

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

Year Ended September 30, 2024
(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, 2024, 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, 2024, 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.

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 DATE, 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
March 15, 2025

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2024

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, 2024. 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, 2024 by \$1,107,963,191. Of this amount, \$280,265,902 is unrestricted and may be used to meet future obligations of the District.
- The District's total net position increased by \$75,603,428 during fiscal year 2024. The increase in the District's net position is largely due to a 9.5% rate increase effective January 1, 2024 and an increase in customer accounts of 2.0% offset by a 7.05% increase in total operating expenses, including depreciation and amortization.
- Total net bonded debt, direct placement loans, notes, leases, and subscription-based IT arrangements (SBITA) owed by the District decreased by \$15,586,280 during fiscal year 2024 representing the net effect of principal repayments made during the year. Additional information on debt activity can be found in Note 5 to the financial statements beginning on page 28.

Overview of the Financial Statements

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

Basic Financial Statements

The basic financial statements are designed to provide the reader an overview of the financial position of the District and are similar to private sector financial statements. These statements are comprised of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows which are found on pages 11 to 15 of this report.

The Statement of Net Position shows the financial position of the District as of September 30, 2024. 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
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Management's Discussion and Analysis
(Unaudited)

September 30, 2024

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 16 to 50 of this report.

Financial Analysis

Changes in net position over time are a useful indicator in assessing financial condition. For fiscal year 2024, the District reported positive balances in all three categories of net position.

Water and Sewer District Net Position

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 495,525,281	\$ 475,904,411	\$ 19,620,870	4.1%
Capital assets	1,013,360,935	962,996,575	50,364,360	5.2%
Total assets	<u>1,508,886,216</u>	<u>1,438,900,986</u>	<u>69,985,230</u>	4.9%
Deferred outflows of resources	<u>10,484,107</u>	<u>10,544,558</u>	<u>(60,451)</u>	(0.6%)
Current liabilities	48,422,447	42,242,512	6,179,935	14.6%
Long-term liabilities	352,341,303	366,200,335	(13,859,032)	(3.8%)
Total liabilities	<u>400,763,750</u>	<u>408,442,847</u>	<u>(7,679,097)</u>	(1.9%)
Deferred inflows of resources	<u>10,643,382</u>	<u>8,642,934</u>	<u>2,000,448</u>	23.1%
Net position				
Net investment in capital assets	781,630,368	747,328,532	34,301,836	4.6%
Restricted	46,066,921	44,346,021	1,720,900	3.9%
Unrestricted	<u>280,265,902</u>	<u>240,685,210</u>	<u>39,580,692</u>	16.4%
Total net position	<u>\$ 1,107,963,191</u>	<u>\$ 1,032,359,763</u>	<u>\$ 75,603,428</u>	7.3%

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

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(Unaudited)

September 30, 2024

The largest portion of the District's net position, \$781,630,368 or 70.5%, consists of capital assets such as land, buildings, improvements other than buildings, infrastructure and machinery and equipment, net of depreciation and any outstanding debt related to the construction or purchase of the asset. Capital assets are used to provide services to the citizens of the Collier County Water and Sewer District and consequently do not represent spendable resources.

The District's net position also includes restricted net position of \$46,066,921 and unrestricted net position of \$280,265,902. 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 \$23,277,035 for capital expansion, \$300,000 for renewal and replacement and \$22,489,886 for debt service as of September 30, 2024.

Water and Sewer District Changes in Net Position

	2024	2023	Increase (Decrease)	%
Revenue:				
Charges for services	\$ 220,685,685	\$ 192,339,407	\$ 28,346,278	14.7%
Miscellaneous	345,453	271,428	74,025	27.3%
Total revenues	<u>221,031,138</u>	<u>192,610,835</u>	<u>28,420,303</u>	14.8%
Expenses:				
Personal services	50,944,979	53,377,604	(2,432,625)	(4.6%)
Operating	86,139,653	72,417,115	13,722,538	18.9%
Depreciation and amortization	51,775,852	50,620,923	1,154,929	2.3%
Total expenses	<u>188,860,484</u>	<u>176,415,642</u>	<u>12,444,842</u>	7.1%
Operating income	32,170,654	16,195,193	15,975,461	98.6%
Net non-operating revenues (expenses)	<u>14,829,649</u>	<u>6,514,409</u>	<u>8,315,240</u>	127.6%
Income before capital contributions and transfers	47,000,303	22,709,602	24,290,701	107.0%
Capital contributions and transfers	<u>28,603,125</u>	<u>29,623,126</u>	<u>(1,020,001)</u>	(3.4%)
Changes in net position	75,603,428	52,332,728	23,270,700	44.5%
Net position, beginning	<u>1,032,359,763</u>	<u>980,027,035</u>	<u>52,332,728</u>	5.3%
Net position, end of the year	<u>\$ 1,107,963,191</u>	<u>\$ 1,032,359,763</u>	<u>\$ 75,603,428</u>	7.3%

On September 30, 2024, the District's total net position amounted to \$1,107,963,191 as compared to \$1,032,359,763 as of September 30, 2023. Net position changes as a result of operations, non-operating revenues and expenses and capital contributions.

**COLLIER COUNTY, FLORIDA
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Management's Discussion and Analysis
(Unaudited)

September 30, 2024

The District's charges for services increased by \$28,346,278 when compared to fiscal year 2023. The increase is due to a 9.5% water and sewer user rate increase effective January 1, 2024, along with the increase of 2.0% in active accounts. The District's total expenses, including depreciation and amortization, increased by 7.05% from fiscal year 2023. Personal services expenses decreased by 4.6% from the prior year mainly due to a decrease of \$4,992,663 in pension expense offset by the salary increases implemented as part of the County's comprehensive compensation plan, which provided a cost-of-living adjustment for the majority of the District's staff. General and Administrative expenses increased by \$13,722,538 or 18.9%, mainly due to the consumption of prior year inventory, maintenance and repair expenses of \$13,045,939, and increases in property insurance of \$1,324,000. The net non-operating revenues increased by \$8,315,240 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 \$10,613,800 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, 2024, the District reported capital grants and contributions of \$40,899,445, which consists of water and wastewater impact fees of \$17,349,184, \$23,188,872 in developer infrastructure contributions, and \$361,389 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

	2024	2023	Net Increase (Decrease)	%
Land	\$ 18,790,725	\$ 18,666,815	\$ 123,910	0.7%
Construction in progress	210,236,501	163,249,112	46,987,389	28.8%
Construction in progress (SBITA)	74,209	-	74,209	100.0%
Buildings	126,273,392	125,003,244	1,270,148	1.0%
Improvements other than buildings	1,473,795,671	1,424,653,456	49,142,215	3.4%
Equipment	60,403,303	56,353,111	4,050,192	7.2%
Right-to-use leased assets	619,729	610,697	9,032	1.5%
Right-to-use SBITA	520,570	520,570	-	0.0%
Total assets	1,890,714,100	1,789,057,005	101,657,095	5.7%
Less accumulated depreciation and amortization	(877,353,165)	(826,060,430)	(51,292,735)	6.2%
Total capital assets, net	\$ 1,013,360,935	\$ 962,996,575	\$ 50,364,360	5.2%

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2024

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 \$50,364,360 from \$962,996,575 at the end of fiscal year 2023 to \$1,013,360,935 at the end of fiscal year 2024.

The District capitalized \$26,970,428 of construction in process in fiscal year 2024 due to the completion of several Water and Sewer capital project parts. The most notable capitalizations of Water and Sewer capital projects were \$19,843,119 of infrastructure improvements including \$5,162,661 for the Golden Gate City Transmission Water Main, \$10,607,828 for the Naples Park Basin, and \$4,072,630 for Public Utilities projects. The remaining \$7,127,309 included \$5,157,478 related to the South County Regional Water Treatment Reactor Tank and \$1,969,831 for other various County Water and Sewer projects.

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

Debt Administration

On September 30, 2024 the District had total bonded debt, notes and loans, leases and subscription-based IT arrangements (SBITA) of \$324,678,508, a decrease of \$15,586,280 from the previous year.

The following table illustrates the balances of all bonds, notes and loans and other outstanding debt as of the fiscal years ended September 30, 2024 and 2023:

Water and Sewer District Outstanding Debt

	2024	2023	Net Increase (Decrease)	%
Revenue bonds, net	\$ 229,645,581	\$ 233,355,221	\$ (3,709,640)	(1.6%)
Direct placement loans and notes payable	94,267,000	106,030,000	(11,763,000)	(11.1%)
Notes payable-Developer	69,848	69,848	-	0.0%
Leases	315,218	372,939	(57,721)	(15.5%)
Subscription Based Information Technology Arrangements	380,861	436,780	(55,919)	(12.8%)
Total	<u>\$ 324,678,508</u>	<u>\$ 340,264,788</u>	<u>\$ (15,586,280)</u>	(4.6%)

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2024

Debt Administration (continued)

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 28 to 33 of this report.

Economic Factors and Fiscal Year 2025 Budgets and Rates

The following factors were considered in preparing the District's fiscal year 2025 budget:

- Water production and wastewater collection and treatment are anticipated to slightly increase in fiscal year 2025 compared to fiscal year 2024 based on current growth projections.
- On December 12, 2023, the Board approved Resolution No. 2023-227 which increased water user rates by 4.5%, wastewater user rates by 7.5%, and Irrigation Quality (IQ) user rates by 9.5% in fiscal year 2025. The increase in revenue for fiscal year 2025 will be used to fund increased personal services, chemicals, contractual services, utility parts, electricity, indirect costs, engineering fees, and PILT. Personal services costs are increasing primarily due to the proposed 3% cost-of-living adjustment, and an additional 1.5% allocation for a merit-based incentive program.

The Capital Improvement Program 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 District's total debt is \$293 million with debt payments due in fiscal year 2025 of \$24.7 million.

The total number of permits assessed water and wastewater impact fees in fiscal year 2024 decreased by 6% from fiscal year 2023; however, the impact fee revenue did not vary significantly from fiscal year 2023 due to a 20% increase in impact fee revenue of large multi-family units. Fiscal year 2025 impact fee revenues were budgeted conservatively consistent with forecast trends at the time. On August 27, 2024, the Board approved Ordinance No. 2024-30 which implemented a three-phase approach. Effective December 1, 2024, the water impact fees increased by 30% from \$3,382 to \$4,411 and wastewater impact fees increased by 23% from \$3,314 to \$4,081 per ERC. Although the total number of permits have decreased in the past two years, due to the increase in impact fees, the current projection of fiscal year 2025 revenues to be nearly as budgeted.

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

Management's Discussion and Analysis
(Unaudited)

September 30, 2024

Economic Factors and Fiscal Year 2025 Budgets and Rates (continued)

- In fiscal year 2024, the estimated permanent population numbers were recalibrated. The estimated permanent population in the regional potable water service area increased by 2% from 225,873 to 230,957, and the estimated permanent population in the wastewater service area also increased by 2% from 238,606 to 243,630. Growth rates are expected to remain below 2% into future fiscal years.

Approximately 8,041 unserved permanent population in the Golden Gate service area could become water customers and approximately 12,985 unserved permanent population could become wastewater customers through 2041. 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 fiscal year 2025.

- The average annual unemployment rate in the Naples-Immokalee-Marco Island Metropolitan Statistical Area, without seasonal adjustment is trending slightly upwards, increasing by 0.3% from fiscal year 2023 (2.9%) to fiscal year 2024 (3.2%).
- 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 an Aaa and AAA by Moody's and Fitch Ratings, Inc., respectively.

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, 2024

ASSETS

Current assets:

Cash and investments	\$	278,429,607
Receivables:		
Trade, net		22,178,788
Special assessments		37,528
Interest		1,333,004
Leases receivable		31,363
Due from other governments		742,665
Deposits		1,144,601
Inventory		9,856,823
Prepaid costs		208,768
Restricted assets:		
Cash and investments		16,715,531
Interest receivable		121,721
Total current assets		330,800,399

Noncurrent assets:

Restricted assets:		
Cash and investments		60,179,349
Cash with fiscal agent		101,037,931
Receivables:		
Leases receivable		717,502
Advances to other funds		2,790,100
Capital assets:		
Land and nondepreciable capital assets		229,101,435
Depreciable and amortizable capital assets, net		784,259,500
Total noncurrent assets		1,178,085,817
Total assets		1,508,886,216

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to debt		1,210,435
Deferred outflows of resources related to OPEB		486,399
Deferred outflows of resources related to pensions		8,787,273
Total deferred outflows of resources		10,484,107

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

Statement of Net Position (continued)

September 30, 2024

LIABILITIES

Current liabilities:	
Accounts payable	\$ 13,048,069
Wages payable	2,522,679
Retainage payable	2,738,525
Due to County funds	119,477
Due to other governments	142,312
Unearned revenue	47,163
Compensated absences	2,480,411
Total OPEB liability	127,710
Net Pension liability	63,036
Leases payable	43,537
SBITA liability	62,246
Bonds, loans and notes payable	10,311,751
Liabilities payable from restricted assets:	
Accounts payable	8,925,699
Retainage payable	1,319,980
Refundable deposits	247,158
Interest payable	2,715,597
Bonds, loans and notes payable	3,507,097
Total current liabilities	<u>48,422,447</u>
Noncurrent liabilities:	
Arbitrage rebate	3,383,669
Compensated absences	620,103
Leases payable	271,681
SBITA liability	318,615
Total OPEB liability	2,000,910
Net pension liability	35,582,744
Bonds, loans and notes payable, net	310,163,581
Total noncurrent liabilities	<u>352,341,303</u>
Total liabilities	<u>400,763,750</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to leases	656,465
Deferred inflows of resources related to OPEB	193,043
Deferred inflows of resources related to pensions	3,966,401
Deferred inflows of resources related to debt	5,827,473
Total deferred inflows of resources	<u>10,643,382</u>

NET POSITION

Net investment in capital assets	781,630,368
Restricted for growth and capital expansion	23,277,035
Restricted for renewal and replacement	300,000
Restricted for debt service	22,489,886
Unrestricted	280,265,902
Total net position	<u>\$ 1,107,963,191</u>

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

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

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2024

Operating revenues:	
Charges for services	\$ 220,685,685
Miscellaneous	345,453
Total operating revenues	<u>221,031,138</u>
Operating expenses:	
Salaries and wages	34,714,619
Employee benefits	16,230,360
Contractual services	26,875,878
Materials, supplies and maintenance	24,171,102
Utilities	9,530,131
Insurance	4,252,942
Fertilizer, herbicides and chemicals	9,429,982
Other operating expenses	11,879,618
Depreciation and amortization	51,775,852
Total operating expenses	<u>188,860,484</u>
Operating income	<u>32,170,654</u>
Non-operating revenues (expenses):	
Operating grants and contributions	1,095
Interest earnings	27,036,034
Insurance reimbursement	148,753
Interest expense	(9,389,094)
Loss on disposal of capital assets	67,523
Rebatable arbitrage	(3,034,662)
Net non-operating revenues (expenses)	<u>14,829,649</u>
Income before contributions and transfers	47,000,303
Capital grants and contributions	40,899,445
Transfers to County funds	(12,296,320)
Total transfers and contributions	<u>28,603,125</u>
Change in net position	75,603,428
Net position - beginning	<u>1,032,359,763</u>
Net position - ending	<u><u>\$ 1,107,963,191</u></u>

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

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

Statement of Cash Flows

Year ended September 30, 2024

Cash flows from operating activities:	
Cash received for services	\$ 219,349,103
Cash received from refundable deposits	218,034
Cash payments for goods and services	(71,478,179)
Cash payments to employees	(49,595,272)
Cash payments for County interfund services	(14,399,019)
Cash payments from refundable deposits	(187,792)
Net cash provided by operating activities	<u>83,906,875</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	1,095
Cash transfers from County funds	88,214,053
Cash transfers to County funds	(90,799,820)
Net cash used for noncapital financing activities	<u>(2,584,672)</u>
Cash flows from capital and related financing activities:	
System development charges	17,349,184
Receipt from insurance reimbursement	148,753
Proceeds from capital grants	5,071
Proceeds from disposal of capital assets	107,927
Proceeds from leasing activities	32,765
Payments for capital acquisitions	(70,112,149)
Payments for construction escrow	600,000
Principal payments on notes	(8,178,000)
Principal payments on loans	(3,585,000)
Principal payments on bonds	(2,210,000)
Principal payments on leases	(66,753)
Principal payments on SBITA	(55,919)
Interest and fiscal agent fees paid	(12,432,783)
Net cash used for capital and related financing activities	<u>(78,396,904)</u>
Cash flows from investing activities:	
Interest on investments	<u>26,092,958</u>
Net cash provided by investing activities	<u>26,092,958</u>
Net change in cash and investments	29,018,257
Cash and investments, October 1, 2023	<u>427,344,161</u>
Cash and investments, September 30, 2024	<u>\$ 456,362,418</u>
Current cash and investments	\$ 278,429,607
Current cash and investments - restricted	16,715,531
Noncurrent cash and investments - restricted	60,179,349
Noncurrent cash with fiscal agent-restricted	101,037,931
Cash and investments, September 30, 2024	<u>\$ 456,362,418</u>

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

Statement of Cash Flows (continued)

Year ended September 30, 2024

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

Operating income	\$ 32,170,654
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	51,775,852
Net changes in assets and liabilities:	
Trade receivable	(1,305,310)
Due from other governments	(90,655)
Inventory	1,464,368
Prepaid costs	(71,248)
Accounts payable	(1,964,020)
Retainage payable	482,502
Wages payable	283,996
Due to County funds	111,279
Due to other governments	1,499
Compensated absences	195,474
Refundable deposits	30,242
Total OPEB liability	546,262
Deferred outflows of resources related to OPEB	(362,402)
Deferred inflows of resources related to OPEB	(81,055)
Net pension liability	(2,044,280)
Deferred outflows of resources related to pensions	168,025
Deferred inflows of resources related to pensions	2,643,687
Deferred inflows leases	(47,995)
Total adjustments	51,736,221
Net cash provided by operating activities	\$ 83,906,875

Noncash investing, capital and financing activities

Change in fair value of investments	\$ 10,353,025
Arbitrage rebate	3,383,669
Developer infrastructure contributions	23,188,872
Contributed capital assets	356,308
Lease right-to-use assets acquired	9,032
Change in capital related grant receivable	5,071
Change in special assessment receivable	10
Capital related accounts payable	16,214,394
Capital related retainage	3,197,279

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

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

Notes to Financial Statements

September 30, 2024

(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.

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.

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

Notes to the Financial Statements

September 30, 2024

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

CASH 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 Investment Pools (FL PALM and FL CLASS) and Local Government Surplus Funds Trust Fund (Florida Prime) are stated at fair value. The County categorizes its fair value measurement within the fair value hierarchy established in Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

RESTRICTED ASSETS

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

RECEIVABLES

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

SPECIAL ASSESSMENTS RECEIVABLE

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

INVENTORY

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

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

Notes to the Financial Statements

September 30, 2024

**(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.

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.

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

Notes to the Financial Statements

September 30, 2024

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

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

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.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The District uses its estimated incremental borrowing rate as the discount rate for leases.

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.

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 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.

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

Notes to the Financial Statements

September 30, 2024

**(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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources reported in the District's statement of net position represent changes in actuarial assumptions, changes in the proportion and differences between the District's contributions and proportionate share of contributions and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program. In addition, deferred outflows related to the difference between expected and actual economic experience relating to the FRS Pension Plan and the Other Post Employment Benefits Plan were reported. These amounts will be recognized as increases in pension expense and OPEB expense in future years. The District also reports the deferred charge on refunding as a deferred outflow in the statements of net position. A deferred charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience, changes in actuarial assumptions, net difference between projected and actual earnings on investments, and changes in the proportion and differences between the District's contributions and proportionate share of contributions relating to the FRS Pension Plan, the Retiree HIS Program and the OPEB Plan. These amounts will be recognized as reductions in pension expense and OPEB expense in future years. The District has also recorded amounts associated with long term receivables, related to leases, as deferred inflows.

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

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

Notes to the Financial Statements

September 30, 2024

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

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.

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.

ACCRUED COMPENSATED ABSENCES

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

It is the Board of County Commissioners' policy to allow employees of record on August 2, 1996 a sick leave payment upon termination for any service period earned prior to August 2, 1996. No employee hired after August 2, 1996 shall receive payment for accrued sick leave upon termination. On December 31, 2023, the Board increased the payout of unused vacation from 440 hours to 500 hours for all employees. 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.

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

Notes to the Financial Statements

September 30, 2024

**(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.

USE OF RESTRICTED AND UNRESTRICTED RESOURCES

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

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

Notes to the Financial Statements

September 30, 2024

(2) CASH AND INVESTMENTS

Reconciliation of cash and investments to the District’s financial statements, as of September 30, 2024:

Change funds and petty cash	\$	8,800
Demand deposits		77,039,126
Local government investment pools		64,167,681
Investments, including cash equivalents		214,108,880
Cash with fiscal agent		<u>101,037,931</u>
Total cash and investments	\$	<u><u>456,362,418</u></u>
Cash and investments:		
Current unrestricted	\$	278,429,607
Current restricted		16,715,531
Restricted cash and investments, non current		60,179,349
Restricted cash with fiscal agent		<u>101,037,931</u>
Total cash and investments	\$	<u><u>456,362,418</u></u>

INVESTMENT POLICY

Cash in excess of operating requirements of the District is pooled and invested by the County in various investments as described below. Earnings from pooled investments are allocated to the District based on the percentage of each fund’s average daily balance in the total pool. Each fund’s individual equity in the County’s investment pool is considered to be a cash equivalent since each fund can deposit or withdraw cash at any time without prior notice or penalty. At September 30, 2024 the District’s share of the cash and investment pool was \$456,362,418.

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, corporates, commercial paper, banker’s acceptances, repurchase agreements, certificates of deposits, Local Government Investment Pools, 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*.

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

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

Notes to the Financial Statements

September 30, 2024

(2) CASH AND INVESTMENTS (CONTINUED)

“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. The policy requires that each firm involved in a repurchase agreement must execute the County’s master repurchase agreement, a third party custodian must hold collateral for all repurchase agreements with a term of more than one day and the fair value of the collateral shall maintain a minimum price of 101 percent on U.S. Government securities and 104 percent on Agencies and Instrumentalities with a term over five (5) years, and must be marked to market at least weekly.

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

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

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

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

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

Notes to the Financial Statements

September 30, 2024

(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, 2024, was 39 days. The weighted average life (WAL) of Florida PRIME at September 30, 2024, was 74 days. The weighted average days to maturity (WAM) of the FL PALM Portfolio was 36 days, while the weighted average life (WAL) was 79 days. The weighted average days to maturity (WAM) of the FLCLASS Liquidity Pool on September 30, 2024, was 30 days, while the weighted average life (WAL) was 83 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, 2024:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	19.12%
Federal Farm Credit Bank	4.39%
Federal Home Loan Mortgage Corporation	11.22%
Federal National Mortgage Association	2.85%
Federal Agricultural Mortgage Corporation	2.14%
Total U.S. Government Agencies	<u>39.72%</u>

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

Notes to the Financial Statements

September 30, 2024

(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, 2024:

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, 2024, the fair value of the District's U.S. Treasury Notes was \$29,351,453.

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, 2024, the fair value of the District's U.S. Agency obligations was \$181,297,149, and the fair value of its corporate notes was \$3,460,278.

**COLLIER COUNTY, FLORIDA
WATER AND SEWER DISTRICT
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September 30, 2024

(3) LEASE RECEIVABLES

The District leases land to third parties. As of September 30, 2024, the District's lease receivables were valued at \$748,865 and the deferred inflow of resources associated with these leases that will be recognized as revenue over the term of the leases is \$656,465. The District had annual land lease payments totaling \$31,363 plus interest, rates ranging from 0.15% to 3.00%, with dates ranging from October 1, 2024 to August 25, 2042.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 31,363	\$ 16,924
2026	22,567	16,333
2027	30,269	15,811
2028	30,920	15,160
2029	31,670	14,410
2030-2034	197,881	60,167
2035-2039	275,629	34,029
2040-2042	128,566	4,144
Total	<u>\$ 748,865</u>	<u>\$ 176,978</u>

(4) CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 is as follows:

	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfer-in</u>	<u>Deductions</u>	<u>Transfer- out</u>	<u>Reclass</u>	<u>September 30, 2024</u>
Land and non-depreciable assets	\$ 18,666,815	\$ 3,766	\$ 120,144	\$ -	\$ -	\$ -	\$ 18,790,725
Construction in progress	163,249,112	73,994,387	-	36,570	-	(26,970,428)	210,236,501
Construction in progress-SBITA	-	74,209	-	-	-	-	74,209
Total assets not depreciated	<u>181,915,927</u>	<u>74,072,362</u>	<u>120,144</u>	<u>36,570</u>	<u>-</u>	<u>(26,970,428)</u>	<u>229,101,435</u>
Buildings	125,003,244	-	-	-	-	1,270,148	126,273,392
Improvements other than buildings	1,424,653,456	23,183,125	258,810	-	-	25,700,280	1,473,795,671
Machinery and equipment	56,353,111	4,559,789	70,758	538,729	41,626	-	60,403,303
Right-to-use leased buildings	259,411	-	-	-	-	-	259,411
Right-to-use leased equipment	351,286	9,032	-	-	-	-	360,318
Right-to-use SBITA	520,570	-	-	-	-	-	520,570
Total assets depreciated and amortized	<u>1,607,141,078</u>	<u>27,751,946</u>	<u>329,568</u>	<u>538,729</u>	<u>41,626</u>	<u>26,970,428</u>	<u>1,661,612,665</u>
Buildings	97,962,520	2,855,185	-	-	-	-	100,817,705
Improvements other than buildings	686,836,320	45,263,249	22,646	-	-	-	732,122,215
Machinery and equipment	40,964,333	3,509,717	70,758	534,895	41,626	-	43,968,287
Right-to-use leased buildings	143,073	35,842	-	-	-	-	178,915
Right-to-use leased equipment	110,617	37,346	-	-	-	-	147,963
Right-to-use SBITA	43,567	74,513	-	-	-	-	118,080
Less accumulated depreciation and amortization	<u>826,060,430</u>	<u>51,775,852</u>	<u>93,404</u>	<u>534,895</u>	<u>41,626</u>	<u>-</u>	<u>877,353,165</u>
Total depreciable and amortizable assets, net	<u>781,080,648</u>	<u>(24,023,906)</u>	<u>236,164</u>	<u>3,834</u>	<u>-</u>	<u>26,970,428</u>	<u>784,259,500</u>
Total capital assets, net	<u>\$ 962,996,575</u>	<u>\$ 50,048,456</u>	<u>\$ 356,308</u>	<u>\$ 40,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,360,935</u>

**COLLIER COUNTY, FLORIDA
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(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, 2024:

	October 1, 2023	Additions	Reductions	Premium/ Discount Amortized	September 30, 2024	Due within one year
Revenue Bonds payable	\$ 200,925,000	\$ -	\$ 2,210,000	\$ -	\$ 198,715,000	\$ 2,320,000
Premium on bonds payable	32,430,221	-	-	(1,499,640)	30,930,581	-
Direct placement loans and notes payable	106,030,000	-	11,763,000	-	94,267,000	11,429,000
Developer note payable	69,848	-	-	-	69,848	69,848
Lease payable	372,939	9,031	66,752	-	315,218	43,537
SBITA Liability	436,780	-	55,919	-	380,861	62,246
Compensated absences	2,905,040	2,056,580	1,861,106	-	3,100,514	2,480,411
Total	<u>\$ 343,169,828</u>	<u>\$ 2,065,611</u>	<u>\$ 15,956,777</u>	<u>\$ (1,499,640)</u>	<u>\$ 327,779,022</u>	<u>\$ 16,405,042</u>

SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity for all bonds and notes outstanding at September 30, 2024 are as follows:

Fiscal Year	Revenue Bonds		Direct Placement Loans and Notes Payable		Developer Note Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$2,320,000	\$7,881,681	\$11,429,000	\$2,980,711	\$ 69,848	-	\$ 24,681,240
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	2,820,000	7,381,681	11,046,000	2,170,073	-	-	23,417,754
2030-34	40,390,000	32,544,008	30,170,000	6,740,637	-	-	109,844,645
2035-39	74,965,000	23,185,100	13,895,000	870,877	-	-	112,915,977
2040-44	48,375,000	10,389,800	-	-	-	-	58,764,800
2045-49	22,165,000	1,338,600	-	-	-	-	23,503,600
Totals	<u>\$ 198,715,000</u>	<u>\$ 105,646,413</u>	<u>\$ 94,267,000</u>	<u>\$ 20,419,723</u>	<u>\$ 69,848</u>	<u>\$ -</u>	<u>\$ 419,117,984</u>

**COLLIER COUNTY, FLORIDA
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September 30, 2024

(5) LONG-TERM OBLIGATIONS (CONTINUED)

DESCRIPTIONS OF BOND ISSUES AND NOTES PAYABLE

Revenue bonds payable and notes payable at September 30, 2024 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.	<u>122,530,000</u>
Totals Revenue Bonds	<u>\$ 198,715,000</u>
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.	\$ 18,065,000
\$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

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September 30, 2024

(5) LONG-TERM OBLIGATIONS (CONTINUED)

Notes Payable	
\$89,982,000 2016 County Water and Sewer District Refunding Revenue Note with Synovus Financial Corporation, due in monthly installments of \$2,881,000 to \$9,574,000 through July 1, 2029; interest at 1.80% and collateralized by a subordinated pledge on the net revenues of the Collier County Water and Sewer District. Loan was issued to currently refund all of the District's State Revolving Fund Loans.	<u>26,257,000</u>
Total Direct Placement Loans and Notes Payable	<u>\$ 94,267,000</u>
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.	<u>\$ 69,848</u>
Total Obligations	<u>\$ 293,051,848</u>
Unamortized Bond Premium	<u>\$ 30,930,581</u>
Business-type Activities Obligations, Net	<u>\$ 323,982,429</u>
Less Current Portion of Obligations Payable from Unrestricted Assets	<u>\$ (10,311,751)</u>
Less Current Portion of Obligations Payable from Restricted Assets	<u>\$ (3,507,097)</u>
Long-Term Portion of Obligations, Net	<u>\$ 310,163,581</u>

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, 2024, 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

**COLLIER COUNTY, FLORIDA
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Notes to the Financial Statements

September 30, 2024

(5) LONG-TERM OBLIGATIONS (CONTINUED)

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 \$266,725,000 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 2024 pledged revenues, net of operating expenses (excluding depreciation and amortization), were \$108,042,222 and \$125,391,407 when impact fees were included. Principal and interest paid on the bonds during fiscal year 2024 totaled \$16,381,664, providing coverage of 660% and 765%. 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, 2024.

In addition, the District has a note outstanding in the amount of \$26,257,000 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 2024 totaled \$8,797,830, providing coverage of 1,239%. The District's note was in compliance with these covenants for the year ended September 30, 2024.

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Notes to the Financial Statements

September 30, 2024

(5) LONG-TERM OBLIGATIONS (CONTINUED)

LEASE PAYABLE

The District is a lessee for noncancellable leases of building, office space, and equipment. At September 30, 2024, the District's lease payable of \$315,218 was composed of the following:

Building and office space leases. Annual installments totaling \$38,702 plus interest at a rate of 1.59%, due dates ranging from October 1, 2024 to December 1, 2026	\$ 89,530
Equipment leases. Annual installments totaling \$4,835 plus interest at rates ranging from 1.55% to 4.67%, due dates ranging from October 1, 2024 to February 1, 2048	225,688
	\$ 315,218
Total Lease Payable	\$ 315,218

The future principal and interest lease payments as of September 30, 2024 are as follows:

Fiscal Year	Principal	Interest
2025	\$ 43,537	\$ 10,170
2026	43,527	9,423
2027	13,854	8,836
2028	4,098	8,680
2029	2,689	8,516
2030-2034	22,857	40,262
2035-2039	43,186	33,609
2040-2044	71,396	22,037
2045-2049	70,074	4,988
Total	\$ 315,218	\$ 146,521

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September 30, 2024

(5) LONG-TERM OBLIGATIONS (CONTINUED)

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, 2024, the District's had a SBITA liability of \$380,861. The District had SBITA arrangements annual payments totaling \$62,246, plus interest at a rate of 4.18% with due dates ranging from February 28, 2025 to February 28, 2029.

The future principal and interest SBITA payments as of September 30, 2024, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 62,246	\$ 13,826
2026	68,757	11,120
2027	75,734	8,136
2028	82,925	5,139
2029	91,199	1,267
Total	<u>\$ 380,861</u>	<u>\$ 39,488</u>

(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

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The District's pension expense totaled \$4,452,798 for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2024.

FLORIDA RETIREMENT SYSTEM PENSION PLAN

PLAN DESCRIPTION

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

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

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

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

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 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

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024, respectively, were as follows: Regular employees – 13.57% and 13.63%; Special Risk – Regular– 32.67% and 32.79%; County Elected Officials – 58.68% and 58.68%; Senior Management Services – 34.52% and 34.52%; and DROP participants– 21.13% and 21.13%. The District’s contributions to the FRS Plan were \$3,536,329 for the year ended September 30, 2024.

PENSION COSTS

At September 30, 2024, the District reported a liability of \$23,401,068 for its proportionate share of the FRS Plan’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of FRS’s participating employers. At June 30, 2024, the District’s proportion was 0.0604918%, which was a decrease of 0.0017132% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2024, the District recognized pension expense of \$3,813,620 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:

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(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

FRS Deferred Inflows/Outflows

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,364,135	\$ -
Changes in Actuarial Assumptions	3,207,329	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,555,356
Changes in Proportionate Share	1,174,567	526,576
District Contributions Subsequent to the Measurement Date	811,932	-
Total	<u>\$ 7,557,963</u>	<u>\$ 2,081,932</u>

Deferred outflows of resources related to pensions of \$811,932, 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, 2025. 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
2025	\$ (79,696)
2026	4,155,363
2027	441,796
2028	(32,148)
2029	178,784

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% per year
Salary Increases	3.50% 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-2021. The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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September 30, 2024

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

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.

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%	3.3%	3.3%	1.1%
Fixed income	29.0%	5.7%	5.6%	3.9%
Global equity	45.0%	8.6%	7.0%	18.2%
Real estate (property)	12.0%	8.1%	6.8%	16.6%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.6%	6.2%	8.7%
Totals	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.5%

DISCOUNT RATE

The discount rate used to measure the total pension liability for the FRS Plan in fiscal year 2024 was 6.70% which was the same as in fiscal year 2023. 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	\$ 41,161,668	\$ 23,401,068	\$ 8,522,808

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

Notes to the Financial Statements

September 30, 2024

(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, 2024, 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 2.00% HIS Plan subsidy for the periods October 1, 2023 through June 30, 2024 and a 2.00% HIS Plan subsidy from July 1, 2024 through September 30, 2024, respectively, pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The District's contributions to the HIS Plan were \$687,311 for the year ended September 30, 2024.

**COLLIER COUNTY, FLORIDA
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Notes to the Financial Statements

September 30, 2024

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

PENSION COSTS

At September 30, 2024, the District reported a liability of \$12,244,712 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all participating employers. At June 30, 2024, the District's proportion was 0.081626148%, which was an increase of 0.00037755% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2024, the District recognized pension expense of \$639,178 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	\$ 118,231	\$ 23,512
Changes in Actuarial Assumptions	216,703	1,449,618
Net Difference Between Projected and Actual Earnings on Plan Investments	-	4,428
Changes in Proportionate Share	733,274	406,911
District Contributions Subsequent to the Measurement Date	161,102	-
Total	<u>\$ 1,229,310</u>	<u>\$ 1,884,469</u>

Deferred outflows of resources related to pensions of \$161,102, 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, 2025. 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
2025	\$ (88,129)
2026	(142,388)
2027	(232,949)
2028	(144,693)
2029	(151,976)
Thereafter	(56,126)

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

September 30, 2024

(6) DEFINED BENEFIT PENSION PLANS (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40% per year
Salary Increases	3.50%, including Inflation
Municipal Bond Rate	3.93%

Mortality rates were based on the PUB-2010 base table projected generationally with Scale MP-2021. The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

DISCOUNT RATE

The discount rate used to measure the total pension liability for HIS plan has increased from 3.65% in fiscal year 2023 to 3.93% in fiscal year 2024. 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	2.93%	3.93%	4.93%
District's Proportionate Share of the HIS Plan Net Pension Liability	\$ 13,939,031	\$ 12,244,712	\$ 10,838,154

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

Notes to the Financial Statements

September 30, 2024

(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	\$ 23,401,068	\$ 12,244,712	\$ 35,645,780
Deferred outflows of resources related to pensions	7,557,963	1,229,310	8,787,273
Deferred inflows of resources related to pensions	2,081,932	1,884,469	3,966,401
Pension expense	3,813,620	639,178	4,452,798

(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, 2023 to June 30, 2024 and .06% of payroll from July 1, 2024 to June 30, 2025 and by forfeited benefits of plan members. The District’s Investment Plan pension expense totaled \$1,672,742 for the year ended September 30, 2024.

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

Notes to the Financial Statements

September 30, 2024

(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, 2024, 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, 2024 were as follows:

<u>Transfers from Fund</u>	<u>Transfers to Fund</u>	<u>Amount</u>
County Water and Sewer	General Fund	10,614,020
	Internal Service Funds	<u>1,682,300</u>
		<u><u>12,296,320</u></u>

**COLLIER COUNTY, FLORIDA
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Notes to the Financial Statements

September 30, 2024

(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.

<u>Claim type</u>	<u>County's Coverage</u>	<u>Excess carrier's Coverage</u>
Property and casualty claims	\$100,000-\$500,000 (\$250,000 named storm deductible; 5% deductible of reported values per damaged building; no deductible cap)	\$500,000 - \$75,000,000
Auto liability claims	\$300,000	\$300,000 - \$5,000,000
Employee health claims	\$750,000	\$750,000 - Unlimited
Workers' compensation claims	\$600,000	\$600,000 - Statutory

The claims loss reserve for workers' compensation, health and property and casualty of \$11,348,334 reported by the County at September 30, 2024 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 \$9,023,434 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, 2024, the District was charged \$347,700, \$7,192,514, and \$4,247,000 respectively, for workers' compensation, health, and property and casualty self-insurance programs.

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

Notes to the Financial Statements

September 30, 2024

(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, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>451</u>
Total employees	<u><u>460</u></u>

THE OPEB LIABILITY

The District's share in the County's total OPEB liability of \$2,128,620 or 18% was measured as of September 30, 2024 and was determined by an actuarial valuation as of October 1, 2024. The following table shows the changes in the District's share of the County's total OPEB liability for the year ended September 30, 2024.

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

September 30, 2024

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	Total OPEB Liability
Balance, as of October 1, 2023	\$ 1,582,358
Changes:	
Service cost	78,599
Interest	68,689
Changes in assumptions	513,196
Benefit payments	(114,222)
Net changes	546,262
Balance, as of September 30, 2024	\$ 2,128,620

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	2.81%	3.81%	4.81%
Total OPEB Liability	\$ 2,306,608	\$ 2,128,620	\$ 1,968,183

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	\$ 1,929,253	\$ 2,128,620	\$ 2,360,275

**COLLIER COUNTY, FLORIDA
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Notes to the Financial Statements

September 30, 2024

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2024, the District's OPEB expense was \$95,218. 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	\$ 378,083	\$ 36,795
Changes in Assumptions	108,316	156,248
	<u>\$ 486,399</u>	<u>\$ 193,043</u>

Amounts reported as deferred outflows of resources and inflows of resources related to OPEB will be amortized over 7.33 years and will be recognized as follows:

Year Ending September 30	Amount
2025	\$ (104)
2026	\$ 3,775
2027	51,095
2028	79,952
2029	73,934
Thereafter	84,704

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.

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

Notes to the Financial Statements

September 30, 2024

(10) OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The actuarial methods are:

Actuarial cost method	Entry Age Actuarial
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The actuarial assumptions are:

Discount rate	3.81% (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 4.09% to 3.81% 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 4.09% to 3.81%.

The healthcare cost trend rate changed an initial trend of 6.5% grading down to 5.0% over a six-year period.

(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, 2024, the District purchased, and was allocated, operating and capital services in the amount of \$14,399,019 and \$32,472 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, 2024, the District's significant commitments with contractors were approximately \$96,678,118. 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, 2024 were \$43,275,685.

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

September 30, 2024

(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 \$3,383,669 as of September 30, 2024.

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 2024. At the end of 2024, the District had \$615,032 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 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 \$26.2 million for recovery efforts. To date, the General Fund has fronted \$12.6 million for this purpose. Reimbursements from insurance, the Federal Emergency Management Agency (FEMA), and the 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 \$24.3 million on recovery efforts and has a remaining budget of \$3.6 million in the 2025 fiscal year. Through fiscal year 2024, the District recognized \$16.6 million in combined proceeds from insurance. The District continues to expect additional reimbursements.

**COLLIER COUNTY, FLORIDA
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Notes to the Financial Statements

September 30, 2024

(13) SUBSEQUENT EVENTS

HURRICANE MILTON

On October 9, 2024, Hurricane Milton made landfall in south of Tampa as a major Category 3 storm. The hurricane lashed the region with heavy rainfall, damaging winds, and life-threatening storm surge. Hurricane Milton caused extensive damage to homes, infrastructure, and power grids with widespread power outages and significant storm surges affecting millions. The District estimates expenditures totaling \$1.5 million. Reimbursements from the Federal Emergency Management Agency (FEMA) and State of Florida are expected over the next few fiscal years and are anticipated to approximate 75%.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability	0.060491766%	0.062204936%	0.056447751%	0.054765195%	0.051722300%	0.051190300%	0.049856174%	0.049939500%	0.045947588%	0.044520510%
District's Proportionate Share of the Net Pension Liability	\$ 23,401,068	\$ 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
District's Covered Payroll *	\$ 33,672,360	\$ 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
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	69.50%	77.34%	84.19%	16.58%	92.76%	75.77%	66.81%	75.21%	60.80%	31.99%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

* Covered Payroll consists of pensionable wages calculated as of the respective measurement date, restated for periods 2015 to 2017 pursuant to GASB No. 82, *Pension Issues*.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 3,536,329	\$ 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
Contributions in Relation to the Contractually Required Contribution	(3,536,329)	(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)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll - Fiscal Year *	\$ 34,365,578	\$ 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
Contributions as a Percentage of Covered Payroll	10.29%	9.79%	9.16%	8.54%	7.07%	6.81%	6.51%	6.06%	6.24%	6.02%

* Covered Payroll - Fiscal Year consists of pensionable wages calculated for the respective fiscal year, restated for periods 2015 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**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.081626148%	0.081248601%	0.074246809%	0.074777197%	0.066983977%	0.067797300%	0.065893122%	0.064545961%	0.059573615%	0.056934535%
District's Proportionate Share of the Net Pension Liability	\$ 12,244,712	\$ 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
District's Covered Payroll *	\$ 33,672,360	\$ 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
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	36.36%	40.26%	29.58%	36.77%	33.84%	32.60%	31.03%	35.14%	36.39%	32.30%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution Contributions in Relation to the Contractually Required Contribution	\$ 687,311	\$ 361,464	\$ 452,961	\$ 419,723	\$ 403,821	\$ 376,472	\$ 357,199	\$ 351,961	\$ 328,290	\$ 236,871
Contribution Deficiency (Excess)	(687,311)	(361,464)	(452,961)	(419,723)	(403,821)	(376,472)	(357,199)	(351,961)	(328,290)	(236,871)
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered - Fiscal Year * Contributions as a Percentage of Covered Payroll	\$ 34,365,578	\$ 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
	2.00%	1.14%	1.66%	1.66%	1.66%	1.59%	1.61%	1.63%	1.67%	1.30%

* 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**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 78,599	\$ 84,744	\$ 126,200	\$ 116,627	\$ 112,815	\$ 79,001	\$ 45,107	\$ 76,702
Interest	68,689	57,739	26,675	29,431	33,506	53,076	23,582	41,865
Differences between expected and actual experience	442,688	24,186	(20,491)	(48,294)	24,047	(69,269)	-	43,278
Changes of assumptions or other inputs	70,508	56,661	(284,980)	13,508	56,445	141,890	(20,766)	-
Benefit payments	<u>(114,222)</u>	<u>(111,001)</u>	<u>(98,060)</u>	<u>(110,222)</u>	<u>(86,169)</u>	<u>(115,201)</u>	<u>(92,447)</u>	<u>(89,499)</u>
Net change in total OPEB liability	546,262	112,329	(250,656)	1,050	140,644	89,497	(44,524)	72,346
Total OPEB liability, beginning	<u>1,582,358</u>	<u>1,470,029</u>	<u>1,720,685</u>	<u>1,719,635</u>	<u>1,578,991</u>	<u>1,489,494</u>	<u>1,534,018</u>	<u>1,461,672</u>
Total OPEB liability, ending	<u>\$ 2,128,620</u>	<u>\$ 1,582,358</u>	<u>\$ 1,470,029</u>	<u>\$ 1,720,685</u>	<u>\$ 1,719,635</u>	<u>\$ 1,578,991</u>	<u>\$ 1,489,494</u>	<u>\$ 1,534,018</u>
District's Proportion of the Total OPEB Liability	17.96%	17.51%	17.84%	18.11%	17.52%	17.22%	17.06%	17.37%
District's Covered-employee Payroll	\$ 32,762,202	\$ 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	6.50%	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 4.09% to 3.81% 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, 2024

(Unaudited)

The following is a computation of the District's senior debt coverage for fiscal year 2024:

Operating revenue	\$	221,031,138
Non-operating revenue		24,095,716
Gross revenue		245,126,854
Less: Operating expenses before depreciation and amortization		137,084,632
Net revenue		108,042,222
System development fees		17,349,185
Total amount available for debt service	\$	125,391,407
Bond debt service requirements (1)	\$	16,381,664
Bond debt service coverage (2)		660%
Bond debt service coverage (3)		765%

- (1) Amount of principal and interest paid in fiscal year 2024 for bonds.
- (2) Net revenue divided by bond debt service requirements must be greater than 100%.
- (3) Total amount available for debt service divided by bond debt service requirements must be greater than 125%.

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

Subordinate Debt Coverage

September 30, 2024

(Unaudited)

The following is a computation of the District's subordinate debt coverage for fiscal year 2024:

Operating revenue	\$	221,031,138
Non-operating revenue		24,095,716
Gross revenue		245,126,854
Less: Operating expenses before depreciation and amortization		137,084,632
Net revenue		108,042,222
System development fees		17,349,185
Total amount available for debt service	\$	125,391,407
Bond debt service requirements (1)	\$	16,381,664
Debt service coverage from net revenues available for bond debt service (2)		765%
Adjusted net revenues available for subordinated debt service (3)	\$	109,009,743
Subordinated debt service requirements (4)	\$	8,798,047
Subordinated debt service coverage (5)		1239%

- (1) Amount of principal and interest paid in fiscal year 2024 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 2024 for subordinated debt.
- (5) Adjusted net revenues available for subordinated debt service divided by subordinated debt service requirements must be greater than 115%.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

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
March 15, 2025