
Cash paid to vendors	(13,254)
	3,274
Net cash provided by operating activities	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interest paid	(290,243)
Payments on state revolving fund loans	(934,202)
	(1,224,445)
Net cash used in non-capital financing activities	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Due from utility companies, net	938,518
Interest received	282,367
	1,220,885
Net cash provided by investing activities	
<b>NET DECREASE IN CASH</b>	
	(286)
<b>CASH AT BEGINNING OF YEAR</b>	
	261,804
<b>CASH AT END OF YEAR</b>	
	\$ 261,518
<b>COMPOSITION OF CASH</b>	
Cash	\$ 29,415
Cash – restricted for debt service	232,103
	\$ 261,518
<b>TOTAL CASH</b>	
	\$ 261,518
 <b>RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 3,560
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in project advances	(286)
	(286)
Net cash provided by operating activities	
	\$ 3,274

See notes to the financial statements.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF GOVERNMENT**

**Reporting Entity**

The Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA) was created by way of an Interlocal Agreement in 1986 and designated as a Regional Water Supply Authority. A revised Interlocal Agreement was implemented in 1999, pursuant to the provisions of Section 373.1962, Florida Statutes. The RUA is comprised of the Counties of Walton, Okaloosa and Santa Rosa and the municipalities of Destin, Fort Walton Beach, Gulf Breeze, Mary Esther and Niceville. The RUA was formed to provide financing for water supply needs and protection of water sources on a regional level. The primary function of the RUA is to ensure future water supply and to provide for adequate solid waste and treated sewage effluent disposal. The West Florida Regional Planning Council, dba Emerald Coast Regional Council, operates, administers and maintains the RUA on behalf of the counties and municipalities.

**Measurement Focus and Basis of Accounting**

The RUA's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

Operating revenues and expenses generally result from providing services in connection with the RUA's principal ongoing operations. The principal operating revenues of the RUA are participation fees from its member governments. Operating expenses of the RUA include expenses related to personnel and administrative costs in order to properly manage the functions of the RUA.

**Basis of Presentation**

The financial statements of the RUA include a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. Net position is classified into three components which are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “net investment in capital assets” or “restricted.”

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF GOVERNMENT – CONTINUED**

**Basis of Presentation – Continued**

When both restricted and unrestricted resources are available for use, it is the RUA's policy to use restricted resources first, then unrestricted resources as they are needed. As of September 30, 2021, the RUA had only unrestricted net position.

**Project Advances**

The RUA reports deferred revenue when funding has been received but not yet earned. Project advances as of September 30, 2021, represents remaining project funds from an uncompleted salinity transfer model available for a future RUA project.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. DEPOSITS**

The RUA maintains its deposits restricted for debt service within an account in its name at a financial institution. All other cash deposits are held on behalf of the RUA within an account in the name of the West Florida Regional Planning Council, dba Emerald Coast Regional Council. The deposits are in compliance with Chapter 280, Florida Statutes. The deposits are either in "Qualified Public Depositories" (QPD) as defined in Chapter 280, Florida Statutes or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under section 280.03(e) or 280.03(f) as a deposit made in accordance with 17.57(g). The provisions of statute 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer.

At September 30, 2021, the carrying amounts of the RUA's deposits held in QPDs were \$261,518.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**3. DUE FROM UTILITY COMPANIES**

**Due from South Walton Utility Company, Inc.**

In 2007, the RUA entered into an Interlocal Agreement with South Walton Utility Company (SWUC), Inc. to assist SWUC with funding its Advanced Wastewater Treatment Facility Project (the Project). By way of this agreement, the RUA applied for a Clean Water Act State Revolving Fund (SRF) Construction Loan through the State of Florida Department of Environmental Protection (FDEP) to fund the Project. In exchange for the approved SRF loan in the amount of \$13.3 million, approximately 6.43 acres of SWUC's property was deeded to the RUA. The property is leased back to SWUC under a capital lease arrangement that remains in effect for the life of the SRF loan; providing reasonable assurance that the RUA will not be held responsible or accountable if the loan is not paid in full or defaults. The lease agreement between the RUA and SWUC calls for monthly rent payments in an amount sufficient to service the semi-annual payments required on the SRF loan. Upon payoff of the SRF loan, title to the property reverts back to SWUC. The deeding of the property to the RUA and the lease back to SWUC have been accounted for as a collateral arrangement in the accompanying financial statements.

The amount due from SWUC at September 30, 2021, represents the unpaid principal balance of the SRF loan less the principal portion of monthly debt service deposits collected by the RUA in advance of the next required semi-annual SRF loan payment.

**Due from Destin Water Users, Inc.**

In 2011, the RUA entered into an Interlocal Agreement with Destin Water Users (DWU), Inc. to assist DWU with funding its Wastewater Treatment Facility and Reclaimed Water Disposal System Projects (the Projects). By way of this agreement, the RUA applied for two SRF loans through the FDEP to fund the Projects. In exchange for the approved SRF loans totaling over \$3.13 million, a portion of DWU's real property was deeded to the RUA. The agreement was amended in 2017 to include additional SRF loans in the arrangement for \$2.25 million. The property is leased back to DWU under a capital lease arrangement that remains in effect for the life of the SRF loans; providing reasonable assurance that the RUA will not be held responsible or accountable if the loan is not paid in full or defaults. The lease agreement between the RUA and DWU calls for monthly rent payments in an amount sufficient to service the semi-annual payments required on the SRF loans. Upon payoff of the SRF loans, title to the property reverts back to DWU. The deeding of the property to the RUA and the lease back to DWU has been accounted for as a collateral arrangement in the accompanying financial statements.

The amount due from DWU at September 30, 2021, represents the unpaid principal on the SRF loans less the principal portion of monthly rents collected by the RUA in advance of the next required semi-annual SRF loan payment.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**3. DUE FROM UTILITY COMPANIES – CONTINUED**

Due from utility companies at September 30, 2021, consisted of the following:

Due from SWUC, secured by net wastewater utility system revenues, including wastewater connection fees, and title to real property	\$ 6,727,412
Due from DWU, secured by net wastewater utility system revenues, including wastewater connection fees, and title to real property	<u>3,570,456</u>
Total due from utility companies	10,297,868
Less current portion	<u>(814,795)</u>
Due from utility companies – long-term	<u><u>\$ 9,483,073</u></u>

Future maturities of amounts due from utility companies are as follows:

Year Ending September 30	Principal	Interest	Total
2022	\$ 814,795	\$ 264,462	\$ 1,079,257
2023	986,822	237,911	1,224,733
2024	1,014,139	210,594	1,224,733
2025	1,042,245	182,488	1,224,733
2026	1,071,162	154,571	1,225,733
2027-2031	4,422,452	323,115	4,745,567
2032-2036	674,685	33,207	707,892
2037-2039	271,568	3,482	275,050
	<u>\$ 10,297,868</u>	<u>\$ 1,409,830</u>	<u>\$ 11,707,698</u>

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**4. STATE REVOLVING FUND LOANS PAYABLE**

As disclosed in Note 3, the RUA received funding from SRF loans on behalf of SWUC and DWU through Interlocal Agreements with both utility companies. As of September 30, 2021, the state revolving fund loans payable consisted of the following:

SRF loan WW643071, bearing interest at a rate of 2.87% per annum, with required semi-annual payments of \$458,886, maturing February 15, 2030, secured by SWUC net wastewater utility system revenues, including wastewater connection fees.	\$ 6,846,187
SRF loan WW170400, bearing interest at a rate of 2.74% per annum, with required semi-annual payments of \$51,318, maturing August 15, 2031, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	931,011
SRF loan WW170410, bearing interest at a rate of 2.74% per annum, with required semi-annual payments of \$40,381, maturing January 15, 2032, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	732,597
SRF loan WW170420, bearing interest at a rate of 1.40% per annum, with required semi-annual payments of \$28,386, maturing September 15, 2038, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	856,229
SRF loan WW170430, bearing interest at a rate of 0.92% per annum, with required semi-annual payments of \$33,395, maturing November 15, 2038, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	<u>1,077,319</u>
Total state revolving fund loans payable	10,443,343
Less current portion	<u>(960,270)</u>
State revolving fund loans payable – long-term	<u><u>\$ 9,483,073</u></u>



**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

**4. STATE REVOLVING FUND LOANS PAYABLE – CONTINUED**

The annual requirements to amortize SRF loans payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 960,270	\$ 264,462	\$ 1,224,732
2023	986,822	237,911	1,224,733
2024	1,014,139	210,594	1,224,733
2025	1,042,245	182,488	1,224,733
2026	1,071,162	154,571	1,225,733
2027-2031	4,422,452	323,115	4,745,567
2032-2036	674,685	33,207	707,892
2037-2039	271,568	3,482	275,050
	<u>\$ 10,443,343</u>	<u>\$ 1,409,830</u>	<u>\$ 11,853,173</u>

**Changes in Long-Term Debt Liabilities**

SRF loan activity for the year ended September 30, 2021, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
SRF Loan WW643071	\$ 7,544,548	\$ -	\$ (698,361)	\$ 6,846,187	\$ 719,297
SRF Loan WW170400	1,006,580	-	(75,569)	931,011	77,654
SRF Loan WW170410	792,061	-	(59,464)	732,597	61,104
SRF Loan WW170420	900,548	-	(44,319)	856,229	44,942
SRF Loan WW170430	1,133,808	-	(56,489)	1,077,319	57,273
	<u>\$ 11,377,545</u>	<u>\$ -</u>	<u>\$ (934,202)</u>	<u>\$ 10,443,343</u>	<u>\$ 960,270</u>

The RUA's outstanding State Revolving Fund notes payable related to direct borrowings of \$10,443,343 contain provisions that in an event of default, the State could either accelerate the repayment schedule or increase the financing rate on the unpaid principal of the loan to as much as 1.667 times the financing rate; collect fees and apply the revenues to the reduction of the obligations; sue for payment amounts due plus interest and costs of collection; intercept the delinquent amounts plus penalties and interest; or notify financial market credit rating agencies and potential creditors.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**4. STATE REVOLVING FUND LOANS PAYABLE – CONTINUED**

**Rate Coverage Ratios**

Under each of the SRF loan agreements, the DWU and SWUC must maintain rates and charges for the sewer system sufficient to provide net revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments in such fiscal year. For the year ended September 30, 2021, the net revenues of the sewer system for DWU and SWUC were in compliance with this debt service coverage ratio.

**Debt Service Fund Deposits**

Under the terms of the SRF loan agreements, between each semiannual loan payment, the RUA must make monthly deposits into a restricted debt service fund equal to 1/6 of the semiannual loan payment amount. As of September 30, 2021, the RUA was in compliance with this requirement through the \$232,103 reflected as cash–restricted for debt service on the statement of net position.

**5. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through June 17, 2022, the date which the financial statements were available to be issued.

## **COMPLIANCE SECTION**

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF  
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER  
10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
Walton/Okaloosa/Santa Rosa Regional Utility Authority

We have examined the Walton/Okaloosa/Santa Rosa Regional Utility Authority's (RUA) compliance with Section 218.415, Florida Statutes, in regard to investments for the year ended September 30, 2021.

Management is responsible for RUA's compliance with those requirements. Our responsibility is to express an opinion on the RUA'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 RUA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether RUA is in compliance with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including the assessment of the risks of material noncompliance, 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. Our examination does not provide a legal determination of RUA's compliance with specified requirements.

In our opinion, the Walton/Okaloosa/Santa Rosa Regional Utility Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

*Warren Averett, LLC*

Destin, Florida  
June 17, 2022

**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 Directors  
Walton/Okaloosa/Santa Rosa Regional Utility Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the RUA's basic financial statements, and have issued our report thereon dated June 17, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the RUA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RUA's internal control. Accordingly, we do not express an opinion on the effectiveness of RUA'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 RUA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Warren Averett, LLC*

Destin, Florida  
June 17, 2022

## MANAGEMENT LETTER

To the Board of Directors  
Walton/Okaloosa/Santa Rosa Regional Utility Authority

### **Report on the Financial Statements**

We have audited the financial statements of Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 17, 2022.

### **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 on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 17, 2022, 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 as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding 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 information can be found in Note 1 of the accompanying financial statements.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the RUA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the RUA 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 RUA. It is management's responsibility to monitor RUA'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 did not have any such recommendations.

### **Specific Information**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, RUA reported:

- a. No RUA employees compensated in the last pay period of RUA's fiscal year.
- b. No independent contractors to whom nonemployee compensation was paid in the last month of RUA's fiscal year.
- c. No compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency.
- d. No compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.
- e. No construction projects.
- f. RUA did not adopt a budget and, therefore, there were no variances.

### **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 has occurred, or is likely to have occurred, that has 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 have 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, the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

*Warren Averett, LLC*

Destin, Florida  
June 17, 2022