

CLAY COUNTY UTILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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SEPTEMBER 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors,
Clay County Utility Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Clay County Utility Authority (the Authority), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

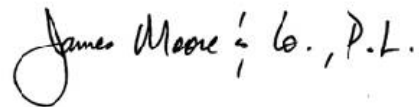
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, 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 solely 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 effectiveness of the Authority's 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.

James Moore & Co., P.L.

Daytona Beach, Florida
February 12, 2024

Clay County Utility Authority Management's Discussion and Analysis

Managerial Philosophy and Strategic Objectives

The senior management team of the Clay County Utility Authority (the 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, 2023.

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 progress in Fiscal Year 2022/2023 with both a Rate Study and overarching Strategic Plan to complement the Integrated Water Resource Plan (IWRP) that was delivered in December 2022. The Authority is working with the consultant to update the Rate Study to include the financing secured in Fiscal Year 2022/2023 and planned in Fiscal Year 2023/2024. We anticipate delivery of the Rate Study to the Board of Supervisors in early 2024. We delivered the draft Strategic Plan to the Board of Supervisors in January 2024. We will deliver the final Strategic Plan to the Board of Supervisors in February 2024.

The Authority submitted the application to the St. Johns River Water Management District (SJRWMD) for the Consumptive Use Permit (CUP) in June 2023. The CUP regulates the water supply allocation used by the Authority. We are pursuing a standard 20-year CUP consistent with the IWRP and the Authority's financial participation in the SJRWMD's Black Creek Water Resource Development Project. We anticipate completing the CUP renewal process sometime in 2024.

The Authority continued to progress with the construction of several key capital projects aimed at serving the area west and south of Green Cove Springs. The Peters Creek Water Reclamation Facility (WRF) and the Governors Park facilities began construction in Fiscal Year 2022/2023. These two (2) facilities represent over an \$80 million dollar investment by the Authority. Both facilities are essential to providing water, wastewater, and reclaimed water services to the future homes and businesses in the Lake Asbury and Governors Park areas. Currently, we expect both facilities to be constructed and operational in early 2025.

The Authority also advanced the Lake Asbury Master Planning Area (LAMP) Policy this past fiscal year. The Authority's Board of Supervisors adopted this policy at the first meeting of Fiscal Year 2023/2024. This policy enables the Authority to pioneer specific large diameter trunk main projects to serve growth and development within the county's adopted LAMP. The LAMP Policy enables the Authority to invest roughly \$30 million dollars in large diameter trunk main infrastructure, while also providing the cost recovery mechanism for said infrastructure.

The Authority experienced significant price increases on projects within the Capital Improvement Program (CIP). For example, we received a single bid on the Peters Creek WRF that was roughly \$30 million over budget or 1.5 times the engineer’s opinion of probable construction costs. The increase costs of the CIP projects drove the decision for financing in Fiscal Year 2022/2023 instead of Fiscal Year 2023/2024. The Authority continues to navigate significantly elevated pricing on CIP projects due to the amount of capital projects in the North Florida market and the limited number of contractors available.

The Authority initiated the Enterprise Resource Platforms (ERP) Project in Fiscal Year 2022/2023. The Authority aims to replace the antiquated and labor-intensive information systems currently used by staff. The Authority’s ERP Project will deploy Workday, SpryPoint, and Invoice Cloud. The information systems deployed through the ERP Project will empower staff with real-time processed information, improving operational efficiency. We currently expect the ERP Project to go live on March 25, 2024.

Financial Overview

This discussion and analysis serve as an introduction to the Authority’s basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The Authority’s Board of Supervisors approved a 3.9% revenue increase from base and flow charges for potable water, wastewater, and reclaimed water services for fiscal year 2022/2023. The Authority kept the volume provided in each block consistent with previous fiscal years. The Authority realized revenue within 3.5% of the forecast. In addition, the Authority benefited from strength in housing and business growth. The Authority gained 1,429 active water accounts and 1,435 active sewer accounts which was stronger than the 1,200 new accounts budgeted.

Condensed Statement of Net Position (\$000)

	For the Year Ended September 30, 2023				
	2023	2022	% Change	2021	% Change
Capital assets – net	411,537	339,649	21.2	299,756	13.3
Current assets	26,117	22,297	17.1	31,149	(28.4)
Investments, current	0	0	-	0	-
Other non-current assets	8,708	13,604	(36.0)	15,226	(10.7)
Investments, non-current	101,036	52,627	92.0	52,054	1.1
Deferred outflow of Resources	1,481	1,709	(13.3)	1,938	(11.8)
Totals	<u>548,879</u>	<u>429,886</u>	27.7	<u>400,123</u>	7.4
Liabilities and fund equity					
Net position	369,224	324,403	13.8	293,106	10.7
Long-term liabilities, net	152,224	84,284	80.6	91,474	(7.9)
Current liabilities, including restricted	27,431	21,199	29.4	15,543	36.4
Totals	<u>548,879</u>	<u>429,886</u>	27.7	<u>400,123</u>	7.4

Capital Assets - Net

Net Capital assets increased \$71,888,000 during fiscal year 2022/2023. The increase is mainly attributed to \$85,930,000 of various utility expansions and dispositions, offset by \$13,844,000 of depreciation expense. Developers contributed \$27,103,414 of those assets.

For the year 2022, capital assets increased \$39,893,000. The increase is mainly attributed to \$52,677,000 of various utility expansions and dispositions, offset by \$13,177,000 of depreciation expense. Developers contributed \$12,575,474 of those assets.

Current Assets

The change in current assets is due to the increase in cash. Cash to fund capital projects was obtained from borrowing sources allowing operating cash to increase during the year.

Net Position

The net position can serve as a useful indicator of our financial position, with an increase of \$44,820,000, the net investment in capital assets, the largest portion of the Authority's net position, 82%, 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, 2.3%, is capacity charges that are subject to capital improvements. Developer, and other contributions of \$40,707,000 were received in fiscal year 2023, approximately \$12,116,000 of which was cash. The unrestricted portion, 15%, decreased 12.6%. Net income is an unrestricted reserve used for future capital funding.

Long-Term Debt - Net

In fiscal year 2023, the net long-term debt increased \$67,940,000. 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 \$6,232,000, due to the timing of Accounts Payable invoices due at year-end.

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

	For the Year Ended September 30, 2023				
	2023	2022	% Change	2021	% Change
Operating revenues	59,890	53,992	10.9	49,449	9.2
Operating expenses	(54,568)	(48,522)	12.5	(44,914)	8.0
Operating income	5,322	5,470	(2.7)	4,535	20.6
Non-operating (expenses), net	(1,209)	(1,499)	(19.3)	(1,638)	(8.5)
Contributions and grants	40,707	27,325	49.0	19,851	37.7
Increase in Net Position	44,820	31,296	43.2	22,748	37.62

Operating Revenues

Operating revenue was within 3.5% 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 (89.5%) of residential customers continue to use no more water than the second-tier allowance in fiscal year 2023.

In the prior year, operating revenue was within 0.0% of management projections. A large majority (91.7%) of residential customers did not use more water than the second-tier allowance in fiscal 2022.

Operating Expenses

The increase of \$6,046,000 in operating expenses in 2023 is largely due to \$1,607,113 increase in wages and related benefits, and depreciation expense increased \$641,000.

The increase of \$3,608,000 in operating expenses in 2022, was largely due to \$1,254,000 increase in wages and related benefits resulting from additional staffing, and a 6.5% cost of living allowance and merit.

Non-Operating Revenue and Expenses

The decrease of \$290,000 in non-operating revenue and expenses is due to an increase of \$991,000 in interest income, an increase of \$543,000 in interest expense, a \$17,000 decrease in gain on sale of assets and a \$141,000 increase in debt issuance costs.

During fiscal year 2022, the decrease of \$139,000 in non-operating revenue and expenses is due to a decrease of \$51,000 in interest income, a decrease of \$198,000 in interest expense, a \$8,000 increase in gain on sale of assets and no debt issuance costs.

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 to connect to the Authority's systems. Contributed property was \$27,103,414 in 2023, compared to \$12,575,000 in 2022. Cash contributions totaled \$13,608,824 in 2023, of which \$2,440,924 was grant money compared to cash contributions of \$14,750,000, of which \$2,855,000 was grant money in 2022. Additionally, the Authority began deferring capacity charges for developers in 2016. At the end of Fiscal Year 2023 the pending deferred charges totaled, \$20,214,000, with expected capacity fees from these charges at \$4,439,895 in fiscal year 2024.

Utility Service Demand Trend

An Equivalent Residential Connection (ERC) is the equivalent flow that can be anticipated from one (1) 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. <u>Ending</u>	<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	55,207	80.4	49,939	52.4	12,704	98.6
9/30/2021	56,466	77.0	51,138	49.1	13,658	99.6
9/30/2022	58,380	79.3	52,969	49.4	14,854	96.2
9/30/2023	60,209	82.7	54,739	49.3	16,068	94.0

Economic Factors and Next Year's Rate

Our evaluation of customer water demand shows per capita water demand has remained stable with the Authority's tiered rate structure. In fiscal year 2022/2023, customers within the first two (2) water use tiers (up to 12,000 gallons per month) accounted for 89.5% of the Authority's residential customers. We consider the Authority's conservation efforts have reached a mature level.

In 2015, the Authority Board of Supervisors approved an Alternative Water Supply (AWS) initiative aimed at diversifying the water supply portfolio over time for greater resiliency and sustainability. The AWS initiative includes a surcharge per customer bill and a customer capacity fee. The AWS surcharge currently stands at \$1.18 per water bill. The one-time AWS capacity charge for new customer connecting to the Authority systems now stands at \$388 per new account. Through fiscal year 2023, the Authority spent over \$6.2 million on AWS projects.

The Authority continues to advance many key infrastructure projects in advance of the completion of the Florida Department of Transportation (FDOT) First Coast Expressway and the County's Bonded Roadway Projects. Current projects schedules indicate the Authority's Peters Creek WRF and Governors Park facilities will be completed in early 2025. With the completion of the roadways and the Authority's utility infrastructure, we anticipate a period of rapid system expansion served by the Authority.

We anticipate significant amount of growth in the Authority's service area to occur in the Lake Asbury area. The Authority's adoption of the LAMPA policy and investment in the large diameter trunk main infrastructure will serve as a catalyst for development along the new roadway corridors. The analysis performed by the Authority's consultant for the LAMPA policy indicates the build-out for these roadway corridors will likely be roughly 10 years. If the growth forecasts hold, the Authority will recover the costs of the pipeline infrastructure covered by the LAMPA policy in the same timeframe.

The Authority continues to monitor and update forecasts based upon information from the Service Availability Department. The Authority held growth forecasts between 1,200 to 1,500 new customer accounts for the past couple fiscal years. We anticipate new customer accounts growing to over 2,000 per year beginning with the opening of the

previously mentioned roadway infrastructure. Growth in new customer accounts will provide added revenue in the form of the one-time plant capacity fees as well as the on-going service base and flow charges.

Supporting the Authority's CUP renewal efforts, we are leading a collaborative effort with the Florida Department of Environmental Protection (FDEP), SJRWMD, Suwanee River Water Management District (SRWMD), JEA, Gainesville Regional Utilities (GRU), and St. Johns County Utility Department (SJCUD) aimed at addressing water resource issues in North Florida. We worked with the SJRWMD to call this collaborative effort the North Florida Regional Water Supply Plan Projects Conceptualization (NFRWSPP) effort. This effort will identify conceptual capital infrastructure projects aimed at addressing North Florida water resource issues governed by regulations called Minimum Flows and Levels (MFLs). We see this effort as the most effective pathway to sustainably secure the Authority's water supply allocation and address water resource issues associated with customer water demands.

Request for Information

The Authority's staff designed this financial report to provide a general overview of the Authority's finances. Please address questions concerning with any of the information provided in this report or requests for additional financial information 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, 2023 AND 2022**

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 18,103,858	\$ 13,286,253
Restricted cash and cash equivalents	9,945,707	6,540,074
Investments	40,903,288	52,788,559
Accounts receivable, net	4,808,851	4,595,952
Prepaid items and inventory	1,344,659	935,329
Total current assets	75,106,363	78,146,167
Non-current assets		
Restricted cash and cash equivalents	-	10,081,416
Restricted investments	60,443,265	-
Notes receivable	312,003	301,710
Utility plants	535,009,126	480,380,363
Construction in process	74,747,287	43,959,904
Accumulated depreciation	(198,219,850)	(184,691,211)
Total non-current assets	472,291,831	350,032,182
Total Assets	\$ 547,398,194	\$ 428,178,349
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred loss on bond refunding	\$ 1,481,048	\$ 1,708,823
<u>LIABILITIES</u>		
Current liabilities		
Accounts and retainage payable	\$ 3,368,395	\$ 1,749,094
Accrued expenses	1,300,388	1,340,107
Unearned revenues	444,785	502,696
Customer deposits	4,062,445	3,879,356
Liabilities payable from current restricted assets:		
Accounts and retainage payable	9,745,737	5,720,276
Interest payable	1,450,133	819,798
Current portion of long-term debt	7,059,376	7,188,555
Total current liabilities	27,431,259	21,199,882
Non-current liabilities		
Non-current portion of long-term debt	152,224,459	84,284,066
Total non-current liabilities	152,224,459	84,284,066
Total Liabilities	\$ 179,655,718	\$ 105,483,948
<u>NET POSITION</u>		
Net investment in capital assets	\$ 304,431,304	\$ 249,885,258
Restricted for:		
Capital projects	4,270,054	5,408,103
Debt service	4,225,520	4,673,313
Unrestricted	56,296,646	64,436,550
Total Net Position	\$ 369,223,524	\$ 324,403,224

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, 2023 AND 2022

	2023	2022
Operating revenues		
Charges for services	\$ 56,168,348	\$ 52,104,198
Miscellaneous revenues	3,722,135	1,887,947
Total operating revenues	59,890,483	53,992,145
Operating expenses		
Wages and related benefits	18,382,246	16,775,133
Operating expenses	14,317,620	11,929,650
Subcontractors	5,521,211	4,294,125
Payment to other governments in lieu of taxes	2,529,049	2,345,846
Depreciation expense	13,818,247	13,176,983
Total operating expenses	54,568,373	48,521,737
Operating income	5,322,110	5,470,408
Nonoperating revenues (expenses)		
Interest income	1,665,847	674,690
Interest expense	(2,828,397)	(2,285,685)
Gain (loss) on sale of assets	94,752	112,278
Debt issuance costs	(141,250)	-
Total nonoperating revenues (expenses)	(1,209,048)	(1,498,717)
Income (loss) before capital contributions	4,113,062	3,971,691
Capital contributions and grants		
Developer and other contributions	38,266,314	24,469,772
Capital grants	2,440,924	2,855,431
Total capital contributions	40,707,238	27,325,203
Change in net position	44,820,300	31,296,894
Net position, beginning of year	324,403,224	293,106,330
Net position, end of year	\$ 369,223,524	\$ 324,403,224

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, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Receipts from customers	\$ 59,792,469	\$ 52,762,772
Payments to suppliers	(18,628,860)	(15,995,148)
Payment in lieu of taxes	(2,529,049)	(2,345,846)
Payments to employees	(18,421,965)	(16,430,146)
Net cash provided by (used in) operating activities	20,212,595	17,991,632
Cash flows from capital and related financing activities		
Proceeds from issuance of bonds and loans	75,000,000	-
Debt issuance costs	(141,250)	-
Principal paid on long-term debt	(7,188,786)	(7,035,128)
Interest paid on long-term debt	(1,970,287)	(2,133,036)
Payments to acquire and construct plant property	(54,482,127)	(35,576,235)
Capital contributions	11,162,900	11,894,298
Capital grants	2,440,924	2,855,431
Net cash provided by (used in) capital and related financing activities	24,821,374	(29,994,670)
Cash flows from investing activities		
Purchases of investments	(115,593,186)	(52,627,982)
Sales of investments	67,035,192	51,989,480
Interest income	1,665,847	674,690
Net cash provided by (used in) investing activities	(46,892,147)	36,188
Net increase (decrease) in cash and cash equivalents	(1,858,178)	(11,966,850)
Cash and cash equivalents, beginning of year	29,907,743	41,874,593
Cash and cash equivalents, end of year	\$ 28,049,565	\$ 29,907,743
Cash and cash equivalents classified as:		
Unrestricted	\$ 18,103,858	\$ 13,286,253
Restricted	9,945,707	6,540,074
Restricted - noncurrent	-	10,081,416
Total cash and cash equivalents	\$ 28,049,565	\$ 29,907,743
Reconciliation of operating income to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income	\$ 5,322,110	\$ 5,470,408
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	13,818,247	13,176,983
Changes in assets and liabilities		
Decrease (Increase) in accounts and notes receivable	(223,192)	(1,371,782)
Decrease (Increase) in prepaid items and inventory	(409,330)	(57,244)
Increase (Decrease) in accounts and retainage payable	1,619,301	285,871
Increase (Decrease) in accrued expenses	(39,719)	344,987
Increase (Decrease) in unearned revenue	(57,911)	(50,689)
Increase (Decrease) in customer deposits	183,089	193,098
Total adjustments	14,890,485	12,521,224
Net cash provided by (used in) operating activities	\$ 20,212,595	\$ 17,991,632
Supplemental schedule of noncash investing, capital, and financing activities		
Deferred loss on refunding amortization	\$ 227,775	\$ 229,361
Utility plant property contributed by developers	27,103,414	12,575,474

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

CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

(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 consist of certificates of deposit, money market funds, and US Treasury Notes 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, 2023 AND 2022**

(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 \$5,000 or more are capitalized. Depreciation, on a straight-line basis, is charged over estimated useful lives as follows:

Intangibles	15 years
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 assets 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 statements of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net assets 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, 2023 and 2022.

(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, deferred outflows, deferred inflows, 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, 2023 AND 2022**

(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, 2023, the Authority's cash and investments consisted of the following:

<u>Types of Cash and Investments</u>	<u>Average Maturity</u>	<u>Credit Quality</u>	<u>Amount</u>
Investments and restricted investments			
Certificates of deposit	3.14 years	N/A	\$ 18,409,157
US Treasury Notes	1.63 years	AAA	20,213,557
Money Market Funds	N/A	N/A	62,723,839
Cash on deposit			<u>28,049,565</u>
Total cash and investments (unrestricted and restricted)			<u>\$129,396,118</u>

At September 30, 2022, the Authority's cash and investments consisted of the following:

<u>Types of Cash and Investments</u>	<u>Average Maturity</u>	<u>Credit Quality</u>	<u>Amount</u>
Investments and restricted investments			
Certificates of deposit	2.49 years	N/A	\$ 28,403,564
US Treasury Notes	2.24 years	AAA	24,384,995
Cash on deposit			<u>29,907,743</u>
Total cash and investments (unrestricted and restricted)			<u>\$ 82,696,302</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, 2023 AND 2022**

(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, 2023 and 2022, consist of the following:

	2023	2022
Billed customer receivables	\$ 1,078,203	\$ 2,146,263
Unbilled customer receivables	1,964,705	1,599,681
Notes receivable – current portion	37,975	38,983
Other receivables	1,921,623	1,030,001
Gross accounts receivable	5,002,506	4,814,928
Less: Allowance for uncollectibles	(193,655)	(218,976)
Total accounts receivable, net	<u>\$ 4,808,851</u>	<u>\$ 4,595,952</u>

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 \$312,003 and \$301,710 at September 30, 2023 and 2022, 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, 2023 and 2022, were as follows:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023
Capital assets not being depreciated:				
Land	\$ 5,482,317	\$ -	\$ (213,593)	\$ 5,268,724
Construction in progress	43,959,904	78,942,813	(48,155,430)	74,747,287
Total capital assets not being depreciated	49,442,221	78,942,813	(48,369,023)	80,016,011
Capital assets being depreciated:				
Machinery and equipment	461,538,815	49,395,784	(300,903)	510,633,696
Buildings	9,706,793	5,533,882	-	15,240,675
Intangibles	3,652,438	213,593	-	3,866,031
Accumulated depreciation	(184,691,211)	(13,844,118)	315,479	(198,219,850)
Total capital assets being depreciated, net	290,206,835	41,299,141	14,576	331,520,552
Capital Assets, net	<u>\$339,649,056</u>	<u>\$120,241,954</u>	<u>\$ (48,354,447)</u>	<u>\$411,536,563</u>

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022
Capital assets not being depreciated:				
Land	\$ 5,268,724	\$ 213,593	\$ -	\$ 5,482,317
Construction in progress	16,978,476	40,318,584	(13,337,156)	43,959,904
Total capital assets not being depreciated	<u>22,247,200</u>	<u>40,532,177</u>	<u>(13,337,156)</u>	<u>49,442,221</u>
Capital assets being depreciated:				
Machinery and equipment	440,618,389	20,938,974	(18,548)	461,538,815
Buildings	8,797,356	1,324,938	(415,501)	9,706,793
Intangibles	-	3,652,438	-	3,652,438
Accumulated depreciation	<u>(171,907,307)</u>	<u>(13,217,953)</u>	<u>434,049</u>	<u>(184,691,211)</u>
Total capital assets being depreciated, net	<u>277,508,438</u>	<u>12,698,397</u>	<u>-</u>	<u>290,206,835</u>
Capital Assets, net	<u><u>\$299,755,638</u></u>	<u><u>\$ 53,230,574</u></u>	<u><u>\$ (13,337,156)</u></u>	<u><u>\$339,649,056</u></u>

Depreciation expense for 2023 and 2022 was \$13,818,247 and \$13,176,983, respectively. Additional depreciation amounts of \$25,871 and \$40,970 in 2023 and 2022, 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 \$73,002,262 and \$24,741,927 at September 30, 2023 and 2022, respectively.

(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 \$860,654 and \$779,988 at September 30, 2023 and 2022, respectively.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

(6) Bonds and Notes Payable:

Long-term debt at September 30, 2023 and 2022, is comprised of the following:

	<u>2023</u>	<u>2022</u>
\$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%.	\$ 33,133,178	\$ 34,964,955
\$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%.	38,165,000	41,130,000
\$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.	1,901,056	3,293,841
\$75,000,000 Utility System Revenue Bond, Series 2023, with interest due semi-annually beginning November 1, 2023 and principal payment due on May 1, 2026. Interest is fixed at 3.56%.	75,000,000	-
\$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.	10,462,104	11,086,278
\$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.	622,497	721,547
\$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.	-	276,000
Bonds and notes payable	<u>159,283,835</u>	<u>91,472,621</u>
Less: Current portion of bonds and notes payable	(7,059,376)	(7,188,555)
Long-term bonds and notes payable, net	<u><u>\$152,224,459</u></u>	<u><u>\$ 84,284,066</u></u>

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

(6) Bonds and Notes Payable: (Continued)

Activity in bonds and notes payable for the years ended September 30, 2023 and 2022, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2023	\$ 91,472,621	\$ 75,000,000	\$ (7,188,786)	\$ 159,283,835	\$ 7,059,376
2022	\$ 98,507,749	\$ -	\$ (7,035,128)	\$ 91,472,621	\$ 7,188,555

Debt service requirements to maturity are as follows at September 30, 2023:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 7,059,376	\$ 4,512,498	\$ 11,571,874
2025	7,209,282	4,343,039	11,552,321
2026	82,371,352	4,176,042	86,547,394
2027	7,542,026	1,335,031	8,877,057
2028	7,716,154	1,159,801	8,875,955
2029-2033	31,816,586	3,079,948	34,896,534
2034-2038	13,160,501	911,264	14,071,765
2039	2,408,558	43,229	2,451,787
Total	<u>\$ 159,283,835</u>	<u>\$ 19,560,852</u>	<u>\$ 178,844,687</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-employee payroll for employees covered by this plan for the years ended September 30, 2023 and 2022, was \$13,898,651 and \$12,036,142, respectively, and the total payroll was \$13,906,059 and \$12,045,306 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 \$1,389,865 and \$1,203,614 for the years ended September 30, 2023 and 2022, 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, 2023 AND 2022**

(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, 2023, the Authority did not reduce insurance coverage levels in place as of September 30, 2022. 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, 2023. 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, 2023, no connections have been made in this development and total future connection fee credits available to the developer totaled \$2,091,708.

(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. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 amends GASB Statement No. 62 regarding the disclosure of a government's vulnerability to risks related to certain concentrations and constraints that limit its ability to acquire resources or control spending. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

**CLAY COUNTY UTILITY AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>State Grantor/Pass- Through Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Project/Award Amount</u>	<u>Expenditures</u>
<u>State of Florida Department of Environmental Protection</u>				
Direct Programs:				
Statewide Water Quality Restoration Projects	37.039	LPA0057	\$ 1,500,000	\$ 461,453
Statewide Water Quality Restoration Projects	37.039	LPA0058	1,500,000	135,403
Statewide Water Quality Restoration Projects	37.039	LPA0488	500,000	500,000
Passed through St. Johns River Water Management District				
Statewide Water Quality Restoration Projects	37.039	35200	1,500,000	391,502
Total Statewide Water Quality Restoration Projects				<u>1,488,358</u>
Passed through St. Johns River Water Management District				
Alternative Water Supply	37.100	35385	448,784	142,569
Alternative Water Supply	37.100	35865	900,570	809,997
Total Alternative Water Supply Projects				<u>952,566</u>
Total Expenditures of State Financial Assistance				<u>\$ 2,440,924</u>

Notes:

1) Basis of Presentation:

The accompanying Schedule of State Financial Assistance includes state financial assistance activity of Clay County Utility Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Florida Auditor General.

2) Subrecipients:

The Authority provided no state awards to subrecipients during the year ended September 30, 2023.

**CLAY COUNTY UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

State Financial Assistance:

Internal control over major state projects:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major state projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550? yes none reported

Dollar threshold used to distinguish between type A and type B programs: \$732,277

Identification of major state projects:

CSFA Number	Project Name
37.039	Statewide Water Quality Restoration Projects
37.100	Alternative Water Supply

- B. Financial Statement Findings:** None.
- C. State Financial Assistance Findings and Questioned Costs:** None.
- D. Summary Schedule of Prior Audit Findings:** Not applicable as there were no audit findings for the year ended September 30, 2022.
- E. Corrective Action Plan:** Not applicable as there are no current year comments related to internal control and/or compliance over financial reporting or state awards.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Supervisors,
Clay County Utility Authority:

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Clay County Utility Authority's (the Authority) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the Authority's major state projects for the year ended September 30, 2023. The Authority's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance 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. Our responsibilities under those standards and the Chapter 10.550, Rules of the Auditor General, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

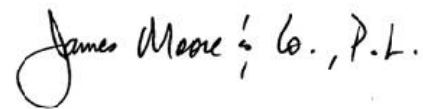
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in black ink and is positioned to the right of the main text block.

Daytona Beach, Florida
February 12, 2024



**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 (*Government Auditing Standards*), the financial statements of the Clay County Utility Authority (the Authority) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 12, 2024.

Report on 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.

Report on 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
February 12, 2024

James Moore & Co., P.L.



**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, 2023, and have issued our report thereon dated February 12, 2024.

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 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 February 12, 2024, 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. The Authority has no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

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 communicate 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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information.

Specific Special District Information – Clay County Utility Authority

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

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

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 187.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 13.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$13,262,341.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$86,100.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

Construction Project	Amount
Upgrade Lift station 9-Meadowbrook	\$ 101,922
Rehab SP WW Clarifer #1/under drain 1-2	1,549,176
Ridgecrest WTP - Replace Softstart & Crossline Starters with VFD's	2,011,228
Fleming Island Reg. WWTP - 2nd BCR Plant, Two Tanks	7,200,000
Fleming WRF Clarifier No. 1 Upgrade	1,208,000
Lift Station #2 & #3 Upgrade	3,834,146
Ridaught WWTP Upgrades (Install Micro-screen, Grit Removal Equipment, and Influent, Rehabilitation of Clarifier No. 2)	2,887,000
Meadowbrook Well Rehab	366,895
Meadowbrook WTP Upgrades - (GST #3 repair, Transfer switch, GST #2 roof repair, Aerator repair, replace 4 of the 5 HSP skids)	2,082,308
Gravity Sewer Lining	692,096
Gravity Sewer Lining FY 23	1,307,904
Oakleaf WTP Well No. 2	75,145
Ridaught WTP - Phase I GST Upgrades	872,000
Lift Station #4 Upgrades	800,000
Lift Station #62 and #67 - Rehabilitation	320,000
Fleming Oaks WTP Electrical Upgrades & Hydro Tank	190,000
Lake Asbury WM Improvements (602 Lake Asbury Road & Aldersgate St.)	170,000
Wesley RD WM Improvements (Branscomb Road to Arthur Moore Drive)	200,000
Keystone Heights High School WM relocation	143,000
Keystone Heights - Lakeside Street/Hilltop Street Water Main Rehabilitation	237,600
Pace Island & Fleming Oaks WTP Electrical Upgrades	220,000
Fleming island WRF electrical upgrades /Vault upgrades	296,171
Miller WRF Electrical Upgrades & WWTP Upgrades	125,005
Ravines Off-Site Mains - Middleburg W&S Extensions	1,238,000
Spencers WTP - Ground Storage & High Service Pump & Electrical Upgrades	565,000
Sandridge Road widening from Henley to CR 209 and ForceMain Extension	1,080,000
ERP Software Replacement	1,400,000
Upgrade Lift Stations 11, 41, 69, 51	542,000
Upgrade Lift Station 56	125,000
Lift Station Bypass Pump	200,000
SCADA System	1,260,048
WTP Ground Storage Tanks: add Handrails	576,000
Water Plant Meters Retrofits	108,000
Manhole Rehab	150,000
FH and Gate Valve replacement	105,000
Potable and Reclaimed Water Meter and backflow device replacement	761,250
Meadow Lake WTP-New Ground Storage Tank and Electrical Service upgrade	3,149,124
Henley Road 12" WM Loop - Sandridge to Small Lake	106,000
North Middleburg Water & Sewer Extension and Interconnection (Water Interconnect, Forcemain extension and pump station)	3,000,000
Saratoga Springs WTP - Phase I	16,591,000
Middleburg Water and Sewer Relocations	602,241
Mid Clay WWTP - Phase II Plant Expansion	7,250,000
Fleming Island Reg. WWTP - #3 BTU Installation, Design	6,520,000
2019-054 Doctors Lake Restoration Project	1,883,333
CCUA Storage Building and Site Improvements	3,913,316
CCUA Administrative Building Phase I	4,125,089
CCUA Administrative Building Phase II	350,000
Aquarius Concourse Relocation Utility Relocations	2,143,637
Swimming Penn Creek WM Interconnect	2,250,000
Ravines to Henly Road Water Main Extension	2,250,000
Governor's Park WTP Design and Build	5,125,000
Peters Creek WTP 2nd GST & 3rd Well	3,050,000
Peters Creek New Regional WRF	29,471,152
CCUA North Campus Driveway	786,341

LAMPA E/W Interconnect #1 - Water Lines	1,000,000
LAMPA E/W Interconnect #1 - Wwtr-Reuse	2,000,000
LAMPA E/W Interconnect #2 - Water Lines	666,667
LAMPA E/W Interconnect #2 - Wwtr - Reuse	1,333,333
LAMPA N/S Interconnect #1 - Water Lines	1,233,333
LAMPA N/S Interconnect #2 Wwtr & Reuse	2,466,667
LAMPA N/S Interconnect #2 Water Lines	181,500
LAMPA N/S Interconnect #2 Wwtr & Reuse	363,000
Knight Boxx/Old Jennings Force Main Extension and Lift Station 56	459,115
16-inch WM Challenger Dr Interconnect to Atlantis dr. - Atlantis to Brannan mill (2- Segments)	1,000,000
16-inch WM Atlantis to Kindlewood	500,000
FDOT 447180-1: US17 from Eagle Harbor to Doctors Inlet Bridge	310,000
CR-220 at Old Hard Rd. Intersection	410,000
Tanglewood Neighborhood Water Main Relocations	85,000
Habitat Drive Water Main Relocations	265,000
CR 218 widening from Pine Tree Lane to Cosmos	675,000
CR 220 widening Baxley to Henley Rd	250,000
CR 220 widening from Henley to Knightbox	150,000
CR 315 widening -Utility Relocation (design FY 23 construct FY 24)	922,000
CR220 Quadrant Intersection	578,000
College Drive RRR	200,000
Infill Projects	1,361,679
Water System Interconnects - Misc	675,000
Longbay Rd. Master Pump Station and Force Main	200,000
Purified Water Pilot Study	4,769,000
Irrigation CUP	510,000
Public Access Reuse Storage	2,042,000

- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: there were no amendments between the original and final total district expenditure budget.

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.

James Moore & Co., P.L.

Daytona Beach, Florida
February 12, 2024



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* (the Statute), for the year ended September 30, 2023. The Authority's management is responsible for the Authority's compliance with those requirements. Our responsibility is to obtain reasonable assurance by evaluating against the aforementioned statutes and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating against the aforementioned statutes and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of Office's compliance. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that were not in accordance with those requirements in all material respects, 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.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Authority complied for the year ended September 30, 2023, with the aforementioned requirements in all material respects.

A handwritten signature in black ink that reads "James Moore & Co., P.L." with a stylized circular flourish at the beginning.

Daytona Beach, Florida
February 12, 2024