

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023



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The report accompanying this deliverable was issued
by Warren Averett, LLC.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Walton/Okaloosa/Santa Rosa Regional Utility Authority (the RUA) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the RUA's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the RUA, as of September 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 RUA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 RUA'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 RUA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024, on our consideration of RUA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RUA's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
May 17, 2024

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

This section of the Walton/Okaloosa/Santa Rosa Regional Utility Authority's (RUA) annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal years ended September 30, 2023 and 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS OF THE RUA

The basic financial statements of the RUA begin on Page 8. The statement of net position and the statement of revenues, expenses and changes in net position report the net position of the RUA and related changes. The net position, the difference between assets, deferred outflows, liabilities and deferred inflows, is one way to measure the financial health or financial position. Over time, increases or decreases in the RUA's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors should be considered such as economic conditions, population growth and changing government legislation.

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

NET POSITION

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

	2023	2022
CURRENT ASSETS		
Cash	\$ 29	\$ 29
Cash – restricted for debt service	232	232
Due from utility companies	856	833
Total current assets	1,117	1,094
NON-CURRENT ASSETS		
Due from utility companies	7,483	8,497
TOTAL ASSETS	8,600	9,591
CURRENT LIABILITIES		
Accrued liabilities	104	108
State revolving fund loans payable	1,014	987
Total current liabilities	1,118	1,095
NON-CURRENT LIABILITIES		
State revolving fund loans payable	7,482	8,496
TOTAL LIABILITIES	8,600	9,591
NET POSITION		
Unrestricted (deficit)	-	-
TOTAL NET POSITION	\$ -	\$ -

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

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

NET POSITION – CONTINUED

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

	2023	2022
REVENUES		
Operating revenues	\$ 21	\$ 19
Non-operating revenues	234	259
Total revenues	256	277
EXPENSES		
Operating expenses	21	19
Non-operating expenses	234	259
Total expenses	256	277
CHANGE IN NET POSITION	-	-
NET POSITION AT BEGINNING OF YEAR	-	-
NET POSITION AT END OF YEAR	\$ -	\$ -

While the statements of net position show the change in financial position, the statements of revenues, expenses and changes in net position provide answers as to the nature and source of these changes. As shown in the table above, there was no change in net position for the years ended September 30, 2023 and 2022.

LONG-TERM DEBT

During fiscal year 2023, debt payments continued on schedule. Future payment of all long-term debt on the books of the RUA is tied to amounts owed to the RUA by Destin Water Users (DWU), Inc. and South Walton Utility Company (SWUC) under their respective interlocal agreements with the RUA. The RUA is in compliance with all debt covenant requirements under the terms of the five State Revolving Fund (SRF) loans as of September 30, 2023. Final maturity on the SRF loans is scheduled for the fiscal year ending September 30, 2038.

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

LONG-TERM DEBT – CONTINUED

The following table summarizes the SRF loan activity (in thousands) for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
SRF Loan WW643071	\$ 6,128	\$ -	\$ (742)	\$ 5,386	\$ 763
SRF Loan WW170400	853	-	(79)	774	82
SRF Loan WW170410	671	-	(63)	608	65
SRF Loan WW170420	811	-	(45)	766	45
SRF Loan WW170430	1,020	-	(57)	963	58
	<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ (986)</u>	<u>\$ 8,497</u>	<u>\$ 1,014</u>

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

FUTURE ECONOMIC FACTORS

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

CONTACTING THE RUA

This financial report is designed to provide our members with a general overview of the RUA’s finances and to demonstrate accountability for its funding. If you have questions about this report or need additional information, contact the RUA’s Chief Financial Officer, at: 418 E. Gregory St., Ste. 100, Pensacola, FL 32502; e-mail address: dawn.schwartz@ECRC.org; phone number: (850) 332-7976 ext. 202 or toll free 1-800-226-8914 ext. 202.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

CURRENT ASSETS	
Cash	\$ 29,416
Cash – restricted for debt service	232,336
Due from utility companies	856,191
	1,117,943
NON-CURRENT ASSETS	
Due from utility companies	7,482,640
	8,600,583
TOTAL ASSETS	
CURRENT LIABILITIES	
Interest received in advance	8,303
Principal received in advance	40,956
Accrued interest payable	25,129
Project advances	29,416
State revolving fund loans payable	1,014,139
	1,117,943
NON-CURRENT LIABILITIES	
State revolving fund loans payable	7,482,640
	8,600,583
TOTAL LIABILITIES	
NET POSITION	
Unrestricted	-
	-
TOTAL NET POSITION	\$ -

See notes to the financial statements.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

OPERATING REVENUES	
Membership fees	\$ 4,776
Member reimbursements	16,092
	20,868
OPERATING EXPENSES	
Personnel costs	7,118
Professional services	10,653
Office expense	3,097
	20,868
	-
OPERATING INCOME	
NON-OPERATING REVENUES (EXPENSES)	
Interest income	234,498
Interest expense	(234,498)
	-
Total non-operating revenues (expenses)	-
CHANGE IN NET POSITION	
	-
NET POSITION AT BEGINNING OF YEAR	
	-
NET POSITION AT END OF YEAR	
	\$ -

See notes to the financial statements.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from members	\$ 20,868
Cash paid to vendors	(20,868)
	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interest paid	(237,885)
Payments on state revolving fund loans	(986,556)
	(1,224,441)
CASH FLOWS FROM INVESTING ACTIVITIES	
Due from utility companies	991,091
Interest received	233,350
	1,224,441
NET INCREASE IN CASH	
	-
CASH AT BEGINNING OF YEAR	
	261,752
CASH AT END OF YEAR	
	\$ 261,752
COMPOSITION OF CASH	
Cash	\$ 29,416
Cash – restricted for debt service	232,336
	\$ 261,752

See notes to the financial statements.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF GOVERNMENT

Reporting Entity

The Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA) was created by way of an Interlocal Agreement in 1986 and designated as a Regional Water Supply Authority. A revised Interlocal Agreement was implemented in 1999, pursuant to the provisions of Section 373.1962, Florida Statutes. The RUA is comprised of the Counties of Walton, Okaloosa and Santa Rosa and the municipalities of Destin, Fort Walton Beach, Gulf Breeze, Mary Esther and Niceville. The RUA was formed to provide financing for water supply needs and protection of water sources on a regional level. The primary function of the RUA is to ensure future water supply and to provide for adequate solid waste and treated sewage effluent disposal. The West Florida Regional Planning Council, dba Emerald Coast Regional Council, operates, administers and maintains the RUA on behalf of the counties and municipalities. The financial statements of the RUA have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Basis of Presentation

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

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation. For the year ended September 30, 2023, the RUA did not have any net position classified as net investment in capital assets.

Restricted – This component of net position consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. For the year ended September 30, 2023, the RUA did not have any net position classified as restricted.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF GOVERNMENT

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

When both restricted and unrestricted resources are available for use, it is the RUA's policy to use restricted resources first, then unrestricted resources as they are needed. As of September 30, 2023, RUA had no ending net position available for use.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the RUA considers cash on hand, demand deposits, certificates of deposit, and short-term investments purchased within three months of maturity to be cash and cash equivalents.

Project Advances

The RUA reports unearned revenue when funding has been received but not yet earned. Project advances as of September 30, 2023, represent remaining project funds from an uncompleted salinity transfer model available for a future RUA project.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DEPOSITS

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

At September 30, 2023, the carrying amounts of the RUA's deposits held in QPDs were \$261,752.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

3. DUE FROM UTILITY COMPANIES

Due from South Walton Utility Company, Inc.

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

The amount due from SWUC at September 30, 2023, represents the unpaid principal balance of the SRF loan less the principal portion of monthly debt service deposits collected by the RUA in advance of the next required semi-annual SRF loan payment.

Due from Destin Water Users, Inc.

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

The amount due from DWU at September 30, 2023, represents the unpaid principal on the SRF loans less the principal portion of monthly rents collected by the RUA in advance of the next required semi-annual SRF loan payment.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

3. DUE FROM UTILITY COMPANIES

Due from utility companies at September 30, 2023, consisted of the following:

Due from SWUC, secured by net wastewater utility system revenues, including wastewater connection fees and title to real property	\$ 5,256,877
Due from DWU, secured by net wastewater utility system revenues, including wastewater connection fees and title to real property	<u>3,081,954</u>
Total due from utility companies	8,338,831
Less current portion	<u>(856,191)</u>
Due from utility companies – long-term	<u><u>\$ 7,482,640</u></u>

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

Year Ending September 30	Principal	Interest	Total
2024	\$ 856,191	\$ 210,594	\$ 1,066,785
2025	1,042,245	182,488	1,224,733
2026	1,071,162	153,571	1,224,733
2027	1,100,916	123,817	1,224,733
2028	1,131,529	93,204	1,224,733
2029-2033	2,510,668	125,697	2,636,365
2034-2038	<u>626,120</u>	<u>26,735</u>	<u>652,855</u>
	<u><u>\$ 8,338,831</u></u>	<u><u>\$ 916,106</u></u>	<u><u>\$ 9,254,937</u></u>

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

4. STATE REVOLVING FUND LOANS PAYABLE

As disclosed in Note 3, the RUA received funding from SRF loans on behalf of SWUC and DWU through Interlocal Agreements with both utility companies. As of September 30, 2023, the state revolving fund loans payable consisted of the following:

SRF loan WW643071, bearing interest at a rate of 2.87% per annum, with required semi-annual payments of \$458,886, maturing February 15, 2030, secured by SWUC net wastewater utility system revenues, including wastewater connection fees.	\$ 5,386,029
SRF loan WW170400, bearing interest at a rate of 2.74% per annum, with required semi-annual payments of \$51,318, maturing August 15, 2031, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	773,561
SRF loan WW170410, bearing interest at a rate of 2.74% per annum, with required semi-annual payments of \$40,381, maturing January 15, 2032, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	608,703
SRF loan WW170420, bearing interest at a rate of 1.40% per annum, with required semi-annual payments of \$28,386, maturing September 15, 2038, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	765,713
SRF loan WW170430, bearing interest at a rate of 0.92% per annum, with required semi-annual payments of \$33,395, maturing November 15, 2038, secured by DWU net wastewater utility system revenues, including wastewater connection fees.	<u>962,773</u>
Total state revolving fund loans payable	8,496,779
Less current portion	<u>(1,014,139)</u>
State revolving fund loans payable – long-term	<u><u>\$ 7,482,640</u></u>

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. STATE REVOLVING FUND LOANS PAYABLE

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,014,139	210,594	\$ 1,224,733
2025	1,042,245	182,488	1,224,733
2026	1,071,162	153,571	1,224,733
2027	1,100,916	123,817	1,224,733
2028	1,131,529	93,204	1,224,733
2029-2033	2,510,668	125,697	2,636,365
2034-2038	626,120	26,735	652,855
	<u>\$ 8,496,779</u>	<u>\$ 916,106</u>	<u>\$ 9,412,885</u>

Changes in Long-Term Debt Liabilities

SRF loan activity for the year ended September 30, 2023, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
SRF Loan WW643071	\$ 6,126,890	\$ -	\$ (740,861)	\$ 5,386,029	\$ 763,071
SRF Loan WW170400	853,356	-	(79,795)	773,561	81,998
SRF Loan WW170410	671,493	-	(62,790)	608,703	64,522
SRF Loan WW170420	811,287	-	(45,574)	765,713	46,214
SRF Loan WW170430	1,020,309	-	(57,536)	962,773	58,334
	<u>\$ 9,483,335</u>	<u>\$ -</u>	<u>\$ (986,556)</u>	<u>\$ 8,496,779</u>	<u>\$ 1,014,139</u>

The RUA's outstanding SRF notes payable related to direct borrowings of \$8,496,779 contain provisions that in an event of default, the State could either accelerate the repayment schedule or increase the financing rate on the unpaid principal of the loan to as much as 1.667 times the financing rate; collect fees and apply the revenues to the reduction of the obligations; sue for payment amounts due plus interest and costs of collection; intercept the delinquent amounts plus penalties and interest; or notify financial market credit rating agencies and potential creditors.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

4. STATE REVOLVING FUND LOANS PAYABLE

Rate Coverage Ratios

Under each of the SRF loan agreements, DWU and SWUC must maintain rates and charges sufficient to provide net revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments in such fiscal year. For the year ended September 30, 2023, DWU and SWUC were in compliance with this debt service coverage ratio.

Debt Service Fund Deposits

Under the terms of the SRF loan agreements, between each semiannual loan payment, the RUA must make monthly deposits into a restricted debt service fund equal to one-sixth of the semiannual loan payment amount. As of September 30, 2023, the RUA was in compliance with this requirement and reported restricted cash of \$232,336 in the accompanying statement of net position.

5. SUBSEQUENT EVENTS

The RUA has evaluated subsequent events and transactions that occurred through May 17, 2024, the date which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

COMPLIANCE SECTION

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

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

We have examined the Walton/Okaloosa/Santa Rosa Regional Utility Authority's (the RUA) compliance with Section 218.415, Florida Statutes, in regard to investments for the year ended September 30, 2023.

Management is responsible for the RUA's compliance with those requirements. Our responsibility is to express an opinion on the RUA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether RUA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether RUA is in compliance with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

Our examination does not provide a legal determination of the RUA's compliance with specified requirements.

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

Warren Averett, LLC

Destin, Florida
May 17, 2024

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Walton/Okaloosa/Santa Rosa Regional Utility Authority (the RUA) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the RUA's basic financial statements, and have issued our report thereon dated [REPORT DATE].

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RUA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RUA's internal control. Accordingly, we do not express an opinion on the effectiveness of the RUA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Warren Averett, LLC

Destin, Florida
May 17, 2024

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Walton/Okaloosa/Santa Rosa Regional Utility Authority (RUA), as of and for the year ended September 30, 2023, and have issued our report thereon dated May 17, 2024.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated May 17, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information can be found in Note 1 of the accompanying financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for RUA. It is management's responsibility to monitor RUA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations to improve financial management.

Specific Information

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

- a. No RUA employees compensated in the last pay period of RUA's fiscal year.
- b. No independent contractors to whom nonemployee compensation was paid in the last month of RUA's fiscal year.
- c. No compensation was earned by or awarded to employees, whether paid or accrued, regardless of contingency.
- d. No compensation was earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.
- e. No construction projects with a total cost of at least \$65,000 approved by the RUA that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f. No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported.

The specific information reported in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any form of assurance on it.

Additional Matters

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

Purpose of this Letter

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

Warren Averett, LLC

Destin, Florida
May 17, 2024