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

Financial Statements and Other Reports

Year Ended September 30, 2023
(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 Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedules of the District's proportionate share of the net pension liability and of District contributions, and the schedules of other postemployment benefits total OPEB liability and related ratios for the retiree health plans be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises the schedule of senior debt coverage and schedule of subordinated debt coverage but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2024, 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 District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Naples, Florida
April 17, 2024

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2023

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, 2023. 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, 2023 by $1,032,359,763. Of this amount, $240,685,210 is unrestricted and may be used to meet future obligations of the District.

- The District's total net position increased by $52,332,728 during fiscal year 2023. The increase in the District's net position is largely due to a 5.0% rate increase effective October 1, 2022, followed by an additional 7.1% increase in July 2023, and $42,318,853 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, notes, leases, and subscription-based IT arrangements (SBITA) owed by the District decreased by $20,952,483 during fiscal year 2023 representing the net effect of principal repayments made during the year and the refunding of series 2016 . Additional information on debt activity can be found in Note 5 to the financial statements beginning on page 31.

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, 2023. 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.

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2023

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 53 of this report.

Financial Analysis

Changes in net position over time are a useful indicator in assessing financial condition. For fiscal year 2023, the District reported positive balances in all three categories of net position.

Water and Sewer District Net Position

	2023	2022	Increase (Decrease)	%
Current and other assets	$ 475,904,411	$ 450,543,477	$ 25,360,934	5.6%
Capital assets	962,996,575	938,047,424	24,949,151	2.7%
Total assets	1,438,900,986	1,388,590,901	50,310,085	3.6%
Deferred outflows of resources	10,544,558	9,923,664	620,894	6.3%
Current liabilities	42,242,512	37,563,079	4,679,433	12.5%
Long-term liabilities	366,200,335	378,315,034	(12,114,699)	(3.2%)
Total liabilities	408,442,847	415,878,113	(7,435,266)	(1.8%)
Deferred inflows of resources	8,642,934	2,609,417	6,033,517	231.2%
Net position				
Net investment in capital assets	747,328,532	733,852,593	13,475,939	1.8%
Restricted	44,346,021	43,893,119	452,902	1.0%
Unrestricted	240,685,210	202,281,323	38,403,887	19.0%
Total net position	$ 1,032,359,763	$ 980,027,035	$ 52,332,728	5.3%

The largest portion of the District's net position, $747,328,532 or 72.4%, 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 $44,346,021 and unrestricted net position of $240,685,210. Restricted net position is subject to external restriction on how it may be used while unrestricted net position may be used to meet the District's ongoing obligations. The District had restrictions of $22,016,087 for capital expansion, $300,000 for renewal and replacement and $22,029,934 for debt service as of September 30, 2023.

Water and Sewer District Changes in Net Position

	2023	2022	Increase (Decrease)	%
Revenue:				
Charges for services	$ 192,339,407	$ 176,896,115	$ 15,443,292	8.7%
Miscellaneous	271,428	363,737	(92,309)	(25.4%)
Total revenues	192,610,835	177,259,852	15,350,983	8.7%
Expenses:				
Personal services	53,377,604	40,611,552	12,766,052	31.4%
Operating	72,417,115	72,780,092	(362,977)	(0.5%)
Depreciation and amortization	50,620,923	50,869,321	(248,398)	(0.5%)
Total expenses	176,415,642	164,260,965	12,154,677	7.4%
Operating income	16,195,193	12,998,887	3,196,306	24.6%
Net non-operating revenues (expenses)	6,514,409	(31,252,079)	37,766,488	(120.8%)
Income before capital contributions and transfers	22,709,602	(18,253,192)	40,962,794	(224.4%)
Capital contributions and transfers	29,623,126	26,797,470	2,825,656	10.5%
Changes in net position	52,332,728	8,544,278	43,788,450	512.5%
Net position, beginning	980,027,035	971,482,757	8,544,278	0.9%
Net position, end of the year	$ 1,032,359,763	$ 980,027,035	$ 52,332,728	5.3%

On September 30, 2023, the District's total net position amounted to $1,032,359,763 as compared to $980,027,035 as of September 30, 2022. Net position changes as a result of operations, non-operating revenues and expenses and capital contributions.

The District's charges for services increased by $15,443,292 when compared to fiscal year 2022. The increase is due to a 5.0% water and sewer user rate increase effective October 1, 2022, followed by an additional 7.1% increase in July 2023 along with the increase of 2.05% in active accounts. The District's total expenses, including depreciation and amortization, increased by 7.4% from fiscal year 2022. Personal services expenses increased by 31.43% from the prior year mainly due to a rise of $6,985,852 in pension expense and the implementation of salary increases effective October 8, 2022 (Resolution No. 2022-150), which provided an 8% cost-of-living adjustment for the majority of the District's staff. Operating expenses stayed constant due to a rise of 54.85% in inventory expenditures which will benefit future periods. The higher costs for the District were reflected in surging electricity rates, higher costs for utility parts, and chemical costs used in water production and wastewater treatment. The net non-operating revenues increased by $37,766,488 mainly due to an increase in interest earnings. Interest earnings increase was the effect of favorable market conditions, which affected the net fair market value of the investment portfolio. The District's payments in lieu of taxes paid to the County's General Fund of $10,048,100 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, 2023, the District reported capital grants and contributions of $42,318,853, which consists of water and wastewater impact fees of $17,586,817, $24,726,809 in developer infrastructure contributions, and $5,227 in other contributions. 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

	2023	2022	Net Increase (Decrease)	%
Land	$ 18,666,815	$ 18,298,130	$ 368,685	2.0%
Construction in progress	163,249,112	128,456,906	34,792,206	27.1%
Buildings	125,003,244	125,005,314	(2,070)	(0.002%)
Improvements other than buildings	1,424,653,456	1,394,166,571	30,486,885	2.2%
Equipment	56,353,111	54,233,893	2,119,218	3.9%
Right-to-use leased assets	610,697	416,393	194,304	46.7%
Right-to-use SBITA	520,570	-	520,570	100.0%
Total assets	1,789,057,005	1,720,577,207	68,479,798	4.0%
Less accumulated depreciation and amortization	(826,060,430)	(782,529,783)	(43,530,647)	5.6%
Total capital assets, net	$ 962,996,575	$ 938,047,424	$ 24,949,151	2.7%

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 $24,949,151 from $938,047,424 at the end of fiscal year 2022 to $962,996,575 at the end of fiscal year 2023.

The District capitalized $13,935,242 of construction in process in fiscal year 2023 due to the completion of several Water and Sewer capital projects parts. The most notable capitalizations of Water and Sewer capital projects were $9,319,397 of infrastructure improvements including $1,861,118 for the Trail Blvd water main replacement, $1,374,108 for the North County Water Reclamation Facilities, and $2,131,992 for the North and South County Regional Water Treatment Plant. The remaining $4,615,845 were related to other various County Water and Sewer projects.

Additional information regarding the District's capital assets can be found in Note 4 on page 30 of this report.

Debt Administration

On September 30, 2023 the District had total bonded debt, notes and loans of $339,455,069, a decrease of $21,537,372 from the previous year.

The following table illustrates the balances of all bonds, notes and loans as of the fiscal years ended September 30, 2023 and 2022:

Water and Sewer District Outstanding Debt

	2023	2022	(Decrease)	%
Revenue bonds, net	$ 233,355,221	$ 293,298,593	$ (59,943,372)	(20.4%)
Direct placement loans payable	71,595,000	25,155,000	46,440,000	184.6%
Notes payable-Subordinated Debt	34,435,000	42,469,000	(8,034,000)	(18.9%)
Notes payable-Developer	69,848	69,848	-	0.0%
Leases	372,939	224,830	148,109	65.9%
Subscription Based Information Technology Arrangements*	436,780	-	436,780	100.0%
Total	$ 340,264,788	$ 361,217,271	$ (20,952,483)	(5.8%)

*The increase in Subscription Based Information Technology Arrangements is due to the County's adoption of GASB 96, Subscription-Based Information Technology Arrangements for the 2023 fiscal year.

Collier County's Senior Lien Water and Sewer Revenue Bonds carry ratings of Aaa and AAA, respectively, by Moody's and Fitch Ratings, Inc. The Series 2018 and 2023 County Water and Sewer Revenue Bonds were issued as a direct placement with a commercial bank and, as such, carry implied ratings of Aaa and AAA by Moody's and Fitch Ratings, Inc., respectively.

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 31 to 36 of this report.

Economic Factors and Fiscal Year 2024 Budgets and Rates

The following factors were considered in preparing the District's fiscal year 2024 budget:

- Water production and wastewater collection and treatment are anticipated to slightly increase in fiscal year 2024 compared to fiscal year 2023 based on current growth projections.

- In September 2021, the Board approved a resolution which increased water user rates by 4%, wastewater user rates by 5%, and Irrigation Quality (IQ) user rates by 9% in fiscal year 2024. Subsequently, due to rapidly rising commodity, operational and construction costs, the Board approved Resolution No. 2023-120, which included an interim update to user rates at the June 13, 2023, meeting (Agenda item 17.D), in accordance with the 2023 price index issued by the Florida Public Services Commission. The index was utilized to update user rates by 7.07% prior to the completion of a fully documented User Fee Rate Study. The increase in revenue for fiscal year 2024 will be used to fund increased personal services, chemicals, contractual services, utility parts, electricity, indirect costs, fuel, engineering fees, and PILT. Personal services costs are increasing primarily due to the proposed 5% cost-of-living adjustment, an additional 1.5% allocation for a merit-based incentive program, and the addition of 12 full-time employees (FTEs) for the newly constructed interim Northeast County Water Reclamation Facility (NECWRF).

- The CIP focuses on the most critical and risk-sensitive rehabilitation construction projects, such as the NCWRF Headworks, 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 (funded by the Series 2021 Revenue Bond).

- The Districts' Capital Improvement Program in fiscal year 2023 loaned $21.4 million to the Solid Waste Capital Improvement program to fund the Hurricane Ian disaster debris mission. As disaster debris mission expenses recover, the loaned funds will return to projects on a prioritized basis. In fiscal year 2023, the $21.4 million was repaid and $12.5 million was then allocated to fund the Hurricane Ian permanent repair work.

- The District's total debt is $307 million with debt service due in fiscal year 2024 of $25.2 million.

- The total number of permits assessed water and wastewater impact fees in fiscal year 2023 decreased 2% from fiscal year 2022 while the impact fee revenue also decreased by 12%. Fiscal year 2024 impact fee revenues were budgeted conservatively consistent with forecast trends at the time. If the downward trend of large multi-family permits continues, fiscal year 2024 revenues may be lower than and/or equal to fiscal year 2024 budget.

- In fiscal year 2023, the estimated permanent population numbers were recalibrated. The estimated permanent population in the regional potable water service area increased by 1% from 224,025 to 225,873, and the estimated permanent population in the wastewater service area increased by 0.3% from 237,967 to 238,606. Growth rates are expected to remain below 2% into future fiscal years.

- Approximately 8,121 unserved permanent population in the Golden Gate service area could become water customers and approximately 12,910 unserved permanent population could become wastewater customers through 2040. These estimates reflect a standardized approach using population figures. In fiscal year 2023, the board approved capital improvements which will begin the potable water conversions. The construction on the Golden Gate City transmission mains, as a first step to provide potable water to additional customers has begun with anticipated completion in early 2025.

- The average annual unemployment rate in the Naples-Immokalee-Marco Island Metropolitan Statistical Area, without seasonal adjustment is trending downwards, decreasing by 0.2% from fiscal year 2022 (2.9%) to fiscal year 2023 (2.7%).

- 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, 2023

ASSETS		
Current assets:		
Cash and investments	$	234,448,541
Receivables:		
Trade, net		20,873,478
Special assessments		37,518
Interest		510,479
Leases receivable		32,765
Due from other funds		653
Due from other governments		652,010
Deposits		1,706,394
Inventory		11,321,191
Prepaid costs		137,520
Restricted assets:		
Cash and investments		13,216,560
Interest receivable		39,377
Total current assets		282,976,486
Noncurrent assets:		
Restricted assets:		
Cash and investments		179,679,060
Receivables:		
Leases receivable		748,865
Advances to other funds		12,500,000
Capital assets:		
Land and nondepreciable capital assets		181,915,927
Depreciable and amortizable capital assets, net		781,080,648
Total noncurrent assets		1,155,924,500
Total assets		1,438,900,986
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to debt		1,465,263
Deferred outflows of resources related to pensions		8,955,298
Deferred outflows of resources related to OPEB		123,997
Total deferred outflows of resources		10,544,558

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

Statement of Net Position (continued)

September 30, 2023

LIABILITIES		
Current liabilities:		
Accounts payable	$	12,029,511
Wages payable		2,238,683
Retainage payable		1,533,763
Due to County funds		8,198
Due to other governments		140,813
Unearned revenue		47,163
Compensated absences		2,324,032
Total OPEB liability		103,042
Leases payable		65,078
SBITA liability		55,919
Bonds, loans and notes payable		10,479,750
Liabilities payable from restricted assets:		
Accounts payable		3,394,022
Retainage payable		3,240,900
Refundable deposits		216,916
Interest payable		2,801,624
Bonds, loans and notes payable		3,563,098
Total current liabilities		42,242,512
Noncurrent liabilities:		
Arbitrage rebate		349,008
Compensated absences		581,008
Leases payable		307,861
SBITA Liability		380,861
Total OPEB liability		1,479,316
Net pension liability		37,690,060
Bonds, loans and notes payable, net		325,412,221
Total noncurrent liabilities		366,200,335
Total liabilities		408,442,847
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to leases		704,460
Deferred inflows of resources related to OPEB		274,098
Deferred inflows of resources related to pensions		1,322,714
Deferred inflows of resources related to debt		6,341,662
Total deferred inflows of resources		8,642,934
NET POSITION		
Net investment in capital assets		747,328,532
Restricted for capital expansion		22,016,087
Restricted for growth and capital expansion		300,000
Restricted for debt service		22,029,934
Unrestricted		240,685,210
Total net position	$	1,032,359,763

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, 2023

Operating revenues:	
Charges for services	$ 192,339,407
Miscellaneous	271,428
Total operating revenues	192,610,835
Operating expenses:	
Salaries and wages	32,154,581
Employee benefits	21,223,023
Contractual services	27,703,533
Materials, supplies and maintenance	15,021,192
Utilities	9,458,854
Insurance	2,800,829
Fertilizer, herbicides and chemicals	9,449,118
Other operating expenses	7,983,589
Depreciation and amortization	50,620,923
Total operating expenses	176,415,642
Operating income	16,195,193
Non-operating revenues (expenses):	
Operating grants and contributions	51
Interest earnings	17,744,440
Insurance reimbursement	1,146,154
Interest expense	(10,651,308)
Rebatable arbitrage	(349,008)
Loss on disposal of capital assets	(1,375,920)
Net non-operating revenues (expenses)	6,514,409
Income before contributions and transfers	22,709,602
Capital grants and contributions	42,318,853
Transfers from County funds	2,253,201
Transfers to County funds	(14,948,928)
Total transfers and contributions	29,623,126
Change in net position	52,332,728
Net position - beginning	980,027,035
Net position - ending	$ 1,032,359,763

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, 2023

Cash flows from operating activities:		
Cash received for services	$	188,279,836
Cash received from refundable deposits		153,450
Cash payments for goods and services		(59,813,361)
Cash payments for County interfund services		(14,314,798)
Cash payments to employees		(45,590,701)
Cash payments from refundable deposits		(124,700)
Net cash provided by operating activities		68,589,726
Cash flows from noncapital financing activities:		
Cash transfers from County funds		2,252,984
Cash transfers to County funds		(25,286,411)
Net cash used for noncapital financing activities		(23,033,427)
Cash flows from capital and related financing activities:		
System development charges		17,586,817
Special assessment collections		55,544
Receipt from insurance reimbursement		1,172,777
Proceeds from bond issue		116,305
Proceeds from disposal of capital assets		248,227
Proceeds from leasing activities		33,668
Payments for capital acquisitions		(49,887,746)
Principal payments on notes		(8,034,000)
Principal payments on loans		(3,505,000)
Principal payments on bonds		(2,105,000)
Payments to escrow agents		21,606
Principal payments on leases		(68,331)
Principal payments on SBITA		(58,590)
Interest and fiscal agent fees paid		(11,793,179)
Net cash used for capital and related financing activities		(56,216,902)
Cash flows from investing activities:		
Interest on investments		17,675,991
Net cash provided by investing activities		17,675,991
Net change in cash and investments		7,015,388
Cash and investments, October 1, 2022		420,328,773
Cash and investments, September 30, 2023	$	427,344,161
Current cash and investments	$	234,448,541
Current cash and investments - restricted		13,216,560
Noncurrent cash and investments - restricted		179,679,060
Cash and investments, September 30, 2023	$	427,344,161

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

Statement of Cash Flows (continued)

Year ended September 30, 2023

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

Operating income	$	16,195,193
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		50,620,923
Net changes in assets and liabilities:		
Trade receivable		(4,340,744)
Due from other governments		318,787
Inventory		(4,010,027)
Prepaid costs		(8,399)
Accounts payable		1,774,027
Retainage payable		132,664
Wages payable		303,966
Due to County funds		70
Due to other governments		140,736
Compensated absences		151,489
Refundable deposits		28,750
Total OPEB liability		112,329
Deferred outflows of resources related to OPEB		(43,588)
Deferred inflows of resources related to OPEB		(103,930)
Net pension liability		8,823,038
Deferred outflows of resources related to pensions		(1,270,166)
Deferred inflows of resources related to pensions		(186,235)
Deferred inflows leases		(49,157)
Total adjustments		52,394,533
Net cash provided by operating activities	$	68,589,726

Supplemental disclosure of noncash investing, capital and financing activities:

Change in fair value of investments	$	6,841,760
Arbitrage rebate		349,008
Developer infrastructure contributions		24,726,809
Contributed capital assets		54,918
Lease right-to-use assets acquired		216,440
SBITA right-to-use assets acquired		495,370
Change in special assessment receivable		(50,317)
Capital related accounts payable		7,700,139
Capital related retainage		4,395,937

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

(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.

(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.

(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.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price that the District is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

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

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Amounts expected to be payable by the County under residual value guarantees.
- The exercise price of a purchase option if it is reasonably certain the option will be executed.
- Payments of penalties for terminating the lease, if the lease term reflects the County exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases across the District. These are used to maximize operational flexibility in terms of managing the assets used in the District's operations. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate) are initially measured using the index or rate as of the commencement of the lease term.

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.

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.

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

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

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee. The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The District has entered into agreements for the right to use various subscription based information technology for computer software and infrastructure. The District recognizes a subscription based information technology arrangement liability and an intangible right-to-use asset (subscription based IT arrangement asset) in the District's financial statements.

At the commencement of a SBITA contract, the District initially measures the liability at the present value of payments expected to be made during the SBITA contract term. Subsequently, the SBITA liability is reduced by the principal portion of lease payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA contract payments made at or before the SBITA contract commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the term of the SBITA contract or the useful life of the underlying asset if shorter than the term of the SBITA contract.

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

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

The SBITA contract term includes the noncancellable period of the SBITA contract. SBITA contract payments included in the measurement of the SBITA liability are comprised of fixed payments and any purchase option price that the District is reasonably certain to exercise. In determining the SBITA contract term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the SBITA contract term if the SBITA contract is reasonably certain to be extended.

The District monitors changes in circumstances that would require a remeasurement of its SBITA contract and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Payments due under the SBITA contracts include fixed payments plus, in some circumstances, variable payments. Some common variable payments are for services or per use fees. These fees are analyzed for relevancy and for values that are fixed in nature.

Assets and liabilities arising from a SBITA contract are initially measured on a present value basis. SBITA liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any incentives receivable.
- Amounts expected to be payable by the District under residual value guarantees.
- The exercise price of a purchase option if it is reasonably certain the option will be executed.
- Payments of penalties for terminating the SBITA contract, if the SBITA contract term reflects the District exercising that option.

SBITA contract payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of SBITA contracts across the District. These are used to maximize operational flexibility in terms of managing the assets used in the District's operations. The majority of extension and termination options held are exercisable only by the District and not by the respective lessor.

The SBITA contract payments are discounted using the interest rate implicit in the SBITA contract. If that rate cannot be readily determined, which is generally the case for SBITA arrangements in the group, the District's incremental borrowing rate is used. The incremental borrowing rate is the rate that the District would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate) are initially measured using the index or rate as of the commencement of the SBITA contract term.

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.

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

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.

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.

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

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.

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.

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

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, related to leases, 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.

ADOPTION OF NEW ACCOUNTING PRONOUCEMENTS

For the year ended September 30, 2023, the financial statements include the impact of the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the consistency and comparability in financial reporting by governments. This statement establishes a definition for Subscription-Based Information Technology Arrangements (SBITA) and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. In the year of inception, SBITAs initiated by the District are categorized as other financing sources and capital outlay expenditures in the statement of revenues, expenditures, and changes in fund balance. Payments made in accordance with the subscription terms are recorded as debt service expenditures in the statement of revenues, expenditure, and changes in fund balance as they are incurred. In addition, the District is required to recognize a liability (SBITA liability) for the future payment obligation and an intangible right-to-use SBITA asset. This statement was fully implemented for fiscal year 2023. For additional information, please see Note 5 beginning on page 31.

(2) CASH AND INVESTMENTS

At September 30, 2023, the District had the following investments and maturities:

		Investment Maturities Within:		
Investments	**Fair Value**	**1 Year**	**2 Years**	**3 Years and more**
U.S. Treasury Notes	$ 52,486,258	$ 52,486,258	$ -	$ -
U.S. Agency Securities	192,372,948	61,041,532	57,536,860	73,794,556
	$ 244,859,206	$ 113,527,790	$ 57,536,860	$ 73,794,556

Reconciliation of cash and investments to the District's financial statements, as of September 30, 2023:

Change funds and petty cash	$ 8,800
Demand deposits	105,668,084
Local government investment pools	76,808,071
Investments, including cash equivalents	244,859,206
Total cash, cash equivalensts and investments	$ 427,344,161
Cash and investments:	
Current unrestricted	$ 234,448,541
Current restricted	13,216,560
Noncurrent restricted	179,679,060
Total cash, cash equivalensts and investments	$ 427,344,161

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, 2023 the District's share of the cash and investment pool was $427,344,161.

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.*

(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.

(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, 2023, was 35 days. The weighted average life (WAL) of Florida PRIME at September 30, 2023, was 75 days. The weighted average days to maturity (WAM) of the FL PALM Portfolio was 44 days, while the weighted average life (WAL) was 76 days. The weighted average days to maturity (WAM) of the FLCLASS Liquidity Pool on September 30, 2023, was 43 days, while the weighted average life (WAL) was 71 days. The weighted average days to maturity (WAM) of the FLCLASS Enhanced Cash Pool at September 30, 2023 was 178 days, while the weighted average life (WAL) was 221 days. Next interest rate reset dates for floating rate securities are used in the calculation of the respective weighted average days to maturity.

The portion of the District's portfolio invested in U.S. Government Agencies is detailed as follows, at September 30, 2023:

Issuer	% of Portfolio
Federal Home Loan Bank	28.00%
Federal Farm Credit Bank	1.99%
Federal Home Loan Mortgage Corporation	7.56%
Federal National Mortgage Association	4.24%
Federal Agricultural Mortgage Corporation	0.51%
Total U.S. Government Agencies	42.30%

(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, 2023:

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, 2023, the fair value of the District's U.S. Treasury Notes was $52,486,258.

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, 2023, the fair value of the District's U.S. Agency obligations was $192,372,948.

(3) LEASE RECEIVABLES

The District leases land to third parties. As of September 30, 2023, the District's lease receivables were valued at $781,630 and the deferred inflow of resources associated with these leases that will be recognized as revenue over the term of the leases was $704,460. The District had annual land lease payments totaling $32,765 plus interest, rates ranging from 0.15% to 3.00%, with dates ranging from October 1, 2023 to August 25, 2041.

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

Fiscal Year	Principal	Interest
2024	$ 32,765	$ 17,635
2025	31,363	16,924
2026	22,567	16,334
2027	30,269	15,811
2028	30,920	15,160
2029-2033	184,422	64,411
2034-2038	258,622	39,976
2039-2041	190,702	8,363
Total	$ 781,630	$ 194,614

(4) CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 is as follows:

	October 1, 2022	**Additions**	**Deductions**	**Reclass**	**September 30, 2023**
Land and non-depreciable assets	$ 18,298,130	$ 370,050	$ 1,365	$ -	$ 18,666,815
Construction in progress	128,456,906	49,101,262	373,814	(13,935,242)	163,249,112
Total assets not depreciated	146,755,036	49,471,312	375,179	(13,935,242)	181,915,927
Buildings	125,005,314	-	2,070	-	125,003,244
Improvements other than buildings	1,394,166,571	24,877,818	7,249,042	12,858,109	1,424,653,456
Machinery and equipment	54,233,893	2,108,077	1,065,992	1,077,133	56,353,111
Right-to-use leased buildings	259,411	-	-	-	259,411
Right-to-use leased equipment	156,982	216,440	22,136		351,286
Right-to-use SBITA	-	520,570	-	-	520,570
Total assets depreciated and amortized	1,573,822,171	27,722,905	8,339,240	13,935,242	1,607,141,078
Buildings	95,121,625	2,842,965	2,070	-	97,962,520
Improvements other than buildings	648,866,837	43,971,269	6,001,786	-	686,836,320
Machinery and equipment	38,338,782	3,689,835	1,064,284	-	40,964,333
Right-to-use leased buildings	107,329	35,744	-	-	143,073
Right-to-use leased equipment	95,210	37,543	22,136	-	110,617
Right-to-use SBITA	-	43,567	-	-	43,567
Less accumulated depreciation and amotization	782,529,783	50,620,923	7,090,276	-	826,060,430
Total depreciable and amortizable assets, net	791,292,388	(22,898,018)	1,248,964	13,935,242	781,080,648
Total capital assets, net	$ 938,047,424	$ 26,573,294	$ 1,624,143	$ -	$ 962,996,575

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

Notes to the Financial Statements

September 30, 2023

(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, 2023:

	October 1, 2022	Additions	Reductions	Premium/ Discount Amotized	September 30, 2023	Due within one year
Revenue Bonds payable	$ 251,135,000	$ -	$ 50,210,000	$ -	$ 200,925,000	$ 2,210,000
Premium on bonds payable	42,163,593	-	8,032,929	(1,700,443)	32,430,221	-
Direct placement loans and notes	67,624,000	49,945,000	11,539,000	-	106,030,000	11,763,000
Developer note payable	69,848	-	-	-	69,848	69,848
Lease payable	224,830	281,519	133,410	-	372,939	65,078
SBITA Liability	-	551,289	114,509	-	436,780	55,919
Compensated absences	2,753,551	1,891,635	1,740,146	-	2,905,040	2,324,032
Total	$ 363,970,822	$ 52,669,443	$ 71,769,994	$ (1,700,443)	$ 343,169,828	$ 16,487,877

SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity for all bonds and notes outstanding at September 30, 2023 are as follows:

	Revenue Bonds		Direct Placement Loans and Notes Payable		Developer Note Payable		Totals
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	
2024	$2,210,000	$7,992,181	$11,763,000	$3,214,313	$ 69,848	-	$ 25,249,342
2025	2,320,000	7,881,681	11,429,000	2,980,711	-	-	24,611,392
2026	2,435,000	7,765,681	10,103,000	2,752,602	-	-	23,056,283
2027	2,560,000	7,643,931	8,941,000	2,547,811	-	-	21,692,742
2028	2,685,000	7,515,931	8,683,000	2,357,012	-	-	21,240,943
2029-33	34,455,000	34,098,557	34,681,000	8,062,865	-	-	111,297,422
2034-38	64,210,000	25,516,432	20,430,000	1,718,722	-	-	111,875,154
2039-43	57,435,000	12,581,000	-	-	-	-	70,016,000
2044-46	32,615,000	2,643,200	-	-	-	-	35,258,200
Totals	$ 200,925,000	$ 113,638,594	$ 106,030,000	$ 23,634,036	$ 69,848	$ -	$ 444,297,478

(5) LONG-TERM OBLIGATIONS (CONTINUED)

DESCRIPTIONS OF BOND ISSUES AND NOTES PAYABLE

Revenue bonds payable and notes payable at September 30, 2023 consisted of the following:

Revenue Bonds		
$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 Collier County Water and Sewer District.	$	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.		124,740,000
Totals Revenue Bonds	$	200,925,000
Direct Placement Loans and Notes Payable		
$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.	$	21,650,000
$49,945,000 2023 Taxable Collier County Water and Sewer Revenue Bond (Bank Term Loan) due in annual installments of $270,000 to $7,090,000 through July 1, 2036; interest at 4.15% and collateralized by a lien on and a pledge of net revenues of the Collier County Water and Sewer District. Loan was issued to refund the Series 2016 Collier County Water and Sewer Refunding Revenue Bonds.		49,945,000

(5) LONG-TERM OBLIGATIONS (CONTINUED)

$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.	34,435,000
Total Direct Placement Loans and Notes Payable	$ 106,030,000
Developer Note Payable	
$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
Total Obligations	$ 307,024,848
Unamortized Bond Premium	$ 32,430,221
Business-type Activities Obligations, Net	$ 339,455,069
Less Current Portion of Obligations Payable from Unrestricted Assets	$ (10,479,750)
Less Current Portion of Obligations Payable from Restricted Assets	$ (3,563,098)
Long-Term Portion of Obligations, Net	$ 325,412,221

CURRENT YEAR FINANCING ACTIVITIES

On January 17, 2023, the District issued the Series 2023 Taxable Water and Sewer Refunding Revenue Bond (Bank Term Loan) in the par amount of $49,945,000. This taxable bond was issued for the purpose of refunding all of the District's outstanding County Water and Sewer Refunding Revenue Bonds, Series 2016. The final maturity of the Series 2023 Taxable Water and Sewer Refunding Revenue Bond is July 1, 2036, with an interest rate of 4.15%. The taxable refunding achieved a net present value savings of 3.24% on the refunded bonds, an aggregate debt service savings of $1,869,097 and an economic gain of $1,583,910. The Series 2023 Taxable Water and Sewer Refunding Revenue Bond was issued as a direct placement financing, secured with a lien on parity with all outstanding senior lien Collier County Water and Sewer Revenue Bonds. On July 1, 2026, the Series 2023 Bond is scheduled to be exchanged for a Series 2026 tax-exempt bond paying fixed interest at 3.39%. The refunding, assuming an exchange to a tax-exempt Series 2026 Bond, will achieve a net present value savings of 7.31% on the refunded debt and an aggregate debt service savings of $4,395,527. The refunded Series 2016 Collier County Water and Sewer Refunding Revenue Bonds have a redemption date of July 1, 2026.

(5) LONG-TERM OBLIGATIONS (CONTINUED)

DEFEASED DEBT

The District has defeased certain outstanding bonds by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payment on the defeased bonds. Accordingly, the trust account and the defeased bonds are not included in the District's financial statements.

As of September 30, 2023, the following issue was considered defeased:

	Original Debt Defeased	Defeased Bonds Outstanding
2016 County Water and Sewer Refunding Revenue Bonds	$48,105,000	$48,105,000

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 $272,520,000 in Series 2018, 2019, 2021 and 2023 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 adequate to pay at least 100% of the annual debt service on the bonds. Fiscal year 2023 pledged revenues, net of operating expenses (excluding depreciation and amortization), were $83,652,363 and $101,239,179 when impact fees were included. Principal and interest paid on the bonds during fiscal year 2023 totaled $16,460,530, providing coverage of 508% and 615%. 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, 2023.

(5) LONG-TERM OBLIGATIONS (CONTINUED)

In addition, the District has a note outstanding in the amount of $34,435,000 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 2023 totaled $8,798,047, providing coverage of 964%. The District's note was in compliance with these covenants for the year ended September 30, 2023.

LEASE PAYABLE

The District is a lessee for noncancellable leases of building, office space, and equipment. At September 30, 2023, the District's lease payable of $372,939 was composed of the following:

Building and office space leases. Annual installments totaling $36,941 plus interest at a rate of 1.59%, due dates ranging from October 1, 2023 to December 1, 2026	$	126,471
Equipment leases. Annual installments totaling $28,137 plus interest at rates ranging from 1.55% to 4.17%, due dates ranging from October 1, 2023 to February 1, 2048		246,468
Total Lease Payable	$	372,939

(5) LONG-TERM OBLIGATIONS (CONTINUED)

The future principal and interest lease payments as of September 30, 2023 are as follows:

Fiscal Year	Principal	Interest
2024	$ 65,078	$ 10,761
2025	41,821	9,877
2026	41,730	9,210
2027	11,973	8,707
2028	2,135	8,639
2029-2033	19,560	41,132
2034-2038	38,558	35,283
2039-2043	65,020	24,819
2044-2048	87,064	8,177
Total	$ 372,939	$ 156,605

SBITA LIABILITY

The District is a customer for non-cancellable arrangements for software, software as a service, and other intangible right-to-use assets. As of September 30, 2023, the District's had a SBITA liability of $436,780. The District had SBITA arrangements annual payments totaling $55,919, plus interest at a rate of 4.18% with due dates ranging from February 28, 2024 to February 28, 2029.

The future principal and interest SBITA payments as of September 30, 2023, are as follows:

Fiscal Year	Principal	Interest
2024	$ 55,919	$ 16,531
2025	62,246	13,826
2026	68,756	11,120
2027	75,734	8,136
2028	82,925	5,139
2029	91,200	1,267
Total	$ 436,780	$ 56,019

(6) DEFINED BENEFIT PENSION PLANS

BACKGROUND

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, effective December 1, 1970. The FRS is a qualified retirement plan under Section 401(a), Internal Revenue Code created 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. 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 $10,593,028 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2023.

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.

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 96 months after electing to participate, except that certain instructional personnel may participate for an additional 24 months beyond their initial 96-month participation period. 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.

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.

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular employees – 11.91% and 13.57%; Special Risk – Regular– 27.83% and 32.67%; County Elected Officials – 57.00% and 58.68%; Senior Management Services – 31.57% and 34.52%; and DROP participants– 18.60% and 21.130%. The District's contributions to the FRS Plan were $3,114,831 for the year ended September 30, 2023.

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION COSTS

At September 30, 2023, the District reported a liability of $24,786,699 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2023, the District's proportion was 0.0622049%, which was an increase of 0.0057571% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the District recognized pension expense of $5,523,181 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	$ 2,327,257	$ -
Changes in Actuarial Assumptions	1,615,803	-
Net Difference Between Projected and Actual Earnings on Plan Investments	1,035,160	-
Changes in Proportionate Share	1,616,564	116,237
District Contributions Subsequent to the Measurement Date	751,852	-
Total	$ 7,346,636	$ 116,237

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows of resources related to pensions of $751,852, 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, 2024. 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
2024	$ 1,055,035
2025	117,610
2026	4,472,163
2027	657,415
2028	176,324

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2023, 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	6.70%, 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, 2022 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.

(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%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate (property)	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Totals	100.0%			
Assumed inflation - Mean			2.4%	1.4%

DISCOUNT RATE

The discount rate used to measure the total pension liability for the FRS Plan in fiscal year 2023 was 6.70% which was the same as in fiscal year 2022. 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	5.70%	6.70%	7.70%
District's Proportionate Share of the FRS Plan Net Pension Liability	$ 42,340,703	$ 24,786,699	$ 10,100,646

(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, 2023, eligible retirees and beneficiaries received a monthly HIS payment of $7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $45 and a maximum HIS payment of $225 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 rate rates include a 1.66% HIS Plan subsidy for the periods October 1, 2022 through June 30, 2023 and a 2.00% HIS Plan subsidy from July 1, 2023 through September 30, 2023, respectively, pursuant to Section 112.363, Florida Statues. 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 $361,464 for the year ended September 30, 2023.

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION COSTS

At September 30, 2023, the District reported a liability of $12,903,361 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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, 2022, through June 30, 2023, relative to the total employer contributions received from all participating employers. At June 30, 2023, the District's proportion was 0.0812486601%, which was an increase of 0.0070018% from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the District recognized pension expense of $5,069,847 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	$ 188,896	$ 30,286
Changes in Actuarial Assumptions	339,225	1,118,120
Net Difference Between Projected and Actual Earnings on Plan Investments	6,664	-
Changes in Proportionate Share	927,261	58,071
District Contributions Subsequent to the Measurement Date	146,616	-
Total	$ 1,608,662	$ 1,206,477

Deferred outflows of resources related to pensions of $146,616, 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, 2024. 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
2024	$ 94,837
2025	95,268
2026	41,600
2027	(48,972)
2028	39,244
Thereafter	33,592

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2023, 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%, including Inflation
Municipal Bond Rate	3.65%

Mortality rates were based on the PUB-2010 base table projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2022 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 increased from 3.54% in fiscal year 2022 to 3.65% in fiscal year 2023. 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	2.65%	3.65%	4.65%
District's Proportionate Share of the HIS Plan Net Pension Liability	$ 14,720,721	$ 12,903,361	$ 11,396,892

(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	$ 24,786,699	$ 12,903,361	$ 37,690,060
Deferred outflows of resources related to pensions	7,346,636	1,608,662	8,955,298
Deferred inflows of resources related to pensions	116,237	1,206,477	1,322,714
Pension expense	5,523,181	5,069,847	10,593,028

(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, 2022 to June 30, 2023 and .06% of payroll from July 1, 2023 to June 30, 2024 and by forfeited benefits of plan members. The District's Investment Plan pension expense totaled $1,581,278 for the year ended September 30, 2023.

(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, 2023, 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) TRANSFERS FROM AND TO COUNTY FUNDS

Transfers between funds were used to (1) move revenues from the fund that statute or budget requires they be collected in to the fund that statute or budget requires they be expended from, (2) account for payments in lieu of taxes not based on an approximation of services rendered and (3) move receipts restricted to debt service to the debt service fund as payments become due.

Transfers for the year ended September 30, 2023 were as follows:

Transfers from Fund	Transfers to Fund	Amount
Governmental Activities:		
General Fund	County Water and Sewer	653
Nonmajor Governmental Funds	County Water and Sewer	2,252,548
		2,253,201
Business-type Activities:		
County Water and Sewer	General Fund	10,298,081
	Immokalee Community Redevelopment Agency	19
	Nonmajor Governmental Funds	1,439,415
	Solid Waste Disposal	1,122,387
	Emergency Medical Services	4,257
	Nonmajor Business-type	1,309
	Internal Service Funds	2,083,460
		14,948,928

(9) 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	$100,000-$500,000 ($250,000 named storm deductible; 5% deductible of reported values per damaged building; no deductible cap)	$500,001 - $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

The claims loss reserve for workers' compensation, health and property and casualty of $10,269,502 reported by the County at September 30, 2023 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 3.0%. 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 $7,853,455 are recorded by the County 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, 2023, the District was charged $336,900, $6,730,857, and $2,797,700 respectively, for workers' compensation, health, and property and casualty self-insurance programs.

(10) 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.

PARTICIPANT DATA

As of September 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Active employees	433
Total employees	441

THE OPEB LIABILITY

The District's share in the County's total OPEB liability of $1,582,358 or 17.51% was measured as of September 30, 2023 and was determined by an actuarial valuation as of October 1, 2022. The following table shows the changes in the District's share of the County's total OPEB liability for the year ended September 30, 2023.

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	Total OPEB Liability
Balance, as of October 1, 2022	$ 1,470,029
Changes:	
Service cost	84,744
Interest	57,739
Changes in assumptions	80,847
Benefit payments	(111,001)
Net changes	112,329
Balance, as of September 30, 2023	$ 1,582,358

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	3.09%	4.09%	5.09%
Total OPEB Liability	$ 1,716,380	$ 1,582,358	$ 1,462,238

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	$ 1,433,983	$ 1,582,358	$ 1,754,784

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2023, the District's OPEB expense was $82,504. 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	$ 28,417	$ 62,817
Changes in assumptions	95,580	211,281
	$ 123,997	$ 274,098

Amounts reported as deferred outflows of resources and inflows of resources related to OPEB will be amortized over 6.63 years and will be recognized as follows:

Year Ending September 30	Amount
2024	$ (46,669)
2025	(60,101)
2026	(56,445)
2027	(11,864)
Thereafter	24,978

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.

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The actuarial methods are:

Actuarial cost method	Entry Age Actuarial

The actuarial assumptions are:

Discount rate	4.09% (Based on the 20 year AA municipal bond rate)
Healthcare cost trend rate	6.5% grading down to 5% over 6 years
Salary increase	3%
New employees	None

The discount rate was changed from 3.9% to 4.09% based on the 20 year AA municipal bond rate.

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

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

The discount rate was changed from 3.9% to 4.09%.

The healthcare cost trend rate changed from a flat 5% annual rate to 6.5%, reducing down to 5% over 6 years.

(11) 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, 2023, the District purchased, and was allocated, operating and capital services in the amount of $14,315,291 and $23,930 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.

(12) 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, 2023, the District's significant commitments with contractors were approximately $112,549,731. 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, 2023 were $22,997,449.

(12) COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

ARBITRAGE REBATE

In accordance with the Tax Reform Act of 1986, any interest earnings on borrowed construction funds in excess of the interest costs incurred are required to be rebated to the federal government. The County Water and Sewer District reported an arbitrage liability of $349,008 as of September 30, 2023.

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 no budget for fiscal year 2023. At the end of 2023, the District had $614,175 in outstanding receivables related to FEMA claims and continues to expect reimbursements from FEMA as projects close out over the next few years.

HURRICANE IAN

On September 28, 2022, Category 4 Hurricane Ian made landfall in Lee County. Statewide an estimated 2.5 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. Collier County experienced significant impacts from Hurricane Ian with widespread power outages and debris, coastal flooding, and beach erosion. The District estimates a total expense of $34.2 million for recovery efforts. To date, the General Fund has fronted $12.6 million for this purpose and may contribute additional funds as needed. Reimbursements from insurance, the Federal Emergency Management Agency (FEMA) and State of Florida are expected over the next few fiscal years and are anticipated to approximate 90%. The District will reimburse the General Fund for District recovery expenses net of those reimbursements. The District loaned $30.3 million to Solid and Hazardous Waste Management for the disaster debris mission. In Fiscal Year 2023, 50% of the estimated debris mission expenses were advanced from FEMA, the loaned funds were returned to the District. Of this, $12.5 million was then allocated to fund the District's permanent repair work. The District has spent approximately $14.3 million on recovery efforts and has a remaining budget of $10.7 million in the 2024 fiscal year. Through fiscal year 2023, the District recognized $39,560 in combined proceeds from insurance. The District continues to expect additional reimbursements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.062204936%	0.056447751%	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	$ 24,786,699	$ 21,003,118	$ 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 *	$ 32,050,906	$ 24,946,534	$ 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	77.34%	84.19%	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	82.38%	82.89%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 3,114,831	$ 2,499,058	$ 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	(3,114,831)	(2,499,058)	(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)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll - Fiscal Year *	$ 31,821,498	$ 27,286,817	$ 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	9.79%	9.16%	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.*

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.081248601%	0.074246809%	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	$ 12,903,361	$ 7,863,922	$ 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 *	$ 32,050,906	$ 26,580,945	$ 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	40.26%	29.58%	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	4.12%	4.81%	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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 361,464	$ 452,961	$ 419,723	$ 403,821	$ 376,472	$ 357,199	$ 351,961	$ 328,290	$ 236,871	$ 186,891
Contributions in Relation to the Contractually Required Contribution	(361,464)	(452,961)	(419,723)	(403,821)	(376,472)	(357,199)	(351,961)	(328,290)	(236,871)	(186,891)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered - Fiscal Year *	$ 31,821,498	$ 27,286,817	$ 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	1.14%	1.66%	1.66%	1.66%	1.59%	1.61%	1.63%	1.67%	1.30%	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.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017
Service Cost	$ 84,744	$ 126,200	$ 116,627	$ 112,815	$ 79,001	$ 45,107	$ 76,702
Interest	57,739	26,675	29,431	33,506	53,076	23,582	41,865
Differences between expected and actual experience	24,186	(20,491)	(48,294)	24,047	(69,269)	-	43,278
Changes of assumptions or other inputs	56,661	(284,980)	13,508	56,445	141,890	(20,766)	-
Benefit payments	(111,001)	(98,060)	(110,222)	(86,169)	(115,201)	(92,447)	(89,499)
Net change in total OPEB liability	112,329	(250,656)	1,050	140,644	89,497	(44,524)	72,346
Total OPEB liability, beginning	1,470,029	1,720,685	1,719,635	1,578,991	1,489,494	1,534,018	1,461,672
Total OPEB liability, ending	$ 1,582,358	$ 1,470,029	$ 1,720,685	$ 1,719,635	$ 1,578,991	$ 1,489,494	$ 1,534,018
District's Proportion of the Total OPEB Liability	17.51%	15.47%	18.11%	17.52%	17.22%	17.06%	17.37%
District's Covered-employee Payroll	$ 30,747,544	$ 28,158,093	$ 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 payroll	5.15%	5.22%	6.94%	7.40%	6.73%	7.13%	7.75%

Notes to the Schedule

Changes in Assumptions: The discount rate was changed from 3.9% to 4.09% based on the 20 year AA municipal bond rate.
The defined benefit OPEB plan is not administered through a trust that meets the criteria of GABS Statement 75, paragraph 4.

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, 2023

(Unaudited)

The following is a computation of the District's senior debt coverage for fiscal year 2023:

Operating revenue	$	192,610,835
Non-operating revenue		16,836,247
Gross revenue		209,447,082
Less: Operating expenses before depreciation and amortization		125,794,719
Net revenue		83,652,363
System development fees		17,586,817
Total amount available for debt service	$	101,239,180
Bond debt service requirements (1)	$	16,460,530
Bond debt service coverage (2)		615%
Bond debt service coverage (3)		508%

(1) Amount of principal and interest paid in fiscal year 2023 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, 2023

(Unaudited)

The following is a computation of the District's subordinate debt coverage for fiscal year 2023:

Operating revenue	$	192,610,835
Non-operating revenue		16,836,247
Gross revenue		209,447,082
Less: Operating expenses before depreciation and amortization		125,794,719
Net revenue		83,652,363
System development fees		17,586,817
Total amount available for debt service	$	101,239,180
Bond debt service requirements (1)	$	16,460,530
Debt service coverage from net revenues available for bond debt service (2)		615%
Adjusted net revenues available for subordinated debt service (3)	$	84,778,650
Subordinated debt service requirements (4)	$	8,798,047
Subordinated debt service coverage (5)		964%

(1) Amount of principal and interest paid in fiscal year 2023 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 2023 for subordinated debt.
(5) Adjusted net revenues available for subordinated debt service divided by subordinated debt service requirements must be greater than 115%.

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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 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 17, 2024.

Report on 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 opinions 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 weaknesses or significant deficiencies may exist that were not identified.

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

Report on 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

CliftonLarsonAllen LLP

Naples, Florida
April 17, 2024