

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
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SEPTEMBER 30, 2024**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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 financial position of the RUA, as of September 30, 2024, and the changes in financial position and its cash flows 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 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 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 15, 2025, 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 15, 2025

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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, 2024 and 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, basic financial statements, and the compliance section. 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 of resources, liabilities and deferred inflows of resources 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 and liabilities, 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
SEPTEMBER 30, 2024**

NET POSITION

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

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash	\$ 29	\$ 29
Cash – restricted for debt service	238	232
Due from utility companies	848	856
Total current assets	1,115	1,117
NON-CURRENT ASSETS		
Due from utility companies	6,443	7,483
TOTAL ASSETS	<u>7,558</u>	<u>8,600</u>
CURRENT LIABILITIES		
Accrued liabilities	67	104
State revolving fund loans payable	1,042	1,014
Total current liabilities	1,109	1,118
NON-CURRENT LIABILITIES		
State revolving fund loans payable	6,443	7,482
TOTAL LIABILITIES	<u>7,552</u>	<u>8,600</u>
NET POSITION		
Unrestricted	6	-
TOTAL NET POSITION	<u>\$ 6</u>	<u>\$ -</u>

The decrease in total assets and total liabilities is due to decreases in amounts due from utility companies and decreases in long-term debt, both resulting from repayments of debt made in the current year.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

NET POSITION

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

	2024	2023
REVENUES		
Operating revenues	\$ 22	\$ 21
Non-operating revenues	213	234
Total revenues	236	255
EXPENSES		
Operating expenses	22	21
Non-operating expenses	207	234
Total expenses	230	255
CHANGE IN NET POSITION	6	-
NET POSITION AT BEGINNING OF YEAR	-	-
NET POSITION AT END OF YEAR	\$ 6	\$ -

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 an increase of approximately \$6,000 in net position for the year ended September 30, 2024, and no change for the year ended September 30, 2023.

LONG-TERM DEBT

During fiscal year 2024, 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, Inc. (DWU), 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, 2024. Final maturity on the SRF loans is scheduled for the fiscal year ending September 30, 2038. 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.

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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, 2024

CURRENT ASSETS

Cash	\$ 29,416
Cash – restricted for debt service	238,265
Due from utility companies	<u>848,282</u>

Total current assets 1,115,963

NON-CURRENT ASSETS

Due from utility companies	<u>6,442,672</u>
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TOTAL ASSETS 7,558,635

CURRENT LIABILITIES

Unearned revenue	9,745
Accrued interest payable	28,898
Project advances	29,416
State revolving fund loans payable	<u>1,041,975</u>

Total current liabilities 1,110,034

NON-CURRENT LIABILITIES

State revolving fund loans payable	<u>6,442,672</u>
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TOTAL LIABILITIES 7,552,706

NET POSITION

Unrestricted	<u>5,929</u>
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TOTAL NET POSITION \$ 5,929

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, 2024**

OPERATING REVENUES	
Membership fees	\$ 5,174
Member reimbursements	16,415
	21,589
Total operating revenues	
	21,589
OPERATING EXPENSES	
Personnel costs	5,496
Professional services	13,918
Office expense	2,175
	21,589
Total operating expenses	
	21,589
OPERATING INCOME	
	-
NON-OPERATING REVENUES (EXPENSES)	
Interest income	213,141
Interest expense	(207,212)
	5,929
Total non-operating revenues (expenses)	
	5,929
CHANGE IN NET POSITION	
	5,929
NET POSITION AT BEGINNING OF YEAR	
	-
NET POSITION AT END OF YEAR	
	\$ 5,929

See notes to the financial statements.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members	\$ 21,589
Cash paid to vendors	<u>(21,589)</u>

Net cash provided by operating activities	<u>-</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Interest paid	(203,443)
Principal payments on long-term debt	<u>(1,012,132)</u>

Net cash used in non-capital financing activities	<u>(1,215,575)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from utility companies	1,221,504
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NET CHANGE IN CASH	5,929
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CASH AT BEGINNING OF YEAR	<u>261,752</u>
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CASH AT END OF YEAR	<u><u>\$ 267,681</u></u>
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COMPOSITION OF CASH

Cash	\$ 29,416
Cash – restricted for debt service	<u>238,265</u>

TOTAL CASH	<u><u>\$ 267,681</u></u>
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See notes to the financial statements.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF GOVERNMENT

Description of the Entity

The Walton/Okaloosa/Santa Rosa Regional Utility Authority (the RUA) was created by way of an interlocal agreement in 1986 and designated as a Regional Water Supply Authority. A revised interlocal agreement was executed 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 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.

The Reporting Entity

In evaluating the RUA as a reporting entity, management has considered all potential component units for which the RUA may or may not be financially accountable and, as such, be included within the RUA's financial statements. The decision to include, or exclude, a potential component unit in the reporting entity was made by applying the criteria set forth in GASB literature. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the RUA and/or its members, or whether the activity is conducted within the geographic boundaries of the RUA and is generally available to its members. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the RUA is able to exercise oversight responsibilities. Based upon the application of these criteria, the RUA has not identified any component units that are required to be presented in the RUA's financial statements.

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

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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. As of September 30, 2024, 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. As of September 30, 2024, the RUA did not have any net position classified as restricted.

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, 2024, RUA had an ending net position of \$5,929.

Cash

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, 2024, 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.

Subsequent Events

The RUA has evaluated subsequent events and transactions that occurred through May 15, 2025, the date which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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 Emerald Coast Regional Council. The investment of surplus funds is governed by provisions of Section 218.415, Florida Statutes, as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that, in the event of a bank failure, the government's deposits may not be returned. RUA maintains its deposits only with *Qualified Public Depositories*, as defined in Chapter 280, Florida Statutes. The provisions of this statute 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 (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125% of the average daily balance of public deposits greater than capital. In the event of default by a *Qualified Public Depository*, excess losses over insurance and collateral will be recovered through assessments to all *Qualified Public Depositories* of the same type as the depository in default. Under this method, all the RUA deposits are considered fully insured.

At September 30, 2024, value of the RUA's deposits held in Qualified Public Depositories was \$238,265, which was fully insured, and therefore, had no custodial credit risk.

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, Inc. (SWUC) 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 the property has been conveyed back to SWUC under a 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 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, 2024, 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, Inc. (DWU) 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 two additional SRF loans in the arrangement for \$2.25 million. Use of the property is conveyed back to DWU under a contract that remains in effect for the life of the SRF loans;

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

providing reasonable assurance that the RUA will not be held responsible or accountable if the loan is not paid in full or defaults. The 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, 2024, 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.

Due from utility companies at September 30, 2024, consisted of the following:

Due from SWUC, secured by net wastewater utility system revenues, including wastewater connection fees and title to real property	\$ 4,494,445
Due from DWU, secured by net wastewater utility system revenues, including wastewater connection fees and title to real property	<u>2,796,509</u>
Total due from utility companies	7,290,954
Less current portion	<u>(848,282)</u>
Due from utility companies – long-term	<u><u>\$ 6,442,672</u></u>

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

Year Ending September 30	Principal	Interest	Total
2025	\$ 848,282	\$ 182,758	\$ 1,031,040
2026	1,070,890	153,843	1,224,733
2027	1,100,641	124,091	1,224,732
2028	1,131,252	93,481	1,224,733
2029	1,162,748	61,985	1,224,733
2030-2034	1,463,279	71,919	1,535,198
2035-2038	<u>513,862</u>	<u>13,788</u>	<u>527,650</u>
	<u><u>\$ 7,290,954</u></u>	<u><u>\$ 701,865</u></u>	<u><u>\$ 7,992,819</u></u>

**WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, 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.	\$ 4,624,698
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.	691,563
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.	544,181
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.	719,499
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>904,706</u>
Total state revolving fund loans payable	7,484,647
Less current portion	<u>(1,041,975)</u>
State revolving fund loans payable – long-term	<u><u>\$ 6,442,672</u></u>

WALTON/OKALOOSA/SANTA ROSA REGIONAL UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

Year Ending September 30	Principal	Interest	Total
2025	\$ 1,041,975	182,758	\$ 1,224,733
2026	1,070,890	153,843	1,224,733
2027	1,100,641	124,091	1,224,732
2028	1,131,252	93,481	1,224,733
2029	1,162,748	61,985	1,224,733
2030-2034	1,463,279	71,919	1,535,198
2035-2038	513,862	13,788	527,650
	<u>\$ 7,484,647</u>	<u>\$ 701,865</u>	<u>\$ 8,186,512</u>

Changes in Long-Term Debt Liabilities

SRF loan activity for the year ended September 30, 2024, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SRF Loan WW643071	\$ 5,386,029	\$ -	\$ (761,331)	\$ 4,624,698	\$ 785,948
SRF Loan WW170400	773,561	-	(81,998)	691,563	84,260
SRF Loan WW170410	608,703	-	(64,522)	544,181	66,302
SRF Loan WW170420	765,713	-	(46,214)	719,499	46,863
SRF Loan WW170430	962,773	-	(58,067)	904,706	58,602
	<u>\$ 8,496,779</u>	<u>\$ -</u>	<u>\$ (1,012,132)</u>	<u>\$ 7,484,647</u>	<u>\$ 1,041,975</u>

The RUA's outstanding SRF notes payable related to direct borrowings of \$7,484,647 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.

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, 2024, 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, 2024, the RUA was in compliance with this requirement and reported restricted cash of \$232,336 in the accompanying statement of net position.

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's) compliance with the following requirements for the year ended September 30, 2024:

- (1) Section 218.415, Florida Statutes, in regard to investments.

Management is responsible for 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 the RUA complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the RUA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, 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 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, 2024.

This report is intended solely for the information and use of the RUA, the Florida Auditor General, and the State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

Warren Averett, LLC

Destin, Florida
May 15, 2025

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

To the Board of 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, 2024, and the related notes to the financial statements, which collectively comprise the RUA's basic financial statements, and have issued our report thereon dated May 15, 2025.

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.



Destin, Florida
May 15, 2025

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 (the RUA), as of and for the year ended September 30, 2024, and have issued our report thereon dated May 15, 2025.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 15, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine 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 findings or recommendations made in the preceding annual financial audit.

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.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the RUA did not operate, within its geographical boundaries, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes during the fiscal year under audit.

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 the 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 15, 2025