

COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)
Financial Statements and Other Reports

Year Ended September 30, 2021
(With Report of Independent Certified Public Accountants)

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of County Commissioners
Water and Sewer District
Collier County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Collier County, Florida, Water and Sewer District (the District), a component unit of Collier County, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 audit. 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. Those standards require that we plan and perform the audit 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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2021, and the change in financial position and its cash flows for the year then ended in conformity 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 on pages 4 - 11, the schedules of the District's proportionate share of the net pension liability and of District contributions on pages 48 and 49 and the schedule of changes in the District's total OPEB liability and related ratios on page 50 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 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 Information

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The schedule of senior debt coverage and schedule of subordinated debt coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 assurance on it.

Honorable Board of County Commissioners
Water and Sewer District
Collier County, Florida

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Naples, Florida
May 12, 2022

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT,
(A Component Unit of Collier County, Florida)**

Management's Discussion and Analysis
(Unaudited)

September 30, 2021

This section of the Collier County, Florida Water and Sewer District (the District) financial report represents management's discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2021. Please read the information presented here in conjunction with the financial statements and notes to the financial statements, which follow this section.

Financial Highlights

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of September 30, 2021 by \$971,482,757. Of this amount, \$207,485,053 is unrestricted and may be used to meet future obligations of the District.
- The District's total net position increased by \$37,448,992 during fiscal year 2021. The increase in the District's net position is largely due to a 2.9% rate increase effective October 1, 2020 and \$34,493,156 of water and sewer capital grants and contributions, the majority of which is related to developer infrastructure contributions.
- Total net bonded debt, direct placement loans and notes payable owed by the District increased by \$143,242,857 during fiscal year 2021 representing the net effect of principal repayments made during the year and issuance of a new bond. In July 2021, the District issued the Series 2021 Collier County Water and Sewer Revenue Bonds to finance the acquisition, construction and equipping of various water and wastewater improvements within the Collier County Water and Sewer District. Additional information on debt activity can be found in Note 5 to the financial statements beginning on page 28.

Overview of the Financial Statements

This discussion and analysis is an introduction and explanation of the District's basic financial statements and notes to the basic financial statements. There is additional supplementary information following these financial statements that may be of interest to the reader.

Basic Financial Statements

The basic financial statements are designed to provide the reader an overview of the financial position of the District and are similar to private sector financial statements. These statements are comprised of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows which are found on pages 12 to 16 of this report.

The Statement of Net Position shows the financial position of the District as of September 30, 2021. The statement shows the District's assets and deferred outflows of resources less its liabilities and deferred inflows of resources, with the difference being reported as net position. Changes in net position are useful indicators of financial condition.

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(Unaudited)

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The Statement of Revenues, Expenses and Changes in Net Position follows the Statement of Net Position and reports the changes in net position over the fiscal period. All changes in net position are reported as soon as the underlying events that gave rise to the change occur, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items, such as accounts receivable or accrued unused vacation leave, that will manifest themselves in cash inflows and outflows, respectively, in future fiscal periods.

The Statement of Cash Flows allows financial statement users to assess the District's ability to generate sufficient cash flow to meet its obligations in a timely manner. The statement is classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

The notes provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes appear on pages 17 to 47 of this report.

Financial Analysis

Changes in net position over time are a useful indicator in assessing financial condition. For fiscal year 2021, the District reported positive balances in all three categories of net position.

Water and Sewer District Net Position

	2021	2020	Increase (Decrease)	%
Current and other assets	\$ 472,552,641	\$ 327,435,190	\$ 145,117,451	44.3%
Capital assets	926,339,016	892,356,241	33,982,775	3.8%
Total assets	<u>1,398,891,657</u>	<u>1,219,791,431</u>	<u>179,100,226</u>	14.7%
Deferred outflows of resources	<u>8,797,537</u>	<u>11,764,651</u>	<u>(2,967,114)</u>	(25.2%)
Current liabilities	41,447,240	41,655,904	(208,664)	(0.5%)
Long-term liabilities	<u>378,678,738</u>	<u>254,117,237</u>	<u>124,561,501</u>	49.0%
Total liabilities	<u>420,125,978</u>	<u>295,773,141</u>	<u>124,352,837</u>	42.0%
Deferred inflows of resources	<u>16,080,459</u>	<u>1,749,176</u>	<u>14,331,283</u>	819.3%
Net position				
Net investment in capital assets	717,871,805	702,330,331	15,541,474	2.2%
Restricted	46,125,899	38,628,962	7,496,937	19.4%
Unrestricted	<u>207,485,053</u>	<u>193,074,472</u>	<u>14,410,581</u>	7.5%
Total net position	<u>\$ 971,482,757</u>	<u>\$ 934,033,765</u>	<u>\$ 37,448,992</u>	4.0%

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The largest portion of the District's net position, \$717,871,805 or 73.9%, consists of capital assets such as land, buildings, improvements other than buildings, infrastructure and machinery and equipment, net of depreciation and any outstanding debt related to the construction or purchase of the asset. Capital assets are used to provide services to the citizens of the Collier County Water and Sewer District and consequently do not represent spendable resources.

The District's net position also includes restricted net position of \$46,125,899 and unrestricted net position of \$207,485,053. Restricted net position is subject to external restriction on how they may be used while unrestricted net position may be used to meet the District's ongoing obligations. The District had restrictions of \$23,302,654 for capital expansion, \$300,000 for renewal and replacement and \$22,523,245 for debt service as of September 30, 2021.

Water and Sewer District Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>(Decrease)</u>	<u>%</u>
Revenue:				
Charges for services	\$ 167,468,393	\$ 162,196,690	\$ 5,271,703	3.3%
Miscellaneous	548,496	505,130	43,366	8.6%
Total revenues	<u>168,016,889</u>	<u>162,701,820</u>	<u>5,315,069</u>	3.3%
Expenses:				
Personal services	36,185,929	40,034,503	(3,848,574)	(9.6%)
Operating	70,726,652	60,831,911	9,894,741	16.3%
Depreciation and amortization	49,911,860	48,113,763	1,798,097	3.7%
Total expenses	<u>156,824,441</u>	<u>148,980,177</u>	<u>7,844,264</u>	5.3%
Operating income	11,192,448	13,721,643	(2,529,195)	(18.4%)
Net non-operating revenues (expenses)	<u>(8,142,267)</u>	<u>357,453</u>	<u>(8,499,720)</u>	(2,377.9%)
Income before capital contributions and transfers	3,050,181	14,079,096	(11,028,915)	(78.3%)
Capital contributions and transfers	<u>34,398,811</u>	<u>23,366,148</u>	<u>11,032,663</u>	47.2%
Changes in net position	37,448,992	37,445,244	3,748	0.0%
Net position, beginning	<u>934,033,765</u>	<u>896,588,521</u>	<u>37,445,244</u>	4.2%
Net position, end of the year	<u>\$ 971,482,757</u>	<u>\$ 934,033,765</u>	<u>\$ 37,448,992</u>	4.0%

On September 30, 2021, the District's total net position amounted to \$971,482,757, as compared to \$934,033,765 as of September 30, 2020. Net position changes as a result of operations, non-operating revenues and expenses and capital contributions.

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The District's charges for services increased by \$5,271,703 when compared to fiscal year 2020. The increase is largely due to a 2.9% water and sewer user rate increase effective October 1, 2020. The District's total operating expenses, including depreciation and amortization increased by 5.3% from fiscal year 2020. Personal services expenses decreased due to a reduction of \$3,744,503 in pension expense, and operating expenses increased by \$11,692,838 mostly due to increases in utility parts and temporary labor costs. The net non-operating revenues (expenses) net decrease was due to the \$2,506,210 transfer of capital assets to the General Fund and Stormwater Management Capital Fund, and the decrease of \$4,794,829 caused by declining interest rates that began during the COVID-19 pandemic. The District's payments in lieu of taxes paid to the County's General Fund of \$8,934,700 were reclassified from operating expense to transfers out for financial statement purposes. These payments are reclassified pursuant to generally accepted accounting principles as the amount charged is not an approximation of services rendered.

For the year ended September 30, 2021, the District reported capital grants and contributions of \$34,493,156, which consists of water and wastewater impact fees of \$16,273,483, \$18,180,218 in developer infrastructure contributions and other contributions of \$39,455. The District charges water and wastewater impact fees on new construction in order to finance growth related capital expenses.

Capital Assets

Water and Sewer District Capital Assets

	<u>2021</u>	<u>2020</u>	<u>Net Increase (Decrease)</u>	<u>%</u>
Land	\$ 18,189,538	\$ 20,547,835	\$ (2,358,297)	(11.5%)
Construction in progress	120,993,977	121,429,339	(435,362)	(0.4%)
Buildings	124,816,856	124,818,081	(1,225)	(0.0%)
Improvements other than buildings	1,343,819,863	1,259,935,698	83,884,165	6.7%
Equipment	52,665,981	50,845,073	1,820,908	3.6%
Right-to-use leased assets	417,867	442,396	(24,529)	(5.5%)
Total assets	<u>1,660,904,082</u>	<u>1,578,018,422</u>	<u>82,885,660</u>	5.3%
Less accumulated depreciation	<u>(734,565,066)</u>	<u>(685,662,181)</u>	<u>(48,902,885)</u>	7.1%
Total capital assets, net	<u>\$ 926,339,016</u>	<u>\$ 892,356,241</u>	<u>\$ 33,982,775</u>	3.8%

The District's financial statements present capital assets in two distinct groups, those that are depreciated and those not subject to depreciation. Buildings, improvements and equipment are examples of assets that are depreciated, and land and construction in progress are examples of capital assets that are not depreciated. The District's capital assets, net of accumulated depreciation, increased by \$33,982,775 from \$892,356,241 at the end of fiscal year 2020 to \$926,339,016 at the end of fiscal year 2021.

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The District capitalized \$65,824,860 of construction in process in fiscal year 2021 due to the completion of several water and sewer capital projects parts. The most notable capitalizations of water and sewer capital projects were \$27,278,616 in master pump and force main system improvements, \$18,073,530 for Vanderbilt Drive Utility improvements, \$8,354,524 for improvements to the Naples Park Basin, and \$12,124,418 in other County Water and Sewer projects.

Additional information regarding the District's capital assets can be found in Note 4 on page 27 of this report.

Debt Administration

On September 30, 2021 the District had total bonded debt, notes and loans of \$380,001,488, an increase of \$143,242,857 from the previous year.

The following table illustrates the balances of all bonds, notes and loans as of the fiscal years ended September 30, 2021 and 2020:

Water and Sewer District Outstanding Debt

	<u>2021</u>	<u>2020</u>	<u>Net Increase (Decrease)</u>	<u>%</u>
Revenue bonds, net	\$ 297,455,640	\$ 138,523,821	\$ 158,931,819	114.7%
Direct placement loans payable	32,116,000	38,615,962	(6,499,962)	(16.8%)
Notes payable-Subordinated Debt	50,360,000	59,549,000	(9,189,000)	(15.4%)
Notes payable-Developer	69,848	69,848	-	0.0%
Total	<u>\$ 380,001,488</u>	<u>\$ 236,758,631</u>	<u>\$ 143,242,857</u>	60.5%

The District has pledged future water and sewer customer revenues, net of certain operating expenses, to repay \$285,306,000 in 2015, 2016, 2018, 2019 and 2021 senior lien revenue bonds and direct placement loans as par. Proceeds from the bonds and loans were used for the expansion of the District's water and sewer systems as well as the refinancing of bonds issued for purposes of rehabilitation or expansion of the District's water and sewer systems. Principal and interest are payable through July 1, 2046, solely from the net revenues and certain other fees and charges derived from operation of the District. The pledge of net revenues by the District from the operation of the system does not constitute a lien upon the system or any other property of the District. The resolutions authorizing the revenue bonds and loans include an obligation for the District to fix, establish and maintain such rates and collect such fees so as to provide in each year net revenues, as defined in the bond resolutions, which together with system development fees (impact fees) and special assessment proceeds (if applicable) received shall be at least 125% of the annual debt

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Management's Discussion and Analysis
(Unaudited)

September 30, 2021

service requirements for the bonds and loans; provided, however, that net revenues in each fiscal year shall be adequate to pay at least 100% of the annual debt service on the bonds and loans. Fiscal year 2021 pledged revenues, net of operating expenses (excluding depreciation and amortization), were \$64,014,693, and \$80,288,176 when system development fees were included. Principal and interest paid on the bonds and loans during fiscal year 2021 totaled \$12,565,757, providing coverage of 509% and 639%, respectively. In addition, bond covenants require a renewal and replacement amount equal to \$300,000 in the District funds. The District was in compliance with these covenants for the year ended September 30, 2021.

In addition, the District has a note outstanding in the amount of \$50,360,000 with Synovus Financial Corporation. This note is collateralized by a lien on pledged revenues consisting of net revenues from the operations of the County Water and Sewer System and system development fees. The lien is subordinate in all respects to the liens placed upon pledged revenues established by bonded and direct placement loan indebtedness. Pledged funds, after payment of annual debt service on the senior bonds and loans, shall be adequate to pay at least 115% of the annual debt service on the subordinated debt. Principal and interest paid on the subordinated note during fiscal year 2021 totaled \$10,260,882, providing coverage of 660%. The District's note was in compliance with these covenants for the year ended September 30, 2021.

Fitch recently reaffirmed a rating of AAA on the District's revenue bonds. A Fitch AAA rating denotes the lowest expectation of default risk and are assigned only in cases of exceptionally strong capacity for the payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. Rating outlooks indicate the direction a rating is likely to move over a one- to two-year period. In addition, Moody's Investors Services upgraded the District's credit rating to Aaa, which is indicative of the lowest level of credit risk.

The Constitution of the State of Florida, Florida Statute 200.181 and Collier County set no legal debt limit. Further information regarding the District's long-term debt can be found in Note 5 on pages 28 to 32 of this report.

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WATER AND SEWER DISTRICT,
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Management's Discussion and Analysis
(Unaudited)

September 30, 2021

Economic Factors and Fiscal Year 2022 Budgets and Rates

The following factors were considered in preparing the District's fiscal year 2022 budget:

- Water production and wastewater collection and treatment are anticipated to increase in fiscal year 2022 compared to fiscal year 2021 based on current growth projections and a rebound from slightly lower demand due to lifting of COVID-19 closures and limitations.
- In September 2021, the Board approved a resolution which increased water and wastewater user rates 2.9% in fiscal year 2022. The increase in revenue for fiscal year 2022 will be used to fund increased personal services, PILT, utility parts, contractual services, information technology, and bank fees. Personal services costs are increasing primarily due to addition of 8 full time employees (FTEs) and conversion of 25 contractual temporary laborers to FTEs. Temporary labor cost reductions in operating partially offset the increase in personal services.

The user rate increase was adjusted down to 2.9% versus the rates recommended in the user rate study due to a one-time infusion of \$10.0 million in CARES Act relief / American Rescue Plan funding to the water and wastewater user fee capital improvement program (CIP) to support cash and carry infrastructure maintenance, repair, and replacement projects.

The CIP focuses on the most critical and risk sensitive rehabilitation construction projects utilizing a pay-as-you-go approach as well as expansion of the CCWSD in the northeast, Golden Gate City Wastewater treatment plant and water transmission mains, and preliminary construction of the government operations business park (funded by the Series 2021 Revenue Bond).

- The Districts' Capital Improvement Program in fiscal year 2018 loaned \$40.7 million to the Solid Waste Capital Improvement program to fund the Hurricane Irma disaster debris mission. As disaster debris mission expenses were recovered, the loaned funds were returned to projects on a prioritized basis. In fiscal year 2021, the final \$6.4 million was repaid.
- The total number of permits assessed water and wastewater impact fees in fiscal year 2021 did not vary significantly from fiscal year 2020; however, impact fee revenue increased by 11% due to an increase in water and wastewater impact fee rates that was in effect for all of fiscal year 2021 but only half of fiscal year 2020. Fiscal year 2022 impact fee revenues were budgeted conservatively consistent with forecast trends at the time. The current forecast trend for fiscal year 2022 including a significant advanced impact fee payment for one development predicts revenues higher than fiscal year 2021 actual and fiscal year 2022 budget.
- In fiscal year 2021, the estimated permanent population numbers were recalibrated. The estimated permanent population in the regional potable water service area increased 2.2% from 199,020 to 203,437, and the estimated permanent population in the wastewater service area increased 1.8% from 239,214 to 243,611. These typical growth rates are expected to continue into future fiscal years.

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(Unaudited)

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Nearly 8,900 existing well users in the Golden Gate service area could become water customers and nearly 2,600 septic system users could become wastewater customers over the next couple of decades. However, no capital improvement projects to connect additional Golden Gate customers are planned for fiscal year 2022.

- The average annual unemployment rate in the Naples-Immokalee-Marco Island Metropolitan Statistical Area, without seasonal adjustment is trending downwards, decreasing by 3.0% from fiscal year 2020 (6.9%) to fiscal year 2021 (3.9%). The unemployment rate decreased due to lifting of COVID-19 closures and limitations. Future unemployment rates are projected at or below fiscal year 2021 Bureau of Labor Statistics rates.
- The District utilizes a revenue centric approach to evaluate and manage operations. This proactive and prudent business approach helps the District stay ahead of near-term uncertainties and positions it to react positively to market conditions. These steps also enable the District to meet the ever-changing stringent fiscal requirements established by outside credit rating agencies. The District maintains a AAA rating from Fitch and Aaa rating from Moody's.

Contact Information

This financial report is intended to give the user a general overview of Collier County Water and Sewer District's finances. Any questions resulting from review of this information may be addressed to Collier County Clerk of the Circuit Court, Department of Finance and Accounting, 3299 Tamiami Trail East, Suite #403, Naples, Florida 34112-5746. This office may also be contacted via the internet at www.collierclerk.com.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Statement of Net Position

September 30, 2021

ASSETS

Current assets:	
Cash and investments	\$ 217,377,731
Receivables:	
Trade, net	14,225,243
Special assessments	86,778
Interest	402,483
Lease receivable	26,147
Due from other funds	425
Due from other governments	3,425,514
Deposits	2,000
Inventory	6,297,266
Prepaid costs	77,679
Restricted assets:	
Cash and investments	12,901,422
Interest receivable	23,038
Total current assets	<u>254,845,726</u>
Noncurrent assets:	
Restricted assets:	
Cash and investments	216,873,175
Receivables:	
Special assessments	49,620
Lease receivable	784,120
Capital assets:	
Land and nondepreciable capital assets	139,183,515
Depreciable capital assets, net	787,155,501
Total noncurrent assets	<u>1,144,045,931</u>
Total assets	<u>1,398,891,657</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on debt refundings	2,502,980
Deferred outflows of resources related to pensions	6,164,882
Deferred outflows of resources related to OPEB	129,675
Total deferred outflows of resources	<u>8,797,537</u>

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
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Statement of Net Position (continued)

September 30, 2021

Current liabilities:		
Accounts payable	\$	11,391,064
Wages payable		1,618,679
Retainage payable		2,361,928
Due to county funds		8,218
Due to other governments		31,678
Unearned revenue		47,163
Compensated absences		1,946,301
Leases payable		66,559
Total OPEB liability		89,559
Net pension liability		48,891
Notes payable		5,918,250
Bonds and loans payable		6,762,000
Liabilities payable from restricted assets:		
Accounts payable		2,172,307
Retainage payable		1,881,953
Refundable deposits		132,766
Interest payable		2,673,326
Notes payable		2,042,598
Bonds and loans payable		2,254,000
Total current liabilities		<u>41,447,240</u>
Noncurrent liabilities:		
Advances from county funds		51,022
Compensated absences		486,575
Leases payable		224,831
Total OPEB liability		1,631,126
Net pension liability		13,260,544
Notes payable		42,469,000
Bonds and loans payable, net		320,555,640
Total noncurrent liabilities		<u>378,678,738</u>
Total liabilities		<u>420,125,978</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to leases		764,512
Deferred inflows of resources related to OPEB		150,446
Deferred inflows of resources related to pensions		15,165,501
Total deferred inflows of resources		<u>16,080,459</u>
NET POSITION		
Net investment in capital assets		717,871,805
Restricted for capital expansion		23,302,654
Restricted for renewal and replacement		300,000
Restricted for debt service		22,523,245
Unrestricted		207,485,053
Total net position	\$	<u><u>971,482,757</u></u>

The notes to the financial statements are an integral part of this statement.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2021

Operating revenues:	
Charges for services	\$ 167,468,393
Miscellaneous	548,496
Total operating revenues	<u>168,016,889</u>
Operating expenses:	
Salaries and wages	25,322,899
Employee benefits	10,863,030
Contractual services	27,458,622
Materials, supplies and maintenance	20,581,446
Utilities	6,990,807
Insurance	2,608,735
Fertilizer, herbicides and chemicals	5,080,936
Other operating expenses	8,006,106
Depreciation	49,911,860
Total operating expenses	<u>156,824,441</u>
Operating income	<u>11,192,448</u>
Non-operating revenues (expenses):	
Operating grants	2,576,939
Interest income	302,706
Insurance reimbursement	79,482
Interest expense	(8,458,928)
Loss on disposal of capital assets	(2,642,466)
Net non-operating revenues (expenses)	<u>(8,142,267)</u>
Income before contributions and transfers	3,050,181
Capital grants and contributions	34,493,156
Transfers from county funds	10,146,066
Transfers to county funds	<u>(10,240,411)</u>
Change in net position	37,448,992
Net position - beginning	<u>934,033,765</u>
Net position - ending	<u><u>\$ 971,482,757</u></u>

The notes to the financial statements are an integral part of this statement.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Statement of Cash Flows

Year ended September 30, 2021

Cash flows from operating activities:	
Cash received for services	\$ 167,977,122
Cash received from customers deposits	113,000
Cash payments for refund of deposits	(102,000)
Cash payments for goods and services	(59,434,910)
Cash payments for county interfund services	(12,881,192)
Cash payments to employees	(36,500,282)
Net cash provided by operating activities	<u>59,171,738</u>
Cash flows from noncapital financing activities:	
Cash transfers from county funds	17,263,084
Cash transfers to county funds	(10,307,924)
Net cash provided by noncapital financing activities	<u>6,955,160</u>
Cash flows from capital and related financing activities:	
System development charges	16,273,483
Special assessment collections	76,034
Receipt from insurance reimbursement	79,482
Proceeds from bond issue	159,417,819
Proceeds from disposal of capital assets	200,193
Proceeds from capital grants and contributions	375,000
Proceeds from leases	15,082
Payments for capital acquisitions	(69,466,110)
Principal payments on direct placement loans and notes	(15,688,962)
Principal payments on leases	(77,012)
Interest and fiscal agent fees paid	(7,645,212)
Net cash provided by capital and related financing activities	<u>83,559,797</u>
Cash flows from investing activities:	
Interest earned on investments	155,057
Net cash provided by investing activities	<u>155,057</u>
Net change in cash and investments	149,841,752
Cash and investments, October 1, 2020	297,310,576
Cash and investments, September 30, 2021	<u>\$ 447,152,328</u>
Current cash and investments	\$ 217,377,731
Current cash and investments - restricted	12,901,422
Noncurrent cash and investments - restricted	216,873,175
Cash and investments, September 30, 2021	<u>\$ 447,152,328</u>

The notes to the financial statements are an integral part of this statement.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Statement of Cash Flows (continued)

Year ended September 30, 2021

**Reconciliation of operating income to net cash provided
by operating activities:**

Operating income	\$ 11,192,448
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	49,911,860
Net changes in operating assets and liabilities:	
Trade receivable	(348,825)
Due from county funds	157,961
Due from other governments	200,502
Inventory	(105,028)
Prepaid costs	(1,495)
Accounts payable	(1,856,423)
Retainage payable	363,806
Wages payable	111,214
Due to county funds	(33,652)
Due to other governments	31,676
Compensated absences	3,348
Refundable deposits	11,000
Total OPEB liability	1,050
Deferred inflows of resources related to leases	(37,739)
Deferred inflows of resources related to OPEB	76,746
Deferred outflows of resources related to OPEB	34,067
Net pension liability	(17,286,411)
Deferred outflows of resources related to pensions	2,464,879
Deferred inflows of resources related to pensions	14,280,754
Total adjustments	<u>47,979,290</u>
Net cash provided by operating activities	<u>\$ 59,171,738</u>

**Supplemental disclosure of noncash investing, capital
and financing activities:**

Change in fair value of investments	\$ (1,118,306)
Developer infrastructure contributions	18,180,218
Contributed capital assets	31,094
Change in capital related grant receivable	(375,000)
Change in special assessment receivable	(67,673)
Bond underwriters discount net from bond proceeds	579,471
Capital related accounts payable	6,743,246
Capital related retainage	3,674,674

The notes to the financial statements are an integral part of this statement.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to Financial Statements

September 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

REPORTING ENTITY

Collier County (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board), which is governed by state statutes and regulations.

The County owns, operates and maintains, within portions of the unincorporated areas of Collier County, the Collier County Water and Sewer District (the District). The District is a blended component unit of Collier County and is included in the County's basic financial statements. The District was established by Chapter 88-499, Laws of Florida, as amended by Chapter 03-353, to provide water, sewer and effluent services to portions of the unincorporated area of Collier County.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the District is accounted for as a business type activity within the financial statements of the County. Business type activities are those (i) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation and amortization, of providing goods or services to the general public on a continuing basis be financed or recovered through user charges and fees; or (ii) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position reports all financial and capital resources of the District. Net Position equal assets and deferred outflows of resources minus liabilities and deferred inflows of resources, and is shown in three categories: net investment in capital assets; restricted net position and unrestricted net position. The Statement of Revenues, Expenses and Changes in Net Position report the results of operations and show the components of the change in net position over the fiscal year. The Statement of Revenues, Expenses and Changes in Net Position is divided into four sections: operating revenues, operating expenses, non-operating revenues and expenses and capital grants and contributions. Operating revenues consist of charges for services, which are amounts charged to customers for a particular service. Grants and contributions refer to revenues restricted for operating or capital use in a particular program.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

MEASUREMENT FOCUS

The activities of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

CASH, CASH EQUIVALENTS AND INVESTMENTS

The District participates in the County's pooled cash investment program. Investment income is allocated to individual funds based upon their average daily balance in cash and investment pool. Investments in debt securities are recorded at fair value based upon values obtained from an independent pricing service. Investments in Local Government Surplus Funds Trust Fund (Florida Prime) are stated at fair value. The County categorizes its fair value measurement within the fair value hierarchy established in Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

RESTRICTED ASSETS

District assets are restricted for specific purposes. The debt service restriction is used to evidence the accumulation of resources for debt service payments in the future and required cash reserves. The renewal and replacement restriction is used to accumulate resources set aside to fund asset additions, renewals and replacements. The growth related capital expansion restriction is related to water and wastewater impact fees that may only be spent on growth related capital expansion. Assets are also restricted for the payment of refundable deposits and certain notes payable.

RECEIVABLES

The accounts receivables of the District are recorded net of allowances for uncollectible accounts, if any. All non-user receivables over one year old are recorded as uncollectible. The District's unbilled service revenues are accrued at the end of the year by prorating actual subsequent billings.

SPECIAL ASSESSMENTS RECEIVABLE

The District has assessed certain customers within the District for capital improvements benefiting only specific areas. These assessments were recorded as revenues at the time of the assessment.

INVENTORY

Inventory is comprised of materials and supplies held for use or consumption. Inventory is valued at cost, which approximates market, using the first-in, first-out method. Inventories are reported as an expense when consumed.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

CAPITAL ASSETS

Capital assets purchased for use in the operations of the District are stated at cost. Contributed collection systems and equipment are recorded at acquisition value on the date of contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3-20 years for equipment, 3-30 years for infrastructure, 20-45 years for buildings, and from 4-45 years for improvements other than buildings.

The District capitalizes expenditures with a cost of \$5,000 or more and with a useful life in excess of one year. Expenditures for maintenance and repairs are charged to operating expenses. The cost of capital assets retired or sold, together with the related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to earnings.

LEASES

The District follows the provisions of Government Accounting Standards Board Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

As a lessee, the District recognizes a lease liability and an intangible right-to-use lease asset in the District's financial statements. The District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

As a lessor, the District recognizes a lease receivable and a deferred inflow of resources in the District's financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the term of the lease.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

The District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the leases if changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

ACCRUED COMPENSATED ABSENCES

The District follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. This statement provides for the measurement of accrued vacation leave and other compensated absences using the pay or salary rates in effect at the balance sheet date. It also requires additional amounts to be accrued for certain salary related payments associated with the payment of compensated absences.

It is the District's policy to allow employees to accumulate an unlimited number of hours of unused sick leave and up to 440 hours of unused vacation leave. Effective March 1, 1996 the District modified the policy for sick leave pay upon termination. Employees of record on August 2, 1996 may be granted a sick leave payment upon termination for any service period earned prior to August 2, 1996 and a payout of unused vacation up to 440 hours for all employees. No employee hired after August 2, 1996 shall receive payment for accrued sick leave upon termination. Accrued compensated absences are recorded as liabilities in the District's financials.

OPERATING REVENUES AND EXPENSES

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues for the District are charges to customers for sales and services. Operating expenses for the District include cost of sales and services, administrative costs and depreciation on capital assets. The District also pays an allocated share of indirect costs to the County's general fund. These costs if incurred autonomously may have been greater than the allocated share. All other revenues and expenses are reported as nonoperating revenues and expenses.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimated.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

BOND PREMIUMS, LOSS ON DEFEASANCE AND ISSUANCE COSTS

Bond premiums and bond insurance costs for the business-type activities are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as an increase to the face amount of bonds payable, while bond insurance costs are recorded as deferred charges and shown on the face of the Statement of Net Position as a component of noncurrent assets

Pursuant to GASB 65, *Items Previously Reported as Assets and Liabilities*, the gain or loss on defeasance of debt is reported as a deferred inflow or outflow of resources. The gain or loss is calculated as the difference between the reacquisition price of the refunded debt and the net carrying amount at the time of the refunding. The gain or loss is amortized on a straight line basis over the shorter of the life of the new debt or the remaining life of the old debt as a component of interest expense.

PENSIONS

In the statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

In the statement of net position, liabilities are recognized for the District's total OPEB liability as determined by an actuarial review of the healthcare coverage purchased by retirees to continue participation in the County's self-insured health plan. The District is responsible for covering the excess of retiree claims over premium payments made by retirees to the County, which creates an other post employment benefit. OPEB expense is recognized immediately for changes in the OPEB liability resulting from current year service cost, interest on the total OPEB liability and changes of benefit terms or actuarial assumptions.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES
(CONTINUED)**

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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) until then. The deferred outflows of resources reported in the District's statement of net position represent changes in actuarial assumptions, changes in the proportion and differences between the District's contributions and proportionate share of contributions and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program. In addition, deferred outflows related to the difference between expected and actual economic experience relating to the FRS Pension Plan and the Other Post Employment Benefits Plan were reported. These amounts will be recognized as increases in pension expense and OPEB expense in future years. The District also reports the deferred charge on refunding as a deferred outflow in the statements of net position. A deferred charge 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 reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience, changes in actuarial assumptions, net difference between projected and actual earnings on investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the FRS Pension Plan, the Retiree HIS Program and the OPEB Plan. These amounts will be recognized as reductions in pension expense and OPEB expense in future years. The District has also recorded amounts associated with long term receivables, primarily related to deferred impact fee agreements, as deferred inflows.

USE OF RESTRICTED AND UNRESTRICTED RESOURCES

When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenditures, and unrestricted as needed.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(2) CASH AND INVESTMENTS

At September 30, 2021, the District had the following investments and maturities:

<u>Investments</u>	<u>Fair Value</u>	<u>Investment Maturities Within:</u>		
		<u>1 Year</u>	<u>2 Years</u>	<u>3 Years and more</u>
U.S. Treasury Notes	\$ 70,728,874	\$ 35,477,051	\$ -	\$ 35,251,823
U.S. Agency Securities	205,680,093	-	17,491,421	188,188,672
	<u>\$ 276,408,967</u>	<u>\$ 35,477,051</u>	<u>\$ 17,491,421</u>	<u>\$ 223,440,495</u>

Reconciliation of cash and investments to the District's financial statements, as of September 30, 2021:

Change funds and petty cash	\$ 9,400
Demand deposits	11,251,679
Local government investment pools	159,482,282
Investments, including cash equivalents	<u>276,408,967</u>
Total cash, cash equivalents and investments	<u>\$ 447,152,328</u>
Cash and investments:	
Current unrestricted	\$ 217,377,731
Current restricted	12,901,422
Noncurrent restricted	<u>216,873,175</u>
Total cash, cash equivalents and investments	<u>\$ 447,152,328</u>

INVESTMENT POLICY

Cash in excess of operating requirements of the District is pooled and invested by the County in various investments as described below. Earnings from pooled investments are allocated to the District based on the percentage of each fund's average daily balance in the total pool. Each fund's individual equity in the County's investment pool is considered to be a cash equivalent since each fund can deposit or withdraw cash at any time without prior notice or penalty. At September 30, 2021 the District's share of the cash and investment pool was \$447,152,328.

Florida Statutes Chapter 218 and the County's investment policy, which was adopted by Resolution 2014-260, govern the County's investment practices.

The County is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper, banker's acceptances, repurchase agreements, certificates of deposits, and the Florida PRIME, formerly the Local Government Surplus Funds Trust Fund. The District has adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(2) CASH AND INVESTMENTS (CONTINUED)

CREDIT RISK

The County's investment policy limits credit risk by restricting authorized investments to the Florida Local Government Surplus Trust Fund (Florida PRIME) other local Government Investment Pools rated AAAm/Aaa-mf,S1 or equivalent, direct obligations of, or obligations backed by the full faith and credit of the United States Government, U.S. government sponsored Corporation/Instrumentalities (except for Student Loan Marketing Association), certificates of deposit collateralized by U.S. Government Securities or Agencies, fixed income mutual funds collateralized by U.S. Government Securities or Agencies, domestic bankers' acceptances rated "AA" or higher, prime commercial paper rated "A-1" and "P-1", tax-exempt obligations rated "AA" or higher and issued by state or local governments, NOW accounts fully collateralized in accordance with Chapter 280, Florida Statutes and qualifying repurchase agreements.

Florida PRIME is an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. The District's investments are in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool. All of these funds are held in the Florida PRIME pool. Florida PRIME is rated "AAAm" by Standard & Poor's Global Ratings Services.

Florida Cooperative Liquid Assets Securities System (FLCLASS) is an intergovernmental investment pool established pursuant to the Florida Interlocal Cooperation Act of 1969, as amended, (Section 163.01, Florida Statutes) and is an authorized investment under Section 218.415, Florida Statutes. FLCLASS is supervised by a board of trustees comprised of eligible participants of the FLCLASS program. FLCLASS is rated "AAAm" by Standard & Poor's Global Ratings Services.

Florida Public Assets for Liquidity Management (FL PALM) is a common law trust organized under the authority of the Florida Interlocal Cooperation Act of 1969, as amended, (Section 163.01, Florida Statutes) and Section 218.415 of the Florida Statutes. FL PALM was created on October 22, 2010 by contract among its participating governmental units and is governed by trustees. The fund is an investment opportunity for State school districts, political subdivisions of the State or instrumentalities of political subdivisions of the State. The FL PALM Portfolio is rated "AAAm" by Standard & Poor's Global Ratings Services.

All cash deposits are held in qualified public depositories pursuant to Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The pledging level may range from 25% to 150% depending upon the depository's financial condition. Any losses to public deposits are covered by applicable deposit insurance, sale of securities pledged as collateral, and if necessary, assessments against other qualified public depositories of the same type as the depository in default.

COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)

Notes to the Financial Statements

September 30, 2021

(2) CASH AND INVESTMENTS (CONTINUED)

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All balances in excess of the Federal Depository Insurance Corporation (FDIC) insurance for these demand deposits are fully collateralized by the multiple financial institutions' collateral pool in accordance with Florida Statutes Section 280. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County's investment policy requires execution of a third-party custodial safekeeping agreement for purchased securities and collateral, and requires that securities be held in the County's name.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The objective of the investment policy is to match investment cash flow and maturity with known cash needs and anticipated cash flow requirements. The County limits exposure to interest rate risk by structuring the portfolio to meet daily cash flow demands. Investments shall have an average maturity of not more than five years, except for mortgage securities. Mortgage securities will not be used to match liabilities that are reasonably definable as to amount and disbursement date and are used to invest funds associated with reserves or liabilities that are not associated with a specifically identified cash flow schedule.

The weighted average days to maturity (WAM) of Florida PRIME on September 30, 2021, was 49 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2021, was 64 days. The weighted average days to maturity (WAM) of FL PALM on September 30, 2021, was 53 days, while the weighted average life (WAL) was 80 days. The weighted average days to maturity (WAM) of FL CLASS on September 30, 2021, was 47 days, while the weighted average life (WAL) was 84 days.

The portion of the District's portfolio invested in U.S. Government Agencies is detailed as follows, at September 30, 2021:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	23.95%
Federal Farm Credit Bank	3.78%
Federal Home Loan Mortgage Corporation	9.60%
Federal National Mortgage Association	3.14%
Federal Agricultural Mortgage Corporation	0.63%
Total U.S. Government Agencies	<u>41.10%</u>

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(2) CASH AND INVESTMENTS (CONTINUED)

FAIR VALUE MEASUREMENTS

GASB Statement No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs, if any, reflect the County's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the County's own data.

The District has the following recurring fair value measurements as of September 30, 2021:

U.S. Treasury Notes classified as Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities. As of September 30, 2021, the fair value of the District's U.S. Treasury Notes was \$70,728,874.

U.S. Agency obligations classified as Level 2 of the fair value hierarchy were valued using quoted prices for similar assets in active markets for those securities. As of September 30, 2021, the fair value of the District's U.S. Agency obligations was \$205,680,093.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(3) LEASE RECEIVABLES

The District leases land to third parties with annual payments totaling \$33,650, including interest, ranging from 0.15% to 2.29%, with due dates from October 1, 2021 to August 26, 2041. During the year, the District recognized \$15,081 in lease revenue and \$18,569 in interest revenue related to these leases. As of September 30, 2021, the District's lease receivables were valued at \$810,267, and \$764,511 of deferred inflow of resources will be recognized as revenue over the term of the leases.

The payments for the lease receivables are expected to be received in the subsequent years as follows:

Fiscal Year	Principal	Interest
2022	\$ 26,147	\$ 18,253
2023	24,504	17,783
2024	21,042	17,358
2025	21,572	16,827
2026	22,067	16,333
2027-2031	158,392	72,008
2032-2036	225,710	50,770
2037-2041	310,833	20,943
Total	<u>\$ 810,267</u>	<u>\$ 230,275</u>

(4) CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	October 1, 2020	Additions	Deductions	Reclass	September 30, 2021
Land and non-depreciable assets	\$ 20,547,835	\$ 108,293	\$ 2,466,590	\$ -	\$ 18,189,538
Construction in progress	121,429,339	65,652,844	257,118	(65,831,088)	120,993,977
Total assets not depreciated	<u>141,977,174</u>	<u>65,761,137</u>	<u>2,723,708</u>	<u>(65,831,088)</u>	<u>139,183,515</u>
Buildings	124,818,081	-	1,225	-	124,816,856
Improvements other than buildings	1,259,935,698	18,388,916	-	65,495,249	1,343,819,863
Machinery and equipment	50,845,073	2,556,146	1,071,077	335,839	52,665,981
Right-to-use leased buildings	283,939	-	24,529	-	259,410
Right-to-use leased equipment	158,457	-	-	-	158,457
Total assets depreciated	<u>1,436,041,248</u>	<u>20,945,062</u>	<u>1,096,831</u>	<u>65,831,088</u>	<u>1,521,720,567</u>
Less accumulated depreciation	<u>685,662,181</u>	<u>49,911,860</u>	<u>1,008,975</u>	<u>-</u>	<u>734,565,066</u>
Total depreciable assets, net	<u>750,379,067</u>	<u>(28,966,798)</u>	<u>87,856</u>	<u>65,831,088</u>	<u>787,155,501</u>
Total capital assets, net	<u>\$ 892,356,241</u>	<u>\$ 36,794,339</u>	<u>\$ 2,811,564</u>	<u>\$ -</u>	<u>\$ 926,339,016</u>

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
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Notes to the Financial Statements

September 30, 2021

(5) LONG-TERM OBLIGATIONS

SUMMARY OF CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in the District's long-term obligations for the year ended September 30, 2021:

	<u>October 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2021</u>	<u>Due within one year</u>
Revenue Bonds payable	\$ 124,290,000	\$ 128,900,000	\$ -	\$ 253,190,000	\$ 2,055,000
Premium on bonds payable	14,233,821	31,097,290	1,065,471	44,265,640	-
Direct placement loans and notes	98,164,962	-	15,688,962	82,476,000	14,852,000
Notes payable	69,848	-	-	69,848	69,848
Lease payable	368,402	-	77,012	291,390	66,559
Compensated absences	2,429,528	1,334,705	1,331,357	2,432,876	1,946,301
Total	<u>\$ 239,556,561</u>	<u>\$ 161,331,995</u>	<u>\$ 18,162,802</u>	<u>\$ 382,725,754</u>	<u>\$ 18,989,708</u>

SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity for all bonds and notes outstanding at September 30, 2021 are as follows:

Fiscal Year	Revenue Bonds		Direct Placement Loans and Notes Payable		Notes Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 2,055,000	\$ 10,214,806	\$ 14,852,000	\$ 1,650,373	\$ 69,848	-	\$ 28,842,027
2023	2,105,000	10,502,681	11,539,000	1,370,677	-	-	25,517,358
2024	2,210,000	10,397,431	11,763,000	1,141,595	-	-	25,512,026
2025	2,320,000	10,286,931	11,429,000	907,993	-	-	24,943,924
2026	2,435,000	10,170,931	10,103,000	679,884	-	-	23,388,815
2027-31	39,010,000	47,913,656	22,790,000	890,774	-	-	110,604,430
2032-36	75,985,000	34,157,246	-	-	-	-	110,142,246
2037-41	74,750,000	17,734,500	-	-	-	-	92,484,500
2042-46	52,320,000	6,442,400	-	-	-	-	58,762,400
Totals	<u>\$ 253,190,000</u>	<u>\$ 157,820,582</u>	<u>\$ 82,476,000</u>	<u>\$ 6,641,296</u>	<u>\$ 69,848</u>	<u>\$ -</u>	<u>\$ 500,197,726</u>

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September 30, 2021

(5) LONG-TERM OBLIGATIONS (CONTINUED)

DESCRIPTIONS OF BOND ISSUES AND NOTES PAYABLE

Revenue bonds payable and notes payable at September 30, 2021 consisted of the following:

Revenue Bonds	
\$48,105,000 2016 Collier County Water and Sewer Refunding Revenue Bonds due in annual installments of \$5,035,000 to \$7,090,000 through July 1, 2036; interest at 5.00% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District (District). Bonds were issued for purposes of currently refunding all of the District's remaining 2006 Water and Sewer Revenue Bonds.	\$ 48,105,000
\$76,185,000 2019 Collier County Water and Sewer Revenue Bonds due in annual installments of \$4,385,000 to \$14,160,000 through July 1, 2039; interest at 3.00% to 5.00% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District (District). Bonds were issued for purposes of financing the acquisition, construction and equipping of various utility capital improvements within the northeast area of the County.	76,185,000
\$128,900,000 2021 Collier County Water and Sewer Revenue Bonds due in annual installments of \$2,055,000 to \$11,300,000 through July 1, 2046; interest at 4.00% to 5.00% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District (District). Bonds were issued for purposes of financing the acquisition, construction and equipping of various water and wastewater improvements within the Collier County Water and Sewer District.	128,900,000
Totals Revenue Bonds	\$ 253,190,000
Direct Placement Loans	
\$17,687,000 2015 Collier County Water and Sewer Refunding Revenue Bond (Bank Term Loan) due in annual installments of \$2,533,000 to \$4,561,000 through July 1, 2022; interest at 1.75% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District. Loan was issued to advance refund a portion of the District's 2006 Water and Sewer Revenue Bonds.	4,561,000
\$35,965,000 2018 Collier County Water and Sewer Revenue Bond (Bank Term Loan) due in annual installments of \$1,560,000 to \$3,945,000 through July 1, 2029; interest at 2.41% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District. Loan was issued to finance the acquisition of water and wastewater utility facilities within the Golden Gate Community.	27,555,000
Total Direct Placement Loans	\$ 32,116,000

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September 30, 2021

(5) LONG-TERM OBLIGATIONS (CONTINUED)

Direct Placement	
\$166,580 County Water and Sewer District agreement with private developer payable through use of sewer impact fee credits. Non-interest bearing agreement.	\$ 69,848
\$89,982,000 2016 County Water and Sewer District Refunding Revenue Note with Synovus Financial Corporation, due in monthly installments of \$2,881,000 to \$9,574,000 through July 1, 2029; interest at 1.80% and collateralized by a subordinated pledge on the net revenues of the Collier County Water and Sewer District. Loan was issued to currently refund all of the District's State Revolving Fund Loans.	<u>50,360,000</u>
Total Loans and Notes Payable	<u>\$ 50,429,848</u>
Total Obligations	<u>\$ 335,735,848</u>
Unamortized Bond Premium	<u>\$ 44,265,640</u>
Business-type Activities Obligations, Net	<u>\$ 380,001,488</u>
Less Current Portion of Obligations Payable from Unrestricted Assets	\$ (12,680,250)
Less Current Portion of Obligations Payable from Restricted Assets	<u>\$ (4,296,598)</u>
Long-Term Portion of Obligations, Net	<u>\$ 363,024,640</u>

RESTRICTIVE COVENANTS

Official statements and County resolutions authorizing the revenue bonds establish certain accounts and determine the order in which certain revenues are to be deposited into those accounts, as well as establish reserve requirements. Management believes that all required balances were maintained.

The District has pledged future water and sewer customer revenues, net of certain operating expenses, to repay \$285,306,000 in Series 2015, 2016, 2018 and 2019, 2021 senior lien revenue bonds and direct placement loans as par. Proceeds from the bonds and loans were used for the expansion of the District's water and sewer systems as well as the refinancing of bonds issued for purposes of rehabilitation or expansion of the District's water and sewer systems. Principal and interest are payable through July 1, 2046, solely from the net revenues and certain other fees and charges derived from operations of the District. The pledge of net revenues by the District from the operation of the system does not constitute a lien upon the system or any other property of the County. The resolutions authorizing the revenue bonds include an obligation for the District to fix, establish and maintain such rates and collect such fees so as to provide in each year net revenues, as defined in the bond resolutions, which together with system development fees (impact fees) and special assessment proceeds (if applicable) received shall be at least 125% of the annual debt service requirements for the bonds; provided, however, that net revenues in each fiscal year shall be

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(5) LONG-TERM OBLIGATIONS (CONTINUED)

adequate to pay at least 100% of the annual debt service on the bonds. Fiscal year 2021 pledged revenues, net of operating expenses (excluding depreciation and amortization), were \$64,014,693 and \$80,288,176 when impact fees were included. Principal and interest paid on the bonds during fiscal year 2021 totaled \$12,565,757, providing coverage of 509% and 639%. In addition, bond covenants require a renewal and replacement amount equal to \$300,000 in the District funds. The District was in compliance with these covenants for the year ended September 30, 2021.

In addition, the District has a note outstanding in the amount of \$50,360,000 with Synovus Financial Corporation. This note is collateralized by a lien on pledged revenues consisting of net revenues from the operations of the District and the system development fees. The lien is subordinate in all respects to the liens placed upon pledged revenues established by bonded and direct placement loan indebtedness. Pledged funds, after payment of annual debt service on the senior bonds and loans, shall be adequate to pay at least 115% of the annual debt service on the subordinated debt. Principal and interest paid on the subordinated note during fiscal year 2021 totaled \$10,260,882, providing coverage of 660%. The District's note was in compliance with these covenants for the year ended September 30, 2021.

LEASE PAYABLE

The District is a lessee for noncancellable leases of building, office space and equipment. At September 30, 2021, the District's lease payable of \$291,390 was composed of the following:

Lease with option to purchase equipment. Annual payments totaling \$5,575 plus interest at a rate of 1.51%, due dates ranging from October 1, 2021 to September 30, 2023	\$ 11,234
Building and office space leases. Annual installments totaling \$33,615 plus interest at a rate of 1.59%, due dates ranging from October 1, 2021 to December 31, 2026	195,337
Equipment leases. Annual installments totaling \$27,369 plus interest at rates ranging from 0.24% to 1.55%, due dates ranging from October 1, 2021 to October 31, 2024	84,819
Total Lease Payable	\$ 291,390

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September 30, 2021

(5) LONG-TERM OBLIGATIONS (CONTINUED)

The future principal and interest lease payments as of September 30, 2021 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 66,559	\$ 3,991
2023	68,256	2,946
2024	64,711	1,918
2025	41,036	1,083
2026	40,521	458
2027-2031	10,307	14
Total	<u>\$291,390</u>	<u>\$10,410</u>

(6) DEFINED BENEFIT PENSION PLANS

BACKGROUND

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple employer defined benefit plans and other nonintegrated programs. An Annual Comprehensive Financial Report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The District's pension expense totaled \$898,543 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2021.

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September 30, 2021

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

FLORIDA RETIREMENT SYSTEM PENSION PLAN

PLAN DESCRIPTION

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

Regular Class – Members of the FRS who do not qualify for membership in the other classes.

Elected County Officers Class – Members who hold specified elective offices in local government.

Senior Management Service Class (SMSC) – Members in senior management level positions.

Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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Notes to the Financial Statements

September 30, 2021

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

BENEFITS PROVIDED

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment and Retirement Age/Years of Service:	% Value (per year of service)
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or with 31 years of service	1.63
Retirement up to age 64 or with 32 years of service	1.65
Retirement up to age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or with 34 years of service	1.63
Retirement up to age 67 or with 35 years of service	1.65
Retirement up to age 68 or with 36 or more years of service	1.68
Elected County Officers' Class	3.00
Senior Management Service Class	2.00
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

CONTRIBUTIONS

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The employer contribution rates by job class for the periods from October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular employees-10.00% and 10.82%; County Elected Officials-49.18% and 51.42%; Senior Management Services-27.29% and 29.01%; and DROP participants-16.98% and 18.34%. The District's contributions to the FRS Plan were \$2,159,793 for the year ended September 30, 2021.

PENSION COSTS

At September 30, 2021, the District reported a liability of \$4,136,888 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportion of the net pension liability was based on the District's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2021, the District's proportion was 0.0547652%, which was an increase of 0.003042% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the District recognized pension expense of \$118,343 for its proportionate share of FRS's pension expense. In addition, the District reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

FRS Deferred Inflows/Outflows

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 709,069	\$ -
Changes in Actuarial Assumptions	2,830,664	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	14,432,563
Changes in Proportionate Share	584,870	253,484
District Contributions Subsequent to the Measurement Date	622,025	-
Total	<u>\$ 4,746,628</u>	<u>\$ 14,686,047</u>

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows of resources related to pensions of \$622,025, resulting from District contributions to the FRS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ending September 30	Amount
2022	\$ (1,837,928)
2023	(2,166,965)
2024	(2,910,624)
2025	(3,744,687)
2026	98,760

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% per year
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	6.80%, Net of Pension Plan Investment Expense

Mortality rates were based on the PUB-2010 base table projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

The target allocation, as outlined in the FRS Plan’s investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Totals	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.2%

DISCOUNT RATE

The discount rate used to measure the total pension liability for the FRS Plan in fiscal year 2021 was 6.80% which was the same rate as in fiscal year 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENSION LIABILITY SENSITIVITY

The following presents the District’s proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	5.80%	6.80%	7.80%
District’s Proportionate Share of the FRS Plan Net Pension Liability	\$ 18,500,442	\$ 4,136,888	\$ (7,869,432)

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September 30, 2021

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

PLAN DESCRIPTION

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

BENEFITS PROVIDED

For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

CONTRIBUTIONS

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. The FRS contribution rates include a 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan were \$419,723 for the year ended September 30, 2021.

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September 30, 2021

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION COSTS

At September 30, 2021, the District reported a liability of \$9,172,547 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportion of the net pension liability was based on the District's contributions received during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all participating employers. At June 30, 2021, the District's proportion was 0.0747772%, which was a decrease of 0.007793% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the District recognized pension expense of \$780,200 for its proportionate share of HIS's pension expense. In addition, the District reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 306,937	\$ 3,842
Changes in Actuarial Assumptions	720,757	377,932
Net Difference Between Projected and Actual Earnings on Plan Investments	9,562	-
Changes in Proportionate Share	262,908	97,680
District Contributions Subsequent to the Measurement Date	118,090	-
Total	<u>\$ 1,418,254</u>	<u>\$ 479,454</u>

Deferred outflows of resources related to pensions of \$118,090, resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ending September 30	Amount
2022	\$ 271,337
2023	112,742
2024	154,638
2025	156,249
2026	102,735
Thereafter	23,009

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% per year
Salary Increases	3.25% Average, Including Inflation
Municipal Bond Rate	2.16%

Mortality rates were based on the PUB-2010 base table projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

DISCOUNT RATE

The discount rate used to measure the total pension liability for HIS plan has decreased from 2.21% in fiscal year 2020 to 2.16% in fiscal year 2021. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	1.16%	2.16%	3.16%
District's Proportionate Share of the HIS Plan Net Pension Liability	\$ 10,604,354	\$ 9,172,547	\$ 7,999,503

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the HIS Plan’s fiduciary’s net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

SUMMARY

The aggregate amount of net pension liability, related deferred outflows of resources, deferred inflows of resources and pension expense for the District’s defined benefit pension plans are summarized below:

	FRS Plan	HIS Plan	Total
Net pension liability	\$ 4,136,888	\$ 9,172,547	\$ 13,309,435
Deferred outflows of resources related to pensions	4,746,628	1,418,254	6,164,882
Deferred inflows of resources related to pensions	14,686,047	479,454	15,165,501
Pension expense	118,343	780,200	898,543

(7) DEFINED CONTRIBUTION PLAN

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Annual Comprehensive Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of .06% percent of payroll from July 1, 2020 to June 30, 2021 and .06% of payroll from July 1, 2021 to June 30, 2022 and by forfeited benefits of plan members. The District’s Investment Plan pension expense totaled \$315,624 for the year ended September 30, 2021.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(7) DEFINED CONTRIBUTION PLAN (CONTINUED)

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

(8) RISK MANAGEMENT

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A self-insurance internal service fund is maintained by the County to administer insurance activities relating to workers' compensation, health and property and casualty, which cover general, property, auto, public official and crime liabilities. Under these programs, the self-insurance fund provides coverage up to a maximum amount for each claim. The County purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund and for all other covered risks of loss.

Claim type	County's Coverage	Excess carrier's Coverage
Property and casualty claims	\$50,000-\$500,000 (\$250,000 named storm deductible; 3% deductible of reported values per damaged building; subject to \$5,000,000 deductible cap)	\$50,000 - \$75,000,000
Auto liability claims	\$300,000	\$300,001 - \$5,000,000
Employee health claims	\$1,000,000	\$1,000,001 - Unlimited
Workers' compensation claims	\$500,000	\$500,001 - Statutory

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(8) RISK MANAGEMENT (CONTINUED)

The claims loss reserve for workers' compensation, health and property and casualty of \$7,708,409 reported at September 30, 2021 was calculated by third party actuaries based upon GASB Statement No. 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. The estimated liabilities for unpaid losses related to workers' compensation and property and casualty were discounted at 3.5%. It should be noted that the discount rate is an estimate based on the expected rate of return over extended periods. The estimated liabilities for unpaid losses related to health were not discounted as their turnover period is much shorter. Claims loss reserves of \$5,488,652 are recorded as current liabilities.

All divisions of the County, excluding the Sheriff, participate in this program. Charges to operating departments are based upon amounts believed by management to meet the required annual payouts during the fiscal year and to pay for the estimated operating costs of the programs. For the year ended September 30, 2021, the District was charged \$356,800, \$6,100,750, and \$2,600,500 respectively, for workers' compensation, health, and property and casualty self-insurance programs.

(9) OTHER POST EMPLOYMENT BENEFITS

PLAN DESCRIPTION AND BENEFITS PROVIDED

The District participates in a group health care plan that covers eligible retirees, and their dependents, of the Board of County Commissioners (the Board) and all Constitutional Officers with the exception of the Sheriff. The Board administers the plan and establishes the benefits. In accordance with Florida Statute 112.0801, employees who retire and immediately begin receiving benefits from the FRS have the option of paying premiums to continue in the County's health insurance plan at the same group rate as for active employees.

The County offers an OPEB Plan that subsidizes the cost of health care for its retirees who have at least 60% of eligible accrued sick leave remaining at the time of retirement and have completed 15 years of continuous service with the Board. In addition, the retiree must retire from the County, be at least 55 years of age or have completed 30 years of service under the FRS and be eligible to receive an FRS benefit with no break in time.

The County's OPEB Plan is currently being funded on a pay as you go basis. No trust fund has been established for the plan. The plan does not issue a separate financial report, however additional actuarial information regarding the plan as a whole is disclosed in the notes to the financial statements of Collier County.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(9) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

PARTICIPANT DATA

As of September 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>433</u>
Total employees	<u><u>442</u></u>

THE OPEB LIABILITY

The District's share in the County's total OPEB liability of \$1,720,685 or 18.11% was measured as of September 30, 2021 and was determined by an actuarial valuation as of October 1, 2021. The following table shows the changes in the District's share of the County's total OPEB liability for the year ended September 30, 2021.

	<u>Total OPEB Liability</u>
Balance, as of September 30, 2020	<u>\$ 1,719,635</u>
Changes:	
Service cost	116,627
Interest	29,431
Changes in assumptions	(34,786)
Benefit payments	<u>(110,222)</u>
Net changes	<u>1,050</u>
Balance, as of September 30, 2021	<u><u>\$ 1,720,685</u></u>

OPEB LIABILITY DISCOUNT RATE SENSITIVITY

The following presents the District's share in the County's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB Plan Discount Rate	0.50%	1.50%	2.50%
Total OPEB Liability	\$ 1,860,358	\$ 1,720,685	\$ 1,593,557

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(9) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB LIABILITY HEALTHCARE TREND RATE SENSITIVITY

The following presents the District's share in the County's total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current healthcare trend rate:

Description	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Healthcare Cost Trend Rate	4.00%	5.00%	6.00%
Total OPEB Liability	\$ 1,547,937	\$ 1,720,685	\$ 1,922,315

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2021, the District's OPEB expense was \$156,786. In addition, the District reported deferred inflows and outflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 140,206
Changes in assumptions	129,675	10,240
	<u>\$ 129,675</u>	<u>\$ 150,446</u>

Amounts reported as deferred outflows of resources and inflows of resources related to OPEB will be amortized over 4.6 years and will be recognized as follows:

Year Ending September 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 47,911	\$ 48,289
2023	47,911	40,148
2024	25,514	27,160
2025	6,688	21,786
Thereafter	1,651	13,063

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(9) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the plan as understood by the employer and the plan members in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods are:

Actuarial cost method	Entry Age Actuarial
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The actuarial assumptions are:

Discount rate	1.5% (Based on the 20 year AA municipal bond rate)
Healthcare cost trend rate	5%
Salary increase	3%
New employees	None

Mortality rates were based on the Pri-2012 Mortality Fully Generational tables using Projection Scale MP-2021.

Since the most recent valuation, the following changes have been made:

The discount rate was changed from 1.6% to 1.5%.

The mortality assumption has been updated from Pri-2012 Mortality Fully Generational using Projection Scale MP-2020 to Pri-2012 Mortality Fully Generational using Projection Scale MP-2021.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Notes to the Financial Statements

September 30, 2021

(10) INTERGOVERNMENTAL TRANSACTIONS

The District purchases services such as information technology, telecommunications and fleet maintenance from the Collier County, Florida Board of County Commissioners. The District is also allocated a portion of the County's indirect service charge. During the year ending September 30, 2021, the District purchased, and was allocated, operating and capital services in the amount of \$12,881,192 and \$61,719 respectively. Such amounts are included in operating expenses in the accompanying statement of revenue, expenses and changes in net position or have been capitalized as part of construction projects.

(11) COMMITMENTS AND CONTINGENCIES

SIGNIFICANT COMMITMENTS

The District has active construction projects at the end of the fiscal year. The projects include construction and improvements for the water and sewer system. As of September 30, 2021, the District's significant commitments with contractors were approximately \$66,008,272. In addition, the District has non-construction related encumbrances for purchase orders involving goods or services ordered but not received by the end of the fiscal year. The non-construction encumbrances as of September 30, 2021 were \$2,929,635.

STATE AND FEDERAL GRANTS

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District.

HURRICANE IRMA

On September 10, 2017, Category 3 Hurricane Irma made landfall in Collier County. Statewide, an estimated 6.5 million Floridians were ordered to evacuate, mostly those living on barrier islands or in coastal areas, in mobile or sub-standard homes and in low lying or flood prone areas. Mandatory evacuations were ordered for portions of Collier County. The primary impacts of Hurricane Irma were widespread power outages and debris, coastal flooding and beach erosion. The District has spent approximately \$11.6 million on recovery efforts and has a remaining budget of \$33,000 in the 2022 fiscal year. Through fiscal year 2021, the District recognized \$9.9 million in combined proceeds from insurance, the Federal Emergency Management Agency (FEMA) and State of Florida. Additional reimbursements, if any, are not anticipated to be significant.

REQUIRED SUPPLEMENTARY INFORMATION

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.054765195%	0.051722300%	0.051190300%	0.049856174%	0.049939500%	0.045947588%	0.044520510%	0.042891627%
District's Proportionate Share of the Net Pension Liability	\$ 4,136,888	\$ 22,417,211	\$ 17,629,237	\$ 15,016,938	\$ 14,771,709	\$ 11,601,802	\$ 5,750,421	\$ 2,617,020
District's Covered Payroll *	\$ 24,946,534	\$ 24,166,596	\$ 23,268,066	\$ 22,477,847	\$ 19,641,639	\$ 19,080,417	\$ 17,975,192	\$ 17,049,860
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	16.58%	92.76%	75.77%	66.81%	75.21%	60.80%	31.99%	15.35%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

* Covered Payroll consists of pensionable wages calculated as of the respective measurement date, restated for periods 2014 to 2017 pursuant to GASB No. 82, *Pension Issues*.

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,159,793	\$ 1,720,497	\$ 1,611,651	\$ 1,443,502	\$ 1,306,266	\$ 1,228,060	\$ 1,093,798	\$ 1,043,595
Contributions in Relation to the Contractually Required Contribution	(2,159,793)	(1,720,497)	(1,611,651)	(1,443,502)	(1,306,266)	(1,228,060)	(1,093,798)	(1,043,595)
Contribution Deficiency (Excess)	<u>\$ -</u>							
District's Covered Payroll - Fiscal Year *	\$ 25,284,538	\$ 24,326,587	\$ 23,674,927	\$ 22,188,318	\$ 21,556,779	\$ 19,675,811	\$ 18,176,447	\$ 17,266,312
Contributions as a Percentage of Covered Payroll	8.54%	7.07%	6.81%	6.51%	6.06%	6.24%	6.02%	6.04%

* Covered Payroll - Fiscal Year consists of pensionable wages calculated for the respective fiscal year, restated for periods 2014 to 2017 pursuant to GASB No. 82, *Pension Issues*.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.074777197%	0.066983977%	0.067797300%	0.065893122%	0.064545961%	0.059573615%	0.056934535%	0.055245360%
District's Proportionate Share of the Net Pension Liability	\$ 9,172,547	\$ 8,178,635	\$ 7,585,843	\$ 6,974,202	\$ 6,901,552	\$ 6,943,058	\$ 5,806,427	\$ 5,165,576
District's Covered Payroll *	\$ 24,946,534	\$ 24,166,596	\$ 23,268,066	\$ 22,477,847	\$ 19,641,639	\$ 19,080,417	\$ 17,975,192	\$ 17,049,860
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	36.77%	33.84%	32.60%	31.03%	35.14%	36.39%	32.30%	30.30%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

* Covered Payroll consists of pensionable wages calculated as of the respective measurement date pursuant to GASB No. 82, *Pension Issues*.

**SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 419,723	\$ 403,821	\$ 376,472	\$ 357,199	\$ 351,961	\$ 328,290	\$ 236,871	\$ 186,891
Contributions in Relation to the Contractually Required Contribution	(419,723)	(403,821)	(376,472)	(357,199)	(351,961)	(328,290)	(236,871)	(186,891)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered - Fiscal Year * Contributions as a Percentage of Covered Payroll	\$ 25,284,538 1.66%	\$ 24,326,587 1.66%	\$ 23,674,927 1.59%	\$ 22,188,318 1.61%	\$ 21,556,779 1.63%	\$ 19,675,811 1.67%	\$ 18,176,447 1.30%	\$ 17,266,312 1.08%

* Covered Payroll - Fiscal Year consists of pensionable wages calculated pursuant to GASB No. 82, *Pension Issues*.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF TOTAL OPEB LIABILITY
LAST TEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 116,627	\$ 112,815	\$ 79,001	\$ 45,107	\$ 76,702
Interest	29,431	33,506	53,076	23,582	41,865
Differences between expected and actual experience	(48,294)	24,047	(69,269)	-	43,278
Changes of assumptions or other inputs	13,508	56,445	141,890	(20,766)	-
Benefit payments	<u>(110,222)</u>	<u>(86,169)</u>	<u>(115,201)</u>	<u>(92,447)</u>	<u>(89,499)</u>
Net change in total OPEB liability	1,050	140,644	89,497	(44,524)	72,346
Total OPEB liability, beginning	<u>1,719,635</u>	<u>1,578,991</u>	<u>1,489,494</u>	<u>1,534,018</u>	<u>1,461,672</u>
Total OPEB liability, ending	<u>\$ 1,720,685</u>	<u>\$ 1,719,635</u>	<u>\$ 1,578,991</u>	<u>\$ 1,489,494</u>	<u>\$ 1,534,018</u>
District's Proportion of the Total OPEB Liability	18.11%	17.52%	17.22%	17.06%	17.37%
District's Covered-employee Payroll	\$ 24,798,292	\$ 23,248,275	\$ 23,459,597	\$ 20,891,701	\$19,806,092
Districts Proportion Share of the total OPEB liability as a percentage of Covered-employee Payroll	6.94%	7.40%	6.73%	7.13%	7.75%

Notes to the Schedule

Changes in Assumptions: Change in the discount rate of 1.6% as of September 30, 2020 to 1.5% as of September 30, 2021.

The mortality assumption has been updated from Pri-2012 Mortality Fully Generational using Projection Scale MP-2020 to Pri-2012 Mortality Fully Generational using Projection Scale MP-2021.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

OTHER INFORMATION

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Senior Debt Coverage

September 30, 2021

(Unaudited)

The following is a computation of the District's senior debt coverage for fiscal year 2021:

Operating revenue	\$ 168,016,889
Non-operating revenue	2,910,385
Gross revenue	170,927,274
Less: Operating expenses before depreciation and amortization	106,912,581
Net revenue	64,014,693
System development fees	16,273,483
Total amount available for debt service	\$ 80,288,176
Bond debt service requirements (1)	\$ 12,565,757
Bond debt service coverage (2)	639%
Bond debt service coverage (3)	509%

- (1) Amount of principal and interest paid in fiscal year 2021 for bonds.
- (2) Total amount available for debt service divided by bond debt service requirements must be greater than 125%.
- (3) Net revenue divided by bond debt service requirements must be greater than 100%.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
(A Component Unit of Collier County, Florida)**

Subordinate Debt Coverage

September 30, 2021

(Unaudited)

The following is a computation of the District's subordinate debt coverage for fiscal year 2021:

Operating revenue	\$	168,016,889
Non-operating revenue		2,910,385
Gross revenue		170,927,274
Less: Operating expenses before depreciation and amortization		106,912,581
Net revenue		64,014,693
System development fees		16,273,483
Total amount available for debt service	\$	80,288,176
Bond debt service requirements (1)	\$	12,565,757
Debt service coverage from net revenues available for bond debt service (2)		639%
Adjusted net revenues available for subordinated debt service (3)	\$	67,722,419
Subordinated debt service requirements (4)	\$	10,260,882
Subordinated debt service coverage (5)		660%

- (1) Amount of principal and interest paid in fiscal year 2021 for bonds.
- (2) Total amount available for debt service, divided by the annual bond debt service requirements.
- (3) Calculated as net revenue less bond debt service requirements.
- (4) Amount of principal and interest paid in fiscal year 2021 for subordinated debt.
- (5) Adjusted net revenues available for subordinated debt service divided by subordinated debt service requirements must be greater than 115%.



**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***

Honorable Board of County Commissioners
Water and Sewer District
Collier County, Florida

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 statement of net position and the related statements of revenues, expenses, and changes in net position and cash flows of the Collier County, Florida, Water and Sewer District (the District), a component unit of Collier County, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 weakness may exist that have not been identified.

Honorable Board of County Commissioners
Water and Sewer District
Collier County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’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.



CliftonLarsonAllen LLP

Naples, Florida
May 12, 2022