

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FLORIDA KEYS AQUEDUCT AUTHORITY

**FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023**

305.296.2454

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Florida Keys Aqueduct Authority



Annual Comprehensive Financial Report

For fiscal year ended
September 30, 2023

Prepared by
Cindy Kondziela
Chief Administration Officer
Lynese Mariscal
Director of Finance

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VISION

THE FLORIDA KEYS AQUEDUCT AUTHORITY WILL BE RECOGNIZED NATIONALLY AS A LEADER IN THE PROVISION OF SAFE, RELIABLE WATER AND WASTEWATER SERVICES BY SEAMLESSLY INTEGRATING ADVANCED TECHNOLOGY TO ENHANCE THE CUSTOMER EXPERIENCE AND MAXIMIZE EFFICIENCIES, WHILE LEADING AS WELL IN ENVIRONMENTAL AWARENESS AND RESOURCE PROTECTION.

MISSION STATEMENT

THE FLORIDA KEYS AQUEDUCT AUTHORITY IS A NATIONALLY RENOWNED AND COMMUNITY ORIENTED PUBLICLY OWNED UTILITY THAT PROVIDES RELIABLE, SAFE AND EFFICIENT WATER AND WASTEWATER SERVICES IN A FISCALLY AND ENVIRONMENTALLY RESPONSIBLE MANNER WITH A HIGHLY TRAINED PROFESSIONAL AND DEDICATED TEAM OF EMPLOYEES.

VALUES

TO ACHIEVE OUR MISSION, THE AUTHORITY IS COMMITTED TO THE FOLLOWING VALUES:

- CUSTOMER SATISFACTION
- EXCELLENT WATER QUALITY
- COMMUNITY INVOLVEMENT
- STRONG WORKING RELATIONSHIPS WITH MUNICIPAL, COUNTY, STATE AND FEDERAL GOVERNMENT AGENCIES
- EMPLOYEE DEVELOPMENT, COMMUNICATION AND CAREER GROWTH
- WELL MAINTAINED, RELIABLE AND SECURE SYSTEMS
- FINANCIAL STABILITY
- COST EFFECTIVE SERVICES
- PROTECTION OF ENVIRONMENTAL RESOURCES



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INTRODUCTORY SECTION

Board of Directors
System Overview
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FLORIDA KEYS AQUEDUCT AUTHORITY

2023 BOARD OF DIRECTORS

J. ROBERT DEAN CHAIRMAN

District 3- Current term expires December 31, 2024

Owner and Director, Dean-Lopez Funeral Home

RICHARD J. TOPPINO VICE CHAIRMAN

District 2- Current term expires December 31, 2026

Treasurer, Charley Toppino & Sons, Inc.

Vice President, Monroe Concrete Products, Inc.

ANTOINETTE M. APPELL SECRETARY/ TREASURER

District 5- Current term expires December 31, 2024

Highly Qualified Paraprofessional with the

Monroe County School District, retired

NICHOLAS W. MULICK BOARD MEMBER

District 4- Current term expires December 31, 2024

Owner, The Law Offices of Nicholas W. Mulick

CARA HIGGINS BOARD MEMBER

District 1- Current term expires December 31, 2026

Owner, Cara Higgins Law

SYSTEM OVERVIEW

24 MGD LIME SOFTENING WATER TREATMENT PLANT

10 BISCAYNE AQUIFER SUPPLY WELLS

5 FLORIDAN AQUIFER SUPPLY WELLS

6 MGD BRACKISH WATER REVERSE OSMOSIS PLANT

2 SEAWATER REVERSE OSMOSIS PLANTS (3MGD TOTAL CAPACITY)

197 MILES OF STEEL AND DUCTILE IRON TRANSMISSION MAIN (18"-36") AT UP TO 250 PSI

6 TRANSMISSION BOOSTER AND BACK PUMP STATIONS

43 BRIDGE CROSSINGS

46.4 MG CAPACITY IN 33 STORAGE TANKS

668 MILES OF POTABLE WATER DISTRIBUTION MAIN AT UP TO 55 PSI

26 PUMPING STATIONS

6 WASTEWATER TREATMENT PLANTS

252 MILES OF WASTEWATER COLLECTION AND FORCE MAIN LINES

25 MILES OF RECLAIMED DISTRIBUTION WATER LINES



Message from the Executive Director

Greg Veliz



Dear Residents of Monroe County, valued customers of the Florida Keys Aqueduct Authority, and esteemed FCAA Board of Directors,

On behalf of the dedicated team at the Florida Keys Aqueduct Authority, I am honored to present the Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023.

I am pleased to report that the Authority remains in a robust financial position, demonstrating positive indicators in both net revenue and liquidity. Notably, water revenue has witnessed an increase from the previous year, attributable to sustainable growth and increased usage.

Our success in securing grant funding for various capital projects not only underscores our commitment to advancing the aggressive Capital Improvement Plan aimed at fortifying our infrastructure but also reflects the recognition and support of our dedicated legislators who acknowledge the vital importance of these improvement efforts. In 2023, we celebrated two significant milestones with the completion of the Rockland Key storage facility and the Stock Island Pump Station.

Furthermore, we are excited to announce that we have initiated the design phase for our new Reverse Osmosis plant on Crawl Key, a pivotal step in enhancing our water treatment capabilities. Additionally, our relentless efforts to bolster the overall infrastructure continue with the ongoing work on the Islamorada transmission line replacement and the progression of our transmission line at Windley Key. These endeavors signify our unwavering commitment to providing a resilient and efficient water supply system for our community.

We trust that this Annual Comprehensive Financial Report proves informative and valuable to you. Additional financial details and budgetary information can be accessed on our website, www.fkaa.com.

Respectfully,

Gregory W. Veliz

Executive Director

March 12, 2024

Message from Management

Florida Statutes require that government entities submit to the Auditor General a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants and submitted to the Auditor General of the State of Florida within the earlier of 45 days after the completion of the audit report but no later than nine months after the close of each fiscal year. Pursuant to that requirement, we are pleased to issue this Annual Comprehensive Financial Report of the Florida Keys Aqueduct Authority (the Authority) for the fiscal year ended September 30, 2023.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority'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 Authority's financial statements have been audited by Marcum LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2023, 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 unmodified opinion that the Authority's financial statements for the fiscal year ended September 30, 2023, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

Profile Of The Authority

History and Purpose

In 1937, the legislature of the State of Florida created the Florida Keys Aqueduct Commission, the predecessor to the Authority. The Commission's purpose, working with the US Navy, the City of Key West and Monroe County was obtaining, supplying and distributing potable water to the Florida Keys. In 1970, the Authority was established by the state legislature to succeed the Commission as the sole provider of potable water. The Authority currently operates under Special Legislation 76-441, Laws of Florida, as amended.

The Authority provides potable water for over 50,000 customers in the Florida Keys, a series of islands at the southern tip of the Florida peninsula. The Authority also provides wastewater collection and treatment in certain areas of the Florida Keys. The Florida Keys extend approximately 130 miles from the Florida mainland and are connected by 43 bridges. The reporting entity consists of the operations of the water and wastewater utility.

The Authority is governed by a five-member board of directors appointed by the Governor of the State of Florida from districts identical to the county commission districts in Monroe County. Members serve four-year terms. The board employs an executive director who is the chief executive officer of the Authority.

Budgetary Control

In accordance with the Authority's enabling legislation, the board holds public hearings and subsequently adopts an annual budget at least 30 days prior to the beginning of its fiscal year. The budget is adopted on a basis consistent with GAAP except no amounts are provided for non-cash expenses such as depreciation, amortization and post-retirement benefits. The budget is monitored at various levels of detail by management. Total expenditures may not legally exceed the total budget, as adopted, without amendment by the board.

The Authority's Facilities

The Authority has made significant improvements to its infrastructure over the years to provide expanded service and accommodate increased demand. The majority of the original transmission line constructed in the 1940s by the US Navy was replaced in the early 1980s. The Authority then established a long-range capital improvement master plan to address anticipated future water demands. This master plan was expanded to include wastewater projects in 1998 and a long-term water supply plan was updated in 2022 and will be incorporated into planning goals in the Authority's strategic plan.

An overview of the Authority's facilities follows.

Profile Of The Authority (continued)

Well Fields

The Authority draws its primary raw water supply from the Biscayne Aquifer through ten wells with average depths of 50 to 60 feet and five Floridan Aquifer wells with depths of about 1,500 feet. The well field is adjacent to the outskirts of Everglades National Park and is within an environmentally protected pine rockland. The location of the well field, along with restrictions enforced by state and local regulatory agencies, contribute to the unusually high quality of the raw water, which meets all federal and state finished drinking water standards prior to any treatment.

The Authority is permitted by the South Florida Water Management District (SFWMD) to withdraw its supply of raw water. The Authority's water use permit allows for an average daily withdrawal from the Biscayne Aquifer of 17.79 mgd and a maximum daily withdrawal of 23.79 mgd. However, the permit contains certain limitations in the event of severe drought. The permit also allows the Authority to withdraw up to 8 mgd of brackish water from the deeper Floridan aquifer to treat through reverse osmosis. The permit is effective until 2028, but the Authority may request additional allocations if the water supply is insufficient.

Water Production and Treatment Facilities

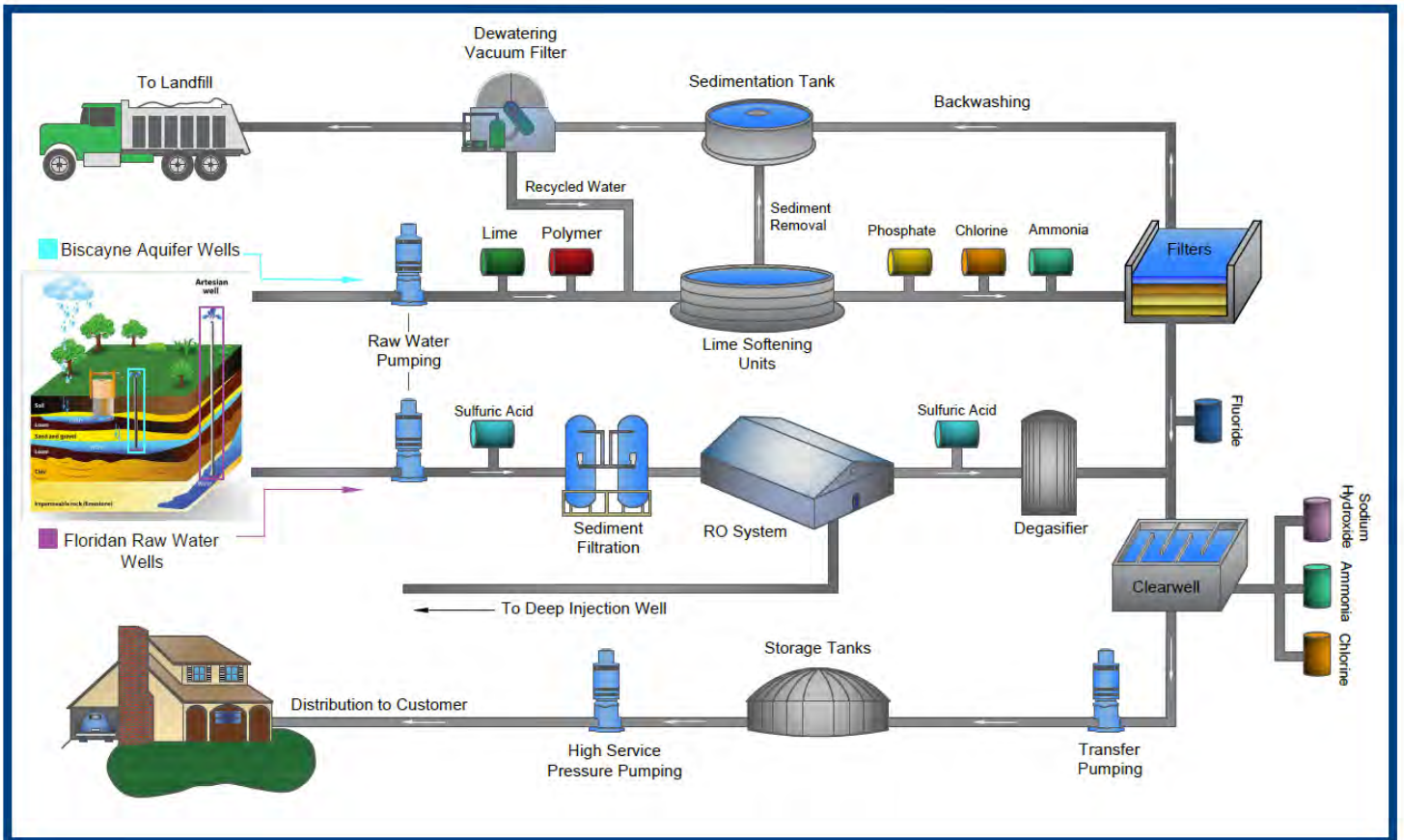
The Authority's primary water production facilities are a lime softening plant that treats water withdrawn from the Biscayne Aquifer and a reverse osmosis plant that treats brackish water withdrawn from the deeper Floridan Aquifer. Water treated at these two facilities is then blended and disinfected before entering the transmission line. The lime softening plant has an ultimate design production capacity of 23.79 million gallons per day (mgd). The water treatment process consists primarily of lime softening, filtration, disinfection and fluoridation. The reverse osmosis plant has a design capacity of 6 mgd. Brackish water is forced through membranes to remove chlorides and impurities. Adjacent to these treatment facilities are water storage tanks, high service pumping equipment, emergency diesel generators, a control center for transmission telemetry, and a state-certified water quality testing laboratory. The Authority also maintains seawater reverse osmosis facilities in Stock Island and Marathon capable of producing 2 mgd and 1 mgd, respectively. These facilities were constructed primarily for emergency operations in the event of a major transmission main interruption.

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Profile Of The Authority (continued)

Water Production and Treatment Facilities (continued)

The following diagram illustrates the water treatment process.



Profile Of The Authority (continued)

Water Transmission and Distribution Systems

The Authority maintains approximately 187 miles of transmission main and approximately 690 miles of distribution lines. The transmission main ranges in size from 36 inches leaving the water treatment plant in Florida City to 18 inches at the end of the line in Key West and in areas with redundant lines. The Authority operates transmission pump stations at the water treatment plant in Florida City, Key Largo, Long Key, Marathon, and Ramrod Key. These pump stations boost the water pressure to meet water demands throughout the service area. A pumping station on Stock Island just outside of Key West can also pump water in the other direction in the event of a line break. The stations have pumps with electric variable speed drives as well as diesel engine drives for emergencies. The Authority also operates 20 distribution pump stations located throughout the service area to maintain water pressure in the distribution system.

Wastewater Treatment Facilities

The Authority owns and operates wastewater treatment facilities in Bay Point, Duck Key, Big Coppitt, Cudjoe Key, Cross Key, and Layton, Florida. In October 2021, Monroe County transferred ownership of their wastewater facilities to the Authority. Monroe County Commissioners adopted a resolution approving the transfer of ownership of county owned wastewater assets located in Big Coppitt, Cudjoe Key, Duck Key and Long Key. Total construction costs of these assets were approximately \$260 million.

Wastewater Transmission and Collection Systems

The Authority's wastewater collection systems are comprised of gravity, low pressure and vacuum systems. There are also transmission force mains that carry the influent from the collection systems to the wastewater treatment facilities.

Reclaimed Water Distribution Systems

The Authority has reclaimed water lines that supply non-potable water from effluent produced by wastewater treatment facilities to all of Duck Key and limited areas of Big Coppitt Key and Shark Key.

The Authority's Operations

Engineering and Operations

The Authority's engineering group is responsible for implementing the Authority's capital improvement plan, coordinating and inspecting construction projects, assessing system development fees, designing in-house distribution projects, and maintaining drawings and records of the Authority's systems. The Authority maintains system data on a geographic information system (GIS), which stores infrastructure attributes and other relevant data based on physical geographic location. This data includes, among other things, the size and type of pipe, valves, meters, fire hydrants, vacuum pits, lift stations and other system components as well as the date the component was installed.

Due to the linear geography of the Florida Keys, operations crews and facilities must be located throughout the service area. In addition to operating the system, these crews respond to line breaks and other service interruptions, perform scheduled preventive maintenance and leak surveys, and maintain facilities and structures. For optimal response to any service request, the Authority maintains a materials inventory of over 2,250 items in three warehouses throughout the service area to draw upon in case of emergency.

Profile Of The Authority (continued)

Water Quality

The water quality team is responsible for assuring that the Authority's water supply meets the highest quality standards possible for safety, aesthetics and taste. The Authority employs staff that is certified in the treatment, testing, monitoring and distribution of the water supply. Water is tested regularly, both prior to and after treatment to ensure that it complies with or surpasses all federal and state water quality requirements. An annual consumer confidence report is provided to Authority customers each year. See the statistical section of this report for drinking water quality standards and analyses included in the current consumer confidence report.

Protection of the groundwater source from potential pollution is a very important water quality issue. The Authority has entered into an ongoing agreement with the Miami-Dade County Department of Environmental Resource Management (DERM) to regulate and manage issues relating to the protection of the Authority's well field. DERM monitors ground and surface water to establish water quality trends, enforces laws against illegal discharges, protects important aquifer recharge areas, and regulates underground storage tanks, liquid waste haulers and other hazardous waste.

The Authority monitors, on a monthly basis, a network of monitoring wells and structures for saltwater intrusion. This network includes 13 Authority-owned wells and three United States Geological Survey wells. These 16 sites provide valuable information on the location, movement and velocity of the saline/fresh-water interface.

The Authority uses chloramines as its primary disinfecting agent. Chloramines, though not as strong as free chlorine, remain more stable and do not produce potentially harmful by-products. The Authority performs bacteriological testing on samples taken from approximately 100 sample sites throughout the system to ensure that appropriate disinfection is taking place. In the state of Florida, water utilities are required to establish an ongoing cross-connection control program to detect and prevent cross-connections that may create a potential health hazard. A cross-connection is any physical connection between the water supply and any private piping arrangement that contains a foreign liquid or substance. To prevent potential backflow from such an arrangement, the Authority must either discontinue water service until the cross-connection is eliminated or require the installation of an approved backflow prevention device.

Information Technology

The Authority's Information Technology group is responsible for all business software, telephone and radio networks and the data information network that runs the length of the system. This group is also responsible for implementing the technology master plan. This plan provides a strategy for future changes and improvements to the Authority's technology infrastructure over the next five to ten years.

Customer Service and Administration

The Authority has customer service locations in Key West, Marathon and Tavernier, Florida. Customer service representatives are available at each location to initiate service, collect monthly payments and assist customers with service requests. However, about 85% of customers pay their bills electronically through either automatic payment, online payments or through an automated phone system. Customer service representatives read water meters through radio transmissions either remotely or from a service vehicle in the field. The Authority's administrative offices, including the executive office, human resources, finance, billing and purchasing, are located in Key West.

Profile Of The Authority (continued)

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Authority operates.

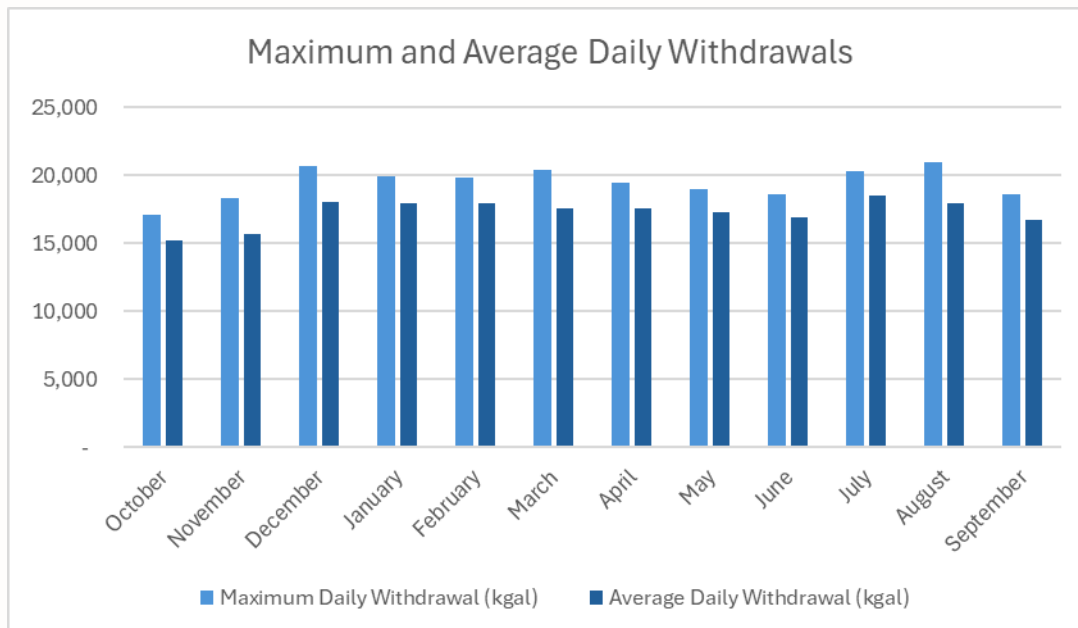
Local Economy and Demand Trends

The primary industries in the Authority’s service area are related to tourism. Other industries include military operations, government and commercial fishing. Many residents are in the service area for only part of the year. The permanent year-round population of Monroe County is approximately 82,000 residents. The average functional population, defined as the sum of the permanent population and the peak seasonal population, is estimated by the Monroe County Growth Management Division to be approximately 150,000. Therefore, the demands on the water system are highly seasonal.

Water demand hit a 10-year low in 2014 but increased in the following years as the economy recovered. Demand decreased slightly in 2020 due to the economic conditions related to COVID-19. The tourist economy was affected during the months of the economic shutdown and increased dramatically once businesses and hotels reopened. Unemployment is among the lowest in the state of Florida.

Monroe County has one of the lowest water consumption levels per capita in the state of Florida. The primary reasons are that customers are accustomed to conserving water due to the historically limited supply and in response to frequent severe drought conditions in South Florida. Customers are also using less to save on monthly utility bills now that many have a wastewater charge for the first time.

The graph below shows the maximum and average day withdrawals from the Biscayne aquifer in fiscal year 2023. Due to severe drought conditions that occur in South Florida from time to time, permanent mandatory water use restrictions from the South Florida Water Management (SFWMD) are now in place.



Profile Of The Authority (continued)

Long-Range Financial Planning

The Authority's capital improvement plan is projected to require about \$276.8 million over the next five years. Most of these projects are either improvements to aging infrastructure or new technologies to improve efficiency and reliability of the system. The Authority anticipates funding these improvements with system development fees, bond proceeds, grants and rate revenue.

The Authority's current rate structure has a base facility charge that provides revenue stability independent of water usage and offsets some of the fixed costs incurred to maintain service for all potential users of the system. Inverted rate blocks for water flows were designed to discourage excessive consumption and encourage further water conservation. Single family residential wastewater customers are only billed for flows up to 10,000 gallons per month. All rates are indexed each year to compensate for inflation.

FCAA Awards



Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the 32st consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Distinguished Budget Presentation Award

The GFOA awarded the Florida Keys Aqueduct Authority the Distinguished Budget Presentation Award for fiscal year beginning October 1, 2022. This was the 17th consecutive year that the Authority has achieved this award. In order to receive the budget award, the entity must satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document, a financial plan, an operations guide and a communications device. The budget must be rated proficient in all four categories to receive the award.



Acknowledgements

The preparation of this annual comprehensive financial report was made possible by the dedicated service of the entire staff of the Authority. Each participant has our sincere appreciation for the contributions made in support of this report.

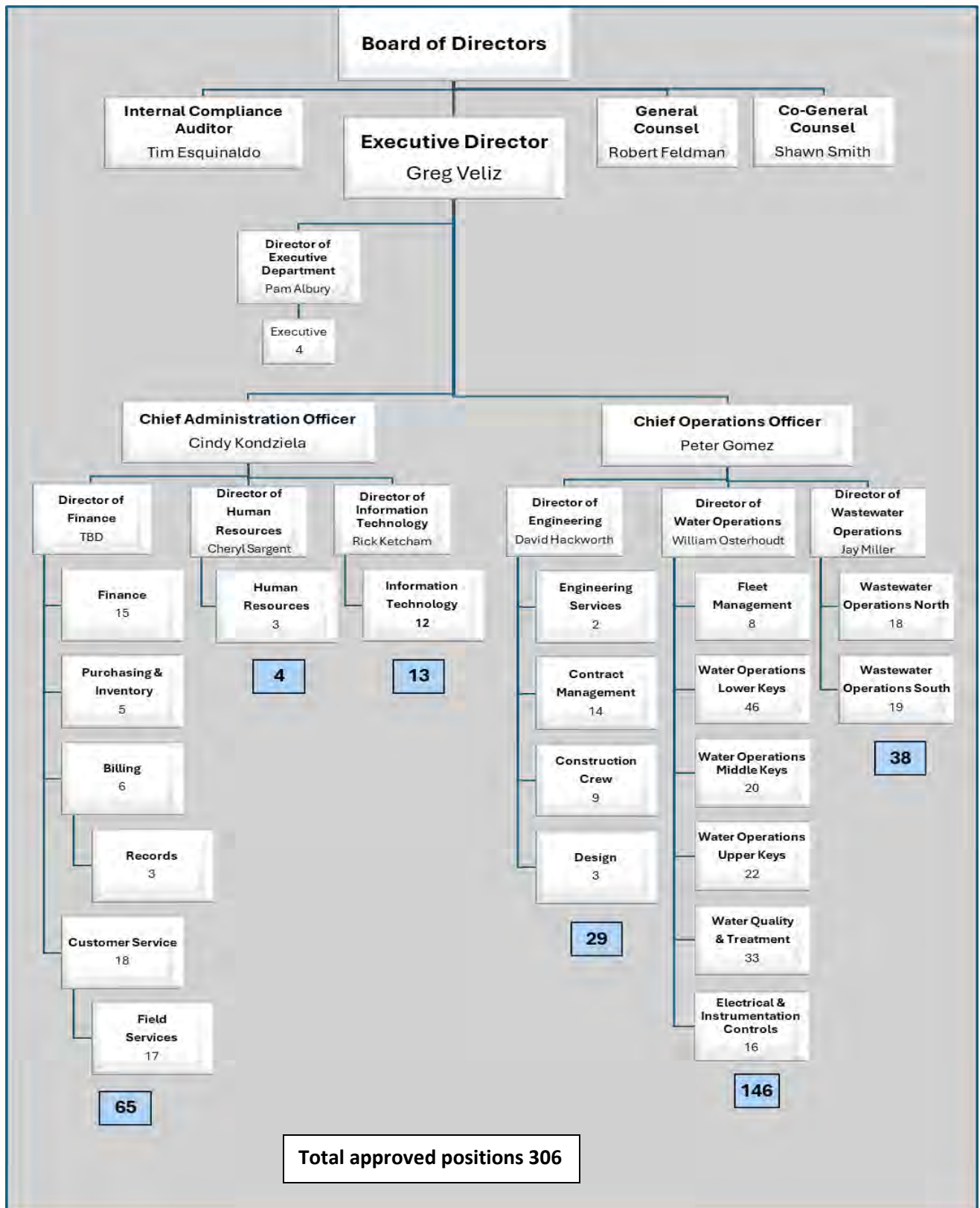
Respectfully submitted,

A handwritten signature in blue ink that reads "Greg W. Veliz". The signature is written in a cursive style with a large, sweeping initial "G".

Greg Veliz
Executive Director

March 12, 2024

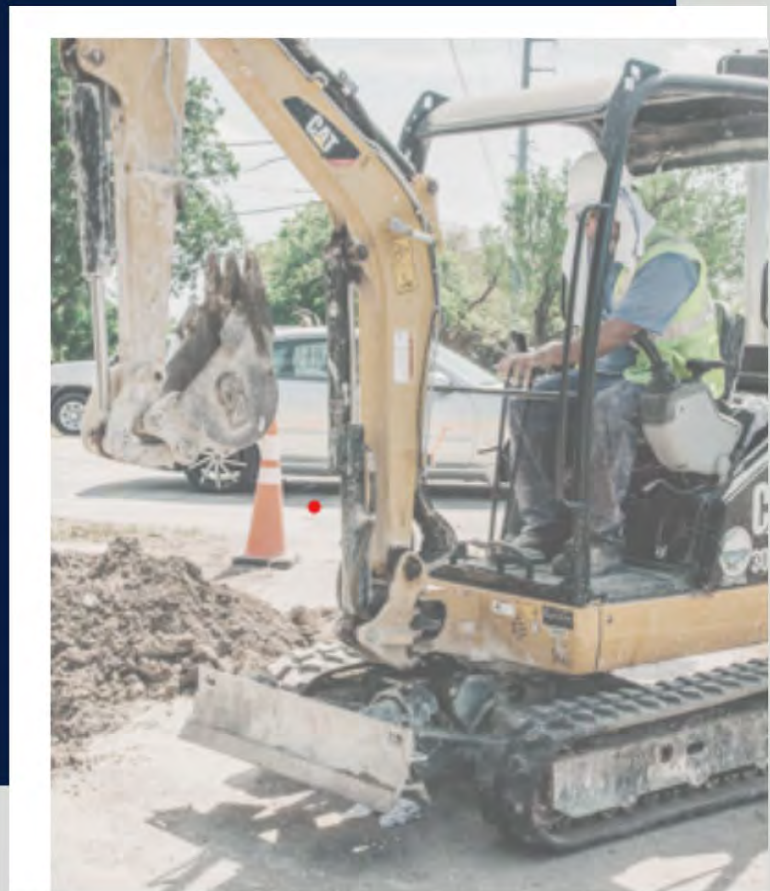
Organization Chart



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FINANCIAL SECTION

Independent Auditors' Report
Management's Discussion and Analysis
Financial Statements
Notes to Financial Statements
Required Supplementary Information



Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Audit Committee, Board of Directors, and Executive Director
Florida Keys Aqueduct Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Keys Aqueduct Authority (the "Authority"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Independent Auditors' Report (continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Independent Auditors' Report (continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 30 to 35, and the schedule of changes in total OPEB liability and related ratios, the schedules of the Authority's proportionate share of net pension liability, and schedules of the Authority's contributions on pages 71 and 72, respectively, 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Prior Year Comparative Information

We have previously audited the Authority's 2022 financial statements, and our report dated March 10, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Independent Auditors' Report (continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

Marcus LLP

Miami, FL
March 12, 2024

Management's Discussion and Analysis

Our discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the transmittal letter and the Authority's financial statements.

Highlights

Financial highlights

- ✓ The Authority's Construction Work in Progress increased by 53% in 2023 as the Authority continues to invest in hardening its infrastructure.
- ✓ Operating revenue increased by 9% in 2023 over 2022 and operating expenses increased by approximately \$6 million, a 7.4% increase over 2022.
- ✓ The Authority's interest income has significantly increased in 2023, as compared to 2022, due to the overall rise in interest rates in the banking industry.

Authority highlights

- ✓ The Authority has continued to aggressively seek grant opportunities and has been awarded \$10 million in grant funding to be utilized to construct a new Reverse Osmosis facility in the middle keys.
- ✓ The Authority's capital improvement plan focuses on projects that can improve system resiliency, such as expanded remote water-producing plants and replacement of older, less reliable transmission lines.
- ✓ The Authority has constructed a new Pump Station and Construction facility to replace aging infrastructure.

Using This Annual Report

This annual report consists of four parts: introductory, financial, statistical, and reporting sections. The financial section also includes notes that explain in more detail some of the information underlying the financial statements.

Required financial statements

The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine profitability, creditworthiness and whether the Authority has successfully recovered all its costs through its user fees and other charges. The third required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital and related financing and noncapital financing activities and illustrates the sources of the Authority's cash, how it is spent and the change in total cash during the reporting period.

Management's Discussion and Analysis (continued)

Financial Analysis of the Authority as a Whole

The statement of net position and the statement of revenue, expenses and changes in net position report information about the Authority's activities in a way that helps answer the question of whether the Authority, as a whole, is better or worse off as a result of those activities. These statements report the net position of the Authority and changes in them. The Authority's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure its financial health. Over time, increases or decreases in net position are indicators of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation must be considered as well.

The Authority's net position increased by 1.9% in 2023. Our condensed analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the fiscal year.

Table 1

	2023		2022
Current and other assets	\$ 57,410,475	\$	85,812,746
Capital assets, net	593,168,489		557,812,351
Total assets	650,578,964		643,625,097
Total deferred outflow of resources	25,946,389		28,132,272
Current liabilities	26,164,187		23,691,213
Long-term liabilities	248,786,188		256,110,601
Total liabilities	274,950,375		279,801,814
Total deferred inflow of resources	6,416,542		4,263,049
Net investment in capital assets	396,077,271		374,574,276
Restricted	6,396,389		2,599,421
Unrestricted	(7,315,224)		10,518,809
Total net position	\$ 395,158,436	\$	387,692,506

Net investment in capital assets increased by approximately 5.7% in 2023 primarily due to the completion of construction projects. The Authority increased restricted cash held for future bond payments, resulting in an increase in restricted net position. Major contributors to the decrease in unrestricted net position consist of changes in pension and other post-employment benefit (OPEB) liabilities.

Management's Discussion and Analysis (continued)

Table 2

	2023	2022
Utility revenue water	\$ 71,995,416	\$ 65,641,295
Utility revenue reclaimed water	215,621	180,311
Utility revenue wastewater	13,058,073	11,348,765
Other operating revenue Navy	3,945,373	3,945,373
Other operating revenue	1,532,240	1,817,635
Operating revenue	<u>90,746,723</u>	<u>82,933,379</u>
Less abatements	<u>(640,376)</u>	<u>(361,316)</u>
Total operating revenue	<u>90,106,347</u>	<u>82,572,063</u>
Operating expenses	<u>(91,481,506)</u>	<u>(85,128,752)</u>
Net operating income (loss)	<u>(1,375,159)</u>	<u>(2,556,689)</u>
Non-operating revenue (expenses)		
Interest income	2,797,509	730,217
Other income	2,277,873	1,437,676
Interest expense and amortization on deferred gain	(7,118,426)	(7,318,363)
Other expenses	(679,358)	(560,042)
Total non-operating revenue (expenses)	<u>(2,722,402)</u>	<u>(5,710,512)</u>
Net income (loss) before contributions	<u>(4,097,561)</u>	<u>(8,267,201)</u>
Capital contributions	11,563,491	239,703,604
Change in net position	7,465,930	231,436,403
Net position, beginning of year	<u>387,692,506</u>	<u>156,256,103</u>
Net position, end of year	<u>\$ 395,158,436</u>	<u>\$ 387,692,506</u>

Water and wastewater revenue has increased by approximately 9.6% and 15%, respectfully. This is attributed to a continued increase in tourism. Other operating Navy revenue remained stable. Other operating revenue decreased by 15% primarily due to a reduction in service charges on customer accounts. Higher interest rates paid on deposited funds resulted in a significant increase in interest income. A increase in other income of 58% is in direct relation to the continued closing of FEMA claims for Hurricane Irma and gains on disposal of assets. Operating expenses increased by 7.4% in correlation with inflationary costs.

The Authority's Fund

The Authority's fund is a proprietary fund, which is accounted for similar to a private business. All activities of the Authority are included in this fund.

Management's Discussion and Analysis (continued)

Capital Assets and Debt

Capital assets

At the end of 2023, the Authority had approximately \$593.1 million invested in a broad range of water and wastewater capital assets, including several projects under construction. This amount represents a net increase (including additions, deductions, amortization and depreciation) of approximately \$35.3 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, for the fiscal years ended September 2023 and 2022.

	2023	2022
Land	\$ 9,573,655	\$ 9,573,655
Buildings, structures & improvements	103,889,168	99,157,300
Equipment, vehicles, furniture & fixtures	10,164,146	10,514,798
Transmission system	44,942,991	45,012,803
Water distribution system	95,108,603	92,536,144
Water meters	4,710,259	3,570,424
Water storage facilities	4,509,644	4,693,338
Pump station equipment	14,491,773	9,722,696
Water treatment equipment	13,748,905	12,107,485
Reverse osmosis equipment	7,387,264	8,180,294
Computer equipment	419,426	287,949
Wastewater treatment equipment	39,046,420	41,673,503
Wastewater collection equipment	155,770,949	159,297,646
Reclaimed water	8,351,036	8,649,930
Leased Assets	16,106	22,377
Subscription Assets	197,661	-
	512,328,007	505,000,342
Construction work in progress	80,840,482	52,812,009
Total capital assets, net	\$ 593,168,489	\$ 557,812,351

The following table summarizes the changes in capital assets. These changes are presented in detail in Note 4 to the financial statements.

	2023	2022
Balance at beginning of year	\$ 557,812,351	\$ 310,138,117
Additions	33,356,449	272,882,017
Retirements	(1,731,262)	(1,972,649)
Depreciation	(25,720,343)	(25,806,806)
Amortization	(271,824)	(4,796)
Accumulated depreciation retired	1,694,645	1,844,038
Net increase in construction work in progress	28,028,473	732,430
Balance at end of year	\$ 593,168,489	\$ 557,812,351

Management’s Discussion and Analysis (continued)

This year’s major additions of \$33.3 million to utility plant include:

Buildings, structures, improvements and land	\$	9.9	million
Equipment, vehicles, furniture, fixtures and computer equipment		1.4	million
Water distribution system upgrades		5.7	million
Water meters		1.4	million
Water transmission system upgrades		2.5	million
Water storage and pump station facilities		5.7	million
Water treatment and reverse osmosis equipment		2.9	million
Wastewater treatment and collection system		3.4	million
Subscription assets		.4	million

The Authority’s 2024 capital budget plans for investing approximately \$86.7 million in capital projects includes the following:

Water distribution system upgrades	\$	6.4	million
Wastewater system upgrades		7.9	million
Water transmission system upgrades		45.8	million
Water treatment plant upgrades		4.3	million
Water storage and pump station facilities		1.6	million
Reverse osmosis facility		20.7	million

The Authority plans to finance capital projects primarily with cash reserves and the proceeds from issuance of revenue bonds.

Long-term liabilities

On September 30, 2023, the Authority had a total of more than \$189 million in water and wastewater bonds outstanding. The Authority did not issue any new debt for fiscal year 2023. The Authority’s water bonds have underlying ratings of Aa3 by Moody’s, A+ by Standard & Poor’s and AA- by Fitch. Water and wastewater bonds held by a bank are not rated. In conjunction with the issuance of the Series 2006 bonds (later refunded by Series 2008), the Authority entered into a derivative contract with a counterparty that is considered to be an effective hedging instrument. As such, that instrument is recorded as a long-term liability, along with a complementary deferred outflow of resources on the Authority’s statement of net position.

The Authority has a contract with the U.S. Navy to own and manage water distribution and wastewater treatment infrastructure serving Naval Air Station Key West and associated residential properties. This acquisition resulted in a credit due to the Navy that is applied against charges under this contract. The credit is being amortized over twenty years at 4.9% for water and fifty years at 5.0% for wastewater. Long-term liabilities are as follows:

Management’s Discussion and Analysis (continued)

	2023	2022
Water and wastewater bonds, net	\$ 189,541,810	\$ 196,698,352
Derivative instrument - swap	1,704,405	3,340,033
Credit due to US government	22,381,975	23,580,448
Lease liability	18,289	25,071
Subscription liability	189,673	-
Compensated absences	4,274,604	3,746,270
Total OPEB liability	9,066,072	10,983,125
Net pension liability	30,786,434	26,404,316
	<u>257,963,262</u>	<u>\$ 264,777,615</u>
Less current portion	<u>(9,177,074)</u>	<u>(8,667,014)</u>
Total Long-term liabilities	<u>\$ 248,786,188</u>	<u>256,110,601</u>

Compensated absences include estimated accrued vacation and sick leave to be paid at retirement. Total other post-employment benefits (OPEB) liabilities represent the actuarial value of the unfunded liability of the Authority’s other post-employment benefits due to retirees. More detailed information about the Authority’s long-term liabilities is presented in Notes 5, 10 and 11 of the financial statements.

Economic Factors, Next Year’s Budget and Rates

The economy within the service area continued to improve in 2023 with low unemployment rates and strong tourism. Increased flights to Key West and the convenience of traveling by automobile have made the Florida Keys a desirable vacation destination. The increase in tourism has had a positive effect on the local economy.

Water, wastewater and reclaimed water rates were increased on October 1, 2023, by the annual inflation adjustment of 6.9% and a capital adjustment of 5%, resulting in a total increase of 11.9%.

The Authority’s capital improvement plan calls for capital expenditures of about \$276.8 million over the next five years. These expenditures will be funded primarily through existing cash reserves, grants, government loans, rate increases and proceeds from the issuance of revenue bonds. Projects can be deferred or removed from the plan at any time at the discretion of the Authority’s board of directors.

Other budget considerations for 2024 are the continued high cost-of-living on recruitment and workforce retention and system hardening due to impacts from future hurricanes, sea level rise, and other potential pandemics or disasters.

The Authority continues to move ahead with wastewater initiatives in the Florida Keys. The Authority currently has about 11,500 wastewater customers and the majority of customers have been connected to the system.

The Florida Keys continue to be at risk for future impacts from hurricanes. While no funds are historically budgeted for these impacts, the possibility does exist. If damages are incurred, the board of directors may be asked to consider a budget amendment to pay for any damages.

Contacting the Authority’s Financial Management

This financial report is designed to provide our customers and our creditors with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the money it receives. If you have questions about this report or need additional financial information, visit our website at www.fkaa.com or contact the Authority at 305.296.2454.

Financial Statements

Statement of Net Position September 30, 2023 (with comparative totals on September 30, 2022)

Assets	2023	2022
Current assets		
Unrestricted current assets		
Cash and cash equivalents	\$ 27,882,052	\$ 40,143,840
Receivables:		
Accounts - customers	7,974,006	8,326,810
Accounts - other	1,669,932	577,763
Current portion of assessments	421,461	416,488
Materials and supplies	5,601,158	4,346,395
Prepaid expenses	1,198,005	899,745
Total unrestricted current assets	44,746,614	54,711,041
Restricted current assets		
Cash and cash equivalents	6,984,654	24,756,099
Total restricted current assets	6,984,654	24,756,099
Total current assets	51,731,268	79,467,140
Restricted noncurrent cash - customer deposits	3,102,049	3,714,740
Capital assets		
Capital assets	860,167,548	829,005,576
Leased assets in service	27,173	27,173
Subscription assets in service	463,214	-
Construction in progress	80,840,482	52,812,009
Less lease accumulated amortization	(11,067)	(4,796)
Less subscription accumulated amortization	(265,553)	-
Less accumulated depreciation	(348,053,308)	(324,027,611)
Capital assets, net	593,168,489	557,812,351
Assessments receivable, net of current portion	2,577,158	2,630,866
Total noncurrent assets	598,847,696	564,157,957
Total assets	650,578,964	643,625,097
Deferred outflow of resources		
Accumulated change in fair value of hedging derivatives	1,704,405	3,340,033
Deferred amount on debt refundings	1,744,486	1,869,838
Pensions	6,455,055	7,334,857
Navy wastewater Agreement	13,296,043	13,612,615
Other Post Employment Benefits	2,746,400	1,974,929
Total deferred outflow of resources	25,946,389	28,132,272

Financial Statements (continued)

Statement of Net Position September 30, 2023 (with comparative totals on September 30, 2022)

Liabilities	2023	2022
Current liabilities		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 10,095,442	\$ 7,457,227
Accrued wages and benefits	1,883,915	1,974,846
Unearned revenues	570,665	394,569
Current portion lease liability	6,873	-
Current portion subscription liability	189,673	-
Other liabilities	746,777	909,483
Total current liabilities payable from unrestricted assets	13,493,345	10,736,125
Current liabilities payable from restricted assets		
Customer deposits	3,102,049	3,714,740
Interest payable	588,265	573,334
Current portion of long-term liabilities	8,980,528	8,667,014
Total current liabilities payable from restricted assets	12,670,842	12,955,088
Total current liabilities	26,164,187	23,691,213
Noncurrent liabilities		
Bonds payable, net	189,541,810	196,698,352
Lease liability	11,416	25,071
Derivative instrument - swap	1,704,405	3,340,033
Credit due to US government	22,381,975	23,580,448
Compensated absences	4,274,604	3,746,270
Total OPEB liability	9,066,072	10,983,125
Net pension liability	30,786,434	26,404,316
	257,766,716	264,777,615
Less current portion	(8,980,528)	(8,667,014)
Total noncurrent liabilities	248,786,188	256,110,601
Total liabilities	274,950,375	279,801,814
Deferred inflow of resources		
Pension	1,533,426	1,810,883
Other Post Employment Benefits	4,883,116	2,452,166
Total deferred inflow of resources	6,416,542	4,263,049
Net position		
Net investment in capital assets	396,077,271	374,574,276
Restricted:		
Debt service	4,995,737	2,253,081
Insurance	1,400,652	346,340
Unrestricted	(7,315,224)	10,518,809
Total net position	\$ 395,158,436	\$ 387,692,506

Financial Statements (continued)

Statement of Revenue, Expenses and Changes in Net Position

For the fiscal year ended September 30, 2023 (with comparative totals for fiscal year ended September 30, 2022)

	2023	2022
Operating revenues		
Utility revenue water	\$ 71,995,416	\$ 65,641,295
Utility revenue reclaimed water	215,621	180,311
Utility revenue wastewater	13,058,073	11,348,765
Other operating revenue Navy	3,945,373	3,945,373
Other operating revenue	1,532,240	1,817,635
Total operating revenues	90,746,723	82,933,379
Less abatements	(640,376)	(361,316)
Net operating revenues	90,106,347	82,572,063
Operating expenses		
Source of supply	1,390,883	997,267
Water treatment	6,069,518	6,917,941
Transmission	8,473,281	7,700,118
Distribution	11,328,226	9,554,806
Wastewater treatment	2,045,148	2,052,538
Wastewater collection	4,776,826	4,481,524
Customer accounts	3,755,793	3,560,456
General and administrative	27,649,665	24,052,500
Amortization	271,824	4,796
Depreciation	25,720,342	25,806,806
Total operating expenses	91,481,506	85,128,752
Operating income (loss)	(1,375,159)	(2,556,689)
Non-operating revenues (expenses)		
Interest income	2,797,509	730,217
Other income	1,150,981	1,105,403
Gain(Loss) on disposal of assets and inventory	366,654	126,950
Grants from federal and state agencies	760,238	205,323
Interest expense and amortization on deferred gain	(7,118,426)	(7,318,363)
Remarketing fees	(362,786)	(243,470)
Amortization of Navy wastewater	(316,572)	(316,572)
Total non-operating revenues (expenses)	(2,722,402)	(5,710,512)
Net income (loss) before contributions	(4,097,561)	(8,267,201)
Capital contributions	11,563,491	239,703,604
Change in net position	7,465,930	231,436,403
Net position, beginning of year	387,692,506	156,256,103
Net position, end of year	\$ 395,158,436	\$ 387,692,506

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

Financial Statements (continued)

Statement of Cash Flows

For the fiscal year ended September 30, 2023 (with comparative totals for fiscal year ended September 30, 2022)

	2023	2022
Cash flows from operating activities		
Payments received from customers	\$ 88,290,325	\$ 79,324,738
Deposits received from customers	295,876	1,112,654
Other cash received (paid)	(103,895)	909,240
Payments for salaries and benefits	(35,549,793)	(33,177,538)
Payments to suppliers for goods and services	(23,970,386)	(23,875,417)
Interest paid on and refunds of customer deposits	(916,702)	(357,102)
Net cash provided (used) by operating activities	28,045,425	23,936,575
Cash flows from non-capital financing activities		
Cash received from other governments	2,100,220	205,323
Payments for projects of other governments	-	(453,532)
Net cash provided (used) by non-capital financing activities	2,100,220	(248,209)
Cash flows from capital and related financing activities		
System development fees received (capital contribution)	1,855,128	1,857,434
Proceeds from capital grants (capital contribution)	6,984,512	2,581,567
Assessments	51,832	41,822
Payments for capital assets	(59,540,935)	(39,523,406)
Proceeds from sale of capital assets	403,271	244,385
Bond issue costs and financing fees paid	(362,786)	(232,770)
Principal payments of bonds	(5,575,000)	(7,770,000)
Interest payments for bonds	(7,405,100)	(7,700,300)
Net cash provided (used) by capital and related financing activities	(63,589,078)	(50,501,268)
Cash flows from investing activities		
Interest received	2,797,509	733,601
Net cash provided (used) by investing activities	2,797,509	733,601
Net cash inflow (outflow) from all activities	(30,645,924)	(26,079,301)
Cash and cash equivalents at beginning of year	68,614,679	94,693,980
Cash and cash equivalents at end of year	\$ 37,968,755	\$ 68,614,679

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

Financial Statements (continued)

Statement of Cash Flows

For the fiscal year ended September 30, 2023 (with comparative totals for fiscal year ended September 30, 2022)

Reconciliation of operating income (loss) to net cash provided by operating activities

	2023	2022
Operating income (loss)	\$ (1,375,159)	\$ (2,556,689)
Credits to US government	(2,344,922)	(2,344,922)
Depreciation	25,720,342	25,806,806
Amortization	271,824	4,796
Other income	1,150,980	1,105,403
Interest on customer deposits	(8,135)	(277)
(Increase) decrease in		
Accounts receivable	(739,365)	(1,255,939)
Materials and supplies	(1,254,763)	(1,248,118)
Prepaid expenses	(298,260)	(26,048)
Deferred outflows of resources	108,331	(1,564,201)
Increase (decrease) in		
Accounts payable	2,638,215	2,499,771
Unearned revenues	176,096	79,714
Accrued wages and benefits (includes net pension and OPEB liability)	2,902,468	15,972,198
Other liabilities	(443,029)	102,730
Customer deposits	(612,691)	755,829
Deferred inflows of resources	2,153,493	(13,394,478)
Net cash provided by operating activities	\$ 28,045,425	\$ 23,936,575
Schedule of cash and cash equivalents		
Unrestricted cash and cash equivalents	\$ 27,882,052	\$ 40,143,840
Restricted cash and cash equivalents	10,086,703	28,470,839
Total Cash and cash equivalents	\$ 37,968,755	\$ 68,614,679
Schedule of non-cash, capital and financing activities:		
Change in value of derivative instruments	\$ (1,635,628)	\$ (6,736,190)
Amortization of deferred amount on debt refunding	(125,352)	(125,351)
Amortization of Navy wastewater	(316,572)	(316,572)
Subscription Based IT Arrangements	463,214	-
Capital assets contributed	1,380,772	234,079,865
Total schedule of non-cash, capital and financing activities	\$ (233,566)	\$ 226,901,752

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

Notes to Financial Statements

For the fiscal year ended September 30, 2023

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Notes to Financial Statements

For the fiscal year ended September 30, 2023

Note 1. Summary of Significant Accounting Policies

The Florida Keys Aqueduct Authority's (the Authority) financial statements comply with generally accepted accounting principles in the United States of America (GAAP) and apply all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The Authority complies with GASB Statements defining the financial reporting entity. This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the officials of the primary government are financially accountable and there is a benefit or burden relationship and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. These activities are financed primarily by user fees and the measurement of financial activity focuses on net income measurement similar to the private sector. Activities reported in this fund are those costs necessary to provide water and wastewater service and the related user fees levied to pay for these costs.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize a measurement focus linked to economic resources. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with their activities are reported. Proprietary fund equity is classified as net position. Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is monthly user fees charged to customers for service. The Authority also recognizes as operating revenue fees intended to recover the cost of connecting new customers to the system and other services that relate to the supply of water and the collection and treatment of wastewater. Operating expenses for enterprise funds 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 non-operating revenue and expenses.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Summary of Significant Accounting Policies

During fiscal year ended September 30, 2023, the Authority implemented GASB statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), statement No. 93, *Replacement of Interbank Offer Rates* (GASB 93), and statement No. 99, *Omnibus 2022*.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Materials and Supplies

Materials and supplies are stated at cost or average cost.

Capital Assets

Capital assets are recorded at cost for items purchased or constructed and at acquisition value on the date donated for contributed items. The capitalization threshold for tangible and intangible capital assets is \$5,000. Depreciation is computed by the straight-line method based on the estimated useful lives of the asset. It is the Authority's policy to depreciate mass assets half of the year in the year of acquisition and half of the year in the year of retirement. Mass assets are those assets with a large number of homogeneous retirement units such as water meters, distribution systems and collection systems. It is the Authority's policy to depreciate all specifically identified assets based on the month of acquisition or retirement. The Authority evaluates and records impairment losses on long lived assets when events and circumstances indicate that an asset may be impaired. The estimated useful lives of the principal classes of assets are as follows:

Classification	Years
Buildings, structures and improvements	5-40
Equipment, vehicles, furniture and fixtures	3-20
Transmission system	25-50
Distribution systems	25-50
Water meters	10
Water storage facilities	10-50
Pumping stations	5-25
Water treatment equipment	5-30
Reverse osmosis equipment	5-25
Computer equipment	3-5
Wastewater treatment equipment	5-50
Collection systems	25-50

Leased Assets in Service

The Authority has recorded leased assets in service as a result of implementing GASB 87. The leased assets in service are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The leased assets in service are amortized on a straight-line basis over the life of the related lease.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Subscription Based Technology Arrangements in Service

The Authority has recorded Information Technology subscription assets in service as a result of implementing GASB 96. The subscription assets in service are initially measured at an amount equal to the initial measurement of the related subscription liability plus any subscription payments. The subscription assets in service are amortized on a straight-line basis over the life of the related subscription.

Construction Work in Progress

Construction work in progress represents costs for the construction or replacement of the Authority's infrastructure and other capital projects that were not completed at year end.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned, unused vacation and sick leave. Employees may, depending on hire date, level and length of service, be paid for various amounts of their total accrued leave upon termination or retirement. The Authority accrues a liability for leave hours that meet the criteria for payment at the eligible employees' current rates of pay plus retirement contributions and employment taxes.

Long-term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the Authority's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed as incurred.

Interest on Indebtedness

Interest is charged to expense as incurred.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes, or other borrowings and net of deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation, net of related liabilities.
- c. Unrestricted – Residual amounts that do not meet the definition of the two categories above.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Deferred Outflows of Resources

The difference between the re-acquisition activities (new debt) and the net carrying value of the old debt on refunded debt transactions is recorded as a deferred outflow of resources and recognized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The cumulative change in the derivative is the change in fair value of the hedging derivative instrument from last year to the current year. The acquisition of the Navy Wastewater system is being amortized over the remaining life of the current debt.

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions and OPEB

Deferred inflows of resources and deferred outflows of resources related to pensions and OPEB that are derived from the difference between projected and actual earnings on the respective pension plan investments are amortized to pension expense (income) over a closed five-year period. Deferred inflows of resources and deferred outflows of resources related to pensions and OPEB that are derived from differences between expected and actual experience with regard to economic or demographic factors (difference between expected and actual experience) in the measurement of the respective net pension liability and total OPEB liability are amortized to pension expense (income) over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB benefits through the respective plan (active and inactive employees) determined as of the beginning of the measurement period. Contributions to the pension plan and OPEB from the employer subsequent to the measurement date of the total liability and before the end of the Authority's reporting period are reported as deferred outflow of resources related to pensions or OPEB. These contributions will be included as a reduction of the net pension liability in the subsequent fiscal year.

Budget

In accordance with the Authority's enabling legislation, the Board holds public hearings and subsequently adopts an annual budget for revenue, operating expenses and capital expenditures. The budget is adopted on a basis consistent with GAAP except no amounts are provided for depreciation and amortization. It is monitored at various levels of detail within the enterprise fund. Expenses at the fund level may not legally exceed the total budget.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows/outflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue and Expenses

Operating revenue and expenses for proprietary funds are those that result from providing services and producing and delivering goods or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Revenue Recognition

All water and wastewater revenues are recognized, and a receivable recorded when the related services are provided. Unbilled revenue and receivables are determined based on the estimated consumption prior to September 30th that has not been billed.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Grants from Government Agencies

The Authority records grant revenue when all applicable eligibility requirements have been met. This normally occurs as amounts are expended and become reimbursable from the granting agency.

Special Assessments

The Authority provides the option for customers in new wastewater districts to pay system development charges levied for the initial construction of these systems over a twenty-year period through a non-ad valorem assessment. This assessment bears interest equal to the Authority's borrowing rate for that particular district and is added to the customers' annual tax bill.

Comparative Data

The financial statements include certain summarized comparative financial information in total but not by specific level of detail. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Authority's financial statements for the fiscal year ended September 30, 2022, from which the summarized information was derived.

Reclassification

Certain amounts presented for 2022 account balances have been reclassified to conform to the 2023 account balances presentation.

Note 2. Cash and Investments

Cash and cash equivalents refer to the value of a company's assets that are cash or can be converted into cash immediately. Cash equivalents include bank accounts and marketable securities, which are debt securities with maturities of less than 90 days. The Authority has invested funds in The Florida Cooperative Liquid Assets Security System (FLCLASS). FLCLASS is an investment pool emphasizing safety, liquidity, and yields as a competitive option for local Florida governments. FLCLASS measures investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore the Authority's investment in FLCLASS is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of GASB 72. FLCLASS is rated by S&P Global Ratings. The current rating is "AAAm". The dollar weighted average days to maturity (WAM) of FLCLASS on September 30, 2022, was 43 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM. The weighted average life (WAL) of FLCLASS on September 30, 2023, was 71 days. The Authority had a balance of FLCLASS investments of \$5,446,941 on September 30, 2023. The Authority had cash balances of \$32,521,814 on September 30, 2023.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial risk. On September 30, 2023, all the Authority's bank deposits, having a bank balance of \$32,466,263 were held by financial institutions designated as Qualified Public Depositories by the Treasurer of the State of Florida. As such, these deposits were covered first by federal depository insurance and the balance covered by the State of Florida's Security for Public Deposits Act. All Qualified Public Depositories, as established by the Act, must place with the State Treasurer eligible collateral equal to or in excess of the required collateral determined by the provisions of the Act. In the event of default by a qualified public depository, the State Treasurer will pay public deposits all losses. Losses in excess of insurance and collateral will be paid through assessments among all Qualified Public Depositories.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 3. Restricted Assets

Restricted assets as of September 30, 2023, consisted of the following:

	2023
Restricted current assets	
Cash	
Debt service	\$ 5,584,002
Reserve for self-retained health care claims	1,400,652
	<u>6,984,654</u>
Restricted noncurrent - customer deposits	<u>3,102,049</u>
Total restricted assets	<u>\$ 10,086,703</u>

Bond and Interest Repayment Assets

According to its master bond resolutions, the Authority is required to transfer to a debt service account, on or before the last day of each month, the following amounts:

- Interest – an amount equal to the interest on all outstanding bonds accrued and unpaid and to accrue to the end of the current calendar month.
- Principal – an amount equal to (a) the principal amount of all outstanding bonds other than term bonds due and unpaid, (b) that portion of the principal amount of the bonds next due which would have accrued on such bonds other than term bonds next due during the then current calendar month if such principal amount thereof were deemed to accrue monthly in equal installments from a date one year preceding the due date of such bonds next due and (c) the portion of the principal amount of the bonds next due which shall have accrued on such basis in prior months.
- Bond amortization – an amount equal to (a) the principal amount of all outstanding term bonds due and unpaid, (b) that portion of the amortization installment which would have accrued during the then current calendar month if such amortization installment were deemed to accrue monthly in equal amounts from a date one year preceding such due date and (c) the portion of such amortization installment which shall have accrued on such basis in prior months.

Customer Deposits

The Authority retains customer deposits to ensure payment from new customers and customers with a history of delinquent payments. These deposits totaled \$3,102,049 as of September 30, 2023.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 4. Capital Assets

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

	Balance 9/30/2022	2023		Balance 9/30/2023
		Additions	Retirements	
Capital assets not being depreciated:				
Land	\$ 9,573,655	\$ -	\$ -	\$ 9,573,655
Construction work in progress	52,812,009	54,077,174	(26,048,701)	80,840,482
Total capital assets not being depreciated	62,385,664	54,077,174	(26,048,701)	90,414,137
Capital assets being depreciated and amortized:				
Buildings, structures & improvements	140,722,691	9,850,817	(6,852)	150,566,656
Equipment, vehicles, furniture & fixtures	26,351,326	1,438,715	(1,008,371)	26,781,670
Transmission system	127,870,526	2,535,441	-	130,405,967
Distribution system	150,598,539	5,667,367	(53,878)	156,212,028
Water meters	18,287,340	1,387,906	(516,064)	19,159,182
Water storage facilities	10,672,456	-	-	10,672,456
Pump station equipment	30,814,722	5,669,896	(7,723)	36,476,896
Water treatment equipment	39,957,106	2,653,231	(5,362)	42,604,975
Reverse osmosis equipment	38,571,021	212,215	-	38,783,236
Computer equipment	4,513,828	221,922	(133,011)	4,602,739
Wastewater treatment equipment	52,258,984	3,240,624	-	55,499,608
Collection system	168,709,694	15,100	-	168,724,794
Reclaimed water	10,103,688	-	-	10,103,688
Leased assets in service	27,173	-	-	27,173
Subscription assets in service	-	463,214	-	463,214
Total assets being depreciated and amortized	819,459,094	33,356,449	(1,731,262)	851,084,281
Less accumulated depreciation and amortization:				
Buildings, structures & improvements	(41,565,391)	(5,118,949)	6,852	(46,677,488)
Equipment, vehicles, furniture & fixtures	(15,836,528)	(1,759,304)	978,309	(16,617,523)
Transmission system	(82,857,723)	(2,605,252)	-	(85,462,975)
Distribution system	(58,062,395)	(3,088,354)	47,324	(61,103,425)
Water meters	(14,716,916)	(248,071)	516,064	(14,448,923)
Water storage facilities	(5,979,118)	(183,694)	-	(6,162,812)
Pump station equipment	(21,092,026)	(900,819)	7,723	(21,985,123)
Water treatment equipment	(27,849,621)	(1,011,811)	5,362	(28,856,070)
Reverse osmosis equipment	(30,390,727)	(1,005,245)	-	(31,395,972)
Computer equipment	(4,225,879)	(90,445)	133,011	(4,183,312)
Wastewater treatment equipment	(10,585,481)	(5,867,707)	-	(16,453,188)
Collection system	(9,412,048)	(3,541,797)	-	(12,953,845)
Reclaimed water	(1,453,758)	(298,894)	-	(1,752,652)
Leased assets in service	(4,796)	(6,271)	-	(11,067)
Subscription assets in service	-	(265,553)	-	(265,553)
Total accumulated depreciation and amortization	(324,032,407)	(25,992,167)	1,694,645	(348,329,929)
Total capital assets being depreciated, net	495,426,687	7,364,282	(36,617)	502,754,352
Total net capital assets	\$ 557,812,351	\$ 61,441,456	\$ (26,085,318)	\$ 593,168,489

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

5. Long-term Liabilities

Long-term liabilities activity for the fiscal year ended September 30, 2023, as follows:

	Beginning balance	2023		Ending balance	Due within one year
		Additions	Deductions		
Water revenue refunding bonds Series 2008	\$ 49,880,000	\$ -	\$ (2,905,000)	\$ 46,975,000	\$ 3,045,000
Water revenue bonds Series 2013B (private placement)	4,910,000	-	(375,000)	4,535,000	385,000
Water revenue bonds Series 2014A (private placement)	1,715,000	-	(130,000)	1,585,000	135,000
Water revenue bonds Series 2015A (private placement)	32,385,000	-	(1,890,000)	30,495,000	1,980,000
Water revenue bonds Series 2015B (private placement)	13,360,000	-	-	13,360,000	-
Wastewater revenue bonds Series 2016 (private placement)	8,645,000	-	(275,000)	8,370,000	290,000
Water revenue bonds Series 2019A	45,010,000	-	-	45,010,000	-
Water revenue bonds Series 2021B	30,915,000	-	-	30,915,000	-
Subtotal	186,820,000	-	(5,575,000)	181,245,000	5,835,000
Add unamortized Series 2015A bond premium	345,671	-	(23,174)	322,497	23,174
Add unamortized Series 2019 bond premium	5,466,888	-	(203,104)	5,263,783	203,104
Add unamortized Series 2021B bond premium	4,065,793	-	(1,355,263)	2,710,530	1,355,264
Total bonds payable	196,698,352	-	(7,156,541)	189,541,810	7,416,542
Derivative instrument - swap	3,340,033	-	(1,635,628)	1,704,405	-
Credit due to US Government-water	6,439,486	-	(1,082,812)	5,356,674	1,137,192
Credit due to US Government-wastewater	17,140,962	-	(115,661)	17,025,301	121,578
Lease liability	25,071	-	(6,782)	18,289	6,873
Subscription liability	-	463,214	(273,541)	189,673	189,673
Compensated absences	3,746,270	4,274,604	(3,746,270)	4,274,604	305,216
Total long-term liabilities	\$ 227,390,174	\$ 4,737,818	\$ (14,017,235)	\$ 218,110,756	\$ 9,177,074

Water Revenue and Water Revenue Refunding Bonds

In June 2008, the Authority issued \$52,625,000 of Series 2008 water revenue refunding bonds. The bonds bear interest at a variable rate that is set each week as the bonds are remarketed (.05% on September 30, 2023). The proceeds from these bonds were used to refund Series 2006 bonds, which were insured by a failed bond insurer. The refunding was necessary in order to replace the bond insurer with a letter of credit. Principal payments will be due annually on September 1 beginning in 2023 through 2037. The interest rate swap that was entered into when the Series 2006 bonds were issued remains in place with the notional amount now tied to the Series 2008 bonds.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

In April 2015, the Authority issued \$34,560,000 Series 2015A water revenue refunding bonds with an interest rate range of 3.37%-5.00% and privately placed \$16,435,000 Series 2015B water revenue bonds at an interest rate of 2.52% with a bank to refund a portion of the outstanding Series 2007 water revenue bonds (see above). Interest on both series is due March 1 and September 1. Principal on the Series 2015A bonds will be paid on September 1, 2020-2024 and September 1, 2031-2037 for the Series 2015A bonds and September 1, 2018-2022 and September 1, 2025-2030 for the Series 2015B bonds.

In June 2019, the Authority issued \$45,010,000 Series 2019A water revenue bonds with an interest rate of 5%. The proceeds from these bonds will be used to fund the costs of certain capital improvements to the water system. Interest is due March 1 and September 1, and principal will be paid on September 1, 2038-2049.

In March of 2021, the Authority secured future funding of up to \$48,690,000 series 2021A at an interest rate of 2.39% through a low interest government loan program known as the Water Infrastructure Finance and Innovation Act (WIFIA). Up to 49% of total costs may be funded through this agreement for distribution and transmission projects identified by the FCAA. If the FCAA utilizes this funding source, there will be one draw in 2025.

In August of 2021, the Authority issued \$30,915,000 Series 2021B water revenue bonds with an interest rate of 5%. The proceeds from these bonds are to be used to fund distribution and transmission projects that were identified by the Authority for the WIFIA program. Interest is due March 1 and September 1 and paid through fiscal year 2025. Principal will be repaid in one lump sum of \$30,915,000 in fiscal year 2025.

The water revenue and water revenue refunding bonds were issued under the Authority's Resolution No. 03-12 adopted May 6, 2003, and Amended and Restated Resolution 08-15 adopted June 9, 2008. The payment of the principal and interest on these bonds is collateralized by a pledge of and lien upon the net revenues derived from the operation of the Authority's water utility and other monies including investments held in certain accounts established by the bond resolution. Under the bond resolution, the Authority will fix, establish, maintain and collect the water rates and revise the same from time to time, whenever necessary, that will always provide in each fiscal year, (a) net revenues adequate at all times to pay in each fiscal year at least one hundred ten percent (110%) of the annual debt service requirement becoming due in such fiscal year on each series of outstanding bonds and at least one hundred percent (100%) of any amounts required by the terms of the bond resolution to be deposited in the reserve account or reserve account insurance policy in such fiscal year, and (b) net revenues, together with impact fees collected, adequate to pay at least one hundred twenty percent (120%) of the current annual debt service requirement becoming due in such fiscal year on the outstanding bonds. The rates will not be reduced to a level that would be insufficient to provide net revenues fully adequate for the purposes provided by the bond resolution.

For the current year, debt service requirements and total pledged water revenue to meet the 110% test were \$12,954,935 and \$22,186,936, respectively.

Wastewater Revenue Bonds

In November 2016, the Authority privately placed \$10,000,000 series 2016 wastewater revenue bonds with a bank at an interest rate of 1.72%. The proceeds from this issue were used to fund ongoing capital improvements to the wastewater system. Interest is payable on March 1 and September 1 and principal is paid annually on September 1 through 2036.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

Wastewater revenue and wastewater revenue refunding bonds were issued under the Authority's Resolution No. 00-20 adopted October 18, 2000, and Resolution No. 01-25 adopted September 19, 2001. The payment of the principal and interest on these bonds is collateralized by a pledge of and lien upon the net revenues derived from the operation of the Authority's wastewater utility and other monies including investments held in certain accounts established by the bond resolution. Under the bond resolution, the Authority will fix, establish, maintain and collect the wastewater rates and revise the same from time to time, whenever necessary, that will always provide in each fiscal year, (a) net revenues adequate at all times to pay in each fiscal year at least one hundred ten percent (110%) of the annual debt service requirement becoming due in such fiscal year on each series of outstanding bonds or (b) net revenues, together with impact fees collected, adequate to pay at least one hundred twenty percent (120%) of the current annual debt service requirement becoming due in such fiscal year on the outstanding bonds. The rates will not be reduced to a level that would be insufficient to provide net revenues fully adequate for the purposes provided by the bond resolution.

For the current year, debt service requirements and total pledged wastewater revenue to meet the 110% test were \$424,550 and \$4,945,912, respectively.

Interest Rate Swap

On September 30, 2023, the Authority was a party to a synthetic fixed rate swap agreement. The following are disclosures of pertinent aspects of this agreement. The synthetic fixed rate swap was determined to be an effective hedge and therefore follows hedge accounting where the transaction is strictly a statement of net position transaction. Since the fair value was in a negative position, the swap is recorded as a derivative liability with a corresponding deferred outflow of resources which represent the accumulated change in fair value of the swap.

Objective

In connection with the Florida Keys Aqueduct Authority Series 2006 water revenue and revenue refunding bonds, issued in April 2006 as variable rate securities bearing interest at a weekly interest rate, the Authority simultaneously executed a floating-to-fixed interest rate swap (swap) to lock in a synthetic fixed cost of borrowing. The swap structure was used as a means to lower the Authority's borrowing cost when compared to a traditional fixed-rate bond issue and as a hedge against variable interest rate exposure. The Series 2006 bonds were initially issued at a weekly interest rate. These bonds were refunded by Series 2008 bonds in June 2008. The swap is now tied to these bonds, which were also issued and are currently at a weekly interest rate. However, at the direction of the Authority and in compliance with bond documentation, they could be converted to other modes of payment (daily, long term or auction rate).

Terms

The Authority executed the swap with Citigroup Financial Products, Inc. (Citi) in April 2006 with an expiration date of September 1, 2035. In April 2012, Citi was replaced as counterparty by the Bank of New York Mellon (counterparty). This transaction did not terminate the hedge accounting for this swap as a result in the change of

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

the counterparty. The swap has a notional amount of \$49,700,000 corresponding to the related Series 2008 bonds. Under the swap, the Authority pays a fixed rate of 3.832% and receives a variable rate computed as 64.46% of Secured Overnight Financing Rate (SOFR) plus .3686% (see rates below). Additionally, the Authority pays annual transactional fees of .33% for remarketing services and letter of credit fees, bringing the total fixed rate paid by the Authority to 4.55%. The total synthetic interest rate can vary, however, due to a potential for mismatch between the floating rate paid by the Authority on the Series 2008 bonds (based on a weekly tax-exempt market rate equivalent to the Securities Industry and Financial Markets (SIFMA), and the floating rate received by the Authority from the Counterparty on the swap, (based on a percentage of a taxable SOFR rate). This potential for mismatch between the rate on the Series 2008 bonds and the swap is referred to as basis risk.

As of September 30, 2023, the rates for the variable rate bonds and swap were as follows:

	Terms	Rates
		2023
Interest Rate Swap:		
Payment to counterparty	Fixed	3.8320%
Less payment from counterparty	SOFR formula ⁽¹⁾ ⁽²⁾	3.7914%
Net interest rate swap payments		0.0406%
Series 2008 Bonds:		
Series 2008 Variable Rate Bond Payments ⁽³⁾	Weekly Variable Rate	4.1300%
Letter of Credit and Remarketing Fees ⁽⁴⁾		0.3300%
Net 2008 Bond Payments:		4.4600%
Net Synthetic interest rate on bonds		4.5006%

⁽¹⁾ SOFR on 9/30/2023 = 5.31%

⁽²⁾ Variable Payment equal to SOFR (compounded) * 64.46% plus 0.3686%

⁽³⁾ 2008 Bond Rate as of 9/30/2023.

⁽⁴⁾ Effective costs as of 10/1/2023 (0.28% LOC and .05% Rmktg).

Fair Value

As of September 30, 2023, the swap had a negative fair value of \$1,704,405 indicating the amount that the Authority would have had to pay the counterparty to terminate the swap agreement. However, as of that date no event of termination had occurred. Since the coupons on the Authority's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

General

The derivative contract between the Authority and the counterparty is based on the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. A termination of the swap may result in the Authority making or receiving a termination payment.

Swap payments and associated debt

As of September 30, 2023, net swap payments, assuming current interest rates remain the same, for their term were as follows. As short-term rates fluctuate, the 2008 bonds' interest payments and net swap payment will vary.

Fiscal Year Ending September 30	Principal	Interest	Interest Rate Swap, Net	Total
2024-2028	\$ 16,595,000	\$ 9,057,368	\$ 77,198	\$ 25,729,566
2029-2033	20,720,000	5,007,688	42,211	25,769,899
2034-2035	9,660,000	650,937	5,439	10,316,376
	<u>\$ 46,975,000</u>	<u>\$ 14,715,993</u>	<u>\$ 124,848</u>	<u>\$ 61,815,841</u>

Credit risk

As of September 30, 2023, the Authority is not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be subject to credit risk in the amount of the swap's fair value. As of September 30, 2023, the counterparty was rated A1 and A by Moody's Investors Service and Standard & Poor's, respectively.

Termination risk

If the counterparty to the swap defaults, or if the swap is terminated, the Authority will be exposed to the variable remarketing rate on the 2008 bonds. If the swap is terminated, the 2008 bonds would no longer carry a synthetic fixed rate. Also, if at the time of termination, the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Basis risk

The swap exposes the Authority to basis risk should the relationship between SOFR and the remarketing rate on the 2008 bonds converge, changing the overall synthetic fixed rate on the Series 2008 bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic fixed rate (4.552%) and the overall synthetic fixed rate as of September 30, 2023 (4.5006%). If a change occurs in the relationship between taxable and tax-exempt interest rates, the Authority's overall cost of borrowing will be impacted.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

The future principal maturity amounts and related interest costs for all long-term debt are as follows:

ending September 30	Bonds			Credit due to US Government		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 5,835,000	\$ 7,406,160	\$ 13,241,160	\$ 1,258,770	\$ 1,086,150	\$ 2,344,920
2025	37,025,000	7,172,693	44,197,693	1,322,100	1,022,821	2,344,921
2026	6,460,000	5,429,412	11,889,412	1,388,617	956,305	2,344,922
2027	6,705,000	5,221,999	11,926,999	1,458,480	886,442	2,344,922
2028	6,935,000	5,028,168	11,963,168	602,064	826,298	1,428,362
2029-2033	39,985,000	21,421,490	61,406,490	864,159	3,986,252	4,850,411
2034-2038	36,120,000	14,236,416	50,356,416	1,109,026	3,741,385	4,850,411
2039-2043	16,405,000	8,984,500	25,389,500	1,423,278	3,427,133	4,850,411
2044-2048	20,940,000	4,451,500	25,391,500	1,826,576	3,023,835	4,850,411
2049-2053	4,835,000	241,750	5,076,750	2,344,153	2,506,258	4,850,411
2054-2058	-	-	-	3,008,389	1,842,022	4,850,411
2059-2063	-	-	-	3,860,842	989,569	4,850,411
2064-2068	-	-	-	1,915,521	105,483	2,021,003
Totals	\$ 181,245,000	\$ 79,594,088	\$ 260,839,088	\$ 22,381,975	\$ 24,399,953	\$ 46,781,928

Lease Liabilities

The Authority has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On January 19, 2022, the Authority entered into a 60-month lease as Lessee for the use of Pitney Bowes mailing equipment at the Administration building in Key West. An initial lease liability was recorded in the amount of \$10,449. As of September 30, 2023, the value of the lease liability is \$7,404. The Authority is required to make quarterly fixed payments of \$546. The lease has an interest rate of 1.7540%. The Equipment estimated useful life is equivalent to the term of the lease as of the contract commencement. The value of the right to use asset as of September 30, 2023, of \$10,449 with accumulated amortization of \$3,553.

On December 14, 2021, the Authority entered into a 48-month lease as Lessee for the use of Xerox Copiers. An initial lease liability was recorded in the amount of \$16,724. As of September 30, 2023, the value of the lease liability is \$10,885. The Authority is required to make monthly fixed payments of \$409. The lease has an interest rate of 1.1460%. The Equipment estimated useful life is equivalent to the term of the lease as of the contract commencement. The value of the right to use lease asset as of September 30, 2023, of \$16,724 with accumulated amortization of \$7,514.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2023, were as follows:

Fiscal Year Ending				
September 30	Principal	Interest	Total	
2024	\$ 6,873	\$ 216	\$ 7,089	
2025	6,965	124	7,089	
2026	3,367	45	3,412	
2027	1,084	7	1,091	
Total	\$ 18,289	\$ 392	\$ 18,681	

Subscription Based Information Technology Arrangement Liabilities

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement 96, Subscription Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, the Authority is required to recognize a subscription liability and an intangible right-to-use subscription asset.

In Fiscal year 2023 the Authority entered into five subscriptions with an initial subscription liability of \$463,214. As of September 30, 2023, the value of the subscription liability is \$189,673. The subscriptions have interest rates from 2.56% to 3.20%. The value of the right to use subscription asset as of September 30, 2023, of \$463,214 with accumulated amortization of \$260,553. Payments for these subscriptions range from \$33,653 to \$107,573 on an annual basis.

The future minimum subscription obligations and the net present value of these minimum lease payments as of September 30, 2023, were as follows:

Fiscal Year Ending				
September 30	Principal	Interest	Total	
2024	\$ 189,673	\$ 5,865	\$ 195,538	

Other disclosures related to debt, including direct borrowings and direct placements

The Authority currently does not have any open or unused lines of credit or have assets pledged as collateral for debt. The debt agreement for the Authority's current bonds is collateralized by a pledge of and lien upon the net revenues derived from the operation of the Authority's water and wastewater utility. Under the bond resolution, the Authority will fix, establish, maintain and collect utility rates that will always meet established debt service requirements. The enforceability of remedies related to the holders of outstanding bonds state that remedies specified in federal bankruptcy code may not be readily available or may be limited. There are no termination events

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 5. Long-term Liabilities (continued)

or subjective acceleration clauses. In the event of a default, all pledged funds shall be first applied to the payment of the reasonable and proper charges, expenses, and liabilities of the trustee or receiver, Registrar and Paying agent and then applied to the payment of interest and principal or Redemption Price, if applicable.

The FCAA had no outstanding in-substance defeased debt at the end of fiscal year 2023.

Note 6. Rates for Service

Water

The Authority’s water rate structure is an inverted block structure, with rates for consumption increasing with usage. In addition to consumption charges, customers are charged a monthly base facility charge, based on meter size, to recover a portion of fixed costs of providing service. If senior citizens and totally and permanently disabled veterans fall within certain income limitations, their base facility charge is waived.

The base facility charge for standard 5/8” meter customers at September 30, 2023 was \$18.85. The consumption blocks and related rates in effect on September 30, 2023, were as follows:

	Gallons	2023
Block 1	0-6,000	\$ 7.92
Block 2	6,001-12,000	11.57
Block 3	12,001-30,000	12.97
Block 4	30,001-50,000	14.47
Block 5	>50,000	15.88

The rates are adjusted each year for inflation using a standard indexing formula. The Authority has contractual agreements with the United States Navy (the Navy) that define water rates charged for water used on Navy properties. The Navy pays the same base facility charges as other customers and pays a flow charge of \$5.54 per thousand gallons for all water used.

Wastewater

The Authority provides wastewater service to certain areas of the Florida Keys. The rate structure is similar to the water rate structure, with each district having a base facility charge and a flow charge. The flow charge is based on water flows. Flows are capped at 10,000 gallons for wastewater billing purposes for single-family dwelling customers. The base facility charge for standard 5/8” meter customers at September 30, 2023 was \$30.45. The flow charged on the first 10,000 gallons was \$11.52 per thousand gallons.

Reclaimed water

Rates for reclaimed water are 50% of potable water rates. There is no base facility charge for reclaimed water.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 7. Other Operating Revenue

Other operating revenue consisted of the following at September 30, 2023:

	2023
Penalty charges	\$ 470,906
Service and installation charges	964,231
Hydrant rental fees	78,950
Front footage fees	18,153
Total other operating revenue	<u>1,532,240</u>
Navy water system operations charge	2,443,632
Navy wastewater system operations charge	1,501,741
Total other operating revenue Navy	<u>3,945,373</u>
Total	\$ 5,477,613

Note 8. Risk Retention

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for risks of loss. The Authority retains a certain level of risk relating to employee health insurance. A cash reserve account of \$1,400,652 is set aside to pay employee health claims. The Authority has a stop-loss insurance policy that covers individual claims in excess of \$150,000. Based on the duration period of claims, management determined that any claims incurred but not reported (IBNR) are insignificant. There were no significant reductions in insurance coverage in the current year from coverage to the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years. There were twelve open claims on September 30, 2023, covered by insurance. In addition, a contingency reserve has been established to cover uninsured losses.

As of September 30, 2023, the total liabilities on pending claims that are included under current liabilities in other liabilities on the statement of net position is as follows:

	2023	2022
Claims payable, beginning of year	\$ 387,477	\$ 326,527
Incurred claims	4,419,496	4,715,455
Payments on claims	(4,533,314)	(4,654,505)
Claims payable, end of year	<u>\$ 273,659</u>	<u>\$ 387,477</u>

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 9. Commitments and Contingencies

Construction commitments

The Authority had contractual commitments of \$64.1 million on September 30, 2023, for design and construction of capital projects and general contractual commitments.

Legal Matters

The Authority is involved in various legal disputes which have arisen in the normal course of business. It is the opinion of management that the eventual outcome of these matters will not have a material adverse effect on the financial condition of the Authority.

Potential Legal and Legislative Changes

There have been no significant potential legal and legislative changes.

Water Main Extension Rebates

Customers are entitled to a water main extension rebate for future connections when they are required to extend a pipeline larger than certain specifications. Rebates are payable at the time connections are made.

Note 10. Retirement Plan

General Information

All of the Authority's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature. The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real Estate	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Total	100.0%			

Assumed Inflation- Mean

2.40%

1.40%

(1) As outlined in the Pension Plan's investment policy

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services at P.O. Box 9000, Tallahassee, Florida 32315-9000, or visiting their website, www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

For Pension Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service members. Also, the final average compensation for all these members will be based on the eight highest years of salary. As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost of living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2022, through June 30, 2023, and from July 1, 2023, through September 30, 2023, respectively, were as follows: Regular 11.91% and 13.57%, Senior Management Service 31.57% and 34.52% and DROP participants 18.60% and 21.13%. These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2022, through June 2023 and 2% for the period July 1, 2023, thru September 30, 2023. The Authority's contributions, including employee contributions, to the Pension Plan totaled \$4,280,640 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan

On September 30, 2023, the Authority reported a liability of \$20,929,674 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Authority's proportionate share of the net pension liability was based on the Authority's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. On June 30, 2023, the Authority's proportionate share was 0.052%, which was a decrease of 0.001% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Authority recognized pension expense (income) of \$1,771,070. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

Description	Deferred	
	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,965,116	\$ -
Change of assumptions	1,364,366	-
Net difference between projected and actual earnings on Pension Plan investments	874,080	-
Changes in proportion and differences between Authority's Pension Plan contributions and proportionate share of contributions	744,441	371,096
Authority's Pension Plan contributions subsequent to the measurement date	778,375	-
Total	\$ 5,726,378	\$ 371,096

The deferred outflows of resources related to the Pension Plan, totaling \$778,375 resulting from the Authority's contributions to the Plan subsequent to the measurement date, but before the end of the employer's contributing reporting period, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30	Amount
2024	\$ 645,991
2025	(109,363)
2026	3,605,653
2027	348,968
2028	85,658
	\$ 4,576,907

Actuarial Assumptions

The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

Mortality rates were based on PUB-2010 base table varies by member category and sex, projected generationally with Scales MP-2018 details in valuation report. The actuarial assumptions used in the July 1, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Discount Rate (6.70%)	1% Increase (7.70%)
Authority’s Proportionate share of the net pension liability	\$ 35,752,144	\$ 20,929,674	\$ 8,528,903

Pension Plan Fiduciary Net Position

Detailed information regarding the FRS Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the Pension Plan

On September 30, 2023, the Authority reported a payable in the amount of \$350,663, or outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution for the period October 1, 2022, through June 30, 2023 was 1.66%, and from July 1, 2023, through September 30, 2023, was 2%. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled \$72,926 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIS Plan

On September 30, 2023, the Authority reported a liability of \$9,856,760 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Authority's proportionate share of the net pension liability was based on the Authority's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. On June 30, 2023, the Authority's proportionate share was 0.062%, which was a decrease of .001% from the proportionate share measured as of June 30, 2022. For the fiscal year ended September 30, 2023, the Authority recognized pension expense (income) of \$3,213,393. In addition, the Authority reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,296	\$ 23,135
Change of assumptions	259,131	854,121
Net difference between projected and actual earnings on HIS Plan investments	5,090	-
Change in proportion and differences between Authority's HIS Plan contributions and proportionate share of contributions	183,610	285,074
Authority's HIS Plan contributions subsequent to the measurement date	136,550	-
	<u>\$ 728,677</u>	<u>\$ 1,162,330</u>

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

The deferred outflows of resources related to the HIS Plan, totaling \$136,550 resulting from Authority's contributions to the HIS Plan subsequent to the measurement date, but before the end of the employer's contributing reporting period, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	Amount
2024	\$ (100,198)
2025	(105,746)
2026	(92,738)
2027	(161,240)
2028	(98,221)
Thereafter	(12,060)
	<u>\$ (570,203)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	N/A

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date.

Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-year Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Authority's proportionate share of the net pension liability	\$ 11,245,025	\$ 9,856,760	\$ 8,705,982

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

Payables to the HIS Plan

On September 30, 2023, the Authority reported a payable in the amount of \$5,919 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

Summary of Pension Components

Fiscal Year Ended September 30, 2023

	Pension	HIS	Total
Deferred Outflows	\$ 5,726,378	\$ 728,677	\$ 6,455,055
Deferred Inflows	(371,096)	(1,162,330)	(1,533,426)
Net pension liability	(20,929,674)	(9,856,760)	(30,786,434)
Pension Expense	1,771,070	3,213,393	4,984,463

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 10. Retirement Plan (continued)

amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2022-23 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 11.30%, Special Risk Administrative Support class 12.95%, Special Risk class 19.00%, Senior Management Service class 12.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan contribution (pension expense) totaled \$844,789 for the fiscal year ended September 30, 2023.

Note 11. Other Post-Employment Benefits (OPEB)

Plan Description

The Authority provides an optional single-employer defined benefit post-employment healthcare plan to eligible individuals. The plan allows its employees and their beneficiaries to continue to obtain health insurance benefits upon retirement. Certain employees in a closed benefits class are provided continuation of coverage fully paid by the Authority or receive a supplement from the Authority. Employees in the open benefits class may continue coverage at their own cost. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The OPEB plan has no assets and is not administered through a trust or equivalent arrangement. Additionally, the OPEB plan does not issue a separate financial report.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Members Covered

Members covered as of October 1, 2022, the date of actuarial valuation, the following employees were covered by the benefit terms:

Membership

Inactive employees or beneficiaries currently receiving benefit payments	38
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	280
Total	<u>318</u>

Funding Policy and Annual OPEB Cost

Retirees and their beneficiaries pay the same group rates as are charged to the Authority for active employees by its healthcare provider. However, the Authority's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Authority for its active employees for coverage of the retirees and their dependents for the year net of the retirees' own payments for the year.

The annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 75. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The required contribution rate for the employer is based on actual costs (pay as you go). The plan members are not required to contribute.

The annual OPEB cost for the Authority for 2023, and the related information is as follows:

	<u>2023</u>
Service Cost	\$ 189,780
Interest	240,977
Benefit Changes	-
Experience	1,032,511
Assumption Changes	(3,039,677)
Benefit Payments	(340,644)
Net Change in Total OPEB Liability	(1,917,053)
Total OPEB Liability - beginning	10,983,125
Total OPEB Liability - ending	<u>\$ 9,066,072</u>
Covered Employee Payroll *	\$ 22,411,765
Payroll: (A)/(B)	40.45%

*Estimated covered employee payroll based on pay provided as of respective valuation date. GASB 75 requires actual covered payroll for the measurement period.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Total OPEB Liability, OPEB Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On September 30, 2023, the Authority reported a liability of \$9,066,072 for its total OPEB liability. The liability was measured as of October 1, 2022, and the OPEB liability was determined by an actuarial valuation as of October 1, 2022.

For the fiscal year ended September 30, 2023, the Authority recognized an OPEB expense (income) of \$(224,156). In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 991,168	\$ 1,085,165
Change of assumptions and other inputs	1,367,275	3,797,951
Contributions subsequent to measurement period	387,957	-
Total	\$ 2,746,400	\$ 4,883,116

Contributions subsequent to the measurement date (deferred outflow of resources) are to be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (income) as follows:

Fiscal Year Ending September 30	Amount
2024	\$ (314,269)
2025	(314,269)
2026	(314,269)
2027	(314,269)
2028	(303,692)
Thereafter	(963,905)
	\$ (2,524,673)

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.40%. In general, the discount rate for calculating the total OPEB liability were based on the Fidelity 20-Year Municipal GO AA Index – daily rate closest or equal to but not later than the respective measurement dates.

Sensitivity of the Authority’s Total OPEB Liability to Changes in the Discount Rate

The following represents the Authority’s total OPEB liability calculated using the discount rate of 4.40%, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.40%) or one percentage point higher (5.40%) than the current rate:

	Discount Rate		
	1% Decrease (3.40%)	(4.40%)	1% Increase (5.40%)
Authority's total OPEB liability	\$ 10,282,476	\$ 9,066,072	\$ 8,054,781

Progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the Authority has not contributed assets to the plan at this time.

Sensitivity of the Total OPEB Liability to the Trend Rate Assumption

	1% Decrease	Current Trend Rates	1% Increase
Trend Rates			
Medical	4.9% to 2.8%	5.9% to 3.8%	6.9% to 4.8%
Dental	2.8%	3.8%	4.8%
Total OPEB Liability	\$ 8,389,929	\$ 9,066,072	\$ 9,886,541

Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2023

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Actuarial Assumptions

Actuarial Valuation Date	October 1, 2022
Measurement Date of the Total OPEB liability	October 1, 2022
Employer's Fiscal Year End (Reporting Date)	September 30, 2023
Inflation	2.40% - not explicitly used in valuation
Projected salary increases	3.4% - 8.20%
Mortality Rates	Healthy members based on various PUB-2010 base tables, generational mortality using gender-specific MP-2018 mortality improvement scales. Disabled Employees based various PUB-2010 Disabled mortality tables and no projected improvements.
Healthcare cost trends	Based on the Getzen Model starting at 5.9% and gradually decreasing to an ultimate rate of 3.8% in 2041; 3.8% for dental & vision for all years.
Retiree's share of benefit related costs	0% for Class 1 and Class 5 employees hired on or before June 30, 2004. Class 1 or Class 5 employees hired on or after July 1, 2004, receive \$10 per month per year of service through FCAA. Class 2 employees receive \$5 per month per year of service through FCAA. Class 1, 2, and 5 employees hired or promoted prior to May 1, 2016, share 0% of life insurance costs.

Note 12. Related Party Transactions

For the fiscal year ended September 30, 2023, the Authority entered into transactions with companies owned by one of its Board members. These companies were paid \$914,932 for construction related costs with contractual commitment balances of approximately \$6,322,597 for capital construction projects remaining.

Note 13. Significant Subsequent Events

In November 2023, the Authority finalized a \$40 million bond with a 2026 maturity date. These funds are being utilized as an interim funding mechanism for capital projects. Early repayment of this bond can be partial, or in full, with no prepayment penalty. The Authority will be finalizing long-term funding and debt restructuring prior to the maturity of this bond. The Authority has submitted a Letter of Interest for a low interest government loan program known as the Water Infrastructure Finance and Innovation Act (WIFIA) and has been invited to apply for funding Capital Improvement Plan projects.

Required Supplementary Information

For the fiscal year ended September 30, 2023

Supplementary Pension Liability and Contribution Information

**Schedule of the Authority's Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan**

June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.052525310%	0.053012433%	0.051067394%	0.048537966%	0.049710375%	0.053401272%	0.050685961%	0.052225029%	0.054182984%	0.051133999%
Authority's proportionate share of the net pension liability	\$ 20,929,674	\$ 19,724,885	\$ 3,857,561	\$ 21,037,070	\$ 17,119,561	\$ 16,079,593	\$ 14,992,568	\$ 13,186,861	\$ 6,998,459	\$ 3,119,926
Authority's covered payroll	\$ 24,639,146	\$ 22,993,114	\$ 22,075,143	\$ 21,366,375	\$ 20,705,513	\$ 21,831,323	\$ 19,955,444	\$ 20,222,049	\$ 19,365,881	\$ 18,580,159
Authority's proportionate share of the Net pension liability as a percentage of its covered payroll	84.94%	85.79%	17.47%	98.46%	82.68%	73.65%	75.13%	65.21%	36.14%	16.79%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

**Schedule of the Authority's Contributions
Florida Retirement System Pension Plan**

September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,526,805	\$ 2,262,137	\$ 1,945,447	\$ 1,612,702	\$ 1,541,380	\$ 1,521,893	\$ 1,319,480	\$ 1,273,591	\$ 1,321,027	\$ 1,129,253
Contributions in relation to the contractually required contribution	(2,526,805)	(2,262,137)	(1,945,447)	(1,612,702)	(1,541,380)	(1,521,893)	(1,319,480)	(1,273,591)	(1,321,027)	(1,129,253)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 25,251,597	\$ 23,352,831	\$ 22,939,760	\$ 21,602,595	\$ 20,891,691	\$ 21,904,322	\$ 19,980,917	\$ 19,521,084	\$ 19,443,078	\$ 18,870,171
FRS contributions as a percentage of covered payroll	10.01%	9.69%	8.48%	7.47%	7.38%	6.95%	6.60%	6.52%	6.79%	5.98%

**Schedule of the Authority's Proportionate Share of Net Pension Liability
Florida Retirement System Health Insurance Subsidy**

June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.062065063%	0.063063494%	0.062279742%	0.061364092%	0.061880796%	0.066854448%	0.062814615%	0.065622570%	0.063837077%	3.823229200%
Authority's proportionate share of the net pension liability	\$ 9,856,760	\$ 6,679,431	\$ 7,639,547	\$ 7,492,456	\$ 6,923,842	\$ 7,075,951	\$ 6,716,428	\$ 7,648,039	\$ 6,510,378	\$ 3,574,813
Authority's covered payroll	\$ 24,639,146	\$ 22,993,114	\$ 22,075,143	\$ 21,366,375	\$ 20,705,513	\$ 21,831,323	\$ 19,955,444	\$ 20,222,049	\$ 19,365,881	\$ 18,580,159
Authority's proportionate share of the Net pension liability as a percentage of its covered payroll	40.00%	29.05%	34.61%	35.07%	33.44%	32.41%	33.66%	37.82%	33.62%	19.24%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

**Schedule of the Authority's Contributions
Florida Retirement System Health Insurance Subsidy**

September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 408,275	\$ 381,587	\$ 366,081	\$ 353,613	\$ 343,618	\$ 362,553	\$ 332,433	\$ 336,357	\$ 244,025	\$ 214,225
Contributions in relation to the contractually required contribution	(408,275)	(381,587)	(366,081)	(353,613)	(343,618)	(362,553)	(332,433)	(336,357)	(244,025)	(214,225)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 25,251,597	\$ 23,352,831	\$ 22,939,760	\$ 21,602,595	\$ 20,891,691	\$ 21,904,322	\$ 19,980,917	\$ 19,521,084	\$ 19,443,078	\$ 18,870,171
HIS contributions as a percentage of covered payroll	1.62%	1.63%	1.60%	1.64%	1.64%	1.66%	1.66%	1.72%	1.26%	1.14%

These schedules are intended to show information for ten years as required by accounting principles generally accepted in the United States of America.

Required Supplementary Information

For the fiscal year ended September 30, 2023

Total OPEB Liability and Related Ratios

October 1, (Measurement date)	2022	2021	2020	2019	2018	2017
Service Cost	\$ 189,780	\$ 178,501	\$ 152,505	\$ 114,424	\$ 239,847	\$ 272,991
Interest	240,977	255,409	322,444	378,033	391,723	356,207
Benefit Changes	-	-	-	-	-	-
Difference Between Actual and Expected Experience	1,032,511	-	(820,343)	-	(949,194)	110,758
Assumption Changes	(3,039,677)	363,571	(594,577)	1,714,448	(565,512)	(681,938)
Benefit Payments	(340,644)	(310,333)	(356,755)	(345,638)	(272,968)	(373,202)
Net Change in Total OPEB Liability	(1,917,053)	487,148	(1,296,726)	1,861,267	(1,156,104)	(315,184)
Total OPEB Liability - beginning	10,983,125	10,495,977	11,792,703	9,931,436	11,087,540	11,402,724
Total OPEB Liability - ending	\$ 9,066,072	\$ 10,983,125	\$ 10,495,977	\$ 11,792,703	\$ 9,931,436	\$ 11,087,540
Covered-Employee Payroll *	\$ 22,411,765	\$ 22,086,230	\$ 21,431,643	\$ 20,688,422	\$ 20,093,964	\$ 20,257,592
TOL as a Percentage of Covered-Employee Payroll:	40.45%	49.73%	48.97%	57.00%	49.42%	54.73%

*Estimated covered-employee payroll based on pay provided as of respective valuation date.

GASB 75 requires actual covered-employee payroll for the measurement period.

The OPEB plan has no assets and is not administered through a trust or equivalent arrangement.

The schedule is intended to show information for ten years and will be displayed as information becomes available.

STATISTICAL SECTION

Financial Trends
Rates and Revenues
Debt
Demographic and Economic Information
Operating Information



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Statistical Section Summary

This section of the Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and supplementary information says about the Authority's overall financial health. The information is grouped into the categories described below.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. 77

Rates and Revenues

These schedules contain trend information to help the reader assess the Authority's ability to generate revenue through user fees. 78

Debt

These schedules present information which helps the reader assess the affordability of the Authority's current levels of outstanding debt. 81

Demographic and Economic Information

These schedules offer demographic and economic indicators that help the reader understand the environment with which the Authority's financial activities take place. 83

Operating Information

These schedules contain data to help the reader understand how the information in the Authority's financial report relates to the services provided. 89

Financial Trends

Schedule of Changes in Net Position and Schedule of Revenue and Expenses Last ten fiscal years (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenue:										
Operating revenue	\$ 85,269	\$ 77,170	\$ 71,737	\$ 66,625	\$ 66,454	\$ 57,624	\$ 55,891	\$ 54,588	\$ 50,618	\$ 48,562
Other operating revenue	5,477	5,763	5,553	5,595	5,531	5,722	5,734	5,593	3,929	4,096
Less abatements	(640)	(361)	(484)	(340)	(394)	(412)	(352)	(371)	(294)	(333)
Net operating revenue	90,106	82,572	76,806	71,880	71,591	62,934	61,273	59,810	54,253	52,325
Operating expenses:										
Source of supply	1,391	997	812	768	825	727	753	812	701	622
Water treatment	6,069	6,918	4,154	4,044	4,019	3,861	3,903	3,783	3,670	3,617
Transmission & distribution	19,801	17,255	15,835	15,308	15,559	15,771	14,336	12,455	12,024	11,647
Wastewater treatment	2,045	2,053	1,796	1,472	4,577	1,434	1,462	3,467	943	859
Wastewater collection	4,777	4,482	4,097	3,522	3,131	3,918	2,212	17,075	1,319	1,159
Customer accounts	3,756	3,560	3,402	3,380	3,397	3,554	3,528	1,247	3,656	4,262
General & Administrative	27,650	24,053	19,413	22,438	18,525	20,264	18,569	1,871	15,736	15,862
Amortization	272	4	-	-	-	-	-	-	-	-
Depreciation	25,720	25,807	14,339	15,117	15,525	15,395	15,495	15,350	14,975	14,964
Total operating expenses	91,481	85,129	63,848	66,049	65,558	64,924	60,258	56,060	53,024	52,992
Operating income (loss)	(1,375)	(2,557)	12,958	5,831	6,033	(1,990)	1,015	3,750	1,229	(667)
Non-Operating revenue (expenses)										
Interest income	2,797	730	180	882	1,135	690	447	293	244	319
Other income	1,151	1,105	1,486	1,473	1,717	908	605	535	548	556
Grants & reimbursements from federal & state agencies	760	205	462	3,080	2,431	-	-	-	-	-
Gain(loss) on disposal of plant assets & inventory	366	126	(52)	(26)	55	(102)	(52)	66	11	(148)
Impairment loss	-	-	-	-	-	-	(965)	-	-	-
Interest expense and amortization on deferred gain	(7,118)	(7,318)	(7,373)	(7,871)	(6,104)	(5,877)	(5,862)	(5,677)	(5,332)	(5,682)
Amortization	(316)	(316)	(232)	(232)	(289)	(300)	(317)	-	-	-
Other expenses	(362)	(242)	(973)	(317)	(591)	(316)	(324)	(591)	(745)	(354)
Total non-operating revenue (expenses)	(2,722)	(5,710)	(6,502)	(3,011)	(1,646)	(4,997)	(6,468)	(5,374)	(5,274)	(5,309)
Net income (loss) before contributions	(4,097)	(8,267)	6,456	2,820	4,387	(6,987)	(5,453)	(1,623)	(4,044)	(5,976)
Capital grants and contributions	11,563	239,703	4,100	2,661	2,734	3,734	7,743	1,950	2,093	1,540
Change in net position	7,466	231,436	10,556	5,481	7,121	(3,253)	2,290	327	(1,951)	(4,436)
Net position, beginning of year	387,692	156,256	145,700	140,219	133,098	144,704	142,414	142,087	156,072	160,509
Adjustment for restatement	-	-	-	-	-	(8,353)	-	-	(12,034)	-
Net position, end of year	\$ 395,158	\$ 387,692	\$ 156,256	\$ 145,700	\$ 140,219	\$ 133,098	\$ 144,704	\$ 142,414	\$ 142,087	\$ 156,073

Rates and Revenues

Schedule of Net Position by Component Last ten fiscal years (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	\$ 396,077	\$ 374,574	\$ 136,187	\$ 139,271	\$ 137,549	\$ 133,017	\$ 130,534	\$ 137,153	\$ 135,293	\$ 136,145
Restricted										
Debt service	4,996	2,254	660	1,960	1,324	1,548	1,361	1,527	2,401	1,882
Capital projects	-	346	1,494	2,562	2,558	3,462	1,296	1,296	6,297	6,385
Health insurance	1,401	-	-	-	-	-	-	-	-	-
Unrestricted	(7,315)	10,518	17,915	1,907	(1,212)	(4,929)	3,160	2,438	(1,904)	11,661
Total net position	\$ 395,158	\$ 387,692	\$ 156,256	\$ 145,700	\$ 140,219	\$ 133,098	\$ 142,414	\$ 142,087	\$ 156,073	\$ 160,509

Water Rates for Standard 5/8" Meter Last ten fiscal years

Fiscal Year	Base Charge	0-6,000	6,001-12,000	12,001-30,000	30,001-50,000	>50,000
		gallons	gallons	gallons	gallons	gallons
2023	\$ 18.85	\$ 7.92	\$ 11.57	\$ 12.97	\$ 14.47	\$ 15.88
2022	17.04	7.16	10.46	11.73	13.08	14.36
2021	16.21	6.81	9.95	11.16	12.45	13.66
2020	16.10	6.76	9.88	11.08	12.36	13.57
2019	15.45	6.49	9.48	10.63	11.86	13.02
2018	14.40	6.05	8.83	9.90	11.05	12.13
2017	14.12	5.93	8.66	9.71	10.83	11.89
2016	13.90	5.84	8.52	9.56	10.66	11.70
2015	13.75	5.78	8.43	9.46	10.55	11.58
2014	13.57	5.70	8.32	9.33	10.41	11.42

Wastewater Rates for Standard 5/8" Meter Last ten fiscal years

Fiscal Year	Base Charge	0-10,000 gallons
2023	\$ 30.45	\$ 11.52
2022	27.53	10.42
2021	26.19	9.91
2020	26.01	9.84
2019	25.70	9.72
2018	24.66	9.33
2017	24.18	9.15
2016	28.00	10.60
2015	27.70	10.49
2014	27.33	10.35

Rates and Revenues

System Development Fees Collected Last ten fiscal years (in thousands)

Fiscal Year	System Development Fees Collected
2023	\$ 1,855
2022	1,857
2021	1,847
2020	1,575
2019	2,172
2018	1,427
2017	2,194
2016	1,866
2015	1,869
2014	1,052



Rates and Revenues (continued)

Ten Largest Customers Fiscal years ended September 30, 2023, and 2014

2023	Total Gallons		% of Water Revenue
	Consumed (000)	Total Water Revenues	
1 United States Navy	326,091	\$ 1,719,339	2.4%
2 City of Key West	66,232	912,219	1.3%
3 Monroe County School Board	42,347	569,932	0.8%
4 Ocean Reef Club Inc	37,063	506,847	0.7%
5 NWCL LLC	33,033	483,694	0.7%
6 Monroe County Detention Center	27,027	373,165	0.5%
7 Keys Hotel Operator	26,282	342,543	0.5%
8 Resort Hotels of Key West	22,471	331,872	0.5%
9 Casa Marina Owner LLC	20,900	318,907	0.4%
10 NHC FL13 LP	20,890	318,742	0.4%

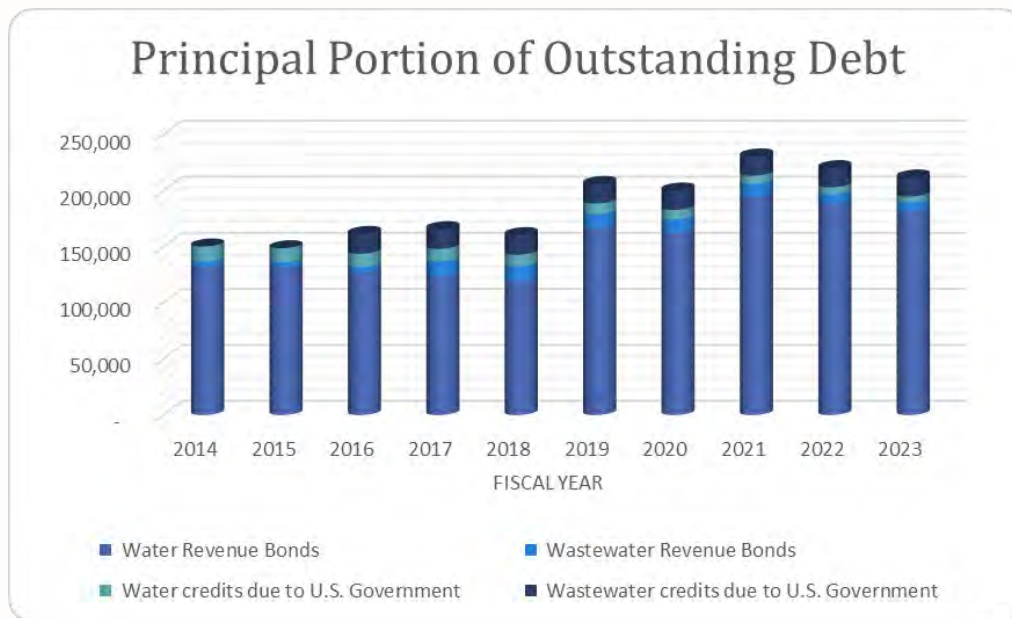
10 largest customers-year ended September 30, 2014

2014	Total Gallons		% of Water Revenue
	Consumed (000)	Total Water Revenues	
1 United States Navy	320,708	\$ 857,104	2.1%
2 Board of County Commissioners	59,584	453,641	1.1%
3 City of Key West	39,177	266,308	0.3%
4 Monroe County Board of Public Instruction	34,709	278,022	0.7%
5 Ocean Reef Club, Inc.	31,179	105,892	0.7%
6 Cheeca Holdings LLC	30,024	222,584	0.6%
7 CHL Partnership	29,898	209,656	0.6%
8 Hawks Cay Resort	28,667	214,113	0.6%
9 Key West Beach Suites, Ltd	27,650	221,284	0.6%
10 Heartland Hotel	25,009	189,153	0.5%

Debt

Principal Portion of Outstanding Debt Last ten fiscal years (in thousands)

Fiscal Year	Water Revenue Bonds	Water Revenue Premium	Wastewater Revenue Bonds	Total Bonds	Wastewater		Lease and Subscription Agreements	Totals	Total per Customer
					Water credits due to U.S. Government	credits due to U.S. Government			
2023	\$ 172,875	\$ 8,296	\$ 8,370	\$ 189,541	\$ 5,357	\$ 17,025	\$ 207,962	\$ 419,885	8
2022	178,175	9,878	8,645	196,698	6,439	17,141	-	220,278	4
2021	183,210	11,460	11,380	206,050	7,470	17,250	-	230,770	4
2020	156,275	6,265	11,995	174,535	8,452	17,356	-	200,343	4
2019	160,230	6,491	12,595	179,316	9,387	17,455	-	206,158	4
2018	119,080	438	13,185	132,703	10,277	17,550	-	160,530	3
2017	122,850	461	13,760	137,071	11,125	17,640	-	165,836	3
2016	126,790	524	4,615	131,929	11,932	17,726	-	161,587	3
2015	130,595	591	4,960	136,146	12,700	-	-	148,846	3
2014	129,905	2,107	4,965	136,977	13,432	-	-	150,409	3



Debt (continued)

Revenue Bond Coverage Last ten fiscal years (in thousands)

Fiscal Year	Gross Revenues (1)(3)	Operating Expenses (2)	Revenue Available for Debt Service	Debt Service Requirements	Coverage
Water					
2023	\$ 78,528	\$ 56,341	\$ 22,187	\$ 12,955	1.71
2022	70,337	49,053	21,284	9,913	2.15
2021	65,294	41,633	23,661	10,261	2.31
2020	61,492	43,039	18,453	10,807	1.71
2019	61,739	42,237	19,502	8,714	2.24
2018	53,562	41,390	12,172	8,128	1.50
2017	52,386	38,800	13,586	8,396	1.62
2016	53,193	36,172	17,021	8,284	2.05
2015	51,667	36,081	15,586	8,358	1.86
2014	49,968	36,343	13,625	8,781	1.55
Wastewater					
2023	\$ 15,007	\$ 10,061	\$ 4,946	\$ 425	11.65
2022	12,964	10,624	2,340	853	2.74
2021	12,175	9,356	2,819	853	3.30
2020	11,610	8,233	3,377	853	3.96
2019	11,354	8,334	3,020	856	3.53
2018	10,448	8,552	1,896	856	2.21
2017	8,199	6,315	2,209	1,146	1.93
2016	7,592	498	2,684	482	5.57
2015	3,436	2,262	1,174	71	16.54
2014	2,987	2,018	1,302	492	2.65

(1) Includes revenue from sale of water, surcharges, fuel adjustment, meter tapping, service charges, miscellaneous operating revenues, interest income from investment of unrestricted accounts, less customer meter deposit interest expense and arbitrage.

(2) Excludes depreciation and includes abatements due to leakage.

(3) Gross revenue for wastewater includes those sources in (1) above plus system development fees.

Demographic and Economic Information

Population of Monroe County, Florida Selected Years 2014-2023

Year	Resident Population	Increase Decrease	Annual Percentage Change	Personal Income (in thousands)	Per Capita Income
2023	84,511	2,341	2.8%	not available	
2022	82,170	8,471	10.3%	\$ 9,734,563	\$ 119,138
2021	73,699	(529)	-0.7%	8,967,730	109,136
2020	74,228	(799)	-1.1%	7,876,486	106,583
2019	75,027	1,087	1.4%	7,516,454	101,262
2018	73,940	(5,137)	-6.5%	6,811,279	92,119
2017	79,077	3,030	4.0%	6,417,335	83,328
2016	76,047	1,842	2.50%	5,869,890	74,230
2015	74,205	(2,931)	(3.8%)	5,765,374	74,409
2014	74,044	484	0.70%	5,368,160	69,593



Demographic and Economic Information (continued)

Employment Statistics 2014-2023

Fiscal Year	Labor Force	Employment	Unemployment	Unemployment Rate
2023	51,639	50,773	866	1.7%
2022	49,117	48,285	832	1.7%
2021	49,352	48,250	1,102	2.2%
2020	47,709	45,837	1,872	3.8%
2019	47,201	46,354	847	1.8%
2018	45,317	43,816	1,501	3.0%
2017	46,318	44,939	1,379	3.2%
2016	46,789	45,290	1,499	3.7%
2015	44,165	42,548	1,617	3.6%
2014	50,044	48,231	1,813	4.0%

Demographic and Economic Information (continued)

Principal Employers Fiscal years ended September 30, 2023, and 2014

Employer	2023	
	Employees	Percentage of Employment
US Armed Forces (includes civilians support and contractors)	2,190	4.24%
Monroe County Schools	1,756	3.40%
Ocean Reef Club	1,220	2.36%
Ocean Properties	816	1.58%
Publix Stores	772	1.49%
Monroe County Government	636	1.23%
Monroe County Sheriff's Office	567	1.10%
Lower Keys Medical Center	550	1.07%
City of Key West	535	1.04%
Spottswood Properties	441	0.85%

Employer	2014	
	Employees	Percentage of Employment
US Armed Forces	2,664	5.32%
Monroe County Schools	993	1.98%
Ocean Reef Club	816	1.63%
Monroe County Sheriff's Office	595	1.19%
Monroe County Government	522	1.04%
Community Health Care Center	450	0.90%
Publix	435	0.87%
City of Key West	424	0.85%
Hawks Cay Resort	375	0.75%
Casa Marina Resort/Reach Resort	340	0.68%

Demographic and Economic Information (continued)

Schedule of Customer Accounts Last ten fiscal years

Fiscal Year	Residential	Non Residential	U.S. Navy	Cruise Ships	Senior Citizens	Total
2023	45,614	6,899	22	5	1,393	53,933
2022	45,224	6,730	22	5	1,384	53,365
2021	45,059	6,534	21	-	1,427	53,041
2020	44,662	6,288	21	5	1,603	52,579
2019	44,107	6,137	20	5	1,821	52,090
2018	43,706	5,972	20	5	1,928	51,631
2017	43,656	5,802	18	4	1,659	51,139
2016	43,343	5,446	18	4	1,393	50,204
2015	43,073	5,091	18	-	1,245	49,427
2014	42,753	4,965	18	4	1,346	49,086

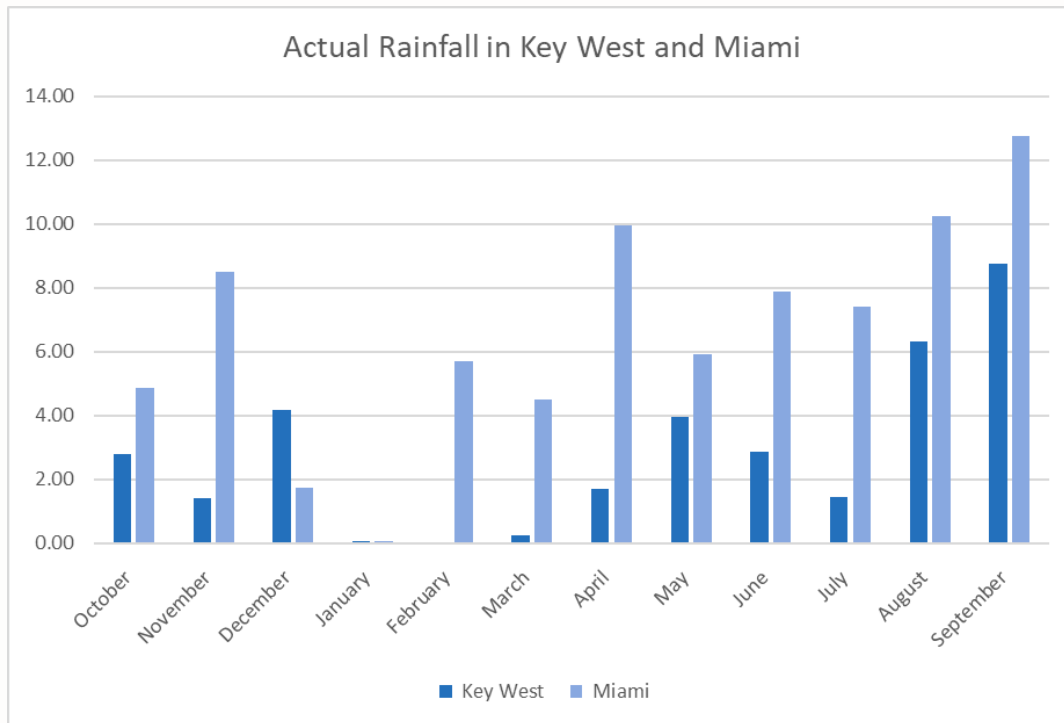
Location of Customers Last ten fiscal years

Fiscal Year	Key West to Little Torch Key	Big Pine Key to Conch Key	Long Key to Ocean Reef	Total
2023	22,781	12,317	18,835	53,933
2022	22,662	12,014	18,689	53,365
2021	26,540	7,922	18,584	53,046
2020	26,380	7,823	18,376	52,579
2019	26,206	7,706	18,178	52,090
2018	26,058	7,628	17,945	51,631
2017	22,890	10,528	17,721	51,139
2016	22,416	10,435	17,353	50,204
2015	21,976	10,293	17,158	49,427
2014	21,893	10,237	16,956	48,716

Demographic and Economic Information (continued)

Monthly Rainfall Fiscal year ended September 30, 2023 (in inches)

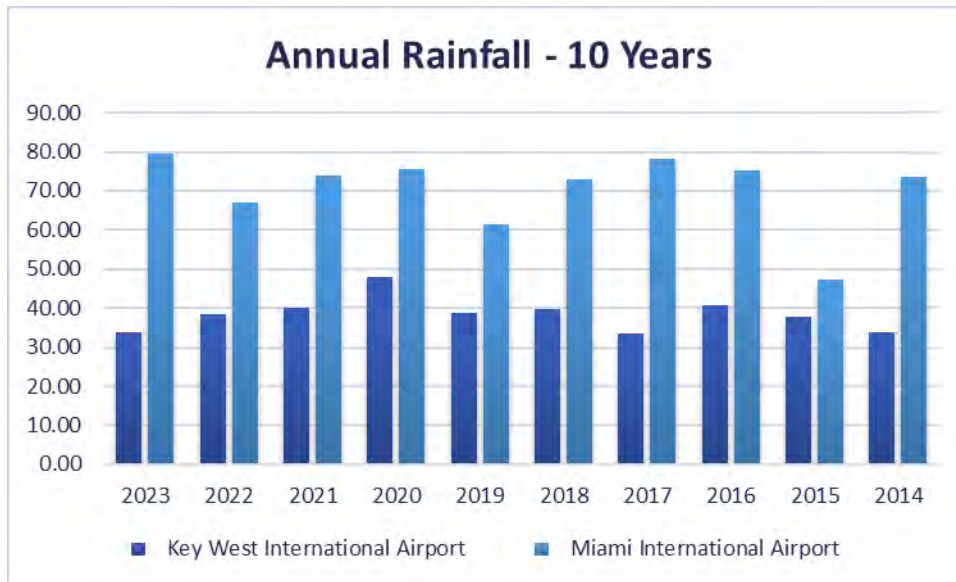
Month	Average-Key West International Airport	Actual-Key West International Airport	Average-Miami International Airport	Actual-Miami International Airport
October	5.67	2.78	7.65	4.85
November	2.05	1.40	3.53	8.49
December	2.16	4.18	2.44	1.73
January	1.83	0.08	1.83	0.05
February	1.54	0.01	2.15	5.72
March	1.53	0.25	2.46	4.50
April	2.07	1.69	3.36	9.95
May	3.12	3.97	6.32	5.92
June	4.23	2.85	10.51	7.87
July	3.63	1.46	7.36	7.42
August	5.37	6.31	9.58	10.25
September	7.24	8.77	10.22	12.76
Totals	40.44	33.75	67.41	79.51



Demographic and Economic Information (continued)

Annual Rainfall Last ten fiscal years (in inches)

Fiscal Year	Key West International Airport	Miami International Airport
2023	33.75	79.51
2022	38.26	66.96
2021	40.09	73.85
2020	48.00	75.49
2019	38.77	61.28
2018	39.80	73.02
2017	33.49	78.33
2016	40.80	75.11
2015	37.88	47.22
2014	33.94	73.65



Operating Information

Operating and Capital Indicators Last ten fiscal years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Water											
Water treatment plant permitted capacity	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd	23.79 mgd
Reverse osmosis permitted capacity	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd	9 mgd
Miles of transmission main	195	195	197	197	181	181	181	187	187	187	187
Miles of distribution main	621	609	668	664	684	684	685	690	690	690	690
Number of pumping stations	26	26	26	26	26	26	26	26	26	26	25
Water storage capacity	46.4 mg	46.4 mg	46.4 mg	46.4 mg	46.4 mg	46.4 mg	48.4 mg	49.4 mg	49.4 mg	49.4 mg	49.4 mg
Wastewater											
Number of wastewater treatment plants	6	5	5	5	5	6	7	7	6	5	5
Combined permitted plant capacities	1.683 mgd	1.557 mgd	1.557 mgd	1.557 mgd	1.557 mgd	2.245 mgd	2.245 mgd	2.245 mgd	.92 mgd	.92 mgd	.92 mgd
Approximate miles of wastewater collection lines	232	261	252	252	252	252	252	195	195	49	49
Approximate miles of reclaimed water lines	14.5	17.7	25	25	25	25	25	25.00	14.00	14.32	14.32

Note: mgd=million gallons per day, mg=million gallons

Operating Information (continued)

Water Production and Usage Last ten fiscal years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water Available for Sale										
Biscayne Aquifer	6,308,954	6,519,056	6,519,346	6,294,726	6,247,602	6,288,971	6,460,980	6,238,986	6,284,108	6,079,842
Floridan Aquifer	1,099,224	686,743	579,831	371,294	357,652	62,174	34,981	59,390	223,710	147,863
Desalinated sea water	14,575	-	6,866	-	-	-	12,886.00	-	-	-
Less water lost in production**	17,805	121,928	-	-	-	-	-	-	50,295	70,146
Total Water Available for Sale	7,440,558	7,327,727	7,106,043	6,666,020	6,605,254	6,508,847	6,298,376	6,558,113	6,297,851	6,109,726
Water Sales:										
Residential	2,713,374	2,740,328	2,735,225	2,637,965	2,633,510	2,572,472	2,611,476	2,730,995	2,787,341	2,686,055
Non-Residential	2,420,440	2,439,422	2,348,231	2,102,271	2,217,775	2,010,654	2,052,054	2,007,041	1,907,458	1,826,920
U.S. Navy	326,092	279,211	261,684	245,358	259,772	270,840	274,729	254,324	274,413	273,266
City of Key West	-	-	-	-	-	-	-	19,055	29,748	16,844
Cruise ship through Outer Mole	-	-	-	786	3,690	1,434	1,488	2,167	657	2,109
Senior Citizens	45,684	48,270	54,750	60,739	68,319	66,091	57,594	49,961	49,066	54,982
Total Water Sold	5,505,590	5,507,230	5,399,890	5,047,119	5,183,066	4,997,341	5,063,543	5,048,683	4,860,176	4,813,470
Other accounted for water*	228,653	253,158	263,884	656,631	442,852	477,641	644,046	745,439	545,417	228,813
Total Accounted for Water	5,734,243	5,760,388	5,663,774	6,009,389	5,625,918	5,641,387	5,808,982	5,594,100	5,088,989	5,149,566
Unaccounted for water	1,706,315	1,567,339	1,442,269	962,270	979,335	952,013	867,460	489,394	964,013	1,208,862
Unaccounted for water as a percentage of total water production	22.9%	21.4%	20.3%	14.4%	14.8%	15.1%	13.3%	7.8%	18.4%	15.2%
Average daily water production (million gallons/day)	20.39	20.08	19.47	18.21	18.10	17.40	17.83	17.26	17.25	16.74
Average daily water sales (million gallons/day)	15.08	15.09	14.79	13.79	14.20	13.48	13.69	13.87	13.32	13.19

*Includes transmission line loss, distribution losses from line flushing and breaks and public uses for fire and cleaning. The method of identifying other accounted for water was modified in 2006.

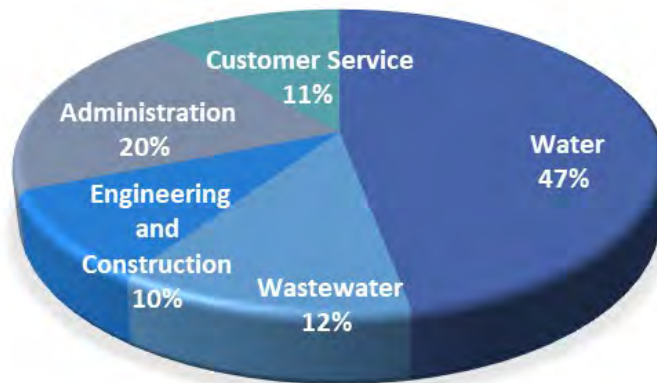
**This is the difference between sum of the individual supply wells and the total water measured leaving the WTP

Operating Information (continued)

Number of Employees by Activity Last ten fiscal years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Water										
Production	38	33	26	26	26	26	26	26	26	25
Transmission and distribution	90	90	86	88	86	80	78	80	83	83
Electrical and instrumental control	16	16	16	15	15	14	14			
Wastewater										
Treatment	20	20	20	18	18	17	11	13	13	13
Collection	18	18	18	16	16	16	16	7	7	8
Engineering and Construction										
Engineering	20	23	33	32	32	35	35	33	27	27
Construction	9	9	9	9	9	9	9	9	9	9
Administration										
Customer service	35	35	35	35	35	36	35	39	40	43
Finance, accounting and purchasing	26	26	26	26	26	30	30	29	29	24
Information Technology	13	12	11	11	11	11	11	26	25	26
Other administrative personnel	21	19	16	14	14	12	12	12	13	15
Totals	306	301	296	290	288	286	277	274	272	273

2023 EMPLOYEES BY ACTIVITY



Operating Information (continued)

Additions to the Utility Plant by Class Last ten fiscal years (in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Land	\$ -	\$ 851	\$ 437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building, Structures and Improvements	9,851	64,587	1,591	4,034	3,264	742	109	262	501	411
Equipment, Vehicles, Furniture and Fixtures	1,439	2,427	2,727	1,866	2,637	1,900	2,200	1,948	1,296	1,159
Transmission System	2,535	9,690	9,730	-	-	4,747	-	-	347	3,663
Distribution Systems	5,667	2,989	1,201	3,177	3,442	2,838	14,981	6,455	883	9,485
Water Meters	1,388	33	762	1,142	156	780	543	190	303	97
Water Storage Facilities	-	-	15	7	755	-	-	-	1,291	-
Pumping Stations	5,670	384	366	346	219	1,082	156	1,876	355	66
Water Treatment Facilities	2,653	443	53	202	65	177	126	145	16	444
Reverse Osmosis Equipment	212	159	27	-	11	-	-	96	-	636
Computer Equipment	222	123	119	72	26	152	191	388	125	671
Wastewater Treatment Equipment	3,241	40,622	1,465	468	1,472	589	442	889	228	64
Collection System	15	145,570	1,156	-	3,281	7,839	-	1,459	-	30
Reclaimed System	-	4,982	-	-	-	-	-	-	-	78
Leased Assets	-	27	-	-	-	-	-	-	-	-
Subscription Assets	463	-	-	-	-	-	-	-	-	-
	\$ 33,356	\$ 272,887	\$ 19,649	\$ 11,314	\$ 15,328	\$ 20,846	\$ 18,748	\$ 13,708	\$ 5,345	\$ 16,804

Operating Information (continued)

Schedule of Insurance in Effect for the fiscal year ended September 30, 2023

Type of Coverage	Carrier/Policy Number	Coverage Amount	Deductible Self-retention	Effective Date	Expiration Date
Liability package	FMIT #0178		\$141,243 Stop Loss	10/1/2023	9/30/2024
General liability	65701	\$10,000,000 OCC	\$25,000	10/1/2023	9/30/2024
Automobile liability	65601	\$3,000,000 OCC	\$25,000 Comp., \$1,000 PD, \$1,000 PIP	10/1/2023	9/30/2024
Public officials liability	65701	\$10,000,000 OCC	\$25,000	10/1/2023	9/30/2024
Crime	Travelers / 15590021	\$500,000	\$25,000	3/31/2023	3/31/2026
All Perils Policy - Property w/boiler and machinery	Aegis 50% - PO05991201P & Ace American 50% - EUTN18224483015	\$186,075,719	Wind Self Insured	3/31/2023	3/31/2024
Flood building/contents	Self Insured	Self Insured	Self Insured	Self Insured	Self Insured
Worker's compensation	Florida Municipal Self Insurers FMIT 0178	Statutory	\$2,500/each injury	10/1/2023	10/1/2024
Pollution and environmental coverage	Ironshore Specialty / 1873800	\$10,000,000 aggregate pollution \$1,000,000 aggregate storage tank	\$10,000 25,000 Navy	12/23/2022	12/23/2025
Board members bonding	NGN Ins Co	\$10,000 per member	No deductible	12/30/2023 12/31/2020 5/30/2021	12/30/2026 12/31/2024 12/30/2024
Fiduciary Insurance	Travellers / 106065534	\$1,000,000.00	No deductible	3/1/2021	3/1/2024

Operating Information, continued

Drinking Water Quality Standards and Analyses 2022-2023

(Refer to legend on next page)

Inorganic Contaminants	MCL mg/l*	2023 Finished Water mg/l*
Antimony	0.006	ND
Arsenic	0.010	ND
Asbestos	7 MFL	ND in 2017
Barium	2.0	0.0089 l
Beryllium	0.004	ND
Cadmium	0.005	ND
Chromium	0.100	ND
Cyanide	0.200	ND
Fluoride***	4.0	0.51
Lead	0.015	ND
Mercury	0.002	ND
Nickel	0.100	ND
Nitrate (as N)	10.0	2.3
Nitrite (as N)	1.0	ND
Total Nitrate & Nitrite (as N)	10.0	2.3
Selenium	0.050	ND
Sodium	160.0	23.9
Thallium	0.002	ND

Volatile Organic Contaminants	MCL mg/l*	2023 Finished Water mg/l*
2,3,7,8-TCDD (Dioxin)	3 x 10 ⁻⁸	ND
2,4-D	0.070	ND
2,4,5-TP (Silvex)	0.050	ND
1,1,2-Trichloroethane	0.005	ND
1,1-Dichloroethene	0.007	ND
1,2,4-Trichlorobenzene	0.070	ND
1,2-Dichloroethane	0.003	ND
1,2-Dichloropropane	0.005	ND
Benzene	0.001	ND
Carbon tetrachloride	0.003	ND
cis-1,2-Dichloroethylene	0.070	ND
Dichloromethane	0.005	ND
Ethylbenzene	0.700	ND
Chlorobenzene	0.100	ND
o-Dichlorobenzene	0.600	ND
para-Dichlorobenzene	0.075	ND
Styrene	0.100	ND
Tetrachloroethylene	0.003	ND
Toluene	1.000	ND
trans-1,2-Dichloroethylene	0.100	ND
Trichloroethylene	0.003	ND
Vinyl chloride	0.001	ND
Xylenes	10.0	ND

Turbidity Level	MCL NTU	2023 Finished Water NTU
Turbidity	1.0	0.025

Disinfectant By Products	MCL mg/l*	2023 Finished Water mg/l*
Trihalomethanes (THM)	0.080	0.0308
Haloacetic Acids (HAA)	0.060	0.0144

Radionuclides Contaminant	MCL pCi/l*	2023 Finished Water pCi/l*
Gross Alpha	15	3.27
Radium 226	5	1.18
Radium 228	5	0.701

Disinfectant By Products	MCL mg/l*	2023 Finished Water mg/l*
2,3,7,8-TCDD (Dioxin)	3 x 10 ⁻⁸	ND
2,4-D	0.070	ND
2,4,5-TP (Silvex)	0.050	ND
Alachlor	0.002	ND
Atazine	0.003	ND
Benzo(a)pyrene	0.000	ND
Carbofuran	0.040	ND
Chlordane	0.002	ND
Dalapon	0.200	ND
Di(2-ethylhexyl)adipate	0.400	ND
Di(2-ethylhexyl)phthalate	0.006	ND
Dibromochloropropane (DBCP)	0.000	ND
Dinoseb	0.007	ND
Diquat	0.020	ND
Endothall	0.100	ND
Endrin	0.002	ND
Ethylene dibromide (EDB)	0.000	ND
Glyphosate	0.700	ND
Heptachlor	0.000	ND
Heptachlor epoxide	0.000	ND
Hexachlorobenzene	0.001	ND
Hexachlorocyclopentadiene	0.050	ND
Lindane	0.000	ND
Methoxychlor	0.040	ND
Oxamyl (Vydate)	0.200	ND
Pentachlorophenol	0.001	ND
Picloram	0.500	ND
Polychlorinated biphenyls (PCBs)	0.001	ND
Simazine	0.004	ND
Toxaphene	0.003	ND

Operating Information, continued

Drinking Water Quality Standards and Analyses 2022-2023

Secondary Contaminant	MCL mg/l*	2023 Finished Water mg/l*
Aluminum	0.20	ND
Chloride	250	44.8
Color	15 Color Units	5
Copper	1.0	0.0016
Fluoride	2.0	0.51
Foaming Agents (MBAS)	0.50	ND
Iron	0.30	ND
Manganese	0.05	ND
Odor	3 TON	1
pH**	6.5 - 8.5	7.3
Silver	0.10	ND
Sulfate	250	34.8
Total Dissolved Solides (TDS)	500	223
Zinc	5.0	ND

General	2023 Finished Water mg/l*
Total Hardness	98
(Hardness in grains per gallon)	5.7
Calcium Hardness	82
Alkalinity	55
Total Chlorine	4.2

MCL = Maximum Contaminant Level

MFL = Million Fibers per Liter greater than 10 micrometers

ND = Analyzed for but not detected/value is below reportable limits

NR = Not required

NTU = Nephelometric Turbidity Units

pCi/L = picocuries per liter

TON = Threshold Odor Number

*mg/l = milligrams per liter (except asbestos, color, odor and pH)

**pH has no health effects. FCAA maintains pH at 9.0 -9.5 to aid in corrosion control and to improve disinfection stability.

***Fluoride also has a secondary standard

OTHER INFORMATION

Data Elements Required by Florida Statute
218.39(3)(c)



Other Information

Other Information

Data Elements required by Florida Statute 218.39(3)(c)

(Unaudited)

The total number of the employees compensated in the last pay period of the Authority's fiscal year as of September 30, 2023.	296
The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Authority's fiscal year as of September 30, 2023.	20
All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as of September 30, 2023.	\$ 26,543,993
All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as of September 30, 2023.	\$ 623,135
Each construction project with a total cost of at least \$65,000 approved by the Authority that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as of September 30, 2023.	Projected Cost
PFAS Water treatment and removal	\$ 106,511
Ocean Reef Transmission Main Replacement	\$ 280,795
Florida City Accelerator No.1	\$ 278,164
Crawl Key Ro	\$ 171,594
Windley Key Transmission	\$ 65,102
Transmission Terminus	\$ 353,667
Cudjoe and Big Coppitt Wet Weather Improvements	\$ 79,684
Knights Key Transmission Replacement	\$ 105,150
The budget variance based on the budget adopted under Section 189.016(4), Florida Statutes.	\$ 3,854,900
The rate or rates of non-ad valorem special assessments imposed by the Authority as of September 30, 2023.	
Bay Point - 238 records, 262.2 billing units and total revenue of:	\$ 53,517
Conch Key - 46 records, 63.9 billing units and total revenue of:	\$ 13,042
Layton - 83 records, 192.4 billing units and total revenue of:	\$ 56,398
Cross Key - 156 records, 207.9 billing units and total revenue of:	\$ 77,858
Hawks Cay - 309 records, 315.9 billing units and total revenue of:	\$ 215,307
OWNRS- 15 records, 15 billing units and total revenue of:	\$ 5,336
The total amount of special assessments collected by or on behalf of the Authority as of September 30, 2023.	\$ 398,892
The total amount of outstanding bonds issued by the Authority and the terms of such bonds as of September 30, 2023.	<i>Refer to financial statement footnote 5 - Long-term Liabilities</i>

REPORTING SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with Government Auditing Standards

Independent Auditors' Report on Compliance for Each Major Federal Program and State Projects; Report on Internal Control over Compliance; And Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General

Schedule of Expenditures of Federal Awards and State Financial Assistance

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Summary Schedule of Prior Audit Findings

Schedule of Findings and Questions Costs

Independent Auditors' Report



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

To the Audit Committee, Board of Directors, and Executive Director
Florida Keys Aqueduct Authority

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 (*Government Auditing Standards*), the financial statements of the Florida Keys Aqueduct Authority (the "Authority"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Independent Auditors' Report (continued)

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 12, 2024

Independent Auditors' Report (continued)



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Audit Committee, Board of Directors, and Executive Director
Florida Keys Aqueduct Authority

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Florida Keys Aqueduct Authority (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, and the requirements described in the *State of Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Authority's major federal programs and state project for the fiscal year ended September 30, 2023. The Authority's major federal programs and state project are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program and state project for the fiscal year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 (Chapter 10.550). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.550, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

Independent Auditors' Report (continued)

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal programs and state project. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs and state projects.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal programs and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

Independent Auditors' Report (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550

We have audited the financial statements of the Authority as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We issued our report thereon dated March 12, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, and is not a required part of the basic financial

Independent Auditors' Report (continued)

statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Miami, FL
March 12, 2024

Schedule of Expenditures of Federal Awards

FLORIDA KEYS AQUEDUCT AUTHORITY			
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023			
Federal/State Agency, Pass-through Entity Federal Program/State Project	ALN/CSFA No.	Contract/ Grant No.	Total Expenditures
<u>United States Department of Housing and Urban Development</u>			
Indirect Program:			
Passed through Florida Department of Environment Protection - Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	IR021	\$ 9,653,039
Total United States Department of Housing and Urban Development			9,653,039
<u>United States Department of Treasury</u>			
Indirect Program:			
Passed through Florida Department of Environment Protection - Coronavirus State and Local Recovery Funds	21.027	22FRP66	5,746,290
Total United States Department of Treasury			5,746,290
<u>United States Department of Homeland Security</u>			
Indirect Program:			
Passed through Florida Division of Emergency Management - Hazard Mitigation Grant Program	97.039	H0571	3,457,432
Total Department of Homeland Security			3,457,432
Total Expenditures of Federal Awards			
			\$ 18,856,762
<u>Florida Department of Environmental Protection</u>			
Direct Project:			
Statewide Water Quality Restoration Projects	37.039	LPA0419	\$ 679,512
Statewide Water Quality Restoration Projects	37.039	LPA0521	118,787
Total Florida Department of Environmental Protection			798,300
<u>Florida Executive Office of the Governor</u>			
Indirect Project:			
Passed through Florida Division of Emergency Management - Hurricane Loss Mitigation Program	31.066	B0148	194,000
Total Florida Executive Office of the Governor			194,000
Total Expenditures of State Financial Assistance			
			\$ 992,300
Total Expenditures of Federal Awards and State Financial Assistance			
			\$ 19,849,061

Notes to Schedule of Expenditures of Federal Awards

FLORIDA KEYS AQUEDUCT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") presents the expenditure activity of all federal awards and state financial assistance of the Florida Keys Aqueduct Authority (the "Authority") for the fiscal year ended September 30, 2023. The information in this Schedule is presented in accordance with the 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. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

NOTE 2. 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 the Uniform Guidance and the Florida Single Audit Act, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

NOTE 3. INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. SUBRECIPIENTS

No amounts were provided to subrecipients during the fiscal year ended September 30, 2023.

Summary Schedule of Prior Audit Findings

FLORIDA KEYS AQUEDUCT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARDS AND STATE PROJECT FINDINGS AND QUESTIONED COSTS

None.

Schedule of Findings and Question Costs

FLORIDA KEYS AQUEDUCT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Non-compliance material to financial statements noted? Yes No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state project:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major Federal programs and state project: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.557, Rules of the Auditor General? Yes No

Identification of the major federal programs and state project:

<u>ALN</u>	<u>Federal Programs</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
21.027	Coronavirus State and Local Fiscal Recovery Funds

<u>CSFA No.</u>	<u>State Project</u>
37.039	Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Dollar threshold used to distinguish between Type A and Type B state projects: \$300,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance? Yes No

Schedule of Findings and Question Costs

FLORIDA KEYS AQUEDUCT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

**SECTION III – FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE
FINDINGS AND QUESTIONED COSTS**

None.

AUDITOR GENERAL SECTION

Management Letter in Accordance with the
Rules of the Auditor General of the State of
Florida

Independent Accountants' Report on
Compliance Pursuant to Section 218.415
Florida Statutes



Management Letter



MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Audit Committee, Board of Directors, and Executive Director
Florida Keys Aqueduct Authority

Report on the Financial Statements

We have audited the financial statements of the Florida Keys Aqueduct Authority (the "Authority"), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated March 12, 2024.

Auditors' 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Summary Schedule of Prior Audit Findings; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 and schedules, which are dated March 12, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the prior year audit report.

Management Letter (continued)

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Authority was established by Special Legislation 76-441 of the Laws of Florida. There are no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Specific Information for Special Districts

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Authority reported the required information in the Other Information Section found on page 96.

Specific Information for Special Districts with Non-Ad Valorem Special Assessments

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Authority reported the required information in the Other Information Section found on page 96.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Management Letter (continued)

Purpose of this Letter

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

Marcum LLP

Miami, FL
March 12, 2024

Independent Accountants' Report



INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO SECTION 218.415, FLORIDA STATUTES

To the Audit Committee, Board of Directors, and Executive Director
Florida Keys Aqueduct Authority

We have examined the Florida Keys Aqueduct Authority's (the "Authority") compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, for the fiscal year ended September 30, 2023. Management of the Authority is responsible for the Authority's compliance with those specified requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with Section 218.415, Florida Statutes for the fiscal year ended September 30, 2023.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes and it is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 12, 2024