

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
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**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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### INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members  
Bonita Springs Utilities, Inc.  
Bonita Springs, Florida

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of Bonita Springs Utilities, Inc. which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of revenues and expenses, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bonita Springs Utilities, Inc. as of December 31, 2021 and 2020, and the results of its operations 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* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bonita Springs Utilities, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Bonita Springs Utilities, Inc. ability to continue as a going concern for one year after the date that the financial statements are issued.

Atlanta | Calhoun | Canton | Dalton | Dublin  
Fayetteville | Kennesaw | Rome | Warner Robins

### ***Auditor's 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 auditor's 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 *Government Auditing Standards* 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 there is a substantial likelihood that, 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 *Government Auditing Standards*, 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 Bonita Springs Utilities, Inc.'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 Bonita Springs Utilities, Inc.'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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statements of revenues and expenses for the Water and Wastewater Departments, respectively, on pages 30 and 31, and the accompanying schedule of expenditures of state financial assistance, as required by State of Florida Chapter 10.650, *Rules of the Auditor General*, on page 32, are presented for purpose of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of Bonita Springs Utilities, Inc. 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 Bonita Springs Utilities, Inc.'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 Bonita Springs Utilities, Inc.'s internal control over financial reporting and compliance.

*Nichols, Cauley + Associates, LLC*

Dublin, Georgia  
March 4, 2022

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>UTILITY PLANT, PROPERTY, AND EQUIPMENT, AT COST</b>		
Net of accumulated depreciation	\$ 283,948,205	\$ 277,023,484
<b>RESTRICTED CASH AND INVESTMENTS</b>		
Cash and cash equivalents	18,862,712	1,705,088
Investments	5,687,637	-
Total restricted cash and investments	24,550,349	1,705,088
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8,776,424	9,552,753
Investments	57,720,691	59,661,006
Accounts receivable, net	2,684,071	2,786,648
Unbilled accounts receivable	1,356,220	1,270,659
Materials and supplies inventory	813,307	640,228
Prepaid expenses	583,030	451,919
Interest receivable	122,019	142,720
Special service charges receivable - current	610,000	610,000
Other receivables	136,209	20,164
Total current assets	72,801,971	75,136,097
<b>OTHER ASSETS</b>		
Utility deposits	26,146	25,955
Capital deposits	91,318	123,338
Special service charges receivable - noncurrent	7,008,136	8,001,629
Total other assets	7,125,600	8,150,922
<b>TOTAL ASSETS</b>	<b>\$ 388,426,125</b>	<b>\$ 362,015,591</b>

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

<b>MEMBERS' EQUITY AND LIABILITIES</b>	<u>2021</u>	<u>2020</u>
<b>MEMBERS' EQUITY</b>		
Members' investment certificates	\$ 4,205,271	\$ 4,205,271
Contributed capital	162,262,777	154,066,584
Retained earnings	<u>137,971,148</u>	<u>137,315,748</u>
Total members' equity	<u>304,439,196</u>	<u>295,587,603</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds, Series 2012B	1,817,384	3,618,576
Revenue bonds, Series 2014	3,279,094	4,876,127
Revenue bonds, Series 2020	28,324,768	32,723,027
Revenue bonds, Series 2021	18,553,011	-
DWSRF loan	5,677,367	-
Deferred special service charges income - noncurrent	7,008,136	8,001,629
Injection well retirement obligation	<u>825,452</u>	<u>652,710</u>
Total long-term liabilities	<u>65,485,212</u>	<u>49,872,069</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Accrued bond interest	216,337	166,011
Long-term liabilities - current portion	<u>9,055,000</u>	<u>7,715,000</u>
Total payments from restricted assets	<u>9,271,337</u>	<u>7,881,011</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	3,458,467	2,262,853
Retainage payable	430,973	290,564
Members' capital credit payable	625,754	1,769,054
Customer deposits	2,872,511	2,729,395
Other current liabilities	1,232,675	1,013,042
Deferred special service charges income - current	<u>610,000</u>	<u>610,000</u>
Total current liabilities	<u>9,230,380</u>	<u>8,674,908</u>
Total liabilities	<u>83,986,929</u>	<u>66,427,988</u>
<b>TOTAL MEMBERS' EQUITY AND LIABILITIES</b>	<u>\$ 388,426,125</u>	<u>\$ 362,015,591</u>

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Water sales	\$ 18,231,039	\$ 17,575,650
Wastewater sales	23,384,745	22,793,436
Other fees	1,429,813	1,223,265
Total operating revenues	43,045,597	41,592,351
 <b>OPERATING EXPENSES</b>		
Plant		
Distribution and collection system costs	4,253,908	4,118,622
Plant operating costs	8,426,243	8,063,825
Engineering	862,421	1,080,864
Depreciation	18,171,397	17,803,542
Total plant	31,713,969	31,066,853
General and administrative		
Management and office costs	2,538,936	2,487,878
Administrative and personnel	6,778,051	6,667,460
Total general and administrative	9,316,987	9,155,338
Total operating expenses	41,030,956	40,222,191
 <b>OPERATING MARGIN</b>	 2,014,641	 1,370,160
 <b>OTHER INCOME (EXPENSES)</b>		
Investment earnings (losses)	(427,297)	1,661,640
Other nonoperating income	171,158	73,709
Gain on refunding of Series 2010 revenue bonds	-	1,918,857
Gain (loss) on disposal of utility plant and equipment	(140,455)	69,026
Total other income (expenses)	(396,594)	3,723,232
 <b>DEBT EXPENSE</b>		
Interest, amortization, and other	1,069,219	2,361,264
 <b>NET MARGIN</b>	 \$ 548,828	 \$ 2,732,128

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Members' Investment Certificates	Contributed Capital	Retained Earnings	Total
<b>BALANCE - DECEMBER 31, 2019</b>	\$ 4,205,271	\$ 145,512,804	\$ 138,495,764	\$ 288,213,839
Net margin	-	-	2,732,128	2,732,128
Contributed capital	-	8,553,780	-	8,553,780
Members' capital credits retired	-	-	(3,912,144)	(3,912,144)
<b>BALANCE - DECEMBER 31, 2020</b>	4,205,271	154,066,584	137,315,748	295,587,603
Net margin	-	-	548,828	548,828
Contributed capital	-	8,196,193	-	8,196,193
Capital credits returned to equity	-	-	1,116,103	1,116,103
Members' capital credits retired	-	-	(1,009,531)	(1,009,531)
<b>BALANCE - DECEMBER 31, 2021</b>	<u>\$ 4,205,271</u>	<u>\$ 162,262,777</u>	<u>\$ 137,971,148</u>	<u>\$ 304,439,196</u>

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margin	\$ 548,828	\$ 2,732,128
Noncash income and expenses included in net margin		
Depreciation	18,171,397	17,803,542
Amortization, bond costs, and other	250,674	152,123
(Gain) of refunding of Series 2010 revenue bonds	-	(1,918,857)
(Gain) loss on disposal of utility plant and equipment	140,455	(69,026)
Unrealized/realized (gain) loss on investments	1,071,569	(676,528)
Decrease (increase) in		
Accounts receivable	(720,115)	(3,543,377)
Unbilled accounts receivable	(85,561)	196,499
Material and supply inventory	(173,079)	(76,731)
Prepaid expenses	(131,111)	(47,358)
Interest receivable	20,701	29,479
Other receivables	(116,045)	(6,158)
Utility deposits	(191)	(750)
Increase (decrease) in		
Interest payable	50,326	(241,899)
Accounts payable	(168,638)	497,033
Customer deposits	143,116	(168,247)
Other current liabilities	219,633	25,317
Cash provided by operating activities	<u>19,221,959</u>	<u>14,687,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities	(40,886,186)	(58,342,546)
Proceeds from sale of investment securities	36,067,295	40,150,139
Proceeds from sale of utility plant and equipment	137,040	57,901
Capital expenditures	(22,500,748)	(13,875,565)
Cash received for capital expenditures	<u>6,860,009</u>	<u>6,762,091</u>
Net cash used by investing activities	<u>(20,322,590)</u>	<u>(25,247,980)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal paid on long-term debt	(7,715,000)	(49,800,000)
Proceeds from long-term debt	25,687,637	37,400,000
Cash paid for bond issuance costs	(276,675)	(300,447)
Cash paid for capital credit retirement	<u>(214,036)</u>	<u>(874,504)</u>
Net cash provided (used) by financing activities	<u>17,481,926</u>	<u>(13,574,951)</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	16,381,295	(24,135,741)
Cash, cash equivalents, and restricted cash - beginning of year	<u>11,257,841</u>	<u>35,393,582</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 27,639,136</u>	<u>\$ 11,257,841</u>

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET</b>		
Cash, cash equivalents, and restricted cash beginning		
Current	\$ 9,552,753	\$ 29,091,264
Restricted	1,705,088	6,302,318
Total	11,257,841	35,393,582
Net increase (decrease)		
Current	(776,329)	(19,538,511)
Restricted	17,157,624	(4,597,230)
Total	16,381,295	(24,135,741)
Cash, cash equivalents, and restricted cash ending:		
Current	8,776,424	9,552,753
Restricted	18,862,712	1,705,088
Total	\$ 27,639,136	\$ 11,257,841
<b>SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES</b>		
Utility plant, property, and equipment through accounts and retainages payable	\$ 2,288,839	\$ 924,587
Return of capital to members through accounts receivable credits	\$ 845,486	\$ 3,027,250
Capital credit retirement through accounts payable	\$ 22,794	\$ 395,676
Contributed assets	\$ 1,336,184	\$ 1,791,689
Net new deferred special service charges receivables	\$ (993,493)	\$ (936,858)
Capital credits returned to equity	\$ 1,116,103	\$ -
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 996,623	\$ 2,628,275

See accompanying notes and independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Background

Bonita Springs Utilities, Inc. (the Corporation) is a nonprofit corporation, incorporated in the State of Florida in 1970, operating as a public utility which provides potable water and wastewater service to its residential and commercial users in southern Lee County, Florida (the County). The Corporation is owned by its members and administered by a nine-member board of directors elected by the membership. At year-end, the Corporation had approximately 58,720 service connections consisting of approximately 30,660 water connections and approximately 28,060 wastewater connections within the service area.

The Corporation originally operated under a 1970 franchise agreement with the County. In 2002, the Corporation entered into a franchise agreement with the City of Bonita Springs, Florida (the City) and the County which replaced the prior agreement with the County. The franchise agreement grants the Corporation the exclusive right to provide water and wastewater services within the City and the prior County franchise area comprising approximately 57 square miles. The franchise term is 30 years. It currently extends to 2052 and has provisions for automatic five-year extensions on each fifth-year anniversary.

Under the franchise, the Corporation's rates and charges are subject to the approval of the City. Annual increases for cost-of-living and inflation are permitted without specific City approval. In addition, the Corporation has agreed that in the event of widening, repair, or reconstruction of any road by the City or County, the Corporation will move or remove its water or wastewater lines at no cost to the City or County.

Accounting Policies

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America as applied to water and wastewater utilities. Income is generally recognized when earned and expenses when incurred, except for certain special service charges revenue which is deferred until collection is certain.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fair Value Disclosures

The Corporation has not calculated the fair values of certain financial instruments because it was determined not to be practicable. The financial instruments which might have fair values significantly different from their carrying values include special service charges receivable. The fair value of outstanding long-term debt is estimated to be \$61,696,300 at December 31, 2021.

Fair Value Measurements

The Corporation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Corporation may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets accessible at the measurement date for identical financial assets or liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury securities, that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Inputs that include quoted prices for similar financial assets and liabilities in active markets and inputs that are observable for the financial asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fair Value Measurements

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's balance sheets at December 31, 2021 and 2020 included the following amounts which are recorded at fair value on a recurring basis:

Year	Description	Level 1	Level 2	Total
2021	U.S. treasury notes	\$ 15,870,421	\$ -	\$ 15,870,421
	Certificates of deposit	-	785,603	785,603
	Federal agency bonds/notes	-	11,793,842	11,793,842
	Supranationals notes	-	4,154,917	4,154,917
	Corporate notes	-	12,905,713	12,905,713
	Municipal bonds/note	-	2,643,260	2,643,260
	Agency mortgage-backed securities (MBS)	-	5,617,098	5,617,098
	Commercial paper	-	9,637,474	9,637,474
	Total	<u>\$ 15,870,421</u>	<u>\$ 47,537,907</u>	<u>\$ 63,408,328</u>
2020	U.S. treasury notes	\$ 9,881,752	\$ -	\$ 9,881,752
	Certificates of deposit	-	2,749,836	2,749,836
	Federal agency bonds/notes	-	16,030,527	16,030,527
	Supranationals notes	-	1,833,426	1,833,426
	Corporate notes	-	12,176,118	12,176,118
	Municipal bonds/note	-	2,739,121	2,739,121
	Agency mortgage-backed securities (MBS)	-	5,855,246	5,855,246
	Commercial paper	-	8,394,980	8,394,980
	Total	<u>\$ 9,881,752</u>	<u>\$ 49,779,254</u>	<u>\$ 59,661,006</u>

Included in the amounts above are restricted investments of \$5,687,637 as of December 31, 2021. This restriction is related to the Drinking Water State Revolving Fund Loan Agreement more fully described in Note 8.

The Corporation has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Corporation has not elected to measure any existing financial instruments at fair value at December 31, 2021 and 2020. However, the Corporation may elect to measure newly acquired financial instruments at fair value in the future.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounts Receivable

Accounts receivable primarily represent amounts due from customers for water sales and wastewater services. The Corporation requires customer deposits to secure the receivables and disconnects service if accounts are unpaid 40 days after billing. Accounts receivable at year-end are recorded at their net realizable value reduced, where appropriate, by an allowance for doubtful accounts. The Corporation recognizes allowance for doubtful accounts based on experience and specific identification, focusing on balances in excess of ninety days outstanding. The allowance for doubtful accounts at December 31, 2021 and 2020 was \$922,712 and \$692,157, respectively.

Material and Supply Inventory

Material and supply inventories are stated at the lower of cost or net realizable value on the first-in, first-out (FIFO) basis.

Operating Revenues

Under Accounting Standards Update (ASU) 2014-09, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Corporation expects to be entitled to receive in exchange for goods or services. Under ASU 2014-09, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Corporation determines are within the scope of ASU 2014-09, the Corporation performs the following five steps: (i) identifies the contracts with a customer, (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract, (iii) determines the transaction price, (iv) allocates the transaction price to the performance obligations in the contract, and (v) recognizes revenue when, or as, the Corporation satisfies each performance obligation.

The Corporation's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 20 days of billing and none of the contracts with customers have payment terms that exceed one year. Therefore, the Corporation elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operating Revenues

Revenues for the Corporation are generated primarily from water and wastewater services delivered to customers. These contracts generally contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Corporation has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Other operating revenues represent approximately 3.32% and 2.94% of total operating revenues for the years ended December 31, 2021 and 2020, respectively. Other operating revenues include revenues for miscellaneous services provided to customers, such as changing, connecting and disconnecting service, and other revenues, such as charges for late payment by customer.

Utility Plant

All utility property, plant, and equipment assets are initially valued at historical costs if purchased and at estimated fair market value if contributed. The threshold for capitalization is \$5,000. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major renewals and enhancements are capitalized.

Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives are determined based upon the Corporation's experience with similar assets and planned use of those assets. The range of estimated useful lives used is detailed in Note 4. Construction work in progress is not depreciated until completed.

Income Taxes

The Corporation's application for exemption from federal income taxes was approved by the Internal Revenue Service under the Internal Revenue Code of 1986, Section 501(c)(12), effective January 1, 1988, subject to caveat requiring that receipts from members are at least 85% of the Corporation's total annual income. The Corporation is also exempt from Florida sales tax. The Corporation received confirmation from the Internal Revenue Service on February 3, 1992, authorizing continued exemption under Internal Revenue Code Section 501(c)(12) covering the addition of the wastewater collection, transmission, treatment, and disposal facilities.

The Corporation follows the income tax standard for uncertain tax positions. As a result, the Corporation evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2021 and 2020.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Income Taxes

The Corporation's income tax returns are subject to review and examination by federal authorities. The Corporation is not aware of any activities that would jeopardize its tax-exempt status. The Corporation is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 4, 2022, the date the financial statements were issued.

**NOTE 2 - CASH, CASH EQUIVALENTS, AND RESTRICTED CASH**

Cash, cash equivalents, and restricted cash on the accompanying balance sheets include cash on hand, cash in escrow and in banks, and money market accounts. The Corporation maintains cash in bank deposit accounts which, at times, exceeds federally insured limits. Following is a listing of cash and cash equivalents at December 31:

	2021	2020
Cash and Cash Equivalents		
Cash on hand	\$ 2,950	\$ 2,950
Cash in banks and escrow	8,772,685	9,549,014
PFM- prime institutional class	789	789
Total cash and cash equivalents	\$ 8,776,424	\$ 9,552,753

Following is a listing of cash and cash equivalents restricted under the bond indentures at December 31:

	2021	2020
Restricted Cash and Cash Equivalents		
Sinking funds		
Construction fund	\$ 16,954,516	\$ -
Interest account	194,588	177,374
Principal account	1,509,327	1,323,437
Renewal and replacement	200,000	200,000
Revenue fund	4,281	4,277
Total restricted cash and cash equivalents	\$ 18,862,712	\$ 1,705,088

**Aid to New Construction (ANC) Fees:** Included in current assets – cash and cash equivalents and investments is \$373,415 and \$3,589,831 at December 31, 2021 and 2020, respectively, representing the unexpended balances of ANC fees reserved for system improvements.

**BONITA SPRINGS UTILITIES, INC.**  
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**NOTE 3 - INVESTMENTS**

The investments listed below are held by a custodian bank in the Corporation's name and are managed by an investment advisor. The Corporation's securities investments are bought and held principally for purposes of selling them in the near term and, accordingly, are classified as trading securities. Trading securities are recorded at fair value on the balance sheets with the changes in fair value during the year included in net margin (loss).

There were (\$1,071,569) and \$676,528 net unrealized and realized holding (losses) gains for the years ended December 31, 2021 and 2020, respectively.

Investments reported at December 31 are comprised of the following:

	<u>2021</u>	<u>2020</u>
U.S. treasury notes	\$ 14,570,796	\$ 9,881,752
Certificates of deposit	785,603	2,749,836
Federal agency bonds/notes	9,055,245	16,030,527
Supranationals notes	3,000,895	1,833,426
Corporate notes	12,410,320	12,176,118
Municipal bonds/note	2,643,260	2,739,121
Agency mortgage-backed securities (MBS)	5,617,098	5,855,246
Commercial paper	9,637,474	8,394,980
	<u>\$ 57,720,691</u>	<u>\$ 59,661,006</u>

Restricted investments reported at December 31 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Restricted investments		
U.S. treasury notes	\$ 1,299,625	\$ -
Federal agency bonds/notes	2,738,597	-
Supranationals notes	1,154,022	-
Corporate notes	495,393	-
	<u>\$ 5,687,637</u>	<u>\$ -</u>

**BONITA SPRINGS UTILITIES, INC.**  
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**NOTE 4 - UTILITY PLANT, PROPERTY, AND EQUIPMENT**

Utility plant, property, and equipment, together with accumulated depreciation as of December 31, 2021 and 2020, consist of the following:

	Useful Lives (Years)	2021		2020	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and easements	None	\$ 3,881,090	\$ -	\$ 3,758,410	\$ -
Water reclamation facility	30-50	109,990,167	50,889,733	108,133,561	47,490,577
Water treatment plant	30-50	77,156,033	35,208,675	77,374,035	33,192,271
Wellfield	20-30	14,411,387	5,783,539	14,221,915	5,198,746
Storage tanks	10-20	11,157,722	7,151,027	11,157,722	6,673,544
Aquifer storage recovery	30	3,602,197	2,720,488	3,602,197	2,598,311
Other buildings	15-30	16,576,618	3,322,690	16,573,410	2,840,478
Fencing	15	439,349	297,400	439,349	277,484
Equipment	10	12,479,833	3,957,507	5,379,982	3,530,111
Vehicles	5	5,527,239	3,826,310	5,361,514	3,599,131
Office equipment and computers	5-10	3,287,939	2,735,651	3,241,753	2,487,633
Communications equipment	7	2,645,803	1,694,994	2,645,803	1,607,397
Water mains and water distribution lines	30-50	119,437,878	68,862,405	118,333,243	64,902,106
Force mains and sewer collection lines	30-50	36,574,098	21,706,129	36,437,407	20,489,450
Lift stations	20-25	32,325,826	21,728,853	30,689,994	20,687,881
Gravity sewers	30-50	99,700,720	51,418,918	98,909,448	48,093,794
Studies	5	2,663,852	2,502,970	2,489,159	2,441,152
Construction work in progress	None	15,897,743	-	4,384,648	-
Total		<u>\$ 567,755,494</u>	<u>\$ 283,807,289</u>	<u>\$ 543,133,550</u>	<u>\$ 266,110,066</u>
Book Value		<u>\$ 283,948,205</u>		<u>\$ 277,023,484</u>	

Depreciation of \$18,171,397 and \$17,803,542 for the years ended December 31, 2021 and 2020, respectively, has been charged to operating expenses.

**NOTE 5 - COMPENSATED ABSENCES**

Full-time, permanent employees are granted personal time off benefits in varying amounts to specified maximums depending on tenure with the Corporation. As of December 31, 2021 and 2020, the cash value of accrued personal time off included in other current liabilities on the accompanying balance sheets totaled \$550,295 and \$502,275, respectively.

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**NOTE 6 - DEPARTMENT OF ENVIRONMENTAL PROTECTION**

The Corporation operates two deep injection wells, each of which has a monitoring well running parallel to them. The Florida Department of Environmental Protection (DEP) requires operators of deep injection wells to meet certain financial requirements to demonstrate that they have the financial resources to plug the well when it is necessary. The Corporation has met these requirements for the years ended December 31, 2021 and 2020.

The Corporation is recognizing a yearly charge on the statements of revenues and expenses to recognize the anticipated cost of plugging these wells in 2036. The Corporation has recorded an asset retirement obligation to accrue charges for the plugging and abandonment of its deep injection wells. The Corporation has also increased the value of the Water Treatment Facility for initial plugging and abandonment charges accrued. In 2021, the Corporation engaged an independent engineer for a re-valuation of the cost estimate for plugging these wells in 2036. During the years ended December 31, 2021 and 2020, the Corporation recognized \$172,742 and \$186,383 respectively, in expenses associated with the accrual of this obligation. At December 31, 2021 and 2020, disposal charges accrued totaled \$825,452 and \$652,710, respectively.

**NOTE 7 - CONTRIBUTED WATER LINES AND WASTEWATER COLLECTION LINES**

The total value of water distribution lines contributed to the Corporation was \$48,957,264 and \$48,263,966 at December 31, 2021 and 2020, respectively. The value of these projects was based on costs submitted by the developers' and independent engineers' estimates of costs and the total costs were considered reasonable by management of the Corporation. Water lines contributed during 2021 and 2020 totaled \$693,298 and \$889,027, respectively.

The total value of wastewater collection lines contributed to the Corporation was \$74,327,419 and \$73,684,533 at December 31, 2021 and 2020, respectively. The value of these projects was based on costs submitted by the developers' and independent engineers' estimates of costs and the total were considered reasonable by management of the Corporation. Wastewater collection lines contributed during 2021 and 2020 totaled \$642,886 and \$902,662, respectively.

The Tax Act of 1996 changed the tax reporting requirements for developer contributions of water and wastewater lines to regulated public utilities. Prior to June 13, 1996, contributions of water and wastewater lines were treated as taxable income. Subsequent to June 13, 1996, they are reported as capital contribution to the equity of the Corporation. In 1997, the Corporation also changed its financial reporting for developer contributions to coincide with the tax reporting. Contributed water and wastewater lines, and cash contributions received as reimbursements for capital expenditures made by the Corporation for water and wastewater lines, since 1997 totaled \$112,027,125.

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**NOTE 8 - LONG-TERM LIABILITIES**

The Corporation obtains funding for large water and wastewater construction projects through the issuance of industrial revenue bonds. Following is a summary of long-term debt outstanding at December 31, 2021 and 2020:

Category	Original Loan Amount	Final Maturity	Interest Rates	Current Portion	Outstanding At Par	2021 Balance	2020 Balance
<b>Utility System Revenue Bonds</b>							
Series 2012B	\$ 18,500,000	2023	1.933%	\$ 1,815,000	\$ 3,660,000	\$ 3,660,000	\$ 5,440,000
Series 2014	16,005,000	2024	1.970%	1,615,000	4,945,000	4,945,000	6,530,000
Series 2020	37,400,000	2028	2.040%	4,440,000	33,050,000	33,050,000	37,400,000
Series 2021	20,000,000	2036	1.380%	1,185,000	20,000,000	20,000,000	-
Total Revenue Bonds				<u>9,055,000</u>	<u>61,655,000</u>	<u>61,655,000</u>	<u>49,370,000</u>
<b>Other Long Term Debt</b>							
DWSRF Loan	9,200,000	2042	0.51%	-	5,687,637	5,687,637	-
Total Other Long Term Debt				<u>-</u>	<u>5,687,637</u>	<u>5,687,637</u>	<u>-</u>
<b>Deferred Special Service Charge Income</b>							
Deferred Special Service Charges	Various	Various	5.00%-7.00%	610,000	7,618,136	7,618,136	8,611,629
Total Deferred Special Service Charge Income				<u>610,000</u>	<u>7,618,136</u>	<u>7,618,136</u>	<u>8,611,629</u>
<b>Other Long-Term Liabilities</b>							
Injection Well Retirement Obligation	N/A	2036	N/A	-	825,452	825,452	652,710
Total Other Long-Term Liabilities				<u>-</u>	<u>825,452</u>	<u>825,452</u>	<u>652,710</u>
Total Long-Term Debt				<u>\$ 9,665,000</u>	<u>\$ 75,786,225</u>	75,786,225	58,634,339
(Less Bond Issuance Costs)						(636,013)	(437,270)
(Less Current Portion)						<u>(9,665,000)</u>	<u>(8,325,000)</u>
Total Long-Term Debt - Noncurrent Portion						<u>\$ 65,485,212</u>	<u>\$ 49,872,069</u>

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**NOTE 8 - LONG-TERM LIABILITIES**

Revenue Bonds

Series 2021 Transaction

On September 29, 2021, the Lee County Industrial Development Authority (the Issuer) and the Bank of New York Trust Company, N.A. (the Trustee), under an Indenture of Trust dated September 1, 1991, as amended and supplemented, and as particularly amended and supplemented by a Fifteenth Supplemental Indenture dated as of September 1, 2021, issued Utility System Revenue Bond, Series 2021. The proceeds of the bond were loaned to the Corporation under the terms of a loan agreement dated as of September 1, 1991, as amended and supplemented, and as particularly amended and supplemented by a Fifteenth Supplemental Loan Agreement dated as of September 1, 2021. The bond was issued in the par amount of \$20,000,000. The proceeds of the Series 2021 bond will be used for the purpose of financing a portion of the 2021 project, consisting of capital improvements and expansion of the Corporation's reverse osmosis water plant.

Series 2020 Transaction and Series 2010 Bond Refunding

On August 1, 2020, the Lee County Industrial Development Authority (the Issuer) and the Bank of New York Trust Company, N.A. (the Trustee), under an Indenture of Trust dated September 1, 1991, as amended and supplemented, and as particularly amended and supplemented by a Fourteenth Supplemental Indenture dated as of August 1, 2020, issued Utility System Refunding Revenue Bond, Series 2020. The proceeds of the bond were loaned to the Corporation under the terms of a loan agreement dated as of September 1, 1991, as amended and supplemented, and as particularly amended and supplemented by a Fourteenth Supplemental Loan Agreement dated as of August 1, 2020, for the purpose of refunding all of the Corporation's outstanding Utility System Revenue Bonds Series 2010, in an aggregate principal amount of \$44,100,000. The Series 2010 bonds were refunded on August 1, 2020 pursuant to a notice of redemption and defeasance issued September 28, 2020 by the Issuer.

The Series 2020 bond was issued in the par amount of \$37,400,000. Net proceeds of the bond, along with funds contributed by the Corporation totaling \$6,700,000, were used to pay in full the redemption price of the refunded Series 2010 bonds on August 1, 2020. Issuance costs associated with the refunding totaled \$294,614. With payment of the refunded bonds in full, the Series 2010 Bonds were considered retired on August 1, 2020 and the liability for the bonds has been removed from the financial statements for the year ended December 31, 2020.

The debt refunding resulted in an accounting gain totaling \$1,918,857, as the unamortized issuance costs of (\$416,672) and unamortized premium of \$2,335,529 related to the refunded bonds were written off when the refunding occurred.

**BONITA SPRINGS UTILITIES, INC.**  
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**NOTE 8 - LONG-TERM LIABILITIES**

Revenue Bonds

Security

All revenue bonds are secured on a parity basis by the net revenues (designated revenues) and ANC fees of the Corporation's consolidated water and wastewater system and by a mortgage and security interest in certain wastewater real property owned by the Corporation and utilized in the course of its operations, including buildings, improvements, fixtures, and equipment located on or used in the connection with such property, subject to certain permitted encumbrances. The lien on designated revenues securing the revenue bonds is superior to all other liens or claims against the Corporation's net revenues.

Structure of Transactions

All revenue bonds were issued by the Issuer and are subject to the terms of an Indenture of Trust between the Issuer and the Trustee, originally dated as of September 1, 1991, and as subsequently amended and supplemented for each new issue. Proceeds from the bond issuances were loaned to the Corporation under terms of a loan agreement between the Issuer and the Corporation, originally dated as of September 1, 1991, and as subsequently amended and supplemented for each new issue.

Principal and Interest

Principal payments for all bonds are due annually on November 1. Interest payments are due semiannually on November 1 and May 1. Bonds are generally issued in lots of \$5,000, in a combination of serial and term bonds, with mandatory early redemption on term bonds in such a way to provide for relatively level annual debt service. Interest rates are fixed for serial and term bonds.

Insurance

No insurance policy was required at issuance for the Series 2012B, Series 2014, Series 2020, and Series 2021 bonds.

Restrictive Covenants

As more fully described in the bond agreements, the agreements contain certain restrictive covenants that management believes they are in compliance with as of December 31, 2021 and 2020.

**BONITA SPRINGS UTILITIES, INC.**  
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**NOTE 8 - LONG-TERM LIABILITIES**

Drinking Water State Revolving Fund Construction Loan Agreement

On May 13, 2021, the Corporation entered into a Drinking Water State Revolving Fund Construction Loan Agreement ("Loan") and Promissory Note with the State of Florida Department of Environmental Protection ("Department"). The Loan Agreement (the "Agreement") was entered into to fund construction of the Corporation's Advanced Metering Infrastructure System.

The estimated principal amount of the loan is \$9,235,600 which consists of \$9,200,000 for construction and \$35,600 of capitalized interest. The interest rate on the loan is .51% and the loan term is 20 years. The loan service fee is estimated at \$184,000 and will be revised with any increase or decrease adjustment in construction costs. The loan can be prepaid at any time, without penalty. Loan disbursements will be made to the Corporation as reimbursements for construction costs and related services. The total amount disbursed on the loan was \$5,687,637 as of December 31, 2021.

The loan is secured by a subordinate lien on the designated revenues and ANC fees of the Corporation. All obligations of the Corporation under this loan are subordinate in all respects in right of payment and security to the revenue bonds described previously in this Note. The Corporation has pledged to the Department and granted a security interest in and lien on the securities held in an account at Regions Bank ("Pledged Account"). The value of the securities in the Pledged Account shall at all times be at least equal to the principal amount of the loan owed to the Department. At December 31, 2021, restricted investments is equal to the amount of loan owed to the Department in the amount of \$5,687,637. As loan principal amounts are paid, the Department shall release that amount to the Corporation from the Pledged Account.

Repayments will be made semiannually beginning May 15, 2023. Each semiannual loan payment is estimated to be \$248,000 until the payment amount is adjusted by amendment. The loan service fee and any associated interest will be deducted from the first semiannual payment. The Corporation is required to establish a loan debt service account with a depository and begin making monthly loan deposits in December 2022.

As more fully described in the Agreement, the Agreement contains certain restrictive covenants that management believes they are in compliance with as of December 31, 2021.

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**NOTE 8 - LONG-TERM LIABILITIES**

Remaining Debt Service

Following is a summary of remaining principal payments on all outstanding revenue bonds and other long term debt as of December 31, 2021:

Year	Series 2012B	Series 2014	Series 2020	Series 2021	Total
2022	\$ 1,815,000	\$ 1,615,000	\$ 4,440,000	\$ 1,185,000	\$ 9,055,000
2023	1,845,000	1,650,000	4,530,000	1,230,000	9,255,000
2024	-	1,680,000	4,625,000	1,245,000	7,550,000
2025	-	-	4,720,000	1,260,000	5,980,000
2026	-	-	4,815,000	1,280,000	6,095,000
2027	-	-	4,910,000	1,295,000	6,205,000
2028	-	-	5,010,000	1,315,000	6,325,000
2029	-	-	-	1,335,000	1,335,000
2030	-	-	-	1,350,000	1,350,000
2031	-	-	-	1,370,000	1,370,000
2032	-	-	-	1,390,000	1,390,000
2033	-	-	-	1,410,000	1,410,000
2034	-	-	-	1,425,000	1,425,000
2035	-	-	-	1,445,000	1,445,000
2036	-	-	-	1,465,000	1,465,000
	<u>\$ 3,660,000</u>	<u>\$ 4,945,000</u>	<u>\$ 33,050,000</u>	<u>\$ 20,000,000</u>	<u>\$ 61,655,000</u>

Included in long term debt on the Corporation's balance sheet as of December 31, 2021 is \$5,677,367, net of issuance costs of \$10,270, related to the Drinking Water State Revolving Fund (DWSRF). The total loan amount is \$9,200,000 of which \$3,512,363 has yet to be drawn down. DWSRF payments do not begin until 2023 with semiannual payments of approximately \$248,004. The total amount of loan outstanding will adjust based on drawdowns and reimbursement requests by the Corporation.

For more information on the injection well obligation and special service charges, refer to Notes 6 and 11, respectively.

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**NOTE 8 - LONG-TERM LIABILITIES**

Issuance Costs

Issuance costs incurred in connection with the debt issuances are reported as a reduction to long-term debt and amortized over the term of the respective bond issue using the straight-line method which does not materially differ from the effective interest method.

Amortization expense, including amortization of issuance costs, premiums and amortization of the Corporation's retirement obligation for the injection well, is as follows for 2021 and 2020:

2021	Series 2010	Series 2012B	Series 2014	Series 2020	Series 2021	Injection Well	Total Amortization
Bond premium amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other issuance cost amortization	-	13,808	17,967	41,741	4,416	172,742	250,674
Total	<u>\$ -</u>	<u>\$ 13,808</u>	<u>\$ 17,967</u>	<u>\$ 41,741</u>	<u>\$ 4,416</u>	<u>\$ 172,742</u>	<u>\$ 250,674</u>
2020	Series 2010	Series 2012B	Series 2014	Series 2020	Series 2021	Injection Well	Total Amortization
Bond premium amortization	\$ (101,543)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (101,543)
Other issuance cost amortization	18,116	13,808	17,967	17,392	-	186,383	253,666
Total	<u>\$ (83,427)</u>	<u>\$ 13,808</u>	<u>\$ 17,967</u>	<u>\$ 17,392</u>	<u>\$ -</u>	<u>\$ 186,383</u>	<u>\$ 152,123</u>

During 2020, the Series 2010 Bonds were refunded resulting in the remaining \$2,335,529 and \$416,672 in unamortized premium and issuance costs, respectively, written off.

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**NOTE 8 - LONG-TERM LIABILITIES**

Following is a summary of total unamortized costs for each bond series. Unamortized costs for each bond series include issuance costs as of December 31, 2021 and 2020.

	Series 2010	Series 2012B	Series 2014	Series 2020	Series 2021	DWSRF Loan*	Injection Well	Totals
Original issuance cost	\$ 724,573	\$ 156,489	\$ 185,657	\$ 344,365	\$ 266,405	\$ 10,270	N/A	\$ 1,687,759
Amortization period	23 years	12 years	10 years	9 years	16 years	20 years	N/A	
Unamortized Balance - 12/31/2019	\$ 434,788	\$ 55,232	\$ 86,840	\$ -	\$ -	\$ -	\$ -	\$ 576,860
New Costs - 2020	-	-	-	344,365	-	-	186,383	530,748
Amortization Expense - 2020	(18,116)	(13,808)	(17,967)	(17,392)	-	-	(186,383)	(253,666)
Refunded - 2020	(416,672)	-	-	-	-	-	-	(416,672)
Unamortized Balance - 12/31/2020	-	41,424	68,873	326,973	-	-	-	437,270
New Costs - 2021	-	-	-	-	266,405	10,270	172,742	449,417
Amortization Expense - 2021	-	(13,808)	(17,967)	(41,741)	(4,416)	-	(172,742)	(250,674)
Refunded - 2021	-	-	-	-	-	-	-	-
Unamortized Balance - 12/31/2021	<u>\$ -</u>	<u>\$ 27,616</u>	<u>\$ 50,906</u>	<u>\$ 285,232</u>	<u>\$ 261,989</u>	<u>\$ 10,270</u>	<u>\$ -</u>	<u>\$ 636,013</u>

\*Drinking Water State Revolving Fund issuance costs will begin amortization when monthly deposits commence in 2022.

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**NOTE 9 - ALLOCATION OF CAPITAL CREDITS TO MEMBERS**

A condition of the federal income tax-exemption status granted to the Corporation requires that the net margins of the Corporation be allocated to each member, who must be informed in writing of the amount recorded to their credit. For the year ended December 31, 1987, the total capital accumulated since the inception of the system in 1970 amounted to \$4,696,323, and was required to be credited, on an equal basis, to each member at that time. Accordingly, each member in November 1988 was mailed a notice showing their share of the Corporation's accumulated capital as stated above.

From 1988 through 2013, annual member capital credit allocation notices included the annual net margin and contributed capital of the Corporation based on the member water and wastewater service patronage during that year. Effective January 1, 2014, annual member capital credit allocation notices included only the annual net margin of the Corporation based on member water and wastewater service patronage during that year. Members are informed of their capital credits annually. Capital credits are retired and distributed to members only upon a determination by the board of directors when the financial condition of the utility will not be impaired or upon dissolution or liquidation of the Corporation. Future capital credit retirements are expected to be based only on allocated net margin.

During the year ended December 31, 2021, the Corporation retired capital credits totaling \$1,009,531. These credits were allocated for qualifying years 2017 through 2019. Of the total amount retired, \$845,486 was credited to the accounts of current members. Checks totaling \$141,251 were issued to non-current members. The remaining \$22,794 is recorded as members' capital credits payable until claimed by those members.

During the year ended December 31, 2020, the Corporation retired capital credits totaling \$3,912,144. These credits were allocated for qualifying years 2014 through 2016. Of the total amount retired, \$3,027,250 was credited to the accounts of current members. Checks totaling \$489,218 were issued to non-current members. The remaining \$395,676 is recorded as members' capital credits payable until claimed by those members.

Capital credit retirements are forfeited by the member if that member fails to claim any retirement amount within three years of the date payment has been made available to the member. Such amounts totaled \$1,116,103 during the year ended December 31, 2021 and were returned to the Corporation's equity.

Total capital credits payable at December 31, 2021 and 2020 was \$625,754 and \$1,769,054, respectively.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**NOTE 10 - PENSION PLAN**

The Corporation established a contributory pension plan effective January 1, 1987, covering all eligible employees after one year of continuous service with credit for service provided from the date of employment. The plan is a 401(k) pension plan and is funded through an annuity contract, currently with John Hancock Life Insurance Company. The Corporation's contributions range from 6% to 10% of the employee's biweekly gross wage, based upon length of service. Employees may contribute up to 100% of their biweekly gross wage. Contributions by the Corporation to the plan for the years ended December 31, 2021 and 2020 amounted to \$632,195 and \$620,662, respectively.

**NOTE 11 - ANC FEES, SPECIAL SERVICE CHARGES RECEIVABLE/DEFERRED**

The Corporation charges ANC fees to new customers throughout the service area. The fee is a one-time payment for capacity in and connection to the Company's system to defray all or a portion of the capital cost of providing service to the property. The ANC fee is charged on an equivalent residential connection (ERC) basis. Commencing January 1, 2014, these fees are recorded as contributed capital in members' equity when received. In years prior to 2014, these fees were recorded as other income upon receipt.

The Corporation has implemented special service charges (SSC) to customers in certain areas of the service territory. The special service charges are designed to defray the cost of certain utility system acquisitions and improvements to existing infrastructure to serve the benefited areas. Customers may elect to pay the special service charge in a one-time installment or opt for monthly installment payments. Commencing January 1, 2014, the principal portion of these special service charges are recorded as contributed capital in members' equity when received. In years prior to 2014, these amounts were recorded as other fees upon receipt.

The Gravity Expansion Charge was designed to assist in recovering the cost of construction of new wastewater collection systems serving customers in septic tank replacement areas. Customers in the Gravity Expansion areas have the option of paying that charge as well as their wastewater ANC fee in monthly installments.

Obligations under the installment plans may transfer to new owners in the event the property is sold. Due to the long-term nature of these agreements, and the uncertainty of payment in full, all interest amounts received under the installment plans are recorded as other fees when received. Principal amounts under the installment plans are recorded as contributed capital when received. The net receivable balance is offset by a deferred credit within the liability section of the Balance Sheets.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11 - ANC FEES, SPECIAL SERVICE CHARGES RECEIVABLE/DEFERRED**

A summary of the Corporation's special service charges, with relevant terms, is as follows:

<u>Year</u>	<u>SSC Areas</u>	<u>Service Type</u>	<u>SSC (per ERC)</u>	<u>Term - Years</u>	<u>Interest Rate</u>	<u>Monthly Amount</u>
1992-2004	Gravity Expansion	Wastewater	\$ 1,717	30	6.5%	\$ 11.59
1992-2004	Gravity Expansion - Wastewater ANC Fee	Wastewater	\$ 3,925	30	6.5%	\$ 24.07
1999	Hacienda Treatment Plant, Inc.	Wastewater	\$ 795	20	5.95%	\$ 5.68
1999	Harbor Utilities Company, Inc.	Wastewater	\$ 1,096	25	7.0%	\$ 7.74
2008	Spring Creek Village	Water and Wastewater	\$ 12,036	30	6.0%	\$ 72.16
2011	Bonita Springs Golf and Country Club - Single Family	Wastewater	\$ 3,365	25	6.0%	\$ 21.68
2011	Bonita Springs Golf and Country Club - Multi Family	Wastewater	\$ 2,692	25	6.0%	\$ 17.34
2012	Fountain Lakes and Marsh Landing - Single Family	Wastewater	\$ 3,442	25	6.0%	\$ 22.18
2012	Fountain Lakes and Marsh Landing - Multi Family	Wastewater	\$ 2,754	25	6.0%	\$ 17.74
2013	The Villages - Imperial Bonita Estates	Wastewater	\$ 1,552	25	6.0%	\$ 10.00
2016	Forest Mere and Spring Lakes - Single Family	Wastewater	\$ 2,182	20	5.0%	\$ 14.40
2016	Forest Mere and Spring Lakes - Multi-Family	Wastewater	\$ 1,854	20	5.0%	\$ 12.24
2019	Leisure Time	Wastewater	\$ 944	20	5.0%	\$ 6.23

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 11 - ANC FEES, SPECIAL SERVICE CHARGES RECEIVABLE/DEFERRED**

Interest on the special service charges begins to accrue upon implementation of the charge with the exception of Bonita Springs Golf and Country Club (BSG&CC). Interest on the BSG&CC special service charge begins to accrue one year after the implementation of the charge. Within BSG&CC: (a) structures existing on January 17, 2003, the date of acquisition by the Corporation, shall not be required to pay the Corporation's ANC fee; (b) a wastewater ANC fee paid by a customer since January 17, 2003 will be credited toward the special service charge in full satisfaction thereof and, (c) property developed after the effective date of the special service charge will be subject to a payment of a wastewater ANC fee and a special service charge.

**NOTE 12 - ALLOCATION OF EXPENSE**

Certain labor costs and operating expenses are allocated between the Water Department and the Wastewater Department, based on predetermined percentages. These percentages are intended to approximate the percent of actual costs incurred by each department.

**NOTE 13 - LITIGATION**

The Corporation's nature of business is such that it ordinarily results in a certain amount of litigation. In the opinion of management, there is no litigation in which the outcome will have a material effect on the financial statements.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

The Corporation has active construction projects as of December 31, 2021. The projects include water treatment plant and wastewater facility upgrades, relocation and construction of force mains and water mains, and other renewal and replacement projects. At year-end, the Corporation's commitments with contractors are as follows:

Project	Contract Amount	Expended To-Date	Balance	Funding Source
RO Water Plant Expansion Project	\$ 18,391,305	\$ 3,214,566	\$ 15,176,739	Water aid to new construction fees
Water Treatment Plant Upgrades	4,675,729	558,770	4,116,959	Renewal and replacement fund
Automated Meter Infrastructure	9,955,730	5,956,225	3,999,505	Cash reserves
Water Main R&R Priority Projects	2,082,740	384,357	1,698,383	Renewal and replacement fund
Water Treatment Plant Generators	5,103,487	4,274,758	828,729	Renewal and replacement/Water aid to new construction
Wastewater Renewal and Replacement	2,349,516	2,004,589	344,927	Renewal and replacement fund
WWRF Upgrades	1,051,975	889,181	162,794	Renewal and replacement fund
Service Extension Projects	269,130	141,215	127,915	Cash reserves
Permitting	259,540	169,986	89,554	Cash reserves
West Terry Street Multi-Use	239,497	179,929	59,568	Renewal and replacement fund
Big Carlos Water Main Relocation	49,945	23,724	26,221	Renewal and replacement fund
Big Bend Road Improvements	10,080	-	10,080	Renewal and replacement fund
Imperial Shores Boulevard Upgrades	19,985	18,796	1,189	Renewal and replacement fund
Total	<u>\$ 44,458,659</u>	<u>\$ 17,816,096</u>	<u>\$ 26,642,563</u>	

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF REVENUES AND EXPENSES – WATER DEPARTMENT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Water sales	\$ 18,231,039	\$ 17,575,650
Other fees	878,668	631,313
Total operating revenues	19,109,707	18,206,963
 <b>OPERATING EXPENSES</b>		
Plant		
Distribution and collection system costs	1,851,720	1,776,523
Plant operating costs	4,608,800	4,403,398
Engineering	431,211	540,432
Depreciation	7,450,273	7,299,452
Total plant	14,342,004	14,019,805
General and administrative		
Management and office costs	1,269,467	1,243,939
Administrative and personnel	3,389,031	3,333,728
Total general and administrative	4,658,498	4,577,667
Total operating expenses	19,000,502	18,597,472
 <b>OPERATING MARGIN</b>	109,205	(390,509)
 <b>OTHER INCOME (EXPENSES)</b>		
Investment earnings	(213,648)	830,820
Other nonoperating income	69,517	20,352
Gain on refunding of Series 2010 revenue bonds	-	76,754
Gain (loss) on sale of fixed assets	(179,832)	36,596
Total other income	(323,963)	964,522
 <b>DEBT EXPENSE</b>		
Interest, amortization, and other	266,064	275,429
 <b>NET MARGIN (LOSS)</b>	\$ (480,822)	\$ 298,584

See accompanying independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**STATEMENTS OF REVENUES AND EXPENSES – WASTEWATER DEPARTMENT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Wastewater sales	\$ 23,384,745	\$ 22,793,436
Other fees	551,145	591,952
Total operating revenues	23,935,890	23,385,388
 <b>OPERATING EXPENSES</b>		
Plant		
Distribution and collection system costs	2,402,188	2,342,099
Plant operating costs	3,817,443	3,660,427
Engineering	431,210	540,432
Depreciation	10,721,124	10,504,090
Total plant	17,371,965	17,047,048
General and administrative		
Management and office costs	1,269,469	1,243,939
Administrative and personnel	3,389,020	3,333,732
Total general and administrative	4,658,489	4,577,671
Total operating expenses	22,030,454	21,624,719
 <b>OPERATING MARGIN</b>	1,905,436	1,760,669
 <b>OTHER INCOME (EXPENSES)</b>		
Investment earnings	(213,649)	830,820
Other nonoperating income	101,641	53,357
Gain on refunding of Series 2010 revenue bonds	-	1,842,103
Gain (loss) on sale of fixed assets	39,377	32,430
Total other income	(72,631)	2,758,710
 <b>DEBT EXPENSE</b>		
Interest, amortization, and other	803,155	2,085,835
 <b>NET MARGIN</b>	\$ 1,029,650	\$ 2,433,544

See accompanying independent auditor's report

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2021**

<u>Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>State Expenditures</u>
State Financial Assistance		
State of Florida Department of Environmental Protection Drinking Water State Revolving Fund Construction Loan	37.076	<u>\$ 5,687,637</u>
Total expenditures of state financial assistance		<u>\$ 5,687,637</u>

See notes to schedule of expenditures of state financial assistance.

**BONITA SPRINGS UTILITIES, INC.**  
**LEE COUNTY, FLORIDA**  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2021

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Bonita Springs Utilities, Inc. under programs of the State of Florida for the year ended December 31, 2021. This information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position or cash flows of the Corporation.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – SUBRECIPIENTS**

There was no state financial assistance passed through to subrecipients by the Corporation.



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### **INDEPENDENT AUDITOR'S 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***

Board of Directors and Members  
Bonita Springs Utilities, Inc.  
Bonita Springs, Florida

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bonita Springs Utilities, Inc. (the Corporation) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Bonita Springs Utilities, Inc.'s (the Corporation) basic financial statements, and have issued our report thereon dated March 4, 2022.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*Richels, Cauley + Associates, LLC*

Dublin, Georgia

March 4, 2022



## NICHOLS, CAULEY & ASSOCIATES, LLC

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### **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR ITS MAJOR STATE FINANCIAL ASSISTANCE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

Board of Directors and Members  
Bonita Springs Utilities, Inc.  
Bonita Springs, Florida

#### **Report on Compliance for its Major State Financial Assistance Project**

##### ***Opinion on its Major State Financial Assistance Project***

We have audited Bonita Springs Utilities, Inc.’s (the Corporation) 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 the Corporation’s major state financial assistance project for the year ended December 31, 2021. The Corporation’s major state financial assistance project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended December 31, 2021.

##### ***Basis for Opinion on its Major State Financial Assistance Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and the State of Florida Chapter 10.650, *Rules of the Auditor General*, are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation 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 its major state financial assistance project. Our audit does not provide a legal determination of the Corporation’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 laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's state financial assistance project.

### ***Auditor's 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 Corporation'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 the State of Florida Chapter 10.650, *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 Corporation's compliance with the requirements of its major state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of Florida Chapter 10.650, *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 Corporation'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 Corporation'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 the State of Florida Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 program 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 program 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 program 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 Auditor's 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 the State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Richards, Cauley + Associates, LLC*

Dublin, Georgia  
March 4, 2022

**BONITA SPRINGS UTILITIES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**SECTION I: SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of auditor's report issued:	unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	X	no
Significant deficiencies identified?	_____ yes	X	none reported
Noncompliance material to financial statements noted?	_____ yes	X	no

*State Financial Assistance*

Internal control over major program:			
Material weaknesses identified?	_____ yes	X	no
Significant deficiencies identified?	_____ yes	X	none reported
Type of auditor's report issued on compliance for its major program:	unmodified		
Any audit findings disclosed that are required to be reported in accordance with the State of Florida Chapter 10.650, <i>Rules of the Auditor General</i>	_____ yes	X	no

Identification of major program:

_____ CSFA Number _____	_____ Name of State Financial Assistance Project _____
37.076	Department of Environmental Protection– Drinking Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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**SECTION II: FINANCIAL STATEMENT FINDINGS**

None Reported

**SECTION III: FEDERAL AWARDS FINDINGS**

None Reported