

**CLAY COUNTY UTILITY AUTHORITY**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015 AND 2014**

**CLAY COUNTY UTILITY AUTHORITY  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors,  
Clay County Utility Authority:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Clay County Utility Authority (the Authority), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

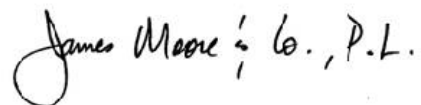
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 audits 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 Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, and is 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 audits 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 Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Authority's internal control over financial reporting and compliance.



Daytona Beach, Florida  
December 1, 2015

## **Management's Discussion and Analysis**

### **Managerial Philosophy and Strategic Objectives**

The senior management staff of the Clay County Utility Authority (Authority) is pleased to offer interested parties additional insight, a strategic perspective and further analysis of key operational factors that may help the reader gain a deeper understanding of the financial statements for the year ended September 30, 2015.

The Authority is an Independent Special District in the State of Florida. The Florida Legislature created the Authority on October 1, 1994 by special act (F.S. 94-491) to manage the water, wastewater and reclaimed water systems in the unincorporated areas of Clay County, Florida. The Authority also serves adjacent jurisdictions per specific inter-local governmental agreements. The Authority serves customers in Clay, Duval, and Bradford Counties and uses proprietary fund accounting to report the Authority's financial position.

One of the core managerial philosophies of the Authority is the commitment to operate, to the extent possible, the publicly owned utility using the sound business practices of private enterprise. We are charged with the responsibility of providing our customers with the best long-term value at the lowest possible cost.

A second core principle is the desire to lead the way in improving the quality of life for the members of our community. We recognize our responsibility to be good stewards of our limited water resources and our environment. Furthermore, we clearly understand that the continued economic vitality of our community relies on an abundant, safe and economical supply of drinking water. We have voluntarily invested in the technology and infrastructure needed to accomplish these important objectives.

To date, we are one of the few utilities in Northeast Florida voluntarily using advanced wastewater treatment techniques. In addition, we continue to expand our reclaimed water initiative. Our reclaimed water distribution system includes seven storage and pumping plants. Our reclaimed water customers irrigated their lawns with an average of 4.1 million gallons per day during the fiscal year ending September 30, 2015, this equates to conserving approximately 1.5 billion gallons of drinking water per year. We also augmented our reclaimed water supply by partnering with the Town of Orange Park and the St. Johns River Water Management District. Since 2012, the Town now discharges to our reclaimed water distribution system during high demand periods rather than the St. Johns River. This collaborative approach has significant water conservation and very positive environmental impacts.

By virtue of a very cost effective public-private partnership, we have taken a leadership role in constructing the first operational deployment of an exciting new bio-solid residual treatment and disposal technology. The new treatment technology produces an environmentally superior product while using approximately half the energy of existing treatment methods.

Our accomplishments have been acknowledged by the receipt of thirty-five awards, varying from "Excellence of Operations" for both our water and wastewater system, "Municipal Water Use Efficiency" award for the most innovative and effective reclamation and reuse program for the Southeastern United States, Region Four, presented by the Environmental Protection Agency, "Best in Construction" presented by Florida Transportation Builders Association for utility coordination and damage prevention during construction on the most heavily traveled urban corridor in Northeast Florida and our most recent receipt of the "Biosolids Program Excellence Award for BCR Neutralizer Installations" presented by Florida Water Environmental Association.

## Financial Overview

The Authority is continuing its facility expansions to support the population growth of its service area and to expand its water reuse capacity. Service rates remained unchanged from fiscal year 2010 to 2014 however, in 2015, service rates were increased 5.4% to address the cost of renewal and replacement of existing infrastructure.

Management estimated a 13.67% reduction in water demand from our base year 2009 to our current fiscal year, 2014/2015. Customers have aggregately decreased water use 20.59%, even though our customer base has grown by 3,561 accounts during this time.

The Authority's cash reserves, borrowing capacity and scheduled fiscal year 2015/2016 service rate increase are adequate to support currently planned maintenance and expansion projects. Contributions in aid of construction continue to be a major source of capital.

Fitch rating agency upgraded our rating to AA+, stable outlook in October 2014, due to debt service coverage, liquidity, a low and declining debt burden, a manageable and cash-funded capital program and a stable customer base with affordable rates.

### Condensed Statement of Net Position (\$000)

|   | For the Year Ended September 30, |                |             |                |             |
|---|----------------------------------|----------------|-------------|----------------|-------------|
|   | 2015                             | 2014           | %<br>Change | 2013           | %<br>Change |
| Capital assets – net                      | 238,047                          | 238,259        | (0.1)       | 240,110        | (0.7)       |
| Current assets                            | 35,793                           | 29,418         | 21.7        | 26,630         | 10.5        |
| Investments, current                      | 7,125                            | 5,769          | 23.5        | 6,913          | (16.5)      |
| Other non-current assets                  | 1,332                            | 5,699          | (76.6)      | 9,205          | (38.1)      |
| Investments, non-current                  | 5,770                            | 6,948          | (17.0)      | 6,798          | 2.2         |
| Deferred Outflow of Resources             | 3,353                            | 454            | 638.5       | 522            | (13.0)      |
| Totals                                    | <u>291,421</u>                   | <u>286,547</u> | 1.7         | <u>290,178</u> | (1.3)       |
| Liabilities and fund equity               |                                  |                |             |                |             |
| Net position                              | 210,108                          | 203,977        | 3.0         | 200,899        | 1.5         |
| Long-term liabilities, net                | 72,094                           | 73,734         | (2.2)       | 78,999         | (6.7)       |
| Current liabilities, including restricted | 9,219                            | 8,836          | 4.3         | 10,280         | 14.0        |
| Totals                                    | <u>291,421</u>                   | <u>286,547</u> | 1.7         | <u>290,178</u> | (1.3)       |

### Capital Assets - Net

Net Capital assets decreased \$212,000 during the fiscal year 2014/2015. The decrease is mainly attributed to \$8,489,000 of various utility expansions and dispositions, offset by \$8,701,000 of depreciation expense. Developers contributed \$1,865,000 of those assets.

For the year 2014, capital assets, net of depreciation, decreased \$1,851,000. The decrease is mainly attributed to \$3,016,000 of various utility expansions and dispositions, offset by \$4,866,000 of depreciation expense. Developers contributed \$1,865,000 of those assets.

## Current Assets

The change in current assets is due to the increase in cash. Cash in excess of operations is used to fund capital projects.

## Net Position

The increase in net position of \$6,131,000 is largely attributable to the increase in Deferred Outflow of Resources of \$2,899 due to the advance refunding of bonds, developer and other contributions of \$1,727,000 and governmental grants of \$651,000.

In the previous year, the increase in net position of \$3,078,000 was largely attributable to developer and other contributions of \$2,897,000 and governmental grants of \$197,000.

Net income is reserved for future capital projects.

## Long-Term Debt - Net

In fiscal year 2015, the Net long-term debt decreased \$1,640,000. This decrease is due to scheduled debt payments. The 2007 bonds were advance refunded with a bank loan lowering the interest rate 1.86% to 2.82% and reducing the term five years.

In fiscal year 2014, the Net long-term debt decreased \$5,265,000. This decrease is largely due to defeasing the 2003C bonds.

## Current Liabilities, including from restricted assets

Current liabilities increased \$383,000 due to revenue for base charges billed in advance and unearned.

In fiscal year 2014, current liabilities decreased \$1,444,000 due to the pay down of debt.

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

|                               | For the Year Ended September 30, |              |             |              |             |
|-------------------------------|----------------------------------|--------------|-------------|--------------|-------------|
|                               | 2015                             | 2014         | %<br>Change | 2013         | %<br>Change |
| Operating revenues            | 39,047                           | 36,208       | 7.8         | 36,073       | .4          |
| Operating expenses            | (32,921)                         | (31,751)     | 3.7         | (30,556)     | 3.9         |
| Operating income              | 6,126                            | 4,457        | 37.4        | 5,517        | (19.2)      |
| Non-operating (expenses), net | (2,372)                          | (4,473)      | (47.0)      | (3,241)      | 38.0        |
| Contributions and grants      | 2,377                            | 3,094        | (23.2)      | 3,725        | (16.9)      |
| Increase in Net Position      | <u>6,131</u>                     | <u>3,078</u> | 99.2        | <u>6,001</u> | (48.7)      |

## **Operating Revenues**

Operating revenue was within .3% of management projections. Operating revenue is a direct result of a 5.4% rate increase and the effectiveness of the water conservation rate structure implemented in December 2010. A large majority (91.9%) of residential customers continue to use no more water than the second tier allowance in fiscal 2015.

In the prior year, operating revenue was within 1.5% of management projections.

## **Operating Expenses**

The increase of \$1,170,000 in operating expenses in 2015, is due to \$465,000 increase in wages and related benefits resulting from additional staffing and a 3.25% cost of living allowance and merit, a 14.5% or \$213,000 increase in health insurance premiums, resulting in decrease benefits, and an estimated \$111,000 in self-insurance settlement from a sanitary sewer overflow and \$268,000 increase in depreciation.

The increase of \$1,195,000 in operating expenses in 2014, is largely due to a colder winter causing increases in chemicals, power and residual (sludge) removal costs. Administrative costs increased approximately 3% primarily attributed to rise in health insurance costs.

## **Non-Operating Revenue and Expenses**

During fiscal 2015, a gain on sale of assets of \$22,722 is an increase of \$1,765,000 over prior year due to the one-time write down in fiscal 2014 of meter reading assets held for sale due to the installation of a new automatic meter reading system.

For fiscal 2014, interest income decreased \$55,000 due to market yields. Interest expense and bond amortization decreased \$484,000 due to the debt improvements. The loss on sale of assets increased \$1,753,000 due to a one-time write down of meter reading assets held for sale due to the installation of a new automatic meter reading system. This system remotely collects approximately 55,000 meter reading every hour, and we expect the system to help us control increases in operating costs as the system grows.

## **Contributions in Aid of Construction**

Developers and others are required to contribute property (water, wastewater and reclaimed water lines) in their developments and cash for their proportional share of existing water, wastewater, and reclaimed water plant capacity in order to connect to the Authority's systems. Contributed property was \$549,000 in 2015 compared to \$1,865,000 in 2014. Cash contributions totaled \$1,828,000 in 2015, of which \$651,000 was grant money compared to cash contributions of \$1,229,000, of which \$197,000 was grant money in 2014.

## **Utility Service Demand Trend**

An Equivalent Residential Connection (ERC) is the equivalent flow that can be anticipated from one residential connection.



The following table provides historical information on average annual usage per ERC, **expressed in thousands of gallons**. The calculation of ERCs is derived by Annual Base Revenue divided by the Annual Residential Base Rate and the Usage per ERC is a calculation of the gallons divided by the ERCs.

| Fiscal Yr<br>Ending | <u>Water</u> |                | <u>Sewer</u> |                | <u>Reuse</u> |                |
|---------------------|--------------|----------------|--------------|----------------|--------------|----------------|
|                     | <u>ERCs</u>  | <u>Use/ERC</u> | <u>ERCs</u>  | <u>Use/ERC</u> | <u>ERCs</u>  | <u>Use/ERC</u> |
| 9/30/2000           | 28,767       | 138.3          | 26,341       | 94.4           | 42           | 177.9          |
| 9/30/2001           | 30,504       | 120.8          | 27,935       | 89.4           | 412          | 174.0          |
| 9/30/2002           | 32,664       | 116.1          | 29,974       | 86.8           | 1,244        | 174.2          |
| 9/30/2003           | 36,438       | 102.4          | 32,068       | 81.7           | 2,231        | 121.8          |
| 9/30/2004           | 38,810       | 114.1          | 34,138       | 83.5           | 3,165        | 171.7          |
| 9/30/2005           | 41,290       | 94.9           | 36,180       | 78.7           | 4,933        | 139.4          |
| 9/30/2006           | 44,083       | 107.9          | 38,636       | 79.5           | 6,437        | 254.4          |
| 9/30/2007           | 45,188       | 110.8          | 40,230       | 79.9           | 6,923        | 266.7          |
| 9/30/2008           | 46,453       | 99.8           | 41,717       | 76.6           | 7,230        | 252.3          |
| 9/30/2009           | 46,267       | 90.7           | 41,643       | 71.0           | 7,392        | 203.7          |
| 9/30/2010           | 47,069       | 88.4           | 42,490       | 69.6           | 7,736        | 202.3          |
| 9/30/2011           | 46,423       | 94.6           | 41,750       | 75.2           | 6,769        | 215.5          |
| 9/30/2012           | 47,982       | 79.5           | 43,463       | 68.1           | 8,325        | 121.9          |
| 9/30/2013           | 48,364       | 74.2           | 43,729       | 65.7           | 8,706        | 107.4          |
| 9/30/2014           | 49,382       | 71.3           | 44,614       | 64.0           | 9,279        | 94.7           |
| 9/30/2015           | 49,810       | 73.5           | 45,017       | 64.8           | 9,640        | 103.2          |

### **Economic Factors and Next Year's Rate**

The Authority's financial condition is generally affected less by the local economy than by climatic conditions and water use restrictions. Water, wastewater and reclaimed water service is a public necessity; thus revenue typically remains stable as long as the number of customers, and customer usage does not decline. Conservation will moderate future water revenue, but the Authority's rates are designed to absorb a 20% decrease in water demand and still generate sufficient revenue to operate the business.

The Authority has adopted an Alternative Water Supply (AWS) surcharge of \$1.00 per water bill and an AWS connection charge of \$325 to the potable water connection charges to support the development of AWS. An AWS is simply any sustainable water source with its supporting infrastructure for processing and delivery that does not originate from the upper Florida Aquifer. The AWS surcharge and connection charge are necessary to address AWS requirements from the St. Johns River Water Management District (SJRWMD), the Suwannee River Water Management District (SRWMD), and the Florida Department of Environmental Protection (FDEP) associated with Minimum Flows and Levels (MFL) and North Florida Regional Water Supply Planning. The AWS surcharge and connection charge are also necessary in order to put the Authority in the best position possible to put in place the infrastructure to provide all of the rate payers of Clay County with a sustainable water supply. The first project that will be funded by the AWS surcharge and connection charge will be the Florida Department of Transportation (FDOT) Storm Water Harvesting Pilot Project. For additional information, please visit: <https://www.clayutility.org/aws/default.aspx>.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patricia Barthlow, Chief Financial Officer, 3176 Old Jennings Road, Middleburg, Florida, 32068.

**CLAY COUNTY UTILITY AUTHORITY  
STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2015 AND 2014**

|   | 2015                  | 2014                  |
|---|-----------------------|-----------------------|
| <b><u>ASSETS</u></b>                                |                       |                       |
| <b>Current assets</b>                               |                       |                       |
| Cash and cash equivalents                           | \$ 29,572,871         | \$ 22,576,850         |
| Restricted cash and cash equivalents                | 2,080,471             | 3,737,843             |
| Investments   | 7,124,928             | 5,768,584             |
| Accounts receivable, net                            | 2,247,652             | 2,264,017             |
| Due from other governments                          | 851,503               | -                     |
| Prepaid items and inventory                         | 1,040,699             | 839,026               |
| Total current assets                                | 42,918,124            | 35,186,320            |
| <b>Non-current assets</b>                           |                       |                       |
| Restricted cash and cash equivalents                | 922,907               | 5,287,028             |
| Investments   | 5,770,245             | 6,948,475             |
| Notes receivable                                    | 409,147               | 411,881               |
| Utility plants                                      | 336,960,259           | 325,604,246           |
| Construction in process                             | 8,737,398             | 11,604,602            |
| Accumulated depreciation                            | (107,650,555)         | (98,949,687)          |
| Total non-current assets                            | 245,149,401           | 250,906,545           |
| <b>Total Assets</b>                                 | <b>\$ 288,067,525</b> | <b>\$ 286,092,865</b> |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>        |                       |                       |
| Deferred loss on bond refunding                     | \$ 3,353,452          | \$ 454,261            |
| <b><u>LIABILITIES</u></b>                           |                       |                       |
| <b>Current liabilities</b>                          |                       |                       |
| Accounts and retainage payable                      | \$ 994,010            | \$ 1,008,218          |
| Accrued expenses                                    | 963,826               | 859,766               |
| Unearned revenues                                   | 420,706               | 160,542               |
| Customer deposits                                   | 3,176,271             | 3,069,794             |
| Liabilities payable from current restricted assets: |                       |                       |
| Accounts and retainage payable                      | 1,231,121             | 1,075,190             |
| Interest payable                                    | 849,350               | 1,220,220             |
| Current portion of long-term debt                   | 1,583,548             | 1,442,433             |
| Total current liabilities                           | 9,218,832             | 8,836,163             |
| <b>Non-current liabilities</b>                      |                       |                       |
| Non-current portion of long-term debt               | 72,093,776            | 73,733,552            |
| Total non-current liabilities                       | 72,093,776            | 73,733,552            |
| <b>Total Liabilities</b>                            | <b>\$ 81,312,608</b>  | <b>\$ 82,569,715</b>  |
| <b><u>NET POSITION</u></b>                          |                       |                       |
| Net investment in capital assets                    | \$ 167,723,230        | \$ 163,537,437        |
| Restricted for:                                     |                       |                       |
| Capital projects                                    | 53,604                | 1,647,777             |
| Debt service  | 869,303               | 5,081,684             |
| Unrestricted  | 41,462,232            | 33,710,513            |
| <b>Total Net Position</b>                           | <b>\$ 210,108,369</b> | <b>\$ 203,977,411</b> |

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

**CLAY COUNTY UTILITY AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
| <b>Operating revenues</b>                         |                |                |
| Charges for services                              | \$ 37,994,437  | \$ 35,192,552  |
| Miscellaneous revenues                            | 1,053,126      | 1,015,625      |
| Total operating revenues                          | 39,047,563     | 36,208,177     |
| <b>Operating expenses</b>                         |                |                |
| Wages and related benefits                        | 11,161,572     | 10,507,077     |
| Operating expenses                                | 7,611,800      | 7,334,051      |
| Subcontractors                                    | 2,997,411      | 3,153,524      |
| In lieu of taxes                                  | 1,709,750      | 1,583,665      |
| Depreciation expense                              | 9,440,570      | 9,172,863      |
| Total operating expenses                          | 32,921,103     | 31,751,180     |
| <b>Operating income</b>                           | 6,126,460      | 4,456,997      |
| <b>Nonoperating revenues (expenses)</b>           |                |                |
| Interest income                                   | 259,165        | 227,348        |
| Interest expense                                  | (2,505,181)    | (2,930,514)    |
| Gain (loss) on sale of assets                     | 22,722         | (1,743,271)    |
| Investment income (loss)                          | -              | (26,852)       |
| Debt issuance costs                               | (149,494)      | -              |
| Total nonoperating revenues (expenses)            | (2,372,788)    | (4,473,289)    |
| <b>Income (loss) before capital contributions</b> | 3,753,672      | (16,292)       |
| <b>Capital contributions</b>                      |                |                |
| Developer and other contributions                 | 1,726,582      | 2,896,882      |
| Grants  | 650,704        | 197,218        |
| Total capital contributions                       | 2,377,286      | 3,094,100      |
| <b>Change in net position</b>                     | 6,130,958      | 3,077,808      |
| <b>Net position</b> , beginning of year           | 203,977,411    | 200,899,603    |
| <b>Net position</b> , end of year                 | \$ 210,108,369 | \$ 203,977,411 |

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

**CLAY COUNTY UTILITY AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
| <b>Cash flows from operating activities</b>   |               |               |
| Receipts from customers   | \$ 39,433,303 | \$ 36,452,653 |
| Payments to suppliers   | (10,825,092)  | (10,369,654)  |
| Payment in lieu of taxes  | (1,709,750)   | (1,583,665)   |
| Payments to employees   | (11,057,512)  | (10,506,873)  |
| Net cash provided by operating activities   | 15,840,949    | 13,992,461    |
| <b>Cash flows from capital and related financing activities</b>                         |               |               |
| Proceeds from issuance of bonds and loans   | 42,899,248    | 198,032       |
| Debt issuance costs   | (149,494)     | -             |
| Principal paid on long-term debt  | (43,512,433)  | (6,805,155)   |
| Interest paid on long-term debt   | (7,160,311)   | (3,002,298)   |
| Payments to acquire and construct plant property  | (8,500,684)   | (7,401,267)   |
| Capital contributions   | 1,177,408     | 1,031,542     |
| Grants  | 298,794       | 442,938       |
| Net cash used in capital and related financing activities                               | (14,947,472)  | (15,536,208)  |
| <b>Cash flows from investing activities</b>   |               |               |
| Sales of investments  | -             | 3,034,995     |
| Interest income   | 81,051        | 227,348       |
| Net cash provided by (used in) investing activities                                     | 81,051        | 3,262,343     |
| <b>Net increase in cash and cash equivalents</b>  | 974,528       | 1,718,596     |
| <b>Cash and cash equivalents, beginning of year</b>                                     | 31,601,721    | 29,883,125    |
| <b>Cash and cash equivalents, end of year</b>   | \$ 32,576,249 | \$ 31,601,721 |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |               |               |
| Cash flows from operating activities  |               |               |
| Operating income  | \$ 6,126,460  | \$ 4,456,997  |
| Adjustments to reconcile operating income to net cash provided by operating activities: |               |               |
| Depreciation expense  | 9,440,570     | 9,172,863     |
| Changes in assets and liabilities   |               |               |
| Decrease (Increase) in accounts receivable  | 16,365        | 132,326       |
| Decrease (Increase) in prepaid items and inventory                                      | (201,673)     | 25,245        |
| Decrease (Increase) in notes receivable   | 2,734         | (33,507)      |
| Increase (Decrease) in accounts and retainage payable                                   | (14,208)      | 92,676        |
| Increase (Decrease) in accrued expenses   | 104,060       | 204           |
| Increase (Decrease) in unearned revenue   | 260,164       | (1,909)       |
| Increase (Decrease) in customer deposits  | 106,477       | 147,566       |
| Total adjustments   | 9,714,489     | 9,535,464     |
| <b>Net cash provided by operating activities</b>  | \$ 15,840,949 | \$ 13,992,461 |
| <b>Supplemental schedule of noncash investing, capital, and financing activities</b>    |               |               |
| Bond discount (premium) amortization  | \$ (80,668)   | \$ (80,668)   |
| Deferred loss on refunding amortization   | 155,413       | -             |
| Utility plant property contributed by developers  | 549,174       | 1,865,340     |

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

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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

The accounting policies of the Clay County Utility Authority (the Authority) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant policies.

(a) **Reporting entity**—The Authority is an independent special district established on October 1, 1994, pursuant to Chapter 94-491, Laws of Florida (1994), to provide Clay County, Florida and other territorial limits near the County with certain publicly owned water, wastewater and reclaimed water facilities. The governing body of the Authority consists of seven members acting as the Board of Supervisors. The Authority has adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, for the purpose of evaluating its financial statements. Based on the criteria in Statement No. 61, the Authority has determined that there are no other component units that meet the criteria for inclusion in the Authority's financial statements.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the Authority are organized and reported as a proprietary fund type Enterprise Fund. The operations of this fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The principal operating revenues of the Authority are charges for water, wastewater, and reclaimed water services, and operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority uses the accrual basis of accounting in accordance with the GASB Codification. Revenues are recognized when earned and measurable, and expenses are recognized when incurred.

(c) **Cash and cash equivalents**—Cash and cash equivalents consists of cash on hand and on deposit in banks and money market accounts.

(d) **Investments**—Investments are carried at fair value.

(e) **Accounts receivable**—The Authority's accounts receivable consists of amounts due from consumers. The Authority performs account evaluations on their consumers and requires collateral deposits.

(f) **Restricted assets and net position**—Certain assets are required to be segregated from other assets due to various bond indenture agreements. These assets are legally restricted for specific purposes such as debt service, construction, and renewals and replacements. The remaining excess of restricted assets over liabilities is reflected as restricted net position.

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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

(g) **Due from other governments**—Due from other governments consists of amounts due from grantor agencies for capital grants and/or proceeds on state revolving fund loans.

(h) **Property and plant**—Property and plant are recorded at cost less accumulated depreciation, except contributed assets which are recorded at fair value on the date of contribution. Expenditures of \$1,000 or more are capitalized. Construction period interest cost, net of interest earned on the unexpended proceeds of tax-exempt borrowings, is capitalized as part of the asset cost. Depreciation, on a straight-line basis, is charged over estimated useful lives as follows:

|  |                 |
|--|-----------------|
| Buildings and Building Improvements          | 25 years        |
| Water, Wastewater, and Reclaimed Water Lines | 40 years        |
| Equipment                                    | 7, 15, 25 years |

(i) **Bond discounts, premiums, and deferred amounts**—Bond discounts, premiums, and deferred amounts, consisting of a bond premium and deferred outflows from loss on refunding of long-term debt, are deferred and amortized over the term of the bonds using the effective interest method.

(j) **Deferred outflows/inflows of resources**—In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has only one item, deferred loss on bond refunding, which qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Authority had no deferred inflows at year-end.

(k) **Net position flow assumption**—Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Authority's policy to consider restricted net position to have been used before unrestricted net position is applied.

(l) **Revenue recognition**—Operating revenue consists primarily of charges for services, which are billed to customers for water, wastewater, and reclaimed water service. Billings are included in revenue as meters are read on a cycle basis throughout each month. Unbilled revenues are accrued based on estimated consumption of the most recent billing.

(m) **Capital contributions**—Capital contributions represent contributions of certain water distribution and wastewater collection systems. Such contributions are recognized as increases in net position in the period they are received.

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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

(n) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) **Deposits and Investments:**

(a) **Deposits**—At September 30, 2015, the carrying amount of the Authority's cash on deposit in its bank accounts was \$32,576,249 and the related bank balance was \$32,721,542. In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Authority's deposits at year end are considered insured for custodial credit risk purposes.

(b) **Investments**—At September 30, 2015, the Authority's investments consisted of the following:

| <u>Types of Investments</u>                              | <u>Maturities</u> | <u>Credit<br/>Quality<br/>(Moody's)</u> | <u>Fair Value</u>    |
|--|-------------------|---|----------------------|
| Investments and restricted investments                   |                   |   |                      |
| Certificates of deposit                                  | 1.29              | N/A                                     | \$ 12,895,173        |
| Cash on deposit  |                   |   | <u>32,576,249</u>    |
| Total cash and investments (unrestricted and restricted) |                   |   | <u>\$ 45,471,422</u> |

(c) **Custodial credit risk**—For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the Authority's investment policy specifies certain requirements to pre-qualify financial institutions and brokers/dealers and an annual review of the institutions used.

(d) **Credit risk**—Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Authority does have a formal investment policy that limits its investments to high quality investments to control credit risk, which requires diversification of investments, limited investments in securities with higher credit risks, investing in securities with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as local government investment pools or money market funds.

(e) **Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has no formal policy relating to a specific investment-related risk. In accordance with the provisions of the state statutes governing allowable investments, the Authority manages its exposure to declines in fair values by limiting the maturity of specific investments to provide sufficient liquidity to pay obligations as they come due.

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

(3) **Accounts Receivable:**

Unbilled receivables represent amounts earned which have not yet been billed, along with other amounts which can be invoiced upon completion or attainment of contract objectives. Allowance for doubtful accounts is estimated by analysis of accounts receivable balance over 60 days, and historical collection trends. Accounts receivable at September 30, 2015 and 2014, consist of the following:

|                                    | <b>2015</b>  | <b>2014</b>  |
|------------------------------------|--------------|--------------|
| Billed customer receivables        | \$ 1,014,197 | \$ 1,028,536 |
| Unbilled customer receivables      | 1,282,769    | 1,310,255    |
| Notes receivable – current portion | 55,541       | 62,360       |
| Other receivables                  | 291,431      | 302,438      |
| Gross accounts receivable          | 2,643,938    | 2,703,589    |
| Less: Allowance for uncollectables | (396,286)    | (439,572)    |
| Net total receivables              | \$ 2,247,652 | \$ 2,264,017 |

(4) **Capital Assets:**

Changes in the Authority's capital assets for the years ended September 30, 2015 and 2014, were as follows:

|   | <b>Balance<br/>October 1,<br/>2014</b> | <b>Increases</b>     | <b>Decreases</b>       | <b>Balance<br/>September 30,<br/>2015</b> |
|---|--|----------------------|------------------------|---|
| Capital assets not being depreciated:       |  |                      |                        |   |
| Land  | \$ 2,949,612                           | \$ 26,173            | \$ -                   | \$ 2,975,785                              |
| Construction in progress                    | 11,604,602                             | 7,565,655            | (10,432,859)           | 8,737,398                                 |
| Total capital assets not being depreciated  | 14,554,214                             | 7,591,828            | (10,432,859)           | 11,713,183                                |
| Capital assets being depreciated:           |  |                      |                        |   |
| Machinery and equipment                     | 316,320,953                            | 9,543,787            | (1,140,080)            | 324,724,660                               |
| Buildings                                   | 6,333,681                              | 2,926,133            | -                      | 9,259,814                                 |
| Accumulated depreciation                    | (98,949,687)                           | (9,543,986)          | 843,118                | (107,650,555)                             |
| Total capital assets being depreciated, net | 223,704,947                            | 2,925,934            | (296,962)              | 226,333,919                               |
| <b>Capital Assets, net</b>                  | <b>\$238,259,161</b>                   | <b>\$ 10,517,762</b> | <b>\$ (10,729,821)</b> | <b>\$238,047,102</b>                      |



**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

(4) **Capital Assets:** (Continued)

|   | <b>Balance<br/>October 1,<br/>2013</b> | <b>Increases</b>           | <b>Decreases</b>             | <b>Balance<br/>September 30,<br/>2014</b> |
|---|--|----------------------------|------------------------------|---|
| Capital assets not being depreciated:       |  |                            |                              |   |
| Land  | \$ 2,949,612                           | \$ -                       | \$ -                         | \$ 2,949,612                              |
| Construction in progress                    | 9,883,325                              | 6,818,243                  | (5,096,966)                  | 11,604,602                                |
| Total capital assets not being depreciated  | <u>12,832,937</u>                      | <u>6,818,243</u>           | <u>(5,096,966)</u>           | <u>14,554,214</u>                         |
| Capital assets being depreciated:           |  |                            |                              |   |
| Machinery and equipment                     | 316,247,512                            | 6,562,323                  | (6,488,882)                  | 316,320,953                               |
| Buildings                                   | 5,112,659                              | 1,221,022                  | -                            | 6,333,681                                 |
| Accumulated depreciation                    | <u>(94,083,249)</u>                    | <u>(9,267,568)</u>         | <u>4,401,130</u>             | <u>(98,949,687)</u>                       |
| Total capital assets being depreciated, net | <u>227,276,922</u>                     | <u>(1,484,223)</u>         | <u>(2,087,752)</u>           | <u>223,704,947</u>                        |
| <b>Capital Assets, net</b>                  | <u><u>\$240,109,859</u></u>            | <u><u>\$ 5,334,020</u></u> | <u><u>\$ (7,184,718)</u></u> | <u><u>\$238,259,161</u></u>               |

Depreciation expense for 2015 and 2014 was \$9,440,570 and \$9,172,863, respectively. Additional depreciation amounts of \$103,416 and \$94,705 in 2015 and 2014, respectively, related to equipment used for construction in progress and was capitalized as part of the cost of construction in progress.

Total interest expense incurred by the Authority during the years ended September 30, 2015 and 2014 was \$2,520,751 and \$2,976,728, respectively. Of these amounts, \$15,570 and \$46,214 was capitalized in 2015 and 2014, respectively, and included as part of the cost of construction in progress.

Commitments on outstanding construction contracts for improvements and maintenance of the utility systems totaled \$1,971,270 at September 30, 2015.

(5) **Compensated Absences:**

Vacation leave is earned on a bi-weekly basis (regular 80 hours worked) at established rates based upon years of service. Employees with one full year of service or more are required to take no less than forty consecutive hours of vacation each calendar year.

In December of each year, employees are paid for any hours in excess of forty hours (eighty at employee's request) in their vacation accrual account. Employees with less than six (6) months of service are not eligible for payment of unused vacation.

Sick leave is earned for each regularly scheduled compensated hour with sick pay not to exceed 10 days per year. In December of each year, employees are paid for any hours in excess of forty hours (eighty at employee's request) in their sick pay accrual account. Employees with less than six (6) months of service are not eligible for payment of unused sick hours.

Because annual leave time accrued exceeds limitations on compensated absence balances at calendar year-end, all balances are considered to be current, and no long-term portion has been calculated. As such, these amounts have not been included in the long-term debt rollforward in Note 6.

Outstanding compensated absences, included in accrued expenses on the statements of net position, totaled \$554,105 and \$535,551 at September 30, 2015 and 2014, respectively.

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**(6) Bonds and Notes Payable:**

Long-term debt at September 30, 2015 and 2014 is comprised of the following:

|   | <u>2015</u>          | <u>2014</u>          |
|---|----------------------|----------------------|
| \$42,905,000 Utility System Revenue and Refunding Bonds, Series 2007; with a payment of \$445,000 due in 2010. No principal payments are due for the years 2011 through 2018. Interest is fixed at 4.68%.               | \$ -                 | \$ 42,070,000        |
| \$42,210,677 Utility System Revenue and Refunding Note, Series 2015; with variable payment amounts due semi-annually and principal payments due from 2016 through 2031. Interest is fixed at 2.82%.                     | 42,210,667           | -                    |
| \$10,000,000 Clay County Utility Authority Utilities System Revenue Note, Series 2009; due in semi-annual installments commencing on May 1, 2009 with interest at 4.24%. Interest rate amended to 2.97% in August 2013. | 7,518,445            | 7,965,253            |
| \$10,236,041 Utility System Revenue and Refunding Bonds, Series 2012; due in annual installments varying from \$237,103 to \$1,901,056 plus interest payable semi-annually at 1.86%.                                    | 9,998,938            | 10,236,041           |
| \$2,332,115 Clean Water State Revolving Fund; due in semi-annual installments of \$156,866 including interest at 3.05%.   | 1,044,562            | 1,166,766            |
| \$4,066,297 Clean Water State Revolving Funds; due in semi-annual installments commencing on November 15, 2010 with interest at 2.92%.  | 3,247,936            | 3,418,677            |
| \$10,300,628 Clean Water State Revolving Fund; due in semi-annual installments commencing on May 15, 2010 with interest ranging from 2.85% to 3.24%.  | 8,030,907            | 8,459,820            |
| \$461,195 The School Board of Clay County, Florida, present value annual services of capital lease in which ownership will be transferred at the end of the term.   | 239,663              | 276,327              |
| \$1,735,142 Clean Water State Revolving Fund; due in semi-annual installments of \$40,330 including interest at 3.10% until the principal amount is amended, beginning on January 15, 2017.                             | 1,386,206            | 198,032              |
| Bonds and notes payable   | <u>73,677,324</u>    | <u>73,790,916</u>    |
| Add: Unamortized bond premium   | -                    | 1,385,069            |
| Less: current portion of bonds and notes payable  | (1,583,548)          | (1,442,433)          |
| Long-term bonds and notes payable, net  | <u>\$ 72,093,776</u> | <u>\$ 73,733,552</u> |

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**(6) Bonds and Notes Payable:** (Continued)

Activity in bonds and notes payable for the years ended September 30, 2015 and 2014, is as follows:

|      | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| 2015 | \$ 73,790,916                | \$ 43,398,841    | \$ (43,512,433)   | \$ 73,677,324             | \$ 1,583,548                   |
| 2014 | \$ 80,398,039                | \$ 198,032       | \$ (6,805,155)    | \$ 73,790,916             | \$ 1,442,433                   |

Debt service requirements to maturity are as follows at September 30, 2015:

| <u>September 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total Debt<br/>Service</u> |
|---------------------|----------------------|----------------------|-------------------------------|
| 2016                | \$ 1,583,548         | \$ 2,007,236         | \$ 3,590,784                  |
| 2017                | 1,696,439            | 1,976,083            | 3,672,522                     |
| 2018                | 2,486,270            | 1,921,166            | 4,407,436                     |
| 2019                | 4,357,446            | 1,833,241            | 6,190,687                     |
| 2020                | 4,472,831            | 1,721,044            | 6,193,875                     |
| 2021 – 2025         | 23,554,128           | 6,752,826            | 30,306,954                    |
| 2026 – 2030         | 24,490,376           | 3,347,789            | 27,838,165                    |
| 2031 – 2035         | 10,989,195           | 324,679              | 11,313,874                    |
| 2036                | 47,091               | 708                  | 47,799                        |
| Totals              | <u>\$ 73,677,324</u> | <u>\$ 19,884,772</u> | <u>\$ 93,562,096</u>          |

Net revenues of the water, wastewater, and reclaimed water utility system are pledged as collateral for the revenue bonds and the Clean Water State Revolving Funds.

**Debt refunding**—On March 19, 2015, the Authority issued the Utilities System Revenue Refunding Note, Series 2015, in the amount of \$42,210,667 and due November 1, 2031. The purpose of the Revenue Note was to refund the Series 2007 Revenue Refunding Bonds, which were refunded at the date of issuance of the Series 2015 Revenue Note. The refunding was done in order to take advantage of lower interest rates. Net of \$4,434,699 of funds on hand used to pay future interest on the advance refunding of the Series 2007 bonds at the time of refunding, the refunding enabled the Authority to reduce its debt service payments over 17 years by \$16,528,649 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,424,424.

**(7) Retirement Benefits:**

The Authority provides retirement benefits for all of its full-time employees through the Clay County Utility Authority Employees Plan (the Plan), which is a defined contribution plan administered by BB&T, included as part of the Authority's reporting entity. The Authority has the right to amend the Plan at any time, provided that no amendment or modification shall reduce the account balances of any participant. The Plan's benefits depend solely on amounts contributed plus investment income. The covered payroll for employees covered by this plan for the years ended September 30, 2015 and 2014, was \$7,890,880 and \$7,632,578, respectively, and the total payroll was \$8,033,335 and \$7,729,095 for the same years, respectively. Participants are fully vested after 5 years of service; rollovers from other qualified plans are 100% vested. No employee contributions are allowed by the Plan. The Authority contributes an amount equal to 10% of the participant's compensation for the year to the Plan. The Authority contributed \$789,088 and \$763,258 for the years ended September 30, 2015 and 2014, respectively.

**CLAY COUNTY UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**(8) Deferred Compensation Plan:**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by BB&T Bank. Participation is on a voluntary basis and contributions are made via payroll deduction. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency. All plan assets are held in trust by BB&T Bank, and as such, no provision for plan assets or liabilities has been recorded on the Authority's financial statements.

**(9) Other Post-Employment Benefits (OPEB):**

In accordance with GASB Statement No. 45, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, the Authority engaged an actuary to calculate the outstanding liability for certain post-employment healthcare benefits provided by the Authority.

Retirees and their dependents are permitted to remain covered under the Authority's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes. According to the Authority's employee handbook, retirees are defined as "Any full time employee age sixty-five (65) or older with at least five (5) years of continuous eligible service at the time of his/her retirement."

Based on the Authority's policies, the OPEB liability at September 30, 2015 was actuarially determined to be zero. As such, no disclosures regarding funding progress and progress or OPEB cost and obligation have been prepared.

The following is a summary of the significant actuarial methods and assumptions:

|                               |   |
|-------------------------------|---|
| <b>Actuarial Valuation:</b>   |   |
| Frequency                     | Tri-Annual                                      |
| Latest Date                   | 9/30/2015                                       |
| Cost Method                   | Projected Unit Credit                           |
| <b>UAAL Amortization:</b>     |   |
| Method                        | Level \$ of Payroll                             |
| Open/Closed                   | Open  |
| Remaining Amortization Period | 15 Years  |
| <b>Asset Valuation</b>        |   |
| N/A                           |   |
| <b>Actuarial Assumptions:</b> |   |
| Investment Earnings           | 4.00%   |
| Salary Increases              | 3.00%   |
| Inflation Rate                | 2.75%   |
| Mortality Table               | RP-2000 Mortality Table                         |
| Healthcare Inflation Rate     | 8.00% in 2016, graded to<br>5.50% for 2020/2021 |

**(10) Risk Management and Contingencies:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended September 30, 2015, the Authority did not reduce insurance coverage levels in place as of September 30, 2014. The Authority has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

The Authority is contingently liable with respect to regulatory inquiries and other claims incidental to the ordinary course of its operations. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these regulatory inquiries and claims will not have a material adverse effect on the financial position or results of operations of the Authority.

**CLAY COUNTY UTILITY AUTHORITY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| <u>State Grantor/ Pass-<br/>Through Grantor/Program Title</u>  | <u>CSFA<br/>Number</u> | <u>Contract /<br/>Grant Number</u> | <u>Expenditures</u> |
|--|------------------------|------------------------------------|---------------------|
| <b>STATE FINANCIAL ASSISTANCE</b>                              |                        |                                    |                     |
| <u>State of Florida Department of Environmental Protection</u> |                        |                                    |                     |
| Direct Programs:   |                        |                                    |                     |
| Wastewater Treatment Facility Construction                     | 37.077                 | WW858050                           | \$ 1,188,174        |
| Total State Awards   |                        |                                    | \$ 1,188,174        |

**Notes:**

**1) Basis of Presentation:**

The accompanying Schedule of State Financial Assistance includes state financial assistance activity of Clay County Utility Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Florida Auditor General.

**2) Subrecipients:**

The Authority provided no state awards to subrecipients during the year ended September 30, 2015.

The accompanying notes to schedule of expenditures of state financial assistance are an integral part of this statement.

**CLAY COUNTY UTILITY AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015 AND 2014**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: *Unmodified.*

**Internal control over financial reporting:**

- There were no material weaknesses related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

**State Financial Assistance:**

**Internal control over major State projects:**

- There were no material weaknesses related to internal control over major State projects disclosed by the audit.
- Type of report issued on compliance for each major program: *Unmodified.*
- The audit did not disclose any audit findings, which are required to be reported under Chapter 10.550, Rules of the Auditor General.
- Major project identification:
  - CFDA No. 37.077 – Wastewater Treatment Facility Construction
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

**B. Financial Statement Findings:** None

**C. State Financial Assistance Findings and Questioned Costs:** None

**D. Prior Audit Findings:** None

**E. Corrective Action Plan:** Not applicable as no findings have been reported.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE  
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Supervisors,  
Clay County Utility Authority:

**Report on Compliance for Each Major State Project**

We have audited Clay County Utility Authority's (the Authority) compliance with the types of compliance requirements described in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on each of the Authority's major State projects for the year ended September 30, 2015. The Authority's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major State Project***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2015.

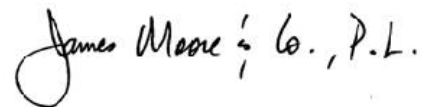
## Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State Project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida  
December 1, 2015



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

To the Board of Supervisors,  
Clay County Utility Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the Clay County Utility Authority (the Authority) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 1, 2015.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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 audits we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

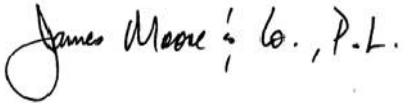
### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

Daytona Beach, Florida  
December 1, 2015

James Moore & Co., P.L.

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Board of Supervisors,  
Clay County Utility Authority:

**Report on the Financial Statements**

We have audited the basic financial statements of the Clay County Utility Authority (the Authority), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated December 1, 2015.

**Auditors' Responsibility**

We conducted our audits 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 Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance in Accordance with Chapter 10.550, Rule of the Florida Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination Report. Disclosures in those reports and schedule, which are dated December 1, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No such findings or recommendations were identified in the preceding annual financial 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 Clay County Utility Authority was established by special act by the Florida Legislature. There are no component units related to the Authority.

## **Financial Condition**

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 Authority 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 audits, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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, and applicable management and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.

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

Daytona Beach, Florida  
December 1, 2015

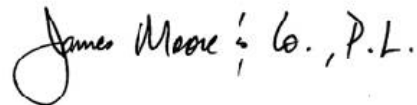
**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

To the Board of Supervisors,  
Clay County Utility Authority:

We have examined the Clay County Utility Authority's (the Authority) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Clay County Utility Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Daytona Beach, Florida  
December 1, 2015