



Key Largo Wastewater Treatment District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2019

**Key Largo Wastewater Treatment District
Comprehensive Annual Financial Report
For the Fiscal Year ended September 30, 2019**

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Key Largo Wastewater Treatment District

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April 6, 2020

Honorable Chairman,
Members of the Board of Commissioners, and
Citizens of Key Largo

The comprehensive annual financial report of the Key Largo Wastewater Treatment District, Florida for the fiscal year ended September 30, 2019, is submitted herewith pursuant to Florida Statute Chapter 218.39 and Chapter 189.436(3) governing audit requirements for special districts.

This report consists of management's representations concerning the finances of the Key Largo Wastewater Treatment District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Key Largo Wastewater Treatment District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Key Largo Wastewater Treatment District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Key Largo Wastewater Treatment District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Key Largo Wastewater Treatment District's financial statements have been audited by Grau & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Key Largo Wastewater Treatment District for the fiscal year ended September 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Key Largo Wastewater Treatment District's financial statements for the fiscal year ended September 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth above, the independent audit was also designed to meet the requirements of Chapter 10.550, Rules of the Auditor General. These standards require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. The report is presented in the compliance section of this report.

In accordance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Key Largo Wastewater Treatment District's MD&A can be found immediately following the independent auditor's report on the basic financial statements.

The financial and accounting structure of the District consists of a single enterprise fund. The District is an Independent Special District authorized by Chapter 2002-337, Florida Statutes, enacted May 23, 2002. The principal function of the District is to provide for the design, construction and operation of wastewater treatment facilities to serve the island of Key Largo, an unincorporated portion of Monroe County, Florida. The District complies with the operating and reporting requirements of Chapter 189, Florida Statutes as applicable to Special Districts.

The District develops an annual budget to provide for the operations and capital programs of the District. A draft budget is developed by management and presented to the Board of Commissioners for review, revision and ultimate approval. The budget is adopted by the Board of Commissioners, by resolution, for the upcoming fiscal year of October 1st through September 30th.

The District's mission is part of larger state and national initiatives to save the Everglades and Florida Bay ecosystems for the benefit of future generations. In Key Largo, and typically all the Florida Keys except Key West, the disposal of domestic sewage has been historically handled by septic tanks and cesspits. Many commercial operations utilized small package sewage treatment plants. Florida statute 99-395 mandated the district establish goals which included the introduction of advanced wastewater treatment (AWT) and disposal infrastructure to serve all residents and commercial operations of Key Largo by July, 2010. This was later amended by the legislature in 2010 and the deadline for Advanced Wastewater Treatment standards required by the Statute 99-395 was extended to 2016.

Over 13,000 individual parcels of land exist on Key Largo. The District designed, engineered and constructed a main transmission line and associated collection systems to provide vacuum based collection services to the District's entire service area excluding properties where it was cost prohibitive to do so. This project was completed and placed into service during fiscal year 2011, which was 4 years earlier than the extended deadline. The completion of this project concluded the construction of the District's basic wastewater infrastructure throughout its entire service area, however, those unique properties that were unable to be provided with vacuum based collection services were given the option of joining the District's grinder pump project that started in fiscal year 2012, and was completed before the 2016 deadline.

During FY2018 the District started a capital upgrades project, which includes upgrading the headworks bypass piping, SBR bridge and process water pumping station at the wastewater treatment plant. The District also commenced work on a solar photovoltaic array project, which provides solar power to operations building and disinfection basins at the wastewater treatment plant.

In FY2019, the District completed the capital upgrades project, installed solar panels over the disinfection basin to reduce chemical costs and produce clean energy, and began the construction of the steel storage building at the wastewater treatment plant.

In FY2020 the District will continue the installation of additional solar arrays at the plant, pump stations and Administration building. Installation of clean-agent fire suppression to protect major electrical panels at the wastewater treatment plant and vacuum pump stations will commence in FY2020.

The District continues to improve the Key Largo system to increase efficiency, harden assets, protect against hurricanes and other catastrophic events, and to lessen any negative environmental impact.

The preparation of this comprehensive annual financial report for the Key Largo Wastewater Treatment District was made possible by the dedicated efforts of all members of the District's staff. Each staff member has our sincere appreciation for the contributions made to this report.

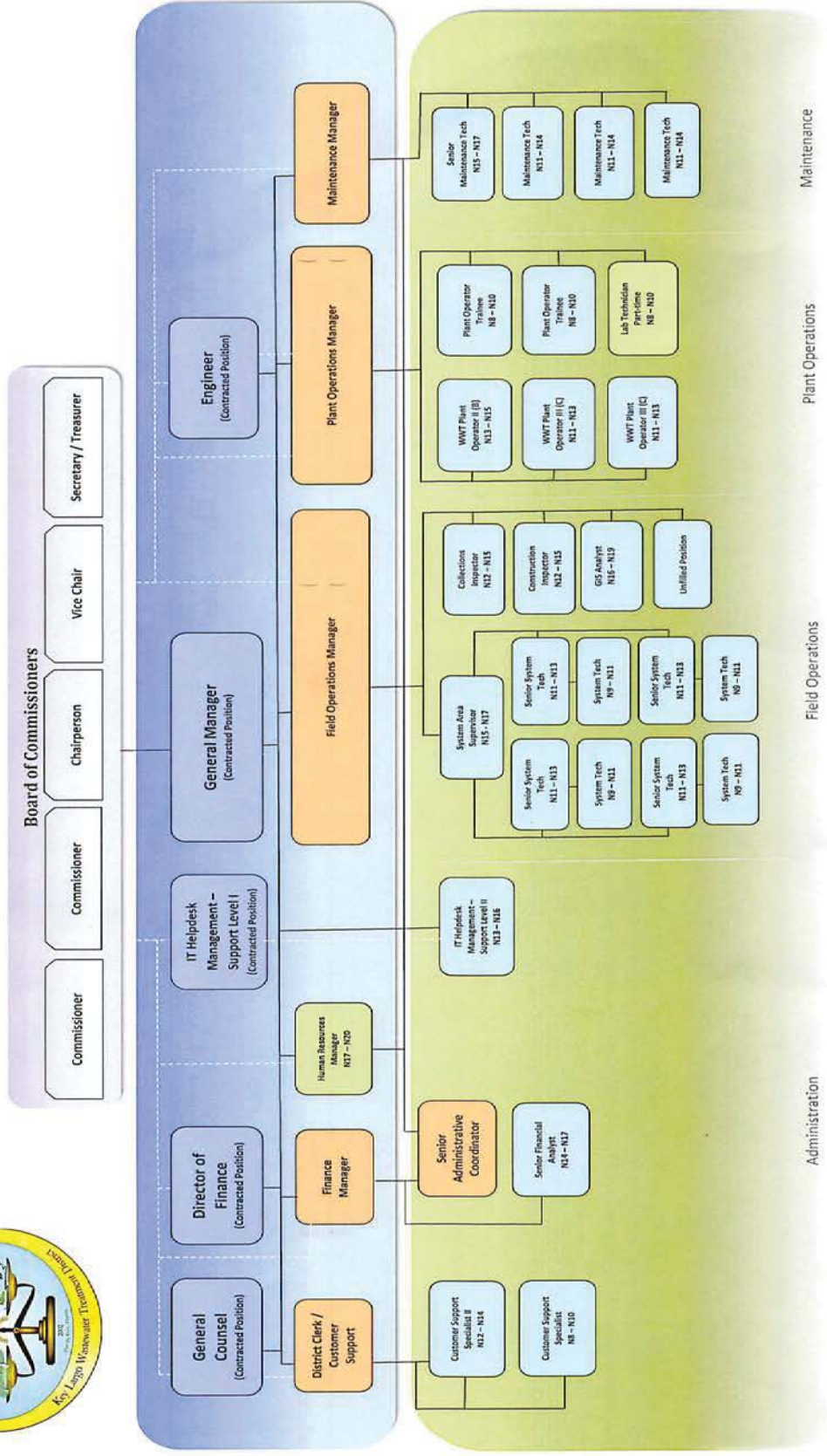
In closing, without the leadership and vision of the Board of Commissioners, preparation of this report would not have been possible.

A handwritten signature in blue ink, appearing to read 'Peter Rosasco CPA', is written over a horizontal line.

Peter Rosasco, CPA General Manager & Finance Director



Key Largo Wastewater Treatment District FY19 Organizational Chart



Pink = 6 Salaried Exempt positions
 Green = 2 Part-time Non-Exempt positions
 Dark Blue = 5 Contracted positions
 Light Blue = 26 Hourly Non-Exempt positions
 — = Communication Chain
 — = Supervisory Chain

FY18 TOTAL FTE = 36
 FY19 TOTAL FTE = 32

Revised 08/02/2018

**Key Largo Wastewater Treatment District
List of Principal Officials**

Board of Commissioners

FY2019

David Asdourian, Chairman

Andrew Tobin, Vice Chairman

Nicolas Rodriguez, Commissioner

Robert Majeska, Commissioner

Sue Heim, Secretary/Treasurer

District Management

Peter Rosasco, CPA, General Manager and Finance Director

Connie Fazio, Finance Manager

Diane Bockelman, Clerk to the Board

District Counsel

Nicholas Mulick

District Engineer

The Weiler Engineering Corp.
R. Jeff Weiler P.E., President
Edward R. Castle, Project Manager

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Financial Section



Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, statistical section, and budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance projects is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance projects is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical sections and budgetary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2020, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



April 6, 2020

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Management's Discussion and Analysis

KEY LARGO WASTEWATER TREATMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

On behalf of the Key Largo Wastewater Treatment District, Key Largo, Florida (District), management presents this narrative overview and analysis of financial activities of the District to readers of the District's financial statements for the fiscal year ended September 30, 2019. We are including this discussion and analysis in order to provide the reader with a better understanding of the District's overall financial position. This narrative should be considered in conjunction with the additional information contained in the introductory transmittal letter and the District's financial statements which follow in this section.

Overview of Operations

The District was formed as a special district with the election of inaugural commissioners on November 5, 2002, as provided in Chapter 2002-337, Florida Statutes. The District's mission includes the introduction and operation of advanced wastewater treatment and disposal infrastructure to serve all residents and commercial operations on the unincorporated island of Key Largo.

From FY2003 through FY2011, The District focused on its role as a new public utility and constructing a single regional treatment facility and vacuum collection system to the KLWTD service area. Originally, the wastewater treatment plant's capacity was 0.183mgd (million gallons per day) and was increased to 2.3mgd in FY2011 to ultimately serve the area with a single regional treatment facility. Installation of the transmission main and vacuum collection systems took place in all service areas.

The District created a policy of levying special assessments on all parcels to be benefited by the construction. The assessments on the benefiting property owners were intended to recover a portion of the cost of the improvements. Each parcel owner had the choice to pay the assessment in full or as a non-ad valorem tax over a 20 year period.

In FY2012 the District entered into an interlocal agreement with the Islamorada Village of Islands to treat its wastewater and sell treatment plant capacity space of 1.104 million gallons of average daily flow. In FY2014 the District began receiving flows from Islamorada for treatment.

From FY2015 through FY2016, the treatment plant capacity was upgraded to 3.45mgd to accommodate the additional flows from Islamorada. The system consistently meets Advanced Wastewater Treatment Standards (AWT).

A grinder pump project commenced during FY2012 and was substantially completed in FY2016. The grinder pump project provides centralized sewer service to properties where it was cost prohibitive to provide a vacuum based collection system.

A chemical feed system upgrade project and the blower upgrade project were completed in FY2017.

In FY2018, the District began a capital upgrades project that included a process water system project, a headworks bypass piping project, a bridge to SBR #3 and filter booster pump upgrade. In addition, a solar arrays project that was started in FY2018, which included solar panels over the disinfection basin and on the roof of the plant operations building.

In FY2019, the District completed, the capital upgrades project, and the installation of the solar panels over the disinfection basin. These projects were done to reduce chemical costs and produce clean energy. Also in FY2019, the District began work on the construction of a steel storage building at the wastewater treatment plant.

The District's Single Enterprise Fund

The District uses proprietary fund accounting to record and report its results of operation as a single enterprise fund. This method of accounting is used when an entity charges customers for the services it provides.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

District's Net Position

Total assets of the District at September 30, 2019, were \$179,296,638 and total liabilities amounted to \$54,092,824. Total net position of the District was \$125,182,362. For the prior year, total assets of the District at September 30, 2018, were \$180,573,478 and total liabilities amounted to \$61,232,861 and total net position of the District was \$119,310,272.

Total current assets of \$19,900,307 at September 30, 2019 consisted of \$1,252,654 in amounts due to the District from other government agencies and unrestricted cash and cash equivalents of \$11,554,675. Restricted current assets included cash and cash equivalents of \$7,060,656, restricted for debt service and reserves for future repairs and replacements. For the prior year, total current assets of \$17,554,233 at September 30, 2018 consisted of \$1,034,061 in amounts due to the District from other government agencies. The District had unrestricted cash and cash equivalents of \$11,552,632 and restricted cash and cash equivalents of \$4,939,225. These funds were restricted for debt service and reserves for future repairs and replacements.

Total noncurrent assets at September 30, 2019 of \$159,396,331 consisted essentially of \$11,128,108 in amounts due from other governments, \$58,295 in prepaid expense and other assets, \$25,621,595 in assessments levied but not received, \$122,588,333 in land, equipment, and infrastructure net of accumulated depreciation owned by the District. In the prior year, total noncurrent assets at September 30, 2018 of \$163,019,245 consisted essentially of \$12,935,238 in amounts due from other governments, \$58,295 in prepaid expense and other assets, \$25,326,249 in assessments levied but not received, \$124,699,463 in land, equipment, and infrastructure net of accumulated depreciation owned by the District.

District's Net Position (Continued)

Total liabilities at September 30, 2019 of \$54,092,824 included \$395,258 due to vendors for goods and services rendered, \$123,125 due to construction contractors for contracts and retainage payable, \$162,391 in accrued interest expense, \$27,627,115 in loans payable, of which \$4,703,015 is due next year, and \$25,621,595 for assessments levied but not yet received. In the prior year, liabilities at September 30, 2018 of \$61,232,861 included \$306,385 due to vendors for goods and services rendered, \$14,939 due to construction contractors for retainage payable, \$216,899 in accrued interest expense, \$30,767,510 in loans payable, and \$25,328,222 for assessments levied but not yet received.

Key components of the District's net position are reflected in the following table:

Key Components of Net Position

	September 30,	
	2019	2018
Current and other assets	\$ 56,708,305	\$ 55,874,015
Capital assets, net of depreciation	122,588,333	124,699,463
Total assets	179,296,638	180,573,478
Current liabilities	5,383,789	5,011,067
Long-term liabilities	48,709,035	56,221,794
Total liabilities	54,092,824	61,232,861
Deferred inflows of resources	21,452	30,345
Net position		
Net investment in capital assets	94,838,093	89,444,170
Restricted	6,898,265	4,722,326
Unrestricted	23,446,004	25,143,776
Total net position	\$ 125,182,362	\$ 119,310,272

District Revenues, Expenses, and Changes in Net Position

The District's net position increased by \$5,872,090 during the current fiscal year; from \$119,310,272 on September 30, 2018 to \$125,182,362 on September 30, 2019. Total revenues for the period were \$17,816,868 and total expenses for the period were \$11,944,778. For the prior year, total revenues for the period were \$15,576,166 and total expenses for the period were \$11,687,217.

During the current fiscal year, operating revenues consisted of \$10,240,010 in charges to customers for services and related fees. The District received \$3,964,986 in assessments, \$367,069 in interest income and \$3,244,803 in grant income. For FY2018, operating revenue consisted of \$9,905,815 in charges to customers for services and related fees. Non-operating revenues consisted of \$4,086,967 in assessments, \$360,234 in interest income, \$16,539 in gain on the sale of assets and \$1,206,791 in grant income.

District Revenues, Expenses, and Changes in Net Position (Continued)

Key elements of the change in net position are reflected in the following table:

<u>Change in Net Position</u>		
Fiscal Year Ended September 30,		
	2019	2018
Operating activities:		
Charges for services	\$ 10,240,010	\$ 9,905,815
Cost of sales	(4,133,726)	(3,758,317)
Administration	(1,819,576)	(1,765,981)
Other	(425,150)	(441,702)
Depreciation	(4,673,688)	(4,652,670)
Net operating (loss)	(812,130)	(712,855)
Nonoperating activities:		
Grant revenue	3,244,803	1,206,791
Assessments	3,964,986	4,086,967
Interest income	367,069	360,234
Gain (loss) on sale of assets	-	16,359
Interest expense	(892,638)	(1,068,547)
Net nonoperating activities	6,684,220	4,601,804
Change in net position	5,872,090	3,888,949
Net position, beginning	119,310,272	115,421,323
Net position, ending	\$ 125,182,362	\$ 119,310,272

Capital Assets and Project Plan

The District adopted a master facilities plan in March, 2006 to construct wastewater collection transmission and treatment facilities to serve the entire island of Key Largo. The wastewater transmission and treatment facilities project was substantially completed and in service at the end of FY2011.

The grinder pump project consisted of the connection of approximately 165 properties where it was cost prohibitive to provide vacuum based collection services. These properties require a grinder pump based collection system. Work on the grinder pump project commenced during fiscal year 2012 and was substantially complete and in service at during fiscal year 2016. The District also completed work on the treatment plant expansion project to increase the treatment plant capacity from a 2.3 mgd capacity to 3.45 mgd. The plant expansion project was necessary to accommodate the wastewater flows that the District receives from the Village of Islamorada. Chemical feed system upgrades and blower upgrade projects were substantially completed and placed into service during FY2017. In FY2018, the District began a process water system project, a headworks bypass piping project and other various small projects.

In FY2019, the District completed the capital upgrades project, installed solar panels over the disinfection basin to reduce chemical costs and produce clean energy, and began the construction of the steel storage building at the wastewater treatment plant.

At September 30, 2019 the District had \$160,718,968 invested in land, infrastructure, equipment, and construction in progress. Depreciation of \$38,130,635 has been taken, which resulted in a net book value of \$122,588,333. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

The District's capital debt decreased by \$7,613,239 during the current fiscal year, due to an advanced debt payment of \$3,123,000 to the BB&T revenue bonds and the regularly scheduled annual debt service payments. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The unemployment rate for Monroe County was 1.8% at December 2019, the lowest in the State, which is a decrease from a rate of 2.6% in December 2018. The rate compares favorably to the state's average unemployment rate of 3.0%.

Assessed property values in the District's service area increased in 2020; however, the District has no taxing authority, and no District revenue is derived from or dependent upon ad-valorem taxation. Therefore, this increase in property value should have no significant effect on the current or future financial performance.

In FY2020, a rate study was conducted and a wastewater fee reduction rate of 15 percent was approved by the KLWTD Board of Commissioners by Resolution #22-12-19, effective January 1, 2020.

In FY2020 the District will continue the installation of additional solar arrays at the plant, pump stations and administration building. Installation of clean-agent fire suppression systems to protect major electrical panels at the wastewater treatment plant and vacuum pump stations will also commence in FY2020.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, landowners, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Key Largo Wastewater Treatment District's Finance Department at 103355 Overseas Highway, Key Largo, Florida, 33037. The KLWTD email address is: finance@klwtd.com

Basic Financial Statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

ASSETS

Current assets:

Unrestricted:

Cash and cash equivalents	\$ 11,554,675
Accounts receivable	285
Due from other governments	1,252,654
Prepaid expenses	32,037
Total unrestricted current assets	<u>12,839,651</u>

Restricted:

Cash and cash equivalents	<u>7,060,656</u>
Total restricted current assets	<u>7,060,656</u>
Total current assets	<u>19,900,307</u>

Noncurrent assets:

Due from other governments	11,128,108
Prepaid and other assets	58,295
Assessments receivable	25,621,595
Capital assets:	
Land	2,012,494
Construction in progress	2,162,412
Depreciable assets	156,544,062
Less accumulated depreciation	<u>(38,130,635)</u>
Total capital assets, net	<u>122,588,333</u>
Total noncurrent assets	<u>159,396,331</u>
Total assets	<u>179,296,638</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	395,258
Payable from restricted assets:	
Accrued bond interest payable	162,391
Contracts and retainage payable	123,125
Current portion of long term debt	4,703,015
Total current liabilities	<u>5,383,789</u>

Noncurrent liabilities:

Unearned revenue	25,623,423
Loans payable	22,924,100
Compensated absences	70,530
Other post employment benefits	90,982
Total noncurrent liabilities	<u>48,709,035</u>
Total liabilities	<u>54,092,824</u>

DEFERRED INFLOWS OF RESOURCES

Other post employment benefits	<u>21,452</u>
Total deferred inflows of resources	<u>21,452</u>

NET POSITION

Net investment in capital assets	94,838,093
Restricted for debt service	2,401,337
Restricted for other	4,496,928
Unrestricted	<u>23,446,004</u>
Total net position	<u>\$ 125,182,362</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Operating revenues:	
Charges for services	\$ 8,919,978
Other service fees	1,320,032
Total operating revenues	<u>10,240,010</u>
Operating expenses:	
Costs of sales and services	4,133,726
Administration	1,819,576
Other	425,150
Depreciation	4,673,688
Total operating expenses	<u>11,052,140</u>
Operating income (loss)	<u>(812,130)</u>
Nonoperating revenues (expenses):	
Grant revenues	3,244,803
Assessments	3,964,986
Interest income	367,069
Interest expense	(892,638)
Total nonoperating revenues (expenses)	<u>6,684,220</u>
Change in net position	5,872,090
Total net position - beginning	<u>119,310,272</u>
Total net position - ending	<u>\$ 125,182,362</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Cash flows from operating activities:	
Receipts from customers and users	\$ 10,026,132
Payments to employees	(2,369,353)
Payments to suppliers	<u>(3,871,157)</u>
Net cash provided (used) by operating activities	<u>3,785,622</u>
Cash flows from capital and related financing activities:	
Grants and other intergovernmental	3,244,803
Assessments	3,964,841
Other income	1,842,809
Payments on bank loans	(4,490,626)
Payments and fees on loan from other government	(3,122,613)
Interest payments	(947,146)
Acquisition and construction of capital assets	<u>(2,521,285)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,029,217)</u>
Cash flows from investing activities:	
Investment earnings	<u>367,069</u>
Net cash provided (used) by investing activities	<u>367,069</u>
Net increase (decrease) in cash and cash equivalents	<u>2,123,474</u>
Cash and cash equivalents (including restricted), October 1	<u>16,491,857</u>
Cash and cash equivalents (including restricted), September 30	<u>\$ 18,615,331</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	<u>\$ (812,130)</u>
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	4,673,688
(Increase)/Decrease in accounts receivable	4,715
(Increase)/Decrease in due from other governments	(218,593)
(Increase)/Decrease in inventory	-
(Increase)/Decrease in prepaid	(8,722)
Increase/(Decrease) in accounts payable	88,873
Increase/(Decrease) in other post employment benefits	13,181
Increase/(Decrease) in compensated absences payable	<u>44,610</u>
Total adjustments	<u>4,597,752</u>
Net cash provided (used) by operating activities	<u>\$ 3,785,622</u>

See accompanying notes to financial statements

KEY LARGO WASTEWATER TREATMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The Key Largo Wastewater Treatment District, Key Largo, Florida (“District”) is an autonomous independent Special District and political body formed in 2002 by the Legislature of the State of Florida by House Bill 471, enacted as Chapter 2002-37, Laws of Florida, for the purpose of carrying out the planning, acquisition, development, operation, and management of a wastewater management system within the District’s boundaries in Key Largo, Monroe County, Florida. This responsibility was transferred from the Florida Keys Aqueduct Authority (“FKAA”) to the District pursuant to an Interlocal Agreement dated February 26, 2003 between the District, Monroe County, and FKAA. The District is governed by a five member Board of Directors which are elected in a nonpartisan election.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates as a proprietary fund type, specifically an enterprise fund. The District’s financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The focus of a proprietary fund is the measurement of economic resources. Under this method revenues are recorded when earned and expenses are recorded when the liability is incurred, and all assets and liabilities associated with the entity are included on the balance sheet. The generally accepted accounting principles applicable to proprietary funds are similar to those applicable in the private sector.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

New Accounting Standard Adopted

During fiscal year 2019, the District adopted new accounting standards as follows:

GASB Statement No. 83 - *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments – The District’s cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets – Restricted assets represent cash and other assets whose use is restricted by legal requirements, amounts set aside to meet sinking fund requirements and reserves for future repairs and replacements.

Capital Assets – Capital assets include property, plant, equipment and the wastewater collection system. The District maintains a \$750 threshold and estimated useful life of more than one year for additions to equipment. The remainder of capital assets with a value in excess of \$5,000 and an estimated useful life of in excess of two years are capitalized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized but expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment – field and plant equipment	7-10
Equipment – vehicles	5
Infrastructure and building	30-40

The District’s wastewater system was completed in sections. Depreciation begins when the section is completed and placed in service.

Long-term Obligations – The long-term debt of the District is reported as a liability in the statement of net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – It is the District's policy to permit employees to accumulate earned but unused sick leave and vacation leave benefits. Sick leave may be accumulated up to 40 hours and vacation leave up to 8 hours per month for employees with the District under 5 years, and 12 hours per month for employees with the District over 5 years. New employees earn vacation time but are not able to use it until after the six months probationary period. All sick and vacation leave is accrued when earned in the government-wide and proprietary fund financial statements.

Other Postemployment Benefits (OPEB) – Effective October 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. See Note 8, Other Postemployment Benefits (OPEB), for more information on the District's OPEB Plan.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report 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/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, 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.

Revenue Recognition – Revenues that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue.

Assessments are non-ad valorem assessments on parcels served within the District. The assessments were levied in phases one to two years before the related infrastructure for the area was completed. The assessments may be paid in one lump sum or allocated over a 20 year period. For assessments paid over a 20 year period, interest will be the lesser of the District's borrowing rate or 8% per year. There is no penalty for prepayments or deferred payments. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. The assessments were levied to fund a portion of the costs of the infrastructure being constructed to benefit parcels served and are reported as nonoperating revenues.

The portion of assessments receivable due and earned within the current fiscal period is considered to be revenue of the current period. The remainder is recorded as unearned revenue in the statement of net position.

Fund Equity/Net Position - Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's debt covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

The District first uses restricted resources, followed by unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 – RESTRICTED CASH AND DEPOSITS

Cash and investment amounts restricted for specific use by outside parties at September 30, 2019 are as follows:

Restricted for debt service on loans	\$ 2,563,728
Restricted for renewal and replacement of capital assets	<u>4,496,928</u>
	<u>\$ 7,060,656</u>

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 4 – CAPITAL ASSETS

The table below summarizes the capital activity for the fiscal year ended September 30, 2019.

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,012,494	\$ -	\$ -	\$ -	\$ 2,012,494
Construction in progress	304,286	1,894,786		(36,660)	2,162,412
Total capital assets, not being depreciated	<u>2,316,780</u>	<u>1,894,786</u>	<u>-</u>	<u>(36,660)</u>	<u>4,174,906</u>
Capital assets, being depreciated:					
Buildings	793,716	-	-	-	793,716
Treatment facilities	40,000,153	-	-	-	40,000,153
Collection system	113,829,613	134,215	-	-	113,963,828
Equipment	1,216,148	533,557	-	36,660	1,786,365
Total capital assets, being depreciated	<u>155,839,630</u>	<u>667,772</u>	<u>-</u>	<u>36,660</u>	<u>156,544,062</u>
Less accumulated depreciation for:					
Buildings	82,715	26,457	-	-	109,172
Treatment facilities	9,768,077	1,567,990	-	-	11,336,067
Collection system	22,731,890	2,937,833	-	-	25,669,723
Equipment	874,265	141,408	-	-	1,015,673
Total accumulated depreciation	<u>33,456,947</u>	<u>4,673,688</u>	<u>-</u>	<u>-</u>	<u>38,130,635</u>
Total capital assets, being depreciated, net	<u>122,382,683</u>	<u>(4,005,916)</u>	<u>-</u>	<u>36,660</u>	<u>118,413,427</u>
Total capital assets, net	<u>\$ 124,699,463</u>	<u>\$ (2,111,130)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,588,333</u>

In connection with the District's wastewater treatment project, the District has entered into various contracts with engineers and contractors to construct the collection system and treatment plant. As of September 30, 2019, there are open contracts totaling \$61,214.

NOTE 4 – CAPITAL ASSETS (Continued)

For the year ended September 30, 2019, no interest costs relating to construction were capitalized. The interest costs incurred and charged to expense was \$892,638 for the year ended September 30, 2019.

NOTE 5 – INTERLOCAL AGREEMENTS

On May 22, 2012, the District entered into an interlocal agreement with Islamorada Village of Islands (“Islamorada”) for wastewater services. Under the terms of the agreement, the District will provide wastewater treatment and disposal services to Islamorada for a period of 30 years. The fee charged to Islamorada is \$4.65 per thousand gallons and adjusted in accordance with true-up provisions in the agreement. Wastewater treatment and disposal services commenced during June 2014. Total revenue earned relating to wastewater services provided to Islamorada during the year ended September 30, 2019 totaled \$1,148,927. Furthermore, Islamorada purchased capacity from the District and also agreed to pay for its proportionate share of plant capacity upgrades that the District constructed. In fiscal year 2012, the District charged Islamorada \$10,176,000 for the purchase of this capacity.

Florida Keys Water Quality Improvement Program

On October 31, 2014, the District entered into an interlocal agreement with the City of Marathon (“City”), Florida, and the Village of Islamorada (“Village”), Florida, to reallocate future grant revenue related to the United States Army Corps of Engineers’ Florida Keys Water Quality Improvement Program (“FKWQIP”). The original FKWQIP agreement authorized grant reimbursements to the District, City, and Village in a total amount of \$100,000,000. Under the agreement, the District is eligible to receive \$29,560,000 in grant reimbursements, of which it was allocated \$18,656,470 as of September 30, 2018, which includes Army Corps of Engineers’ (ACOE) fees of \$5,000. During the current fiscal year the District was allocated \$1,000,000, and received \$998,000 of funding, as \$2,000 was withheld by ACOE for their fees, which increased the total amount allocated to \$19,656,470 as of September 30, 2019, which includes ACOE fees of \$7,000.

Monroe County Interlocal Agreement

On March 11, 2015, the District was awarded a \$17,000,000 grant from the State of Florida Department of Environmental Protection to be applied toward the construction of the wastewater system improvements. During the fiscal year 2016 the District executed an interlocal agreement with Monroe County whereby the grant was assigned to Monroe County in exchange for the amount being repaid over a 10 year period with zero interest. The agreement also stipulated that during the first three years of the assignment, Monroe County would be obligated to repay a maximum of \$1,000,000 per year. Furthermore, since the note is being repaid over 9 more years, the District discounted the remaining \$16,000,000 due from Monroe County over 9 years (6 years remaining at September 30, 2019) using a 2.04% discount rate to arrive at a discounted receivable balance of \$10,147,118. This amount is included as due from other governments.

Under the ILA agreement any other additional grant funds received by the District are eligible to be part of this exchange. The Florida Keys Environmental Stewardship Act was passed by the Florida State Legislature and signed into law in 2016. The Florida Keys received \$5,000,000 in 2016 from the Stewardship Act. The District was allocated \$1,250,000 of the \$5,000,000 allocation from the State of Florida Department of Environmental Protection for water quality improvement projects. The District Board, on October 18, 2016, approved exchanging the \$1,250,000 allocation with Monroe County. The note is being repaid over 12 years, therefore, the District discounted the \$1,250,000 due from Monroe County over 12 years (10 years remaining at September 30, 2019) using a 2.04% discount rate to arrive at a discounted receivable balance of \$980,990, which is included as due from other governments on the balance sheet.

NOTE 6 – LONG-TERM DEBT

State Revolving Fund Loans

As of September 30, 2019, the District has entered into four revolving loan agreements with the State of Florida Department of Environmental Protection Clean Water State Revolving Fund Loan program to finance its wastewater utility capital projects. Under the terms of the loan agreements pledged revenues shall be the gross revenues, together with system development charges, and annual wastewater assessments, derived yearly from the operation of the sewer system after payment of operating and maintenance expenses and any yearly payment obligation of any senior debt obligations. Each loan shall be repaid in 40 semiannual payments. Through September 30, 2019 the District has borrowed a total of \$57,818,739 under these agreements, including capitalized interest. As of September 30, 2019, repayments have begun on all loan agreements and WW464020 and WW464030 were paid off in a prior year. The breakdown as of September 30, 2019 of the total amounts authorized, the fixed weighted average interest rate, the estimated semi-annual payment amount and the amounts drawn to date on each loan are as follows:

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Semi-Annual Payment Amount	Total Obligation September 30, 2019
WW46401P	\$ 22,670,199	2.41% - 2.68%	\$ 779,480	\$ 13,657,021
WW464010	32,077,094	2.49% - 2.92%	1,059,290	5,468,771
WW464020	891,422	2.56%	-	-
WW464030	2,180,024	2.68%	-	-
Total	<u>\$ 57,818,739</u>		<u>\$ 1,838,770</u>	<u>\$ 19,125,792</u>

Series 2013 and 2014

On December 19, 2013, the District issued \$10,000,000 of Utility Revenue Refunding Bond Series 2013 due October 15, 2027, with an initial interest rate of 2.70%. On January 6, 2014, the District issued \$10,000,000 of Utility Revenue Refunding Bond Series 2014 due October 15, 2027, with an initial interest rate of 2.70%. The Bonds were issued to refund a portion of the District’s outstanding Utility Revenue Bond Series 2010 (the “Refunded Bonds”), and pay certain costs associated with the issuance of the Bonds. Interest and principal is to be paid quarterly on each October 15, January 15, April 15 and July 15. The Bonds interest rate can be adjusted in the event of a change in the corporate tax rate which occurred during the current fiscal year and, as a result, the interest rate has been adjusted to 3.28%.

The financing documents allow for the prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium. Extraordinary prepayments are also allowed in part once a year, on a payment date, specifically from grant and loan proceeds with no prepayment premium. This occurred during the current fiscal year as the District collected the Monroe County Interlocal Agreement revenue and prepaid \$1,561,500 of the Series 2013 and \$1,561,500 of the Series 2014 Bonds.

The District shall establish and collect fees and charges for the product services and facilities of its system to provide in each fiscal year net revenues, pledged system development charges, wastewater connection fees and any other special assessment proceeds, equal to at least 110% of the annual debt service becoming due in such fiscal year. The District is in compliance with those requirements of the Bonds at September 30, 2019.

Long-term debt transactions

Changes in long-term liability activity for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
State Revolving Loan WW46401P	\$ 14,839,282	\$ -	\$ 1,182,261	\$ 13,657,021	\$ 1,213,070
State Revolving Loan WW464010	7,409,123	-	1,940,352	5,468,771	1,990,629
Series 2013 Bonds	6,495,444	-	2,245,263	4,250,181	749,606
Series 2014 Bonds	6,496,505	-	2,245,363	4,251,142	749,710
Compensated absences	57,154	110,523	97,147	70,530	-
Total long term debt	<u>\$ 35,297,508</u>	<u>\$ 110,523</u>	<u>\$ 7,710,386</u>	<u>\$ 27,697,645</u>	<u>\$ 4,703,015</u>

NOTE 6 – LONG-TERM DEBT (Continued)

Long-term debt transactions (Continued)

The District's schedule of future debt service requirements is as follows:

Year Ending September 30	Total		
	Principal	Interest	Total
2020	\$ 4,703,015	\$ 734,370	\$ 5,437,385
2021	4,835,965	601,420	5,437,385
2022	4,313,624	464,654	4,778,278
2023	2,964,095	354,708	3,318,803
2024	3,053,162	265,642	3,318,804
2025-2029	7,757,254	532,090	8,289,344
	<u>\$ 27,627,115</u>	<u>\$ 2,952,884</u>	<u>\$ 30,579,999</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

The Key Largo Wastewater Treatment District Retirement Plan is a Deferred Compensation Plan 457(b) Plan established by the District to provide benefits at retirement to the employees of the District. All full-time employees can contribute at the first day of employment. For employer contributions, an employee is eligible on the first full payroll period coinciding with or following the completion of six months of service. Employees' interest in the District's contributions vest as follows: 25% after 1 year, 50% after 2 years, 75% after 3 years and 100% after 4 years.

The total payroll for employees covered by the 457(b) Plan for the current year was \$1,904,179. The District will match up to 6% of the employee's base salary. For the year ended September 30, 2019, the District and the covered employees made the required contributions of \$83,930 and \$114,923, respectively, for a total of \$198,853.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides post-employment healthcare insurance coverage to eligible individuals pursuant to the requirements of State law.

Eligibility - Eligible individuals include all regular, full-time employees of the District who retire from active service and are eligible for retirement or disability benefits under one of the pension plans sponsored by the District. Under certain conditions, eligible individuals for healthcare coverage also include spouses and dependent children.

Explicit Benefit Cost Sharing – Retiree and Dependents - Retirees must pay 100% of the monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single or spouse / family coverage.

Implicit Benefits - Employees are permitted to continue coverage under the plans offered by the District in retirement by paying 100% of the cost of the premium for the continued coverage. This arrangement creates an implicit cost and liability for the District because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. Since the same premiums are charged to active employees and retirees, and the District is unable to obtain age-adjusted premium information for the retirees, GASB 75 requires the district to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

Surviving Spouse Benefit - Surviving beneficiaries continue to receive access to the District's medical coverage after the death of the retired employee as long as they pay the required premiums

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description (Continued)

Disability Retirement Benefits - There are two types of disability retirement available to employees of the District: (1) in-line-of-duty disability retirement and (2) regular disability retirement. To qualify for either type of disability retirement, members must be totally and permanently disabled to the extent that they are unable to work in any job for any employer. In-line-of-duty disability benefits are available to members on their first day of employment. To be eligible for regular disability retirement, members must complete eight years of creditable service with the District.

Post Employment Benefits – As of October 1, 2017, the date of the most recent actuarial valuation, 0 retired employees receive health benefits from the District. Future retirees will contribute 100% for coverage.

The District recognizes the cost of providing health insurance annually as expenses in the Statement of Revenues, Expenses and Changes in Net Position as costs are incurred.

At October 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>31</u>
	<u>31</u>

Changes in Net OPEB Liability

Sources of changes in the net OPEB liability at September 30, 2019 were as follows:

	<u>Liability</u>	<u>Position</u>	<u>Liability</u>
Balance as of September 30, 2018	\$ 68,908	\$ -	\$ 68,908
Changes due to:			
Service cost	16,729	-	16,729
Interest	2,457	-	2,457
Assumption changes	-	-	-
Difference between expected and actual experience	5,707	-	5,707
Change in Actuarial Cost Method	-	-	-
Benefit payments	(2,819)	-	(2,819)
Balance as of September 30, 2019	<u>\$ 90,982</u>	<u>\$ -</u>	<u>\$ 90,982</u>

Deferred Inflows of Resources

Amounts reported as deferred inflows of resources related to the plan will be recognized in pension expense as follows:

<u>September 30</u>	<u>Resources</u>
2020	\$ 2,517
2021	2,517
2022	2,517
2023	2,517
Thereafter	<u>11,384</u>
Total	<u>\$ 21,452</u>

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

Significant actuarial assumptions used to calculate the total OPEB liability were as follows:

Measurement date	September 30, 2019
Actuarial valuation date	October 1, 2017
Actuarial cost method	Entry age normal (Percent of Salary)
Actuarial assumptions:	
Discount Rate	3.64%
Year 1 Inflation Rates	6.00%
Year 2 Inflation Rates	2.90%
Ultimate Inflation Rate	5.00%
Year Ultimate Inflation Rate is Reached	2083
Payroll Growth	4.20% per year.
Mortality	RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA
Retirement Rates	Experience-based table of rates

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1- percentage-point higher (4.64%) than the current discount rate:

1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
\$ 102,320	\$ 90,982	\$ 81,185

Sensitivity of the Net OPEB Liability Using Alternative Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6% decreasing to 5%) or 1-percentage-point higher (6% increasing to 7%) than the current healthcare cost trend rates:

1% Decrease (5%)	Healthcare Cost Trend Rates - 6% Baseline	1% Increase (7%)
\$ 75,747	\$ 90,982	\$ 110,532

OPEB Expense

For the year ended September 30, 2019, the District recognized OPEB expense of \$13,181.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts and errors and omissions. During the current fiscal year, the District maintained liability and errors and omissions insurance through PGIT Insurance), coverage may not extend to all situations. There were no significant settled claims during the past three years that exceeded the insurance coverage.

NOTE 10 – LITIGATION AND CLAIMS

The District is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Board of Commissioners, will have a material effect on the District’s financial position and all claims are covered by insurance carrier.

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Required Supplementary Information

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Beginning balance	\$ 68,908	\$ 53,846
Service cost	16,729	15,762
Interest	2,457	1,912
Difference between expected and actual experience	5,707	50
Benefit payments and refunds	(2,819)	(2,662)
Ending balance (a)	<u>\$ 90,982</u>	<u>\$ 68,908</u>
Plan Fiduciary Net Position		
Beginning balance	\$ -	\$ -
Ending balance (b)	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability		
Net OPEB Liability ending balance (a) - (b)	<u>\$ 90,982</u>	<u>\$ 68,908</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%
Covered employee payroll	1,605,707	1,540,986
Net OPEB liability as a percentage of covered employee payroll	5.67%	4.47%

Supplementary Information

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES (BUDGETARY BASIS) – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Wastewater Service Revenue	\$ 9,890,800	\$ 9,890,800	\$ 8,919,978	\$ (970,822)
Other revenues	-	64,805	1,320,032	1,255,227
Total operating revenues	9,890,800	9,955,605	10,240,010	284,405
OPERATING EXPENSES:				
Department:				
Administrative	1,857,402	1,837,402	1,806,395	31,007
Collections	1,900,523	1,900,523	1,745,304	155,219
Maintenance	419,669	419,669	425,150	(5,481)
Treatment Plant	2,395,050	2,479,855	2,388,422	91,433
Total operating expenses	6,572,644	6,637,449	6,365,271	272,178
Budgetary basis operating income (loss)	3,318,156	3,318,156	3,874,739	556,583
NON OPERATING REVENUES (EXPENSES):				
Assessments	3,546,694	3,546,694	3,800,633	253,939
SDC Prepayments	170,000	170,000	164,353	(5,647)
Interest income	42,000	42,000	367,069	325,069
Other income	2,125,000	2,125,000	-	(2,125,000)
Capital outlay	(3,491,517)	(3,491,517)	2,562,558	6,054,075
Debt service	(8,125,320)	(8,125,320)	(8,505,877)	(380,557)
Grant income	-	-	3,244,803	3,244,803
Transfer to capital reserve	(709,427)	(709,427)	-	709,427
Total non operating revenues (expenses)	(6,442,570)	(6,442,570)	1,633,539	8,076,109
Budgetary basis income (loss)	(3,124,414)	(3,124,414)	5,508,278	8,632,692
OPEB Expense	-	-	(13,181)	(13,181)
Debt service principal	-	-	7,613,239	7,613,239
Depreciation	-	-	(4,673,688)	(4,673,688)
Capital asset additions	-	-	(2,562,558)	(2,562,558)
GAAP basis change in net position	\$ (3,124,414)	\$ (3,124,414)	\$ 5,872,090	\$ 8,996,504

Statistical Section

This part of the District's comprehensive annual financial report represents information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements says about the District's overall financial health.

Financial Trends:

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help readers assess the factors affecting the District's ability to generate revenues.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to incur additional debt in the future.

Demographic and Economic Information:

These schedules offer demographic and economic indications to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time with other agencies.

Operating Information:

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

Sources: Unless otherwise indicated, information in these schedules is derived from the comprehensive annual financial reports for the respective years.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
NET POSITION BY COMPONENT**

	Fiscal Year									
	2019	2018	2017 *	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 94,838,093	\$ 89,444,170	\$ 88,109,122	\$ 84,330,537	\$ 78,118,004	\$ 72,420,100	\$ 57,918,010	\$ 56,848,024	\$ 43,200,732	\$ 27,621,330
Restricted	6,898,265	4,722,326	3,648,137	4,437,594	4,553,495	2,533,008	7,236,276	6,366,921	15,658,154	38,133,096
Unrestricted	23,446,004	25,144,142	23,664,064	23,004,180	10,595,667	13,515,500	21,471,157	20,916,652	12,714,887	158,199
Total net position	\$ 125,182,362	\$ 119,310,638	\$ 115,421,323	\$ 111,772,311	\$ 93,267,166	\$ 88,468,608	\$ 86,625,443	\$ 84,131,597	\$ 71,573,773	\$ 65,912,625

*Restated

**KEY LARGO WASTEWATER TREATMENT DISTRICT
CHANGE IN NET POSITION**

	Fiscal Year									
	2019	2018	2017 *	2016	2015	2014	2013	2012	2011	2010
Operating revenues:										
Charges for service	\$ 10,240,010	\$ 9,905,815	\$ 9,556,501	\$ 9,369,902	\$ 9,024,977	\$ 8,648,563	\$ 8,259,561	\$ 7,982,364	\$ 4,750,891	\$ 814,061
Ad valorem taxes	-	-	-	-	-	-	-	-	-	-
Total operating revenues	10,240,010	9,905,815	9,556,501	9,369,902	9,024,977	8,648,563	8,259,561	7,982,364	4,750,891	814,061
Operating expenses:										
Cost of sales and services	4,133,726	3,758,317	3,858,023	3,462,536	3,434,263	3,063,570	2,739,794	2,443,119	1,435,715	732,969
Administration	1,819,576	1,765,615	2,135,299	2,061,163	1,933,311	1,755,937	1,762,678	1,579,319	1,262,205	839,941
Professional and other	425,150	441,702	354,727	134,052	175,224	262,912	138,631	174,844	178,168	147,290
Depreciation	4,673,688	4,652,670	4,623,560	4,188,921	4,003,065	3,975,919	3,915,064	3,790,497	3,475,347	387,419
Total operating expenses	11,052,140	10,618,304	10,971,609	9,846,672	9,545,863	9,058,338	8,556,167	7,987,779	6,351,435	2,107,619
Total operating income (loss)	(812,130)	(712,489)	(1,415,108)	(476,770)	(520,886)	(409,775)	(296,606)	(5,415)	(1,600,544)	(1,293,558)
Nonoperating revenues (expenses):										
Grant revenue	3,244,803	1,206,791	498,000	1,257,882	795,356	195,762	-	-	500,000	13,439,479
Intergovernmental	-	-	1,190,014	14,747,826	-	-	-	11,678,229	1,457,479	3,704,411
Assessments	3,964,986	4,086,967	4,201,378	4,284,578	4,603,764	4,808,534	5,026,498	5,295,038	5,570,211	5,757,448
Other	-	-	-	-	-	(11,985)	-	4,185	-	-
Other income	-	-	-	-	1,395,209	59,680	-	-	-	-
Interest income	367,069	360,234	334,835	23,108	18,860	243,242	169,382	21,810	47,837	108,259
Gain (loss) on sale of assets	-	16,359	1,291	(3,640)	-	-	4,536	(1,850,125)	-	-
Interest expense	(892,638)	(1,068,547)	(1,161,398)	(1,327,839)	(1,493,745)	(2,971,624)	(2,409,964)	(2,585,898)	(2,502,009)	(2,228,368)
Bond issuance costs	-	-	-	-	-	(70,669)	-	-	-	-
Total nonoperating revenues	6,684,220	4,601,804	5,064,120	18,981,915	5,319,444	2,252,940	2,790,452	12,563,239	5,073,518	20,781,229
Change in net position	\$ 5,872,090	\$ 3,889,315	\$ 3,649,012	\$ 18,505,145	\$ 4,798,558	\$ 1,843,165	\$ 2,493,846	\$ 12,557,824	\$ 3,472,974	\$ 19,487,671

*Restated

**KEY LARGO WASTEWATER TREATMENT DISTRICT
REVENUES BY SOURCE**

Fiscal Year	Operating		Nonoperating					Total	
	Sewer Service	Ad valorem Taxes	Intergovernmental	Assessments	Interest	Other	Non-Operating Revenue	Total Combined Revenue	
2019	\$ 10,240,010	\$ -	\$ -	\$ 3,964,986	\$ 367,069	\$ -	\$ -	\$ 7,576,858	\$ 17,816,868
2018	9,905,815	-	-	4,086,967	360,234	16,359	-	5,670,351	15,576,166
2017	9,556,501	-	1,190,014	4,201,378	334,835	1,291	-	6,225,518	15,782,019
2016	9,369,902	-	-	4,284,578	23,108	14,744,186	-	20,309,754	29,679,656
2015	9,024,977	-	-	4,603,764	18,860	1,395,209	-	6,813,189	15,838,166
2014	8,648,563	-	-	4,808,534	243,242	59,680	-	5,307,218	13,955,781
2013	8,259,561	-	-	5,026,498	169,382	4,536	-	5,200,416	13,459,977
2012	7,982,364	-	11,678,229	5,295,038	21,810	4,185	-	16,999,262	24,981,626
2011	4,750,891	-	1,457,479	5,570,211	47,837	-	-	7,575,527	12,326,418
2010	814,061	-	3,704,411	5,757,448	108,259	-	-	23,009,597	23,823,658

**KEY LARGO WASTEWATER TREATMENT DISTRICT
EXPENSES BY FUNCTION**

Fiscal Year	Operating Expenses			Total		
	Cost of Sales and Service	Administration	Contractual and Other	Operating Expenses	Non-Operating Expenses	Combined Expenses
2019	\$ 4,133,726	\$ 1,819,576	\$ 425,150	\$ 11,052,140	\$ 892,638	\$ 11,944,778
2018	3,758,317	1,765,615	441,702	10,618,304	1,068,547	11,686,851
2017*	3,858,023	2,135,299	354,727	10,971,609	1,161,398	12,133,007
2016	3,462,536	2,061,163	134,052	9,846,672	1,327,839	11,174,511
2015	3,434,263	1,933,311	175,224	9,545,863	1,493,745	11,039,608
2014	3,063,570	1,755,937	262,912	9,058,338	3,054,278	12,112,616
2013	2,739,794	1,762,678	138,631	8,556,167	2,409,964	10,966,131
2012	2,443,119	1,579,319	174,844	7,987,779	4,305,186	12,292,965
2011	1,435,715	1,262,205	178,168	6,351,435	2,502,009	8,853,444
2010	732,969	839,941	147,290	2,107,619	2,228,368	4,335,987

*Restated

**KEY LARGO WASTEWATER TREATMENT DISTRICT
MONTHLY RATE STRUCTURE**

	Base Charge (EDU)	Flow Charge (1,000 Gal.)	Average Monthly Service Fees		EDU's	
			Residential	Non-Residential		
2019	\$ 33.60	\$ 5.27	\$ 463,356	\$ 329,725	9,823	14,767
2018	33.60	5.27	445,907	285,281	9,768	14,484
2017	33.60	5.27	459,706	257,843	9,485	14,130
2016	33.60	5.27	464,893	270,074	9,447	14,251
2015	33.60	5.27	458,674	268,133	9,449	14,251
2014	33.60	5.27	454,580	251,894	9,260	14,144
2013	33.60	5.27	462,464	257,970	9,085	14,110
2012	33.60	5.27	449,623	251,267	9,124	14,097
2011	33.60	5.27	271,035	138,334	6,107	10,085
2010	33.60	5.27	56,915	6,894	1,256	1,470

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SYSTEM DEVELOPMENT CHARGE STRUCTURE**

	Fee Structure						Total
	Capacity Charge (EDU)	Connection Charge (Each)	Low Pressure & Lateral Connection	Equipment	Assessment		
					Residential	Non-Residential	
2019*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2018*	-	-	-	-	-	-	-
2017*	-	-	-	-	-	-	-
2016	3,305	2,535	-	379,600	318,722	698,322	698,322
2015*	-	-	-	-	-	-	-
2014*	-	-	-	-	-	-	-
2013	2,950	2,250	3,300	332,375	170,340	502,715	502,715
2012	2,950	2,250	3,300	1,325,510	273,400	1,598,910	1,598,910
2011*	-	-	-	-	-	-	-
2010*	-	-	-	-	-	-	-

*The district did not assess any additional properties

**KEY LARGO WASTEWATER TREATMENT DISTRICT
RATIO OF OUTSTANDING DEBT**

	Loans	Assessed Property Value	Percentage of Assessed Value	Pledged Revenue
2019	\$ 27,635,315	\$ 5,670,707,264	0.4873%	\$ 14,207,996
2018	35,240,354	5,334,439,293	0.6606%	13,992,782
2017	40,578,452	5,058,475,900	0.8022%	13,757,879
2016	47,178,256	4,431,117,858	1.0647%	13,064,121
2015	54,702,805	4,064,563,117	1.3458%	13,195,923
2014	58,329,191	3,794,887,898	1.5370%	13,321,671
2013	75,043,966	3,556,651,483	2.1100%	13,263,687
2012	75,835,590	3,223,256,011	2.3528%	12,935,426
2011	90,881,354	3,208,230,358	2.8328%	10,184,823
2010	80,049,168	3,802,498,273	2.1052%	6,571,509

**KEY LARGO WASTEWATER TREATMENT DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS**

	Assessed Property Value	Estimated Resident Population	
		Key Largo District	Monroe County
2019	\$ 5,670,707,264	10,433	76,212
2018	5,334,439,293	10,433	76,047
2017	5,058,475,900	10,433	76,047
2016	4,431,117,858	10,433	76,047
2015	4,064,563,117	10,433	73,090
2014	3,794,887,898	10,433	74,044
2013	3,556,651,483	10,433	73,560
2012	3,223,256,011	10,433	72,897
2011	3,208,230,358	10,433	73,090
2010	3,802,498,273	11,019	73,460

**KEY LARGO WASTEWATER TREATMENT DISTRICT
DISTRICT EMPLOYEES BY FUNCTION**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Executive (Commissioners)	5	5	5	5	5	5	5	4	5	5
Administration	7	8	9	12	11	11	13	7	7	6
Operations	20	24	24	20	16	18	16	20	24	6
Construction	0	0	0	2	3	4	4	6	7	18
	32	37	38	39	35	38	38	37	43	35

**KEY LARGO WASTEWATER TREATMENT DISTRICT
OPERATING INDICATORS**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of Employees	32	37	38	39	35	38	38	37	43	35
Number of Customers	9,809	9,768	9,511	9,447	9,449	9,260	9,085	9,124	6,107	2,683
Collection Main (feet)	427,000	427,000	427,000	427,000	427,000	427,000	427,000	426,161	426,161	386,000
Transmission Main (feet)	120,000	120,000	120,000	120,000	120,000	120,000	120,000	119,801	119,801	100,000
Number of Vacuum Pits	3540	3540	3538	3538	3525	3505	3500	2550	2548	2000
Number of Vacuum Stations	7	7	7	7	7	7	7	7	6	5
Average Daily Flow (gallons)	1,767,000	1,661,000	1,460,000	1,380,000	1,363,000	1,210,000	1,019,000	912,000	679,000	450,000
Peak Daily Flow (gallons)	2,484,000	2,304,000	2,150,000	1,950,000	1,974,000	1,780,000	1,450,000	1,749,000	1,010,000	525,000

**KEY LARGO WASTEWATER TREATMENT DISTRICT
MISCELLANEOUS STATISTICAL INFORMATION**

Date of Formation	November 19, 2002
Form of Government	Independent Special District
Board Elections	Non-partisan
Equivalent Dwelling Units (EDU's)	14,300 (Estimate)
Geographic Size	14.4 Square Miles
Water System	Supplied by the Florida Keys Aqueduct Authority
Electric Service	Provided by the Florida Keys Electric Co-op
Sanitary Sewage	Provided by the Key Largo Wastewater Treatment District



INDEPENDENT AUDITOR'S 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

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, 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 basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated April 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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.

B *Law & Associates*

April 6, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

Report on Compliance for Each Major Federal Program and Each Major State Project

We have audited Key Largo Wastewater Treatment District, Key Largo, Florida (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs and major state projects for the fiscal year ended September 30, 2019. The District's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550 Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or a major state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the fiscal year ended September 30, 2019.


Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



April 6, 2020

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Federal/State Agency Pass-through Entity Federal Award/State Project	CFDA/CSFA Number	Agency or Pass-through Number	Expenditures
<i>FEDERAL AWARDS</i>			
United States Department of Defense			
Florida Key Water Quality Improvement Program	12.113	N/A	\$ 998,000
Department of Homeland Security			
FEMA- Public Assistance Grants - Hurricane IRMA	97.036	N/A	167,740
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,165,740</u>
<i>STATE FINANCIAL ASSISTANCE</i>			
Florida Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	37.039	N/A	\$ 2,077,884
Florida Department of Agriculture and Consumer Services			
Hurricane IRMA	N/A	N/A	4,931
TOTAL EXPENDITURES OF STATE ASSISTANCE			<u>\$ 2,082,815</u>

The accompanying notes are an integral part of this schedule.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance projects includes the federal and state grant activity of Key Largo Wastewater Treatment District, Key Largo, Florida (the “District”) for the fiscal year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, cash flows or functional expenses of the District. Pass-through entity identifying numbers are presented where available.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* and Chapter 10.550, Rules of the Auditor General, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Additionally, the District did not elect to use the 10 percent *de minimis* indirect cost rate.

NOTE C – FINDINGS OF NONCOMPLIANCE

There were no findings of noncompliance identified in connection with the 2019 Federal or State Single Audit.

**KEY LARGO WASTEWATER TREATMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. SUMMARY OF AUDIT RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida (the “District”).
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the independent auditor’s 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*.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs and state projects are reported in the independent auditor’s report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and Chapter 10.550, rules of the Auditor General.
5. The independent auditor’s report on compliance for each major federal program and each major state project for the District expresses an unmodified opinion.
6. There were no audit findings relative to each major federal program and each major state project tested for the District.
7. The major federal programs and major state projects were:

<u>Federal</u>	<u>CFDA#</u>
United States Department of Defense:	
Florida Key Water Quality Improvement Program	12.113
 <u>State</u>	 <u>CSFA#</u>
Florida Department of Environmental Protection	
Statewide Surface Water Restoration and Wastewater Projects	37.039

8. The dollar threshold used to distinguish between Type A and Type B for federal programs and state projects was \$750,000 and \$300,000, respectively.
9. The District was determined to be a low-risk auditee under the Uniform Guidance.

B. CURRENT YEAR FINDINGS AND RECOMMENDATION – FINANCIAL STATEMENT AUDIT

None

C. PRIOR YEAR FINDINGS

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS

None

E. OTHER ISSUES

No summary schedule of prior audit findings and corrective action plan is required because there were no prior audit findings related to federal programs or state projects.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

We have examined Key Largo Wastewater Treatment District, Key Largo, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Commissioners of Key Largo Wastewater Treatment District, Key Largo, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

April 6, 2020



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

Board of Commissioners
Key Largo Wastewater Treatment District
Key Largo, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 6, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 6, 2020, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, as applicable, management, and the Board of Commissioners of Key Largo Wastewater Treatment District, Key Largo, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Key Largo Wastewater Treatment District, Key Largo, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

April 6, 2020

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2018.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2019.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2019.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2019. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.