

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
COMPLIANCE REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
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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, 2023 and 2022, 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, 2023 and 2022, 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.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Atlanta | 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.

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 31 and 32, and the accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, *Rules of the Auditor General*, on pages 33 and 34, 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 8, 2024, on our consideration of Bonita Springs Utilities Inc.'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 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.

Richels, Cauley + Associates, LLC

Warner Robins, Georgia
March 8, 2024

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
UTILITY PLANT, PROPERTY, AND EQUIPMENT, AT COST		
Net of accumulated depreciation	\$ 298,503,217	\$ 295,290,007
RESTRICTED CASH AND INVESTMENTS		
Cash and cash equivalents	1,854,524	6,579,798
Investments	9,961,679	10,214,409
Total restricted cash and investments	11,816,203	16,794,207
CURRENT ASSETS		
Cash and cash equivalents	9,391,779	10,854,016
Investments	50,600,618	52,245,462
Accounts receivable, net	2,957,761	2,896,523
Unbilled accounts receivable	1,695,296	1,507,548
Materials and supplies inventory	973,036	839,764
Prepaid expenses	592,519	723,525
Interest receivable	247,067	189,355
Special service charges receivable - current	610,000	610,000
Grant receivable	5,615,961	-
Other receivables	288,545	40,562
Total current assets	72,972,582	69,906,755
OTHER ASSETS		
Utility deposits	26,146	26,146
Capital deposits	623,944	338,795
Special service charges receivable - noncurrent	5,211,408	6,079,708
Total other assets	5,861,498	6,444,649
TOTAL ASSETS	\$ 389,153,500	\$ 388,435,618

See accompanying notes and independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Members' investment certificates	\$ 4,205,271	\$ 4,205,271
Contributed capital	170,150,506	167,065,907
Retained earnings	145,834,154	136,838,390
Total members' equity	320,189,931	308,109,568
LONG-TERM LIABILITIES		
Revenue bonds, Series 2014	-	1,647,060
Revenue bonds, Series 2020	19,257,644	23,841,812
Revenue bonds, Series 2021	16,113,335	17,340,673
Drinking Water State Revolving Fund loan	9,253,937	9,717,753
Deferred special service charges income - noncurrent	5,211,408	6,079,708
Injection well retirement obligation	1,209,094	1,057,084
Total long-term liabilities	51,045,418	59,684,090
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued bond interest	136,300	206,131
Long-term liabilities - current portion	8,035,639	9,727,578
Total payments from restricted assets	8,171,939	9,933,709
CURRENT LIABILITIES		
Accounts payable	3,521,832	4,496,148
Retainage payable	1,394,943	1,328,365
Members' capital credit payable	17,239	154,166
Customer deposits	3,019,885	2,955,828
Other current liabilities	1,182,313	1,163,744
Deferred special service charges income - current	610,000	610,000
Total current liabilities	9,746,212	10,708,251
 Total liabilities	 68,963,569	 80,326,050
 TOTAL MEMBERS' EQUITY AND LIABILITIES	 \$ 389,153,500	 \$ 388,435,618

See accompanying notes and independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water sales	\$ 20,226,697	\$ 19,265,651
Wastewater sales	25,239,330	24,470,896
Other fees	1,388,062	1,343,969
Total operating revenues	46,854,089	45,080,516
OPERATING EXPENSES		
Plant		
Distribution and collection system costs	5,006,357	4,578,349
Plant operating costs	11,025,921	10,053,057
Engineering	937,815	811,513
Depreciation	19,395,946	18,703,720
Total plant	36,366,039	34,146,639
General and administrative		
Management and office costs	2,704,153	2,680,187
Administrative and personnel	7,438,863	6,797,137
Total general and administrative	10,143,016	9,477,324
Total operating expenses	46,509,055	43,623,963
OPERATING MARGIN	345,034	1,456,553
OTHER INCOME (EXPENSE)		
Interest income and investment earnings (losses), net	3,472,763	(2,313,739)
Other nonoperating income	199,612	319,531
Grant income	5,615,961	-
Gain (loss) on disposal of utility plant and equipment	56,661	(197,031)
Total other income (expense)	9,344,997	(2,191,239)
DEBT EXPENSE		
Interest, amortization, and other	962,332	1,033,789
NET MARGIN (LOSS)	\$ 8,727,699	\$ (1,768,475)

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, 2023 AND 2022

	Members' Investment Certificates	Contributed Capital	Retained Earnings	Total
BALANCE - DECEMBER 31, 2021	\$ 4,205,271	\$ 162,262,777	\$ 137,971,148	\$ 304,439,196
Net loss	-	-	(1,768,475)	(1,768,475)
Contributed capital	-	4,803,130	-	4,803,130
Capital credits returned to equity	-	-	635,717	635,717
BALANCE - DECEMBER 31, 2022	4,205,271	167,065,907	136,838,390	308,109,568
Net margin	-	-	8,727,699	8,727,699
Contributed capital	-	3,084,599	-	3,084,599
Capital credits returned to equity	-	-	268,065	268,065
BALANCE - DECEMBER 31, 2023	<u>\$ 4,205,271</u>	<u>\$ 170,150,506</u>	<u>\$ 145,834,154</u>	<u>\$ 320,189,931</u>

See accompanying notes and independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin (loss)	\$ 8,727,699	\$ (1,768,475)
Noncash income and expenses included in net margin (loss)		
Depreciation	19,395,946	18,703,720
Amortization, bond costs, and other	249,422	328,112
Provision for credit losses	(25,270)	(372,338)
(Gain) loss on disposal of utility plant and equipment	(56,661)	197,031
Unrealized/realized (gain) loss on investments	(1,919,002)	3,169,950
Decrease (increase) in		
Accounts receivable	198,711	324,236
Unbilled accounts receivable	(187,748)	(151,328)
Materials and supplies inventory	60,113	(26,457)
Prepaid expenses	131,006	(140,495)
Interest receivable	(57,712)	(67,336)
Grant receivable	(5,615,961)	-
Other receivables	(247,983)	95,647
Increase (decrease) in		
Interest payable	(28,275)	(10,206)
Accounts payable	(73,248)	208,153
Customer deposits	64,057	83,317
Other current liabilities	(84,873)	(68,931)
Cash provided by operating activities	<u>20,530,221</u>	<u>20,504,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(44,093,559)	(29,624,797)
Proceeds from sale of investment securities	47,910,135	27,403,304
Proceeds from sale of utility plant and equipment	450,581	60,100
Capital expenditures	(23,510,338)	(27,881,052)
Cash received for capital expenditures	2,278,837	3,860,972
Net cash used by investing activities	<u>(16,964,344)</u>	<u>(26,181,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on long-term debt	(9,549,286)	(9,055,000)
Proceeds from long-term debt	-	4,526,772
Cash paid for bond issuance costs	(204,003)	-
Cash paid for capital credit retirement	(99)	(221)
Net cash used by financing activities	<u>(9,753,388)</u>	<u>(4,528,449)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(6,187,511)	(10,205,322)
Cash, cash equivalents, and restricted cash - beginning of year	<u>17,433,814</u>	<u>27,639,136</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 11,246,303</u>	<u>\$ 17,433,814</u>

See accompanying notes and independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET		
Cash, cash equivalents, and restricted cash beginning		
Current	\$ 10,854,016	\$ 8,776,424
Restricted	6,579,798	18,862,712
Total	<u>17,433,814</u>	<u>27,639,136</u>
Net increase (decrease)		
Current	(1,462,237)	2,077,592
Restricted	<u>(4,725,274)</u>	<u>(12,282,914)</u>
Total	<u>(6,187,511)</u>	<u>(10,205,322)</u>
Cash, cash equivalents, and restricted cash ending:		
Current	9,391,779	10,854,016
Restricted	<u>1,854,524</u>	<u>6,579,798</u>
Total	<u>\$ 11,246,303</u>	<u>\$ 17,433,814</u>
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES		
Utility plant, property, and equipment through accounts and retainages payable	<u>\$ 2,217,299</u>	<u>\$ 3,118,367</u>
Contributed assets	<u>\$ 805,762</u>	<u>\$ 942,158</u>
Net new deferred special service charges receivables	<u>\$ (868,300)</u>	<u>\$ (928,428)</u>
Capital credits returned to equity	<u>\$ 268,065</u>	<u>\$ 635,717</u>
Inventory and deposits transfer from utility plant, property, and equipment	<u>\$ 490,591</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 996,112</u>	<u>\$ 1,142,903</u>

See accompanying notes and independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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 60,340 service connections consisting of approximately 31,570 water connections and approximately 28,770 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 THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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 \$48,924,260 at December 31, 2023.

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 THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 included the following amounts which are recorded at fair value on a recurring basis:

Year	Description	Level 1	Level 2	Total
2023	U.S. treasury notes	\$ 26,900,725	\$ -	\$ 26,900,725
	Certificates of deposit	-	-	-
	Federal agency bonds/notes	-	10,248,159	10,248,159
	Supranationals notes	-	937,376	937,376
	Corporate notes	-	13,132,641	13,132,641
	Municipal bonds/note	-	907,990	907,990
	Agency mortgage-backed securities (MBS)	-	5,962,830	5,962,830
	Commercial paper	-	2,472,576	2,472,576
	Total	<u>\$ 26,900,725</u>	<u>\$ 33,661,572</u>	<u>\$ 60,562,297</u>
2022	U.S. treasury notes	\$ 22,388,962	\$ -	\$ 22,388,962
	Certificates of deposit	-	376,331	376,331
	Federal agency bonds/notes	-	7,761,638	7,761,638
	Supranationals notes	-	3,624,570	3,624,570
	Corporate notes	-	14,891,291	14,891,291
	Municipal bonds/note	-	2,467,980	2,467,980
	Agency mortgage-backed securities (MBS)	-	3,772,538	3,772,538
	Commercial paper	-	7,176,561	7,176,561
	Total	<u>\$ 22,388,962</u>	<u>\$ 40,070,909</u>	<u>\$ 62,459,871</u>

Included in the amounts above are restricted investments of \$9,961,679 and \$10,214,409 as of December 31, 2023 and 2022. This restriction is related to the Drinking Water State Revolving Fund Loan Agreement more fully described in Note 9.

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, 2023 and 2022. 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 THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable and Allowance for Credit Losses

Effective January 1, 2023, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, Financial Instruments – *Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, using the modified retrospective transition method, which does not require restatement of prior year results. No practical expedients were adopted. The cumulative effect of adopting this standard was not significant to the Corporation's financial statements, no cumulative adjustment was required and primarily resulted in new and enhanced disclosures only.

The Corporation's exposure to credit losses primarily relates to its accounts receivable and unbilled accounts receivable balances, which are primarily generated from the sale of water and wastewater to customers. The Corporation evaluates the collectability of its accounts receivable and unbilled accounts receivable on a forward-looking basis considering the economic conditions and other factors relevant to its geographic service area. For the majority of customers the Corporation uses the accounts receivable aging method to determine an allowance for credit losses. This method requires that the Corporation classify accounts receivable into aging buckets and calculate a reserve amount for each aging bucket based on historical loss experience, economic conditions and other factors.

The Corporation manages its credit exposure by assessing the credit quality of customers at the beginning of the service and requiring a deposit before service is rendered and disconnects service if accounts are unpaid 40 days after billing. Management reviews the risk of loss periodically through the assessment of collectability of receivables. See more information at Note 3.

Materials and Supplies Inventory

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

Operating Revenues

Under 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.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operating Revenues

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.

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 2.96% and 2.98% of total operating revenues for the years ended December 31, 2023 and 2022, 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 5. Construction work in progress is not depreciated until completed.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2023 and 2022.

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.

Capitalized Interest

The Corporation capitalizes interest cost incurred on funds used to construct utility plant, property and equipment. The capitalized interest is recorded as a component of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized in construction work in progress was approximately \$89,000 and \$103,000 in 2023 and 2022, respectively.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 8, 2024, the date the financial statements were issued. No events have occurred that would require adjustment to or disclosure in the financial statements which were available to be issued on March 8, 2024.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		
Cash on hand	\$ 3,601	\$ 3,301
Cash in banks and escrow	9,387,389	10,849,926
PFM - prime institutional class	789	789
Total cash and cash equivalents	<u>\$ 9,391,779</u>	<u>\$ 10,854,016</u>

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

	<u>2023</u>	<u>2022</u>
Restricted cash and cash equivalents		
Sinking funds		
Construction fund	\$ 826	\$ 4,526,727
Interest account	136,702	161,103
Principal account	1,409,419	1,594,981
Renewal and replacement	200,000	200,000
Revenue fund	11,269	5,074
DWSRF	96,308	91,913
Total restricted cash and cash equivalents	<u>\$ 1,854,524</u>	<u>\$ 6,579,798</u>

NOTE 3 – ACCOUNTS RECEIVABLE, CONTRACT ASSETS AND CREDIT LOSSES

Accounts receivable and contract assets are as follows at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable, net	\$ 2,957,761	\$ 2,896,523	\$ 2,684,071
Contract assets			
Unbilled accounts receivable	1,695,296	1,507,548	1,356,220
Total accounts receivable and contract balances	<u>\$ 4,653,057</u>	<u>\$ 4,404,071</u>	<u>\$ 4,040,291</u>

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 – ACCOUNTS RECEIVABLE, CONTRACT ASSETS AND CREDIT LOSSES

The following table sets forth changes in the allowance for credit losses for the years ended December 31:

	2023	2022
Balance at beginning of year	\$ 36,685	\$ 922,712
Provision for credit losses	(25,270)	(372,338)
Write-offs charged against the provision	(43,121)	(527,036)
Recoveries of amounts previously written off	33,241	13,347
Balance at end of year	\$ 1,535	\$ 36,685

Total allowance for credit losses for the years ended December 31, 2023 and 2022 is \$1,535 and \$36,685, respectively. This allowance is equal to the amount of accounts receivable, net, greater than 90 days past due.

NOTE 4 - 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 \$1,919,002 and (\$3,169,950) net unrealized and realized holding gains (losses) for the years ended December 31, 2023 and 2022, respectively.

Investments reported at December 31 are comprised of the following:

	2023	2022
U.S. treasury notes	\$ 21,525,404	\$ 19,655,587
Certificates of deposit	-	376,331
Federal agency bonds/notes	8,507,853	3,968,006
Supranationals notes	53,775	1,783,933
Corporate notes	11,194,098	13,044,526
Municipal bonds/note	884,082	2,467,980
Agency mortgage-backed securities (MBS)	5,962,830	3,772,538
Commercial paper	2,472,576	7,176,561
	\$ 50,600,618	\$ 52,245,462

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Restricted investments		
U.S. treasury notes	\$ 5,375,321	\$ 2,733,375
Federal agency bonds/notes	1,740,306	3,793,632
Supranationals notes	883,601	1,840,637
Corporate notes	1,938,543	1,846,765
Municipal bonds/note	23,908	-
	<u>\$ 9,961,679</u>	<u>\$ 10,214,409</u>

NOTE 5 - UTILITY PLANT, PROPERTY, AND EQUIPMENT

Utility plant, property, and equipment, together with accumulated depreciation as of December 31, 2023 and 2022, consist of the following:

	Useful Lives (Years)	<u>2023</u>		<u>2022</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and easements	None	\$ 3,660,840	\$ -	\$ 4,015,100	\$ -
Water reclamation facility	30-50	113,353,214	57,620,033	111,033,802	54,285,619
Water treatment plant	30-50	99,186,484	39,847,100	77,260,121	37,376,077
Wellfield	20-30	16,132,521	6,973,800	14,467,442	6,374,653
Storage tanks	10-20	11,157,722	8,105,993	11,157,722	7,628,510
Aquifer storage recovery	30	3,602,197	2,963,058	3,602,197	2,842,608
Other buildings	15-30	16,585,795	4,275,495	16,576,618	3,799,029
Fencing	15	439,349	336,333	439,349	316,866
Equipment	10	13,444,447	5,311,565	13,364,267	4,620,352
Vehicles	5	6,196,765	4,508,124	6,029,787	4,215,649
Office equipment and computers	5-10	3,537,653	3,102,876	3,483,324	2,954,872
Communications equipment	7	2,645,803	1,809,384	2,645,803	1,760,651
Water mains and water distribution lines	30-50	134,913,392	77,444,615	123,306,006	72,899,635
Force mains and sewer collection lines	30-50	36,703,094	24,146,662	36,580,740	22,925,663
Lift stations	20-25	32,339,979	23,373,203	32,601,808	22,843,431
Gravity sewers	30-50	102,028,659	58,348,487	101,473,938	54,845,575
Studies	5	3,129,834	2,637,255	3,129,834	2,568,975
Construction work in progress	None	20,249,452	-	36,380,314	-
Total		<u>\$ 619,307,200</u>	<u>\$ 320,803,983</u>	<u>\$ 597,548,172</u>	<u>\$ 302,258,165</u>
Book Value		<u>\$ 298,503,217</u>		<u>\$ 295,290,007</u>	

Depreciation of \$19,395,946 and \$18,703,720 for the years ended December 31, 2023 and 2022, respectively, has been charged to operating expenses.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 6 - 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, 2023 and 2022, the cash value of accrued personal time off included in other current liabilities on the accompanying balance sheets totaled \$601,959 and \$596,998, respectively.

NOTE 7 - 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, 2023 and 2022.

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 2023, 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, 2023 and 2022, the Corporation recognized \$152,010 and \$231,632, respectively, in expenses associated with the accrual of this obligation. At December 31, 2023 and 2022, disposal charges accrued totaled \$1,209,094 and \$1,057,084, respectively.

NOTE 8 - CONTRIBUTED WATER LINES AND WASTEWATER COLLECTION LINES

The total value of water distribution lines contributed to the Corporation was \$49,849,715 and \$49,428,640 at December 31, 2023 and 2022, 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 2023 and 2022 totaled \$421,075 and \$471,376, respectively.

The total value of wastewater collection lines contributed to the Corporation was \$75,182,888 and \$74,798,201 at December 31, 2023 and 2022, 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 2023 and 2022 totaled \$384,687 and \$470,782, 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 \$113,810,644.

BONITA SPRINGS UTILITIES, INC.
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 - 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, 2023 and 2022:

<u>Category</u>	<u>Original Loan Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Current Portion</u>	<u>Outstanding At Par</u>	<u>2023 Balance</u>	<u>2022 Balance</u>
Utility System Revenue Bonds							
Series 2012B	\$ 18,500,000	2023	1.933%	\$ -	\$ -	\$ -	\$ 1,845,000
Series 2014	16,005,000	2024	1.970%	1,680,000	1,680,000	1,680,000	3,330,000
Series 2020	37,400,000	2028	2.040%	4,625,000	24,080,000	24,080,000	28,610,000
Series 2021	20,000,000	2036	1.380%	1,245,000	17,585,000	17,585,000	18,815,000
Total Revenue Bonds				<u>7,550,000</u>	<u>43,345,000</u>	<u>43,345,000</u>	<u>52,600,000</u>
Other Long Term Debt							
DWSRF Loan	10,214,409	2042	0.51%	500,611	9,961,679	9,961,679	10,214,409
Total Other Long Term Debt				<u>500,611</u>	<u>9,961,679</u>	<u>9,961,679</u>	<u>10,214,409</u>
Deferred Special Service Charge Income							
Deferred Special Service Charges	Various	Various	5.00%-7.00%	610,000	5,821,408	5,821,408	6,689,708
Total Deferred Special Service Charge Income				<u>610,000</u>	<u>5,821,408</u>	<u>5,821,408</u>	<u>6,689,708</u>
Other Long-Term Liabilities							
Injection Well Retirement Obligation	N/A	2036	N/A	-	1,209,094	1,209,094	1,057,084
Total Other Long-Term Liabilities				<u>-</u>	<u>1,209,094</u>	<u>1,209,094</u>	<u>1,057,084</u>
Total Long-Term Debt				<u>\$ 8,660,611</u>	<u>\$ 60,337,181</u>	60,337,181	70,561,201
(Less Bond Issuance Costs)						(646,124)	(539,533)
(Less Current Portion)						<u>(8,645,639)</u>	<u>(10,337,578)</u>
Total Long-Term Debt - Noncurrent Portion						<u>\$ 51,045,418</u>	<u>\$ 59,684,090</u>

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM LIABILITIES

Revenue Bonds

Security

All revenue bonds are secured on a parity basis by the net revenues (designated revenues) and aid to new construction (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 the Corporation is in compliance with as of December 31, 2023 and 2022.

Drinking Water State Revolving Fund (DWSRF) 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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 - LONG-TERM LIABILITIES

Drinking Water State Revolving Fund Construction Loan Agreement

On April 5, 2022, the Corporation entered into an amended Agreement with the Department which allowed for an additional \$1,014,409 in loan funds. There were no changes to the interest rate or term of the loan with the amendment.

The amount of the loan is \$10,250,909 which consists of \$10,214,409 for construction and \$36,500 of capitalized interest. The interest rate on the loan is .51% and the loan term is 20 years. The loan service fee is \$204,288. The loan can be prepaid at any time, without penalty. The total amount disbursed on the loan was \$10,214,409 as of December 31, 2023 and 2022, respectively.

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, 2023 and 2022, restricted investments is equal to the amount of loan owed to the Department in the amount of \$9,961,679 and \$10,214,409, respectively. As loan principal amounts are paid, the Department shall release that amount to the Corporation from the Pledged Account.

Repayments are made semiannually beginning May 15, 2023. Each semiannual loan payment is approximately \$276,000. The loan service fee and any associated interest was deducted from the first semiannual payment.

As more fully described in the Agreement, the Agreement contains certain restrictive covenants that management believes the Corporation is in compliance with as of December 31, 2023 and 2022.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
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NOTE 9 - 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, 2023:

Year	Series 2014	Series 2020	Series 2021	DWRSF	Total
2024	\$ 1,680,000	\$ 4,625,000	\$ 1,245,000	\$ 500,611	\$ 8,050,611
2025	-	4,720,000	1,260,000	503,168	6,483,168
2026	-	4,815,000	1,280,000	505,738	6,600,738
2027	-	4,910,000	1,295,000	508,320	6,713,320
2028	-	5,010,000	1,315,000	510,916	6,835,916
2029	-	-	1,335,000	513,525	1,848,525
2030	-	-	1,350,000	516,147	1,866,147
2031	-	-	1,370,000	518,783	1,888,783
2032	-	-	1,390,000	521,432	1,911,432
2033	-	-	1,410,000	524,095	1,934,095
2034	-	-	1,425,000	526,771	1,951,771
2035	-	-	1,445,000	529,461	1,974,461
2036	-	-	1,465,000	532,165	1,997,165
2037	-	-	-	534,882	534,882
2038	-	-	-	537,614	537,614
2039	-	-	-	540,359	540,359
2040	-	-	-	543,118	543,118
2041	-	-	-	545,892	545,892
2042	-	-	-	548,682	548,682
	<u>\$ 1,680,000</u>	<u>\$ 24,080,000</u>	<u>\$ 17,585,000</u>	<u>\$ 9,961,679</u>	<u>\$ 53,306,679</u>

For more information on the injection well obligation and special service charges, refer to Notes 7 and 12, respectively.

BONITA SPRINGS UTILITIES, INC.
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 - 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 and amortization of the Corporation's retirement obligation for the injection well, is as follows for 2023 and 2022:

2023	Series 2012B	Series 2014	Series 2020	Series 2021	DWSRF Loan	Injection Well	Total Amortization
Bond premium amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other issuance cost amortization	13,808	17,967	40,832	17,662	7,143	152,010	249,422
Total	<u>\$ 13,808</u>	<u>\$ 17,967</u>	<u>\$ 40,832</u>	<u>\$ 17,662</u>	<u>\$ 7,143</u>	<u>\$ 152,010</u>	<u>\$ 249,422</u>
2022	Series 2012B	Series 2014	Series 2020	Series 2021	DWSRF Loan	Injection Well	Total Amortization
Bond premium amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other issuance cost amortization	13,808	17,966	47,044	17,662	-	231,632	328,112
Total	<u>\$ 13,808</u>	<u>\$ 17,966</u>	<u>\$ 47,044</u>	<u>\$ 17,662</u>	<u>\$ -</u>	<u>\$ 231,632</u>	<u>\$ 328,112</u>

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NOTE 9 - 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, 2023 and 2022.

	Series 2012B	Series 2014	Series 2020	Series 2021	DWSRF Loan	Injection Well	Totals
Original issuance cost	\$ 156,489	\$ 185,657	\$ 344,365	\$ 266,405	\$ 10,270	N/A	\$ 963,186
Amortization period	12 years	10 years	9 years	16 years	20 years	N/A	
Unamortized Balance - 12/31/2021	\$ 27,616	\$ 50,906	\$ 285,232	\$ 261,989	\$ 10,270	\$ -	\$ 636,013
New Costs - 2022	-	-	-	-	-	231,632	231,632
Amortization Expense - 2022	(13,808)	(17,966)	(47,044)	(17,662)	-	(231,632)	(328,112)
Refunded - 2022	-	-	-	-	-	-	-
Unamortized Balance - 12/31/2022	13,808	32,940	238,188	244,327	10,270	-	539,533
New Costs - 2023	-	-	-	-	204,003	152,010	356,013
Amortization Expense - 2023	(13,808)	(17,967)	(40,832)	(17,662)	(7,143)	(152,010)	(249,422)
Refunded - 2023	-	-	-	-	-	-	-
Unamortized Balance - 12/31/2023	<u>\$ -</u>	<u>\$ 14,973</u>	<u>\$ 197,356</u>	<u>\$ 226,665</u>	<u>\$ 207,130</u>	<u>\$ -</u>	<u>\$ 646,124</u>

The remaining unamortized issuance costs related to the Series 2014 bond are included in long-term liabilities – current portion, net of the remaining outstanding balance on the Series 2014 bond.

BONITA SPRINGS UTILITIES, INC.
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NOTE 10 - 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. There was no capital credit allocation during the years ended December 31, 2023 and 2022.

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 \$268,065 and \$635,717 during the years ended December 31, 2023 and 2022, respectively, and were returned to the Corporation's equity.

Total capital credits payable at December 31, 2023 and 2022 was \$17,239 and \$154,166, respectively.

NOTE 11 - 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 currently with Newport Group. 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, 2023 and 2022 amounted to \$725,575 and \$679,988, respectively.

NOTE 12 - 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.

BONITA SPRINGS UTILITIES, INC.
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YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 - ANC FEES, SPECIAL SERVICE CHARGES RECEIVABLE/DEFERRED

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 THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 12 - 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 Expasion - 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.	Water and 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	Fountian 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

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.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 13 - 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 14 - 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 15 - COMMITMENTS AND CONTINGENCIES

The Corporation has active construction projects as of December 31, 2023. 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	\$ 53,869,142	\$ 21,698,569	\$ 32,170,573	Renewal and replacement/Water aid to new construction
WWRF Upgrades	4,222,468	1,325,066	2,897,402	Renewal and replacement fund
Water Treatment Plant Upgrades	6,540,305	4,583,134	1,957,171	Renewal and replacement fund
EWRF Upgrades	2,068,460	695,707	1,372,753	Renewal and replacement fund
Well Rehabilitation	1,356,762	139,066	1,217,696	Renewal and replacement fund
Developer Upgrades	727,636	-	727,636	Renewal and replacement fund
Advanced Wastewater Treatment	516,106	84,173	431,933	Cash reserves
Wastewater Renewal and Replacement	1,746,326	1,513,698	232,628	Renewal and replacement fund
Service Extension Projects	353,910	254,260	99,650	Cash reserves
Information Technology Upgrades	127,231	29,758	97,473	Cash reserves
Permitting	264,422	179,535	84,887	Cash reserves
Water Main R&R Priority Projects	444,279	382,119	62,160	Renewal and replacement fund
Big Bend Road Improvements	113,520	65,800	47,720	Renewal and replacement fund
Big Carlos Water Main Relocation	50,595	40,606	9,989	Renewal and replacement fund
CNG Expansion	314,501	304,514	9,987	Cash reserves
Total	<u>\$ 72,715,663</u>	<u>\$ 31,296,005</u>	<u>\$ 41,419,658</u>	

NOTE 16 – HURRICANE IAN

During the years ended December 31, 2023 and 2022, the Corporation incurred costs and disbursed funds related to recovery from Hurricane Ian, a portion of which are included in construction in process at year end. The total amount of expenditures related to Hurricane Ian as of December 31, 2023 is approximately \$2,840,000. Claims for reimbursement received from private insurance totaled approximately \$1,095,000. Claims for reimbursement from Federal agencies have been filed but total recovery is unknown at this time.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 17 – SOUTH FLORIDA WATER MANAGEMENT DISTRICT ALTERNATIVE WATER SUPPLY GRANT

During the year ended December 31, 2023, the Corporation received a grant from the South Florida Water Management District (District) Florida Department of Environmental Protection Alternative Water Supply (AWS) Funding Program. The District funding amount of the grant shall not exceed \$7,168,990 and the grant term is from October 1, 2022 through March 31, 2026. The grant covers construction costs for the installation of water main, the drilling of wells, construction of wellheads and the purchase and installation of Reverse Osmosis Water Treatment Plant membrane equipment.

The approved District funding is a percentage, up to 50% of construction costs. Payment will be made by the District for work authorized and completed between October 1, 2022 and February 28, 2026. The Corporation is required to submit a Quarterly Status Report to the District in accordance with the Payment and Deliverable Schedule in the grant. Payment will be made by the District following receipt and acceptance of the Reimbursement Request Package.

Grant receivable totals \$5,615,961 at December 31, 2023 and represents the expected reimbursement for costs incurred prior to December 31, 2023. The Corporation plans to file its Reimbursement Request Package for these funds in early 2024.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
STATEMENTS OF REVENUES AND EXPENSES – WATER DEPARTMENT
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water sales	\$ 20,226,697	\$ 19,265,651
Other fees	810,194	789,098
Total operating revenues	21,036,891	20,054,749
 OPERATING EXPENSES		
Plant		
Distribution and collection system costs	2,049,719	1,852,777
Plant operating costs	6,284,354	5,601,840
Engineering	468,907	405,757
Depreciation	8,728,176	8,416,674
Total plant	17,531,156	16,277,048
General and administrative		
Management and office costs	1,352,076	1,340,092
Administrative and personnel	3,719,437	3,398,573
Total general and administrative	5,071,513	4,738,665
Total operating expenses	22,602,669	21,015,713
 OPERATING MARGIN (LOSS)	 (1,565,778)	 (960,964)
 OTHER INCOME (EXPENSE)		
Interest income and investment losses, net	1,736,381	(1,156,869)
Other nonoperating income	76,355	141,674
Grant income	5,615,961	-
Gain (loss) on sale of fixed assets	21,063	21,122
Total other income (expense)	7,449,760	(994,073)
 DEBT EXPENSE		
Interest, amortization, and other	316,210	262,172
 NET MARGIN (LOSS)	 \$ 5,567,772	 \$ (2,217,209)

See accompanying independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
STATEMENTS OF REVENUES AND EXPENSES – WASTEWATER DEPARTMENT
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Wastewater sales	\$ 25,239,330	\$ 24,470,896
Other fees	577,868	554,871
Total operating revenues	25,817,198	25,025,767
OPERATING EXPENSES		
Plant		
Distribution and collection system costs	2,956,638	2,725,572
Plant operating costs	4,741,567	4,451,217
Engineering	468,908	405,756
Depreciation	10,667,770	10,287,046
Total plant	18,834,883	17,869,591
General and administrative		
Management and office costs	1,352,077	1,340,095
Administrative and personnel	3,719,426	3,398,564
Total general and administrative	5,071,503	4,738,659
Total operating expenses	23,906,386	22,608,250
OPERATING MARGIN	1,910,812	2,417,517
OTHER INCOME (EXPENSE)		
Interest income and investment losses, net	1,736,382	(1,156,870)
Other nonoperating income	123,257	177,857
Gain (loss) on sale of fixed assets	35,598	(218,153)
Total other income (expense)	1,895,237	(1,197,166)
DEBT EXPENSE		
Interest, amortization, and other	646,122	771,617
NET MARGIN	\$ 3,159,927	\$ 448,734

See accompanying independent auditor's report

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2023

<u>Grantor/Program Title</u>	<u>CDFA/CSFA Number</u>	<u>Expenditures</u>
Federal Awards		
U.S. Department of Treasury Passed through South Florida Water Management District		
Florida Department of Environmental Protection	21.027	<u>\$ 1,166,428</u>
Total expenditures of federal awards		<u><u>\$ 1,166,428</u></u>
State Financial Assistance		
State of Florida Department of Environmental Protection Alternative Water Supplies - LI 1649		
	37.100	<u>\$ 4,449,533</u>
Total expenditures of state financial assistance		<u><u>\$ 4,449,533</u></u>

See notes to the schedule of expenditures of federal awards and state financial assistance.

BONITA SPRINGS UTILITIES, INC.
LEE COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state financial assistance project activity of Bonita Springs Utilities, Inc. under programs of the U.S. Department of Treasury and State of Florida for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards and 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 Uniform Guidance and 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.

NOTE 4 – DE MINIMIS INDIRECT COST RATE

The Corporation did not use the 10% de minimis indirect cost rate.



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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, 2023, 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 8, 2024.

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 opinion 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 or significant deficiencies may exist that were not identified.

Report on 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

Warner Robins, Georgia
March 8, 2024



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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR ITS MAJOR FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND 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 Federal Award and State Financial Assistance Project

Opinion on its Major Federal Award and State Financial Assistance Project

We have audited Bonita Springs Utilities, Inc.’s (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and Department of Financial Services’ State Projects Compliance Supplement that could have a direct and material effect on the Corporation’s major federal award and state financial assistance project for the year ended December 31, 2023. The Corporation’s major federal award and state financial assistance project are 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 federal award and state financial assistance project for the year ended December 31, 2023.

Basis for Opinion on its Major Federal Award and 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; the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards, the Uniform Guidance 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 federal award and state financial assistance project. Our audit does not provide a legal determination of the Corporation’s compliance with the compliance requirements referred to above.

Atlanta | Canton | Dalton | Dublin
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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 federal award and 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*, the Uniform Guidance, 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 federal award and state financial assistance project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, 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 Uniform Guidance and 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 federal and 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 federal and 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 federal and 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 Uniform Guidance and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Nichols, Cauley + Associates, LLC

Warner Robins, Georgia
March 8, 2024

BONITA SPRINGS UTILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I: SUMMARY OF AUDIT RESULTS

Financial Statements

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

Federal Awards

Internal control over major program:			
Material weaknesses identified?	_____ yes	<u> X </u> no	
Significant deficiencies identified?	_____ yes	<u> X </u> 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 2 CFP 200.516(a)	_____ yes	<u> X </u> no	

State Financial Assistance

Internal control over major program:			
Material weaknesses identified?	_____ yes	<u> X </u> no	
Significant deficiencies identified?	_____ yes	<u> X </u> 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	<u> X </u> no	

BONITA SPRINGS UTILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Identification of major programs:

<u>CDFA/CSFA Number</u>	<u>Name of Federal Program and State Financial Assistance Project</u>
21.027	Coronavirus State Fiscal Recovery
37.100	Department of Environmental Protection– Alternative Water Supplies

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

SECTION II: FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III: FEDERAL AWARDS FINDINGS

None Reported

SECTION IV: STATE AWARDS FINDINGS

None Reported