

CLAY COUNTY UTILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

**CLAY COUNTY UTILITY AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

TABLE OF CONTENTS

	<u>Page Number(s)</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13 – 22
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 <i>Government Auditing Standards</i>	23 – 24
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	25 – 28
Independent Accountants' Examination Report	29
Management's Response to Findings	30



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, 2024 and 2023, 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, 2024 and 2023, 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.

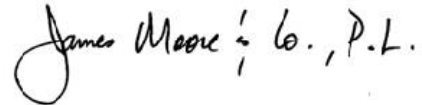
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2025, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
January 28, 2025

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, 2024.

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 delivered a completed Rate Study in August 2024. The final Rate Study incorporated the \$105M of financing the Authority took on in 2023 and 2024. In addition, the Rate Study looked at scenarios in implementing the Authority's Capital Improvement Program (CIP). The Rate Study's key findings on the Authority's existing rate structure are listed below.

- The Authority's wastewater rate structure was considered sound and consistent with industry standards.
- The Authority's reclaimed water rate is currently considered a "concession" rate.
- The Authority's potable water rates are considered solid with no red flags.

The Rate Study included three (3) primary recommendations for the Authority's Board of Supervisors to consider. Below are three (3) primary recommendations to the Authority provided by the Consultant, CDM Smith, who prepared the Rate Study.

- Consider applying the tiered rate structure to all customer classes for potable water services.
- Consider moving to an industry standard high strength surcharge system for wastewater charges.
- Consider moving the reclaimed water rate to a cost-of-service model as demand for reclaimed water services.

The Authority's management team initiated a series of workshops with the Board of Supervisors briefing them on supporting information and related business and policy considerations. The management team will conclude the workshops in the second (2nd) quarter of the current Fiscal Year. We expect direction from the Board of Supervisors regarding the consultant's recommendation this fiscal year for implementation in future fiscal years.

The Authority continues to work with the St. Johns River Water Management District (SJRWMD) for the Consumptive Use Permit (CUP) renewal. The CUP regulates the water supply allocation used by the Authority. We remain focused on the standard 20-year CUP consistent with the Integrated Water Resource Planning (IWRP) and the Authority's financial participation in the SJRWMD's Black Creek Water Resource Development Project.

To support the Authority's CUP renewal application, the Authority facilitated an effort called the North Florida Regional Water Supply Plan Projects Partnership (NFRWSPPP) in Fiscal Year 2023/2024. The NFRWSPPP was a collaborative effort between the Florida Department of Environmental Protection (FDEP), the St. Johns River Water Management District (SJRWMD), the Suwannee River Water Management District (SRWMD), JEA, the Gainesville Regional Utilities (GRU), the St. Johns County Utility Department (SJCUD), and the Authority. The final NFRWSPPP report identifies large scale regional capital projects to sustainably address the Minimum Flows and Level (MFL) regulations within the SRWMD. The Authority seeks to financially participate in one or more of the projects identified by the NFRWSPPP to secure the 20-year CUP and address the Authority's liability tied to environmental impacts of the SRWMD MFLs. The Authority expects the financial participation in one or more of the projects to be structured similar with the SJRWMD Black Creek Water Resource Development Project.

The Authority significantly advanced the construction of several key capital projects aimed at serving the area west and south of Green Cove Springs. We expect the completion of construction of the Peters Creek Water Reclamation Facility (WRF) and the Governors Park facilities in the second quarter of Fiscal Year 2024/2025. These two (2) facilities represent an over \$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.

The Authority also advanced several projects within the Lake Asbury Master Planning Area (LAMP) Policy this past fiscal year. 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 first project within the LAMP Policy began construction in 2024 and is nearly complete. The Authority entered into a Master Utility Agreement with the developers of the Saratoga Springs development that includes the construction of three (3) other LAMP Policy projects. We expect to complete the design of the final LAMP Policy project in Fiscal Year 2024/2025.

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 management team of the Authority is actively evaluating CIP projects, focusing on their scope, schedule, and anticipated budgets for the future.

The Authority deployed Enterprise Resource Platforms (ERP), Workday and SpryPoint in March and April of 2024. These systems are functioning from a baseline performance perspective. System integrations and technical problem solving continue. The Authority looks to further use the ERP systems to drive operational performance, efficiency, and reporting in Fiscal Year 2024/2025.

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 an 8.1% revenue increase from base and flow charges for potable water, wastewater, and reclaimed water services for Fiscal Year 2023/2024. The Authority kept the volume provided in each block consistent with previous fiscal years. The Authority realized revenue within 2.8% of the forecast.

In addition, the Authority benefited from strength in housing and business growth. The Authority gained 1,550 active water accounts and 1,546 active sewer accounts which was stronger than the 1,500 new accounts budgeted.

Condensed Statement of Net Position (\$000)

	For the Year Ended September 30, 2024				
	2024	2023	% Change	2022	% Change
Capital assets – net	517,510	411,537	25.8	339,649	21.2
Current assets	27,620	26,117	5.8	22,297	17.1
Investments, current	0	0	-	0	-
Other non-current assets	11,609	8,708	33.3	13,604	(36.0)
Investments, non-current	57,562	101,036	(43.0)	52,627	92.0
Deferred outflow of Resources	1,292	1,481	(12.8)	1,709	(13.3)
Totals	<u>615,593</u>	<u>548,879</u>	12.2	<u>429,886</u>	27.7
Liabilities and fund equity					
Net position	407,236	369,224	10.3	324,403	13.8
Long-term liabilities, net	176,517	152,224	16.0	84,284	80.6
Current liabilities, including restricted	31,840	27,431	16.1	21,199	29.4
Totals	<u>615,593</u>	<u>548,879</u>	12.2	<u>429,886</u>	27.7

Capital Assets - Net

Net Capital assets increased \$105,973,000 during Fiscal Year 2023/2024. The increase is mainly attributed to \$121,980,000 of various utility expansions and dispositions, offset by \$16,221,000 of depreciation expense. Developers contributed \$23,559,000 of those assets.

For the year 2023, capital assets increased \$71,888,000. 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 \$27,103,000 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 \$38,012,000. The net investment in capital assets, the largest portion of the Authority's net position, 84%, 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, 1.5%, is capacity charges that are subject to capital improvements. Developer and other contributions of \$35,396,000 were received in Fiscal Year 2023/2024, approximately \$11,837,000 of which was cash. The unrestricted portion, 14%, increased 2%. Net income is an unrestricted reserve used for future capital funding.

Long-Term Debt - Net

In Fiscal Year 2023/2024, the net long-term debt increased \$24,293,000. The debt increased due to additional monies borrowed to fund budgeted capital projects as the result of projected growth in Clay County over the next 5 – 10 years.

Current Liabilities

Current liabilities increased \$4,409,000, due to the timing of Accounts Payable invoices due at year-end and the increase in debt related payments for the upcoming fiscal year.

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

	For the Year Ended September 30, 2024				
	2024	2023	% Change	2022	% Change
Operating revenues	65,525	59,890	9.4	53,992	10.9
Operating expenses	<u>(60,032)</u>	<u>(54,568)</u>	10.0	<u>(48,522)</u>	12.5
Operating income	5,493	5,322	3.2	5,470	(2.7)
Non-operating (expenses), net	(2,877)	(1,209)	138.0	(1,499)	(19.3)
Contributions and grants	<u>35,396</u>	<u>40,707</u>	(13.0)	<u>27,325</u>	49.0
Increase in Net Position	38,012	44,820	(15.2)	31,296	43.2

Operating Revenues

Operating revenue was within 2.8% 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.

In the prior year, operating revenue was within 3.5% of management projections.

Operating Expenses

The increase of \$5,464,000 in operating expenses in 2024 is largely due to \$2,323,000 increase in wages and related benefits, and depreciation and amortization expense increased \$2,403,000.

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

Non-Operating Revenue and Expenses

The increase of \$1,668,000 in non-operating revenue and expenses is due to an increase of \$940,000 in interest income, an increase of \$2,625,000 in interest expense, a \$47,000 decrease in gain on sale of assets and a \$64,000 decrease in debt issuance costs.

During Fiscal Year 2022/2023, 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.

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 \$23,559,000 in 2024, compared to \$27,103,000 in 2023. Cash contributions totaled \$11,837,000 in 2024, of which \$591,000 was grant money compared to cash contributions of \$13,609,000, of which \$2,441,000 was grant money in 2023. Additionally, the Authority began deferring capacity charges for developers in 2016.

Economic Factors and Next Year's Rate

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 \$1.22 per water bill. The one-time AWS capacity charge for new customer connecting to the Authority systems now stands at \$400 per new account. Through Fiscal Year 2023/2024, the Authority spent over \$8.6 million on AWS projects.

The Authority remains ahead of the completion of the Florida Department of Transportation (FDOT) First Coast Expressway and the County's Bonded Roadway Projects. The Authority initiated the start-up of the Peters Creek WRF in January 2025. We expect to begin the start-up of Governors Park in February 2025. We continue to expect a period of rapid customer growth to begin upon the completion of the FDOT and County Bonded Roadway Projects.

Our Executive Management and Service Availability team remains actively engaged with the development community. The two (2) major developments in the area, that will account for roughly 12,000 new homes, are nearly ready to begin construction on their first phases. Both developers communicated their business plans and expect a building pace of 400 to 500 units per year for each development. These major developments are in addition to the significant number of residential developments already permitted and under construction in the Authority's service area.

The Authority's teams also remain engaged with Clay County's Economic Development Corporation (EDC). Our engagement includes interactions with prospective businesses potentially locating commercial and industrial operations in Clay County. The Clay County EDC is actively marketing at least three (3) commercial and industrial areas for development. The Authority continues to actively support these efforts to recruit commercial and industrial businesses.

The Authority remains in an excellent position related to serving the growing population in Clay County. We expect the completion of the Peters Creek and Governors Park facilities roughly five (5) to seven (7) years before expansions may be needed. The only plant expansion in the short-term horizon will be the Keystone Heights WRF. Due to the significantly smaller size of the Keystone Heights WRF, we do not expect costs anywhere near the Peters Creek WRF.

The Authority's management team expects to continue efforts related to the NFRWSPPP. These efforts will likely include some form of Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) with the SJRWMD and potentially the FDEP to financially participate in one or more feasibility studies. We expect the costs associated with either a MOU or MOA to be incorporated into the operating budget without a meaningful impact on next year's rates. As information from the NFRWSPPP develops in future years, the Authority's management will advise the Board of Supervisors and stakeholders on the likely financial participation in regional water supply projects to address impacts from the Authority's customers water use.

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 Karen Osborne, CPA, MBA Chief Financial Officer, 3176 Old Jennings Road, Middleburg, Florida, 32068.

**CLAY COUNTY UTILITY AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2024 AND 2023**

	2024	2023
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 22,177,314	\$ 18,103,858
Restricted cash and cash equivalents	8,503,717	9,945,707
Investments	36,824,170	40,903,288
Accounts receivable, net	6,809,951	4,808,851
Prepaid items and inventory	1,453,655	1,344,659
Total current assets	75,768,807	75,106,363
Non-current assets		
Restricted investments	20,737,853	60,443,265
Notes receivable	284,464	312,003
Utility plants	586,052,013	535,009,126
Construction in process	138,905,488	74,747,287
Right to use - subscription assets	6,778,764	-
Accumulated depreciation and amortization	(214,226,418)	(198,219,850)
Total non-current assets	538,532,164	472,291,831
Total Assets	\$ 614,300,971	\$ 547,398,194
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred loss on bond refunding	\$ 1,292,002	\$ 1,481,048
<u>LIABILITIES</u>		
Current liabilities		
Accounts and retainage payable	\$ 4,281,555	\$ 3,368,395
Accrued expenses	1,419,434	1,300,388
Unearned revenues	-	444,785
Customer deposits	4,508,903	4,062,445
Liabilities payable from current restricted assets:		
Accounts and retainage payable	11,388,781	9,745,737
Interest payable	2,364,291	1,450,133
Current portion of long-term debt	7,209,488	7,059,376
Current portion of subscription payables	667,785	-
Total current liabilities	31,840,237	27,431,259
Non-current liabilities		
Non-current portion of long-term debt	175,014,969	152,224,459
Non-current portion of subscription payables	1,502,308	-
Total non-current liabilities	176,517,277	152,224,459
Total Liabilities	\$ 208,357,514	\$ 179,655,718
<u>NET POSITION</u>		
Net investment in capital assets	\$ 343,756,371	\$ 304,431,304
Restricted for:		
Capital projects	3,061,092	4,270,054
Debt service	3,078,334	4,225,520
Unrestricted	57,339,662	56,296,646
Total Net Position	\$ 407,235,459	\$ 369,223,524

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, 2024 AND 2023

	2024	2023
Operating revenues		
Charges for services	\$ 63,429,906	\$ 56,168,348
Miscellaneous revenues	2,095,153	3,722,135
Total operating revenues	65,525,059	59,890,483
Operating expenses		
Wages and related benefits	20,666,140	18,382,246
Operating expenses	14,222,792	13,722,873
Subcontractors	6,063,265	6,115,958
Payment to other governments in lieu of taxes	2,859,139	2,529,049
Depreciation and amortization expense	16,220,865	13,818,247
Total operating expenses	60,032,201	54,568,373
Operating income	5,492,858	5,322,110
Nonoperating revenues (expenses)		
Interest income	2,605,742	1,665,847
Interest expense	(5,453,131)	(2,828,397)
Gain (loss) on sale of assets	47,910	94,752
Debt issuance costs	(77,300)	(141,250)
Total nonoperating revenues (expenses)	(2,876,779)	(1,209,048)
Income (loss) before capital contributions	2,616,079	4,113,062
Capital contributions and grants		
Developer and other contributions	34,805,283	38,266,314
Capital grants	590,573	2,440,924
Total capital contributions	35,395,856	40,707,238
Change in net position	38,011,935	44,820,300
Net position, beginning of year	369,223,524	324,403,224
Net position, end of year	\$ 407,235,459	\$ 369,223,524

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, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Receipts from customers	\$ 63,553,171	\$ 59,792,469
Payments to suppliers	(19,481,893)	(18,628,860)
Payment in lieu of taxes	(2,859,139)	(2,529,049)
Payments to employees	(20,547,094)	(18,421,965)
Net cash provided by (used in) operating activities	20,665,045	20,212,595
Cash flows from capital and related financing activities		
Proceeds from issuance of bonds and loans	30,000,000	75,000,000
Debt issuance costs	(77,300)	(141,250)
Principal paid on long-term debt and subscription payables	(4,889,285)	(7,188,786)
Interest paid on long-term debt and subscription payables	(4,349,927)	(1,970,287)
Payments to acquire and construct plant property	(96,944,617)	(54,482,127)
Capital contributions	11,246,705	11,162,900
Capital grants	590,573	2,440,924
Net cash provided by (used in) capital and related financing activities	(64,423,851)	24,821,374
Cash flows from investing activities		
Purchases of investments	(36,824,170)	(115,593,186)
Sales of investments	80,608,700	67,035,192
Interest income	2,605,742	1,665,847
Net cash provided by (used in) investing activities	46,390,272	(46,892,147)
Net increase (decrease) in cash and cash equivalents	2,631,466	(1,858,178)
Cash and cash equivalents, beginning of year	28,049,565	29,907,743
Cash and cash equivalents, end of year	\$ 30,681,031	\$ 28,049,565
Cash and cash equivalents classified as:		
Unrestricted	\$ 22,177,314	\$ 18,103,858
Restricted	8,503,717	9,945,707
Total cash and cash equivalents	\$ 30,681,031	\$ 28,049,565
Reconciliation of operating income to net cash provided by (used in) operating activities		
Cash flows from operating activities		
Operating income	\$ 5,492,858	\$ 5,322,110
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	16,220,865	13,818,247
Changes in assets and liabilities		
Decrease (Increase) in accounts and notes receivable	(1,973,561)	(223,192)
Decrease (Increase) in prepaid items and inventory	(108,996)	(409,330)
Increase (Decrease) in accounts and retainage payable	913,160	1,619,301
Increase (Decrease) in accrued expenses	119,046	(39,719)
Increase (Decrease) in unearned revenue	(444,785)	(57,911)
Increase (Decrease) in customer deposits	446,458	183,089
Total adjustments	15,172,187	14,890,485
Net cash provided by (used in) operating activities	\$ 20,665,045	\$ 20,212,595
Supplemental schedule of noncash investing, capital, and financing activities		
Deferred loss on refunding amortization	\$ 189,046	\$ 227,775
Utility plant property contributed by developers	23,558,578	27,103,414

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

CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

(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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension and OPEB trust funds are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

(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.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

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

(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.

(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) **Subscription-Based Information Technology Arrangements**—The Authority is a lessee for two subscription-based information technology arrangements (SBITA). The Authority recognizes a subscription liability and an intangible right-to-use asset (subscription asset) in the financial statements. The Authority recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a SBITA, the Authority initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the arrangement commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the term of the arrangement.

Key estimates and judgments related to SBITA include how the Authority determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) arrangement term, and (3) arrangement payments.

The arrangement term includes the noncancellable period of the SBITA. SBITA payments included in the measurement of the subscription liability are comprised of fixed payments and any purchase option price that the Authority is reasonably certain to exercise. In determining the arrangement term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the arrangement term if the SBITA is reasonably certain to be extended.

The Authority monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

(j) **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.

CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

(k) **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, 2024 and 2023.

(l) **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.

(m) **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.

(n) **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.

(o) **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.

(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.

CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

(2) **Deposits and Investments:** (Continued)

At September 30, 2024, 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	3.56 years	N/A	\$ 12,679,454
US Treasury Notes	1.42 years	AA+	12,616,726
Money Market Funds	N/A	AAA	32,265,843
Cash on deposit			<u>30,681,031</u>
Total cash and investments (unrestricted and restricted)			<u>\$ 88,243,054</u>

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>

(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, 2024 AND 2023**

(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, 2024 and 2023, consist of the following:

	2024	2023
Billed customer receivables	\$ 1,905,544	\$ 1,078,203
Unbilled customer receivables	4,942,274	1,964,705
Notes receivable – current portion	37,146	37,975
Other receivables	241,899	1,921,623
Gross accounts receivable	7,126,863	5,002,506
Less: Allowance for uncollectibles	(316,912)	(193,655)
Total accounts receivable, net	\$ 6,809,951	\$ 4,808,851

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 \$284,464 and \$312,003 at September 30, 2024 and 2023, 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.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

(4) Capital Assets:

Changes in the Authority's capital assets for the years ended September 30, 2024 and 2023, were as follows:

	Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024
Capital assets not being depreciated:				
Land	\$ 5,268,724	\$ -	\$ -	\$ 5,268,724
Construction in progress	74,747,287	110,922,018	(46,763,817)	138,905,488
Total capital assets not being depreciated	<u>80,016,011</u>	<u>110,922,018</u>	<u>(46,763,817)</u>	<u>144,174,212</u>
Capital assets being depreciated or amortized:				
Machinery and equipment	510,633,696	41,583,424	(244,989)	551,972,131
Buildings	15,240,675	5,873,053	-	21,113,728
Intangibles	3,866,031	3,831,399	-	7,697,430
Subscription asset	-	6,778,764	-	6,778,764
Less: accumulated depreciation and amortization	(198,219,850)	(16,251,557)	244,989	(214,226,418)
Total capital assets being depreciated and amortized, net	<u>331,520,552</u>	<u>41,815,083</u>	<u>-</u>	<u>373,335,635</u>
Capital Assets, net	<u><u>\$411,536,563</u></u>	<u><u>\$152,737,101</u></u>	<u><u>\$(46,763,817)</u></u>	<u><u>\$517,509,847</u></u>
	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	<u>49,442,221</u>	<u>78,942,813</u>	<u>(48,369,023)</u>	<u>80,016,011</u>
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
Less: accumulated depreciation and amortization	(184,691,211)	(13,844,118)	315,479	(198,219,850)
Total capital assets being depreciated and amortized, net	<u>290,206,835</u>	<u>41,299,141</u>	<u>14,576</u>	<u>331,520,552</u>
Capital Assets, net	<u><u>\$339,649,056</u></u>	<u><u>\$120,241,954</u></u>	<u><u>\$(48,354,447)</u></u>	<u><u>\$411,536,563</u></u>

Depreciation and amortization expense for 2024 and 2023 was \$16,220,865 and \$13,818,247, respectively. Of the total depreciation and amortization amount in the current year, \$1,180,319 was related to amortization of the subscription asset that went into implementation as of September 30, 2024 with an original cost of \$6,778,764. Additional depreciation amounts of \$30,692 and \$25,871 in 2024 and 2023, 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 \$13,985,436 and \$73,002,262 at September 30, 2024 and 2023, respectively.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

(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 \$852,136 and \$860,654 at September 30, 2024 and 2023, respectively.

(6) Bonds and Notes Payable:

Long-term debt at September 30, 2024 and 2023, is comprised of the following:

	2024	2023
\$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%.	\$ 31,575,245	\$ 33,133,178
\$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%.	35,295,000	38,165,000
\$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
\$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	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.	9,832,046	10,462,104
\$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.	522,166	622,497
\$30,000,000 Utility System Revenue Bond Series 2024; due in annual installments varying from \$2,815,000 to \$3,900,000 plus interest payable semi-annually at 4.15% through 2024.	30,000,000	-
Bonds and notes payable	182,224,457	159,283,835
Less: Current portion of bonds and notes payable	(7,209,488)	(7,059,376)
Long-term bonds and notes payable, net	\$ 175,014,969	\$ 152,224,459

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

(6) Bonds and Notes Payable: (Continued)

Activity in bonds and notes payable for the years ended September 30, 2024 and 2023, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2024	\$ 159,283,835	\$ 30,000,000	\$ (7,059,378)	\$ 182,224,457	\$ 7,209,488
2023	\$ 91,472,621	\$ 75,000,000	\$ (7,188,786)	\$ 159,283,835	\$ 7,059,376

Debt service requirements to maturity are as follows at September 30, 2024:

<u>For the year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2025	\$ 7,209,488	\$ 4,550,084	\$ 11,759,572
2026	82,371,543	5,408,307	87,779,850
2027	10,357,204	2,568,889	12,926,093
2028	10,651,318	2,278,475	12,929,793
2029	10,949,423	1,978,814	12,928,237
2030-2034	43,759,898	5,380,905	49,140,803
2035-2039	16,925,583	843,981	17,769,564
Total	<u>\$ 182,224,457</u>	<u>\$ 23,009,455</u>	<u>\$ 205,233,912</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) Subscription-Based Information Technology Arrangements:

The Authority has entered into two subscription-based information technology arrangements as indicated in Note (4). Imputed interest rates on the arrangement are 4.15%.

Future minimum SBITA payments for the Authority are as follows:

<u>For the year ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 667,785	\$ 91,792	\$ 759,577
2026	722,239	63,545	785,784
2027	780,069	32,996	813,065
Total	<u>\$ 2,170,093</u>	<u>\$ 188,333</u>	<u>\$ 2,358,426</u>

CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

(8) 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, 2024 and 2023, was \$15,627,936 and \$13,898,651, respectively, and the total payroll was \$15,698,615 and \$13,906,059 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 \$1,553,902 and \$1,389,865 for the years ended September 30, 2024 and 2023, respectively.

(9) 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.

(10) 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, 2024, the Authority did not reduce insurance coverage levels in place as of September 30, 2023. The Authority has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

(11) 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, 2024. As such, no OPEB liability has been recorded.

**CLAY COUNTY UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

(12) 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, 2024, no connections have been made in this development and total future connection fee credits available to the developer totaled \$2,091,708.

(13) 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.
- (c) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- (d) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.



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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2025.

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
January 28, 2025

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, 2024, and have issued our report thereon dated January 28, 2025.

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*; 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 January 28, 2025, 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 the following recommendation:

2024-001 – Inventory Tracking

During our testing procedures, we experienced challenges obtaining a report from the software to tie out the year-end inventory balance. We recommend the Authority review and reconcile a year-end inventory with an observation count to track inventory within the ERP software.

Property Assessed Clean Energy (PACE) Programs

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 10.554(1)(i)6.a., Rules of the Auditor General, the Authority did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Authority's geographical boundaries during the fiscal year under audit.

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: 199.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district’s fiscal year: 24.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$15,697,382.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$552,151
- 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:

Project	Amount
23003RR Retrofit Meters and Backflows	\$ 1,316,060.49
23028RR MidClay WRF Alternate Driveway	116,415.44
23029RR WTR PLANT METER RETROFITS	193,232.92
23030RR Lake Asbury WM Improvements	277,005.50
24001RR Baptist Clay - Upgrade LS 92 Electrical	195,435.28
24004SL Sugar Leaf Farms Cost Share	262,209.34
24005RR INSITUFORM TASK ORDER #40 -	929,825.29
24007SP Keystone WRF Expansion 2024	154,924.20
24008RR Fire Hyd & Gate Valve Replacement 23/24	98,447.51
24015RR Upsizing Within Creekview Trails Ph 1 & 2	<u>326,375.63</u>
Total	<u>\$ 3,869,931.60</u>

- 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

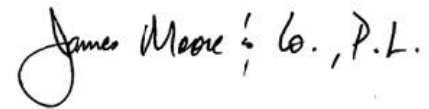
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

Management’s Response to Findings

The Authority’s response to the findings identified in our audit is outlined as listed in the table of contents. The Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Letter

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Daytona Beach, Florida
January 28, 2025



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, 2024. 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 Authority'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, 2024, with the aforementioned requirements in all material respects.

A handwritten signature in black ink that reads 'James Moore & Co., P.L.' with a large, stylized initial 'J'.

Daytona Beach, Florida
January 28, 2025

Management Responses to Findings

2024-001 – Inventory Tracking - During the fiscal year, the Authority underwent a transition to two new ERP software systems which impacted the implementation of real time inventory tracking. As a result, the inventory balance on September 30, 2024, is considered an estimate, based on historical data and manual adjustments, rather than a precise reflection of physical counts. The implementation of the new systems introduced certain delays and challenges reconciling inventory data, and while we have taken steps to ensure that the estimates are reasonable, there may be variances that will be addressed in the upcoming reporting period. We are currently working with our consulting partners to fully implement inventory and expect that the accuracy of our inventory reporting will improve as the system stabilizes, and full integration is achieved.