



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FLORIDA KEYS AQUEDUCT AUTHORITY

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021

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FLORIDA KEYS AQUEDUCT AUTHORITY

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2021

Prepared by:
Cindy Kondziela, Director of
Finance
Finance department

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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

MESSAGE FROM EXECUTIVE DIRECTOR

MESSAGE FROM MANAGEMENT

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FLORIDA KEYS AQUEDUCT AUTHORITY

2021 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, 2022

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, 2022

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

5 WASTEWATER TREATMENT PLANTS

252 MILES OF WASTEWATER COLLECTION AND FORCE MAIN LINES

25 MILES OF RECLAIMED DISTRIBUTION WATER LINES



Message from the Executive Director

Kerry G. Shelby



On behalf of the Board of Directors and staff of the Florida Keys Aqueduct Authority, I am pleased to submit this Comprehensive Annual Financial Report for our fiscal year ended September 30, 2021.

The Authority remains in sound financial condition, both from a net revenue and a liquidity standpoint. Water revenue remained stable through the financial instability caused by the COVID-19 pandemic and has surpassed projections after the economy reopened. Operating expenses have decreased primarily due to a reduction in pension and depreciation expenses.

Construction is nearing completion on a new administration building which is replacing the original structure that was substantially damaged by Hurricane Irma. With the current progress, staff anticipates construction will be complete by December 2021. The Authority continues to focus on strengthening its infrastructure and has developed an aggressive Capital Improvement Plan over the next five years and is actively pursuing grant funding opportunities.

The Authority has secured multiple grants and finalized a low interest government loan to fund a seawater reverse osmosis facility, distribution, and transmission projects. The seawater reverse osmosis facility on Stock Island serves the lower keys in the event of an interruption of water supply from the mainland. This facility proved to be a key asset in the recovery after Hurricane Irma, but it is now nearing its end-of-life and its reliability is diminishing.

I hope this Annual Comprehensive Financial Report is informative and useful to you. Budgets and other financial information are available at our website, fkaa.com.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Kerry G. Shelby', written over a light gray dotted rectangular background.

Kerry G. Shelby

March 11, 2022

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, 2021.

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, 2021 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, 2021 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 2021 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

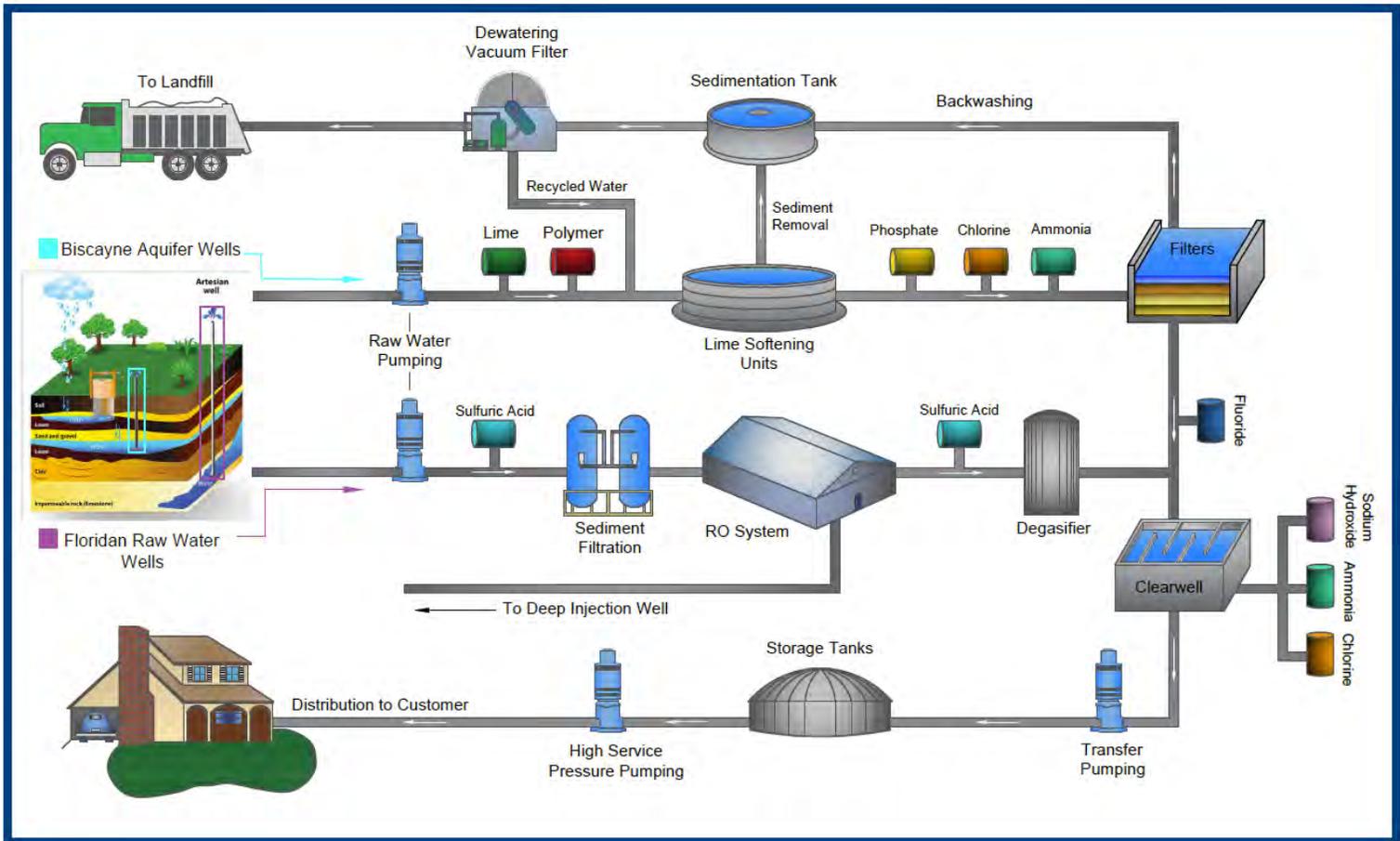
The Authority's primary water production facilities are a lime softening plant that treats water withdrawn from the Biscayne Aquifer and a reverse osmosis plant that treats brackish water withdrawn from the deeper Floridan Aquifer. Water treated at these two facilities is then blended and disinfected 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 and Layton, Florida. Additionally, the Authority operates facilities in Big Coppitt and Cudjoe Key that are owned by Monroe County. The Authority and Monroe County (the County) are parties to an interlocal agreement that provides for the Authority to operate and maintain county-owned wastewater systems for a period of 99 years, including setting rates sufficient to fund those operations. In October 2021, 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 for the transfer cost of \$1. 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.

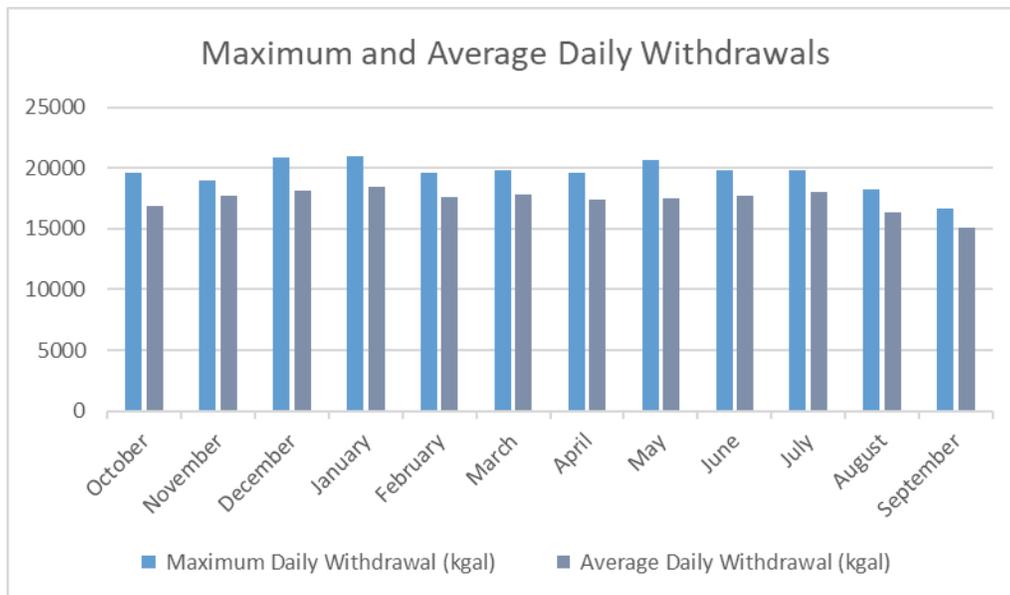
Local Economy and Demand Trends

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 74,000 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 2013 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 2021. 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 \$175.8 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, 2020. This was the 30th 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 comprehensive annual 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, 2020. This was the 15th 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 black ink, appearing to be 'Kerry G. Shelby', written in a cursive style.

Kerry G. Shelby, CPA
Executive Director

March 11, 2022



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT
MANAGEMENTS DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION

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Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Audit Committee, Board of Directors and Executive Director

Florida Keys Aqueduct Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida Keys Aqueduct Authority (the "Authority") which comprise the statement of net position as of September 30, 2021, and the statements of revenues, expenses and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Independent Auditors' Report (continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2021, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 30 to 35 and the schedules 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 69 and 70, respectively, be presented to supplement the financial statements. Such information, although not a part of the 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The introductory section, other information section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Independent Auditors' Report (continued)

Prior Year Comparative Information

We have previously audited the Authority's 2020 financial statements, and our report dated March 16, 2021, 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 20, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, 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 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 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 Authority's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL

March 11, 2022



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, 2021. Please read it in conjunction with the transmittal letter and the Authority's financial statements.

Highlights

Financial highlights

- ✓ The Authority's net position increased by 7.2% in 2021. See the analysis of net position on the following page.
- ✓ Operating revenue increased by 6.8% in 2021 over 2020 while operating expenses decreased by approximately \$2.2 million, a 3.3% increase over 2020.
- ✓ The Authority has begun construction on water distribution, pump station, and wastewater onsite projects, as well as finalizing construction of a new administration building. These are significant components in a 72.7% increase to construction in progress.

Authority highlights

- ✓ The Authority is finalized a low interest government loan for up to \$49 million through the Water Infrastructure Finance and Innovation Act for major distribution, transmission and reverse osmosis projects. The Authority may draw on this loan in 2025.
- ✓ 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 begun construction of a new reverse osmosis plant in Key West.

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, credit worthiness 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 7.2% in 2021. 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

	2021		2020
Current and other assets	\$ 108,222,410	\$	97,034,653
Capital assets, net	310,138,117		282,982,350
Total assets	<u>418,360,527</u>		<u>380,017,003</u>
Total deferred outflow of resources	<u>33,746,184</u>		<u>40,303,124</u>
Current liabilities	20,544,854		19,080,402
Long-term liabilities	257,648,227		251,924,144
Total liabilities	<u>278,193,081</u>		<u>271,004,546</u>
Total deferred inflow of resources	<u>17,657,527</u>		<u>3,615,013</u>
Net investment in capital assets	136,186,942		139,271,332
Restricted	5,111,864		7,477,698
Unrestricted	14,957,297		(1,048,462)
Total net position	<u>\$ 156,256,103</u>	\$	<u>145,700,568</u>

Net investment in capital assets decreased by approximately 2.2% in 2021 due to an increase in bonds payable. Restricted net position decreased 40.9% the utilization of bond reserves. Negative unrestricted net position improved due to an increase in unrestricted cash with the reimbursement of capital expenditures with bond funding.

Management's Discussion and Analysis (continued)

Table 2

	2021	2020
Utility revenue water	\$ 60,909,096	\$ 56,480,522
Utility revenue reclaimed water	174,582	176,705
Utility revenue wastewater	10,653,859	9,968,375
Other operating revenue Navy	3,945,373	3,945,373
Other operating revenue	1,608,006	1,649,421
Operating revenue	77,290,916	72,220,396
Less abatements	(483,920)	(340,261)
Total operating revenue	76,806,996	71,880,135
Operating expenses	(63,848,163)	(66,049,276)
Net operating income	12,958,833	5,830,859
Non-operating revenue (expenses)		
Interest income	180,190	882,217
Other income	1,947,700	4,552,246
Interest expense	(7,373,604)	(7,870,568)
Other expenses	(1,257,943)	(574,769)
Total non-operating revenue (expenses)	(6,503,657)	(3,010,874)
Net income before contributions	6,455,176	2,819,985
Capital contributions	4,100,359	2,661,466
Change in net position	10,555,535	5,481,451
Net position, beginning of year	145,700,568	140,219,117
Net position at end of year	\$ 156,256,103	\$ 145,700,568

Water and wastewater revenue has increased by approximately 7.8% and 6.8%, respectfully. This is attributed to an increase in tourism due to Covid-19 travel requirements, safety concerns, and the preference to limit international travel. Other operating Navy revenue remained stable. Other operating revenue decreased by 2.5% due in large to the waiver of penalties by the Board of Directors which continued into the beginning of the fiscal year based on COVID-19 financial hardships experienced by our customers. Interest income decreased 79.5% due to lower bank interest rates. A decrease in other income of 57.2% is in direct relation to the closing of FEMA claims for Hurricane Irma. Operating expenses decreased due to a reduction in pension and depreciation expense. Bond expenditures related to the 2021B bond resulted in a substantial increase in other expenses.

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 2021, the Authority had approximately \$310.1 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 and depreciation) of approximately \$27.1 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, for the fiscal years ended September 2021 and 2020.

	2021	2020
Land	\$ 8,722,655	\$ 8,285,155
Buildings, structures & improvements	39,052,716	39,609,211
Equipment, vehicles, furniture & fixtures	9,505,882	8,473,627
Transmission system	37,052,883	29,742,699
Water distribution system	93,896,416	95,779,837
Water meters	3,830,085	3,813,526
Water storage facilities	5,031,237	5,203,510
Pump station equipment	10,175,805	10,679,407
Water treatment equipment	12,678,388	13,639,332
Reverse osmosis equipment	9,013,265	9,972,510
Computer equipment	276,786	310,886
Wastewater treatment equipment	6,891,369	5,946,337
Wastewater collection equipment	17,964,002	17,296,427
Reclaimed water	3,967,049	4,080,194
	<u>258,058,538</u>	<u>252,832,658</u>
Construction work in progress	52,079,579	30,149,692
	<u>\$ 310,138,117</u>	<u>\$ 282,982,350</u>

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

	2021	2020
Balance at beginning of year	\$ 282,982,350	\$ 276,002,151
Additions	19,649,347	11,314,886
Retirements	(1,449,827)	(4,431,084)
Depreciation	(14,339,847)	(15,117,011)
Accumulated depreciation retired	1,366,207	4,272,153
Net increase in construction work in progress	21,929,887	10,941,255
Balance at end of year	<u>\$ 310,138,117</u>	<u>\$ 282,982,350</u>

Management’s Discussion and Analysis (continued)

This year’s major additions of \$19.6 million to utility plant include:

Buildings, structures, improvements and land	\$	2.0	million
Equipment, vehicles, furniture, fixtures and computer equipment		2.8	million
Water distribution system upgrades		1.2	million
Water meters		.8	million
Water transmission system upgrades		9.7	million
Water storage and pump station facilities		.4	million
Water treatment and reverse osmosis equipment		.1	million
Wastewater equipment and collection system		2.6	million

The Authority’s 2022 capital budget plans for investing approximately \$65.1 million in capital projects includes the following:

Water distribution system upgrades	\$	6.5	million
Wastewater system upgrades		5.6	million
Water transmission system upgrades		13.3	million
Wellfield investments		4.0	million
Facility structure improvements		11.7	million
Reverse osmosis facility		24.0	million

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

Long-term liabilities

At September 30, 2021, the Authority had a total of more than \$206 million in water and wastewater bonds outstanding. 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:

		2021		2020
Water and wastewater bonds, net	\$	206,049,894	\$	174,535,115
Derivative instrument - swap		10,076,223		13,823,255
Credit due to US government		24,721,514		25,807,921
Compensated absences		3,500,335		3,648,525
Total OPEB liability		10,495,977		11,792,703
Net pension liability		11,497,108		28,529,526
Total long-term liabilities	\$	266,341,051	\$	258,137,045

Management's Discussion and Analysis (continued)

Compensated absences include estimated accrued vacation and sick leave to be paid at retirement. Total other post-employment benefits (OPEB) liabilities represents 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 to the financial statements.

Economic Factors, Next Year's Budget and Rates

The economy within the service area continued to improve in 2021 with the low unemployment rates and strong tourism. Tourism has made a full recovery after the impacts of the COVID pandemic shut downs and restrictions. Travel restrictions for airlines and international travel have made locations with our service area prime recreational destinations and have had a positive effect on the local economy.

Water, wastewater and reclaimed water rates were increased on October 1, 2021 by the annual inflation adjustment of 5.1%.

The Authority's capital improvement plan calls for capital expenditures of about \$175.8 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 2022 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 and Monroe County entered into an interlocal agreement in 2005 that established a partnership for completing the construction of wastewater infrastructure in the Authority's service area. The Authority currently has about 11,200 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 those 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 305.295.2231.

Financial Statements

Statement of Net Position September 30, 2021 (with comparative totals at September 30, 2020)

Assets	2021	2020
Current assets		
Unrestricted current assets		
Cash and cash equivalents	\$ 48,267,800	\$ 32,954,771
Receivables:		
Accounts - customers	7,344,693	6,557,309
Accounts - other	303,941	1,019,599
Interest	3,384	-
Current portion of assessments	338,993	340,287
Materials and supplies	3,098,277	3,371,977
Prepaid expenses	873,697	760,865
Total unrestricted current assets	60,230,785	45,004,808
Restricted current assets		
Cash and cash equivalents	43,467,269	47,271,127
Total restricted current assets	43,467,269	47,271,127
Total current assets	103,698,054	92,275,935
Restricted noncurrent cash - customer deposits	2,958,911	2,955,710
Capital assets		
Capital assets	558,123,381	539,923,861
Construction in progress	52,079,579	30,149,692
Less accumulated depreciation	(300,064,843)	(287,091,203)
Capital assets, net of accumulated depreciation	310,138,117	282,982,350
Assessments receivable, net of current portion	1,565,445	1,803,008
Total noncurrent assets	314,662,473	287,741,068
Total assets	418,360,527	380,017,003
Deferred outflow of resources		
Accumulated change in fair value of hedging derivatives	10,076,223	13,823,255
Deferred amount on debt refundings	1,995,189	2,128,729
Pensions	5,974,546	8,111,062
Navy wastewater Agreement	13,929,187	14,245,760
Other Post Employment Benefits	1,771,039	1,994,318
	33,746,184	40,303,124

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

Financial Statements (continued)

Statement of Net Position September 30, 2021 (with comparative totals at September 30, 2020)

Liabilities	2021	2020
Current liabilities		
Current liabilities payable from unrestricted assets		
Accounts payable	\$ 4,957,456	\$ 4,522,622
Accrued wages and benefits	1,642,939	2,117,924
Unearned revenues	314,855	345,901
Other liabilities	831,824	905,106
Total current liabilities payable from unrestricted assets	7,747,074	7,891,553
Current liabilities payable from restricted assets		
Customer deposits	2,958,911	2,955,710
Interest payable	692,513	512,267
Advances from other governments	453,532	1,507,971
Current portion of long-term liabilities	8,692,824	6,212,901
Total current liabilities payable from restricted assets	12,797,780	11,188,849
Total current liabilities	20,544,854	19,080,402
Long-term liabilities		
Bonds payable, net	206,049,894	174,535,115
Derivative instrument - swap	10,076,223	13,823,255
Credit due to US government	24,721,514	25,807,921
Compensated absences	3,500,335	3,648,525
Total OPEB liability	10,495,977	11,792,703
Net pension liability	11,497,108	28,529,526
	266,341,051	258,137,045
Less current portion	(8,692,824)	(6,212,901)
Total long-term liabilities	257,648,227	251,924,144
Total liabilities	278,193,081	271,004,546
Deferred inflow of resources		
Pension	14,863,272	1,893,589
Other Post Employment Benefits	2,794,255	1,721,424
	17,657,527	3,615,013
Net position		
Net investment in capital assets	136,186,942	139,271,332
Restricted:		
Debt service	658,897	1,960,127
Capital projects	1,494,056	2,561,861
Other purposes	2,958,911	2,955,710
Unrestricted	14,957,297	(1,048,462)
Total net position	\$ 156,256,103	\$ 145,700,568

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

Financial Statements (continued)

Statement of Revenue, Expenses and Changes in Net Position

For the fiscal year ended September 30, 2021 (with comparative totals for fiscal year ended September 30, 2020)

Revenue	2021	2020
Utility revenue water	\$ 60,909,096	\$ 56,480,522
Utility revenue reclaimed water	174,582	176,705
Utility revenue wastewater	10,653,859	9,968,375
Other operating revenue Navy	3,945,373	3,945,373
Other operating revenue	1,608,006	1,649,421
Total operating revenue	77,290,916	72,220,396
Less abatements	(483,920)	(340,261)
Net operating revenue	76,806,996	71,880,135
Operating expenses		
Source of supply	811,664	768,573
Water treatment	4,153,674	4,043,715
Transmission	6,554,899	6,052,191
Distribution	9,280,606	9,255,190
Wastewater treatment	1,795,915	1,472,381
Wastewater collection	4,096,924	3,521,969
Customer accounts	3,402,046	3,380,342
General and administrative	19,412,588	22,437,904
Depreciation	14,339,847	15,117,011
Total operating expenses	63,848,163	66,049,276
Operating income	12,958,833	5,830,859
Non-operating revenue (expenses)		
Interest income	180,190	882,217
Other income	1,485,722	1,472,656
Gain(Loss) on disposal of assets and inventory	(52,638)	(26,222)
Grants from federal and state agencies	461,978	3,079,590
Interest expense	(7,373,604)	(7,870,568)
Bond issue costs	(231,327)	(231,975)
Remarketing and letter of credit fees	(973,978)	(316,572)
Total non-operating (expenses)	(6,503,657)	(3,010,874)
Net income before contributions	6,455,176	2,819,985
Capital contributions	4,100,359	2,661,466
Change in net position	10,555,535	5,481,451
Net position, beginning of year	145,700,568	140,219,117
Net position, end of year	\$ 156,256,103	\$ 145,700,568

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, 2021 (with comparative totals for fiscal year ended September 30, 2020)

	2021	2020
Cash flows from operating activities		
Payments received from customers	\$ 73,643,645	\$ 69,229,589
Deposits received from customers	104,315	292,468
Other cash received	2,128,098	1,893,392
Payments for salaries and benefits	(30,792,542)	(28,631,684)
Payments to suppliers for goods and services	(20,670,082)	(18,089,094)
Interest paid on and refunds of customer deposits	(101,380)	(208,724)
Net cash provided by operating activities	24,312,054	24,485,948
Cash flows from non-capital financing activities		
Cash received from other governments	461,978	4,111,450
Payments for projects of other governments	(1,054,439)	(2,508,416)
Net cash provided (used) by non-capital financing activities	(592,461)	1,603,034
Cash flows from capital and related financing activities		
System development fees received (capital contribution)	1,602,073	1,575,555
Proceeds from capital grants (capital contribution)	1,853,797	962,046
Assessments	238,857	221,431
Payments for capital assets	(40,934,745)	(22,132,275)
Proceeds from sale of capital assets	30,982	(99,266)
Proceeds from issuance of bonds	30,915,000	-
Bond issue costs and financing fees paid	(8,262,337)	(7,870,568)
Principal payments of bonds	(4,595,000)	(4,555,000)
Interest payments for bonds	6,767,346	958,368
Net cash used by capital and related financing activities	(12,384,027)	(30,939,709)
Cash flows from investing activities		
Interest received	176,806	882,217
Net cash provided by investing activities	176,806	882,217
Net cash inflow (outflow) from all activities	11,512,372	(3,968,510)
Cash and cash equivalents at beginning of year	83,181,608	87,150,118
Cash and cash equivalents at end of year	\$ 94,693,980	\$ 83,181,608

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, 2021 (with comparative totals for fiscal year ended September 30, 2020)

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

	2021	2020
Operating income	\$ 12,958,833	\$ 5,830,859
Credits to US government	(2,344,921)	(2,344,922)
Depreciation	14,339,847	15,117,011
Other income	1,485,722	1,472,656
Interest on customer deposits	(266)	(276)
(Increase) decrease in		
Accounts receivable	(71,726)	(58,216)
Materials and supplies	273,700	(744,395)
Prepaid expenses	(112,832)	(145,334)
Deferred outflows of resources	2,359,795	(1,978,358)
Increase (decrease) in		
Accounts payable	434,834	1,448,951
Unearned revenues	(31,046)	15,461
Accrued wages and benefits (includes net pension liability)	(73,282)	6,938,415
Other liabilities	(18,952,319)	157,868
Customer deposits	3,201	84,020
Deferred inflows of resources	14,042,514	(1,307,792)
Net cash provided by operating activities	\$ 24,312,054	\$ 24,485,948
Schedule of cash		
Unrestricted cash and cash equivalents	\$ 48,267,800	\$ 32,954,771
Restricted cash and cash equivalents	46,426,180	50,226,837
	\$ 94,693,980	\$ 83,181,608
Schedule of noncash investing, capital and financing activities:		
Change in value of derivative instruments	\$ (3,747,032)	\$ 2,023,596
Amortization of deferred amount on debt refunding	(133,540)	(135,177)
Capital assets contributed	644,489	123,865
	\$ (3,236,083)	\$ 2,012,284

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

Notes to Financial Statements

For the fiscal year ended September 30, 2021

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Notes to Financial Statements

For the fiscal year ended September 30, 2021

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, 2021

Summary of Significant Accounting Policies

During fiscal year ended September 30, 2021, the Authority implemented GASB statement No. 95, Postponement of the Effective dates of Certain Authoritative Guidance and GASB No. 98, The Annual Comprehensive Financial Report.

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

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.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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 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.

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.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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 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 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 generally accepted accounting principles 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 generally accepted accounting principles 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, 2021

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the fiscal year ended September 30, 2020 from which the summarized information was derived.

Note 2. Cash and Investments

Cash and cash equivalents refers 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 market 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 at September 30, 2021, is 47 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM. The weighted average life (WAL) of FLCLASS at September 30, 2021 is 84 days. The Authority had cash balances of \$94,693,980 at September 30, 2021.

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. At September 30, 2021 all the Authority's bank deposits, having a bank balance of \$95,184,829 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, 2021

Note 3. Restricted Assets

Restricted assets as of September 30, 2021 consisted of the following:

	2021
Restricted current assets	
Cash	
Debt service	\$ 658,897
Advances from other governments	418,459
Reserve for self-retained health care claims	794,056
Grant funds	700,000
Bond proceeds held for future projects	40,895,857
	43,467,269
Restricted noncurrent - customer deposits	2,958,911
Total restricted assets	\$ 46,426,180

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 then 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 \$2,958,911 September 30, 2021.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 4. Capital Assets

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

	Balance 9/30/2020	2021		Balance 9/30/2021
		Additions	Retirements	
Capital assets not being depreciated:				
Land	\$ 8,285,155	\$ 437,500	\$ -	\$ 8,722,655
Construction work in progress	30,149,692	36,269,666	(14,339,779)	52,079,579
Total capital assets not being depreciated	38,434,847	36,707,166	(14,339,779)	60,802,234
Capital assets being depreciated:				
Buildings, structures & improvements	74,584,288	1,590,790	-	76,175,078
Equipment, vehicles, furniture & fixtures	21,545,624	2,726,619	(319,462)	23,952,781
Transmission system	110,730,507	9,730,661	(964,698)	119,496,470
Distribution system	146,486,332	1,200,721	(27,351)	147,659,702
Water meters	17,747,935	761,885	(138,316)	18,371,504
Water storage facilities	10,673,677	14,960	-	10,688,637
Pump station equipment	30,064,872	366,282	-	30,431,154
Water treatment equipment	39,723,690	52,747	-	39,776,437
Reverse osmosis equipment	38,385,559	26,882	-	38,412,441
Computer equipment	4,413,914	118,834	-	4,532,748
Wastewater treatment equipment	10,176,324	1,465,509	-	11,641,833
Collection system	21,984,070	1,155,957	-	23,140,027
Reclaimed water	5,121,914	-	-	5,121,914
Total assets being depreciated	531,638,706	19,211,847	(1,449,827)	549,400,726
Less accumulated depreciation:				
Buildings, structures & improvements	(34,975,077)	(2,147,285)	-	(37,122,362)
Equipment, vehicles, furniture & fixtures	(13,071,997)	(1,693,969)	319,067	(14,446,899)
Transmission system	(80,987,808)	(2,341,678)	885,899	(82,443,587)
Distribution system	(50,706,495)	(3,079,716)	22,925	(53,763,286)
Water meters	(13,934,409)	(745,326)	138,316	(14,541,419)
Water storage facilities	(5,470,167)	(187,233)	-	(5,657,400)
Pump station equipment	(19,385,465)	(869,884)	-	(20,255,349)
Water treatment equipment	(26,084,358)	(1,013,691)	-	(27,098,049)
Reverse osmosis equipment	(28,413,049)	(986,127)	-	(29,399,176)
Computer equipment	(4,103,028)	(152,934)	-	(4,255,962)
Wastewater treatment equipment	(4,229,987)	(520,477)	-	(4,750,464)
Collection system	(4,687,643)	(488,382)	-	(5,176,025)
Reclaimed water	(1,041,720)	(113,145)	-	(1,154,865)
Total accumulated depreciation	(287,091,203)	(14,339,847)	1,366,207	(300,064,843)
Total capital assets being depreciated, net	244,547,503	4,872,000	(83,620)	249,335,883
Total net capital assets	\$ 282,982,350	\$ 41,579,166	\$ (14,423,399)	\$ 310,138,117

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

5. Long-term Liabilities

Long-term liabilities activity for the fiscal year ended September 30, 2021 as follows:

	Beginning balance	2021		Ending balance	Due within one year
		Additions	Deductions		
Water revenue refunding bonds Series 2008	\$ 52,625,000	\$ -	\$ -	\$ 52,625,000	\$ 2,745,000
Wastewater revenue bonds Series 2012 (private placement)	2,840,000	-	(365,000)	2,475,000	370,000
Water revenue bonds Series 2013A (private placement)	2,640,000	-	(2,640,000)	-	-
Water revenue bonds Series 2013B (private placement)	5,620,000	-	(350,000)	5,270,000	360,000
Water revenue bonds Series 2014A (private placement)	1,960,000	-	(120,000)	1,840,000	125,000
Water revenue bonds Series 2015A (private placement)	34,315,000	-	(240,000)	34,075,000	1,690,000
Water revenue bonds Series 2015B (private placement)	14,105,000	-	(630,000)	13,475,000	115,000
Wastewater revenue bonds Series 2016 (private placement)	9,155,000	-	(250,000)	8,905,000	260,000
Water revenue bonds Series 2019	45,010,000	-	-	45,010,000	-
Water revenue bonds Series 2021B	-	30,915,000	-	30,915,000	-
Subtotal	168,270,000	30,915,000	(4,595,000)	194,590,000	5,665,000
Add unamortized Series 2015A bond premium	392,019	-	(23,174)	368,845	23,174
Add unamortized Series 2019 bond premium	5,873,096	-	(203,104)	5,669,992	203,104
Add unamortized Series 2021B bond premium	-	5,646,934	(225,877)	5,421,057	1,355,264
Total bonds payable	174,535,115	36,561,934	(5,047,155)	206,049,894	7,246,542
Derivative instrument - swap	13,823,255	-	(3,747,032)	10,076,223	-
Credit due to US Government-water	8,452,252	-	(981,731)	7,470,521	1,031,035
Credit due to US Government-wastewater	17,355,668	-	(104,675)	17,250,993	110,031
Compensated absences	3,648,525	3,500,335	(3,648,525)	3,500,335	305,216
Total long-term liabilities	\$217,814,816	\$ 40,062,269	\$ (13,529,118)	\$ 244,347,966	\$ 8,692,824

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% at September 30, 2021). 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 2022 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.

In July 2013, the Authority privately placed \$19,990,000 Series 2013A water revenue refunding bonds with a bank at an interest rate of 1.64%. The proceeds from this issue were used to refund Series 2003 water revenue refunding bonds. Interest is payable on March 1 and September 1 and principal is payable annually on September 1 through 2021. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$78,602. This difference is reported in the accompanying financial statements as a deferred outflow of resources.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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, 2021-2024 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 \$31,915,000 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 principal will be paid on September 1 2022-2025.

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 \$10,261,820 and \$23,661,709 respectively.

Wastewater Revenue Bonds

In September 2012, the Authority privately placed \$5,635,000 Series 2012 wastewater revenue refunding bonds with a bank at an interest rate of 2.86%. The proceeds from this issue were used to refund Series 2001, Series 2004 and Series 2009 wastewater revenue bonds. Interest is payable on March 1 and September 1 and principal is paid annually on September 1 through 2030.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 5. Long-term Liabilities (continued)

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.

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 \$853,712 and \$2,819,782, respectively.

Interest Rate Swap

At September 30, 2021, 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

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 5. Long-term Liabilities (continued)

(counterparty). This transaction did not terminate the hedge accounting for this swap as a result in the change of 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 the 3-month LIBOR plus 20 basis points (see rates below). Additionally, the Authority pays annual transactional fees of .72% 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 3-month LIBOR 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, 2021, the rates for the variable rate bonds and swap were as follows:

	Terms	Rates
		2021
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.8320%
Variable payment from counterparty	LIBOR	0.2839%
Net interest rate swap payments		3.5481%
Series 2008 Variable Rate Bond Payments	Weekly Variable Rate	0.0500%
Remarketing liquidity and letter of credit fees		0.5600%
Synthetic interest rate on bonds		4.1581%

Fair Value

As of September 30, 2021, the swap had a negative fair value of \$10,076,223 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.

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.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 5. Long-term Liabilities (continued)

Swap payments and associated debt

As of September 30, 2021, 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
2022-2026	\$ 15,185,000	\$ 1,428,437	\$ 7,816,859	\$ 24,430,296
2027-2031	18,940,000	921,253	4,987,412	24,848,665
2032-2035	18,500,000	288,317	1,545,028	20,333,345
	<u>\$ 52,625,000</u>	<u>\$ 2,638,006</u>	<u>\$ 14,349,300</u>	<u>\$ 69,612,306</u>

Credit risk

As of September 30, 2021, 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, 2021, 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 LIBOR 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, 2021 (4.1581%). 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, 2021

Note 5. Long-term Liabilities (continued)

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

Fiscal year ending September 30	Bonds			Credit due to US Government		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 5,665,000	\$ 7,961,947	\$ 13,626,947	\$ 1,141,066	\$ 1,203,856	\$ 2,344,922
2023	5,945,000	7,698,883	13,643,883	1,198,474	1,146,448	2,344,922
2024	6,205,000	7,455,781	13,660,781	1,258,770	1,086,151	2,344,921
2025	37,390,000	7,211,732	44,601,732	1,322,100	1,022,821	2,344,921
2026	6,710,000	5,458,012	12,168,012	1,388,617	956,305	2,344,922
2027-2031	37,365,000	23,933,645	61,298,645	2,552,986	4,130,544	6,683,530
2032-2036	42,415,000	17,220,641	59,635,641	1,003,697	3,846,714	4,850,411
2037-2041	20,075,000	10,670,937	30,745,937	1,288,103	3,562,308	4,850,411
2042-2046	18,995,000	6,398,500	25,393,500	1,653,098	3,197,313	4,850,411
2047-2051	13,825,000	1,405,000	15,230,000	2,121,518	2,728,893	4,850,411
2052-2056				2,722,668	2,127,743	4,850,411
2057-2061				3,494,160	1,356,251	4,850,411
2062-2066				3,576,257	384,910	3,961,167
Totals	\$ 194,590,000	\$ 95,415,078	\$ 290,005,078	\$ 24,721,514	\$ 26,750,257	\$ 51,471,771

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 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 2021.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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, 2021 was \$16.21. The consumption blocks and related rates in effect on September 30, 2021 were as follows:

	Gallons	2021
Block 1	0-6,000	\$ 6.81
Block 2	6,001-12,000	9.95
Block 3	12,001-30,000	11.16
Block 4	30,001-50,000	12.45
Block 5	>50,000	13.66

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 \$4.26 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, 2021 was \$26.19. The flow charged on the first 10,000 gallons was \$9.91 per thousand gallons.

Reclaimed water

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

Note 7. Other Operating Revenue

Other operating revenue consisted of the following at September 30, 2021:

	2021
Penalty charges	\$ 204,430
Service and installation charges	1,288,021
Hydrant rental fees	72,250
Front footage fees	43,305
Total other operating revenue	1,608,006
Navy water system operations charge	2,443,632
Navy wastewater system operations charge	1,501,741
Total other operating revenue Navy	3,945,373
Total	\$ 5,553,379

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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 \$794,056 is set aside to pay employee health claims. The Authority has a stop-loss insurance policy that covers individual claims in excess of \$130,000. 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. Flood insurance coverage is limited to \$500,000 per covered location due to statutory limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years. There were fourteen open claims at September 30, 2021 covered by insurance. In addition, a contingency reserve has been established to cover uninsured losses.

As of September 30, 2021 the total liabilities on pending claims that are included under current liabilities in other liabilities on the statement of net position is as follows:

	2021	2020
Claims payable, beginning of year	\$ 207,913	\$ 275,488
Incurred claims	3,564,405	3,006,132
Payments on claims	(3,445,791)	(3,073,707)
Claims payable, end of year	\$ 326,527	\$ 207,913

Note 9. Commitments and Contingencies

Construction commitments

The Authority had contractual commitments of \$25,931,397 at September 30, 2021 for design and construction of capital projects and general contractual commitments.

Leases

The Authority is a party to a 99-year lease with Monroe County which provides for the Authority to operate and maintain county-owned wastewater systems, including setting rates sufficient to pay for all operating costs. At September 30, 2021, the Authority was operating two systems under this agreement. Initial consideration of \$10 was paid in November 2005, the effective date of the lease. No further lease payments are due under this agreement. In October 2021, Monroe County transferred ownership of these wastewater systems to the Authority. The Authority is currently obligated under non-cancelable operating lease agreements for office space and office equipment. The leases expire through the year ending September 30, 2023.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 9. Commitments and Contingencies (continued)

The following is a summary of the minimum rental costs for the remaining terms of the leases:

Fiscal Year Ending September 30

2022	\$	14,879
2023		343

Rent expense for the fiscal year ended September 30, 2021 was \$79,382.

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

The Authority has an interlocal agreement with the Monroe County Board of County Commissioners (BOCC) providing funding for the implementation of wastewater initiatives in Monroe County. The Authority has entered into contracts and incurred costs toward implementing various wastewater projects that, should those projects not be funded by Monroe County, may become liabilities of the Authority. In this event the Authority will pursue recovery of those costs from the County. It is the opinion of management that any expense not recovered will not have a material adverse effect on the financial condition of the Authority.

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

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

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:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real Estate	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			

Assumed Inflation- Mean

(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 below.

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, 2021

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 a FRS employer for a period not to exceed 60 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, 2019 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular 10.00% and 10.82%, Senior Management Service 27.29% and 29.01% and DROP participants 16.98% and 18.34%. These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2020 through September 30, 2021. The Authority's contributions, including employee contributions, to the Pension Plan totaled \$3,296,145 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the Authority reported a liability of \$3,857,561 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Authority's proportionate share of the net pension liability was based on the Authority's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Authority's proportionate share was 0.051%, which was a decrease of 0.003% from its proportionate share measured as of June 30, 2020.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

For the fiscal year ended September 30, 2021, the Authority recognized pension expense (income) of (\$2,090,931). In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 661,192	\$ -
Change of assumptions	2,639,534	-
Net difference between projected and actual earnings on Pension Plan investments	-	13,458,061
Changes in proportion and differences between Authority's Pension Plan contributions and proportionate share of contributions	833,458	661,885
Authority's Pension Plan contributions subsequent to the measurement date	580,158	-
Total	\$ 4,714,342	\$ 14,119,946

The deferred outflows of resources related to the Pension Plan, totaling \$580,158 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 as follows:

Fiscal Year Ending September 30	Amount
2022	\$ (1,795,927)
2023	(2,053,462)
2024	(2,761,124)
2025	(3,494,276)
2026	119,027
	\$ (9,985,762)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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	6.80%, 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, 2021 valuation were 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, 2021

Note 10. Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. 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 6.80%, 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 (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Authority's Proportionate share of the net pension liability	\$ 17,251,272	\$ 3,857,561	\$ (7,338,079)

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 Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2021, the Authority reported a payable in the amount of \$376,901 or outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2021.

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, 2021 eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. 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.

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, 2021, the HIS contribution for the period October 1, 2020 through June 30, 2021 and from July 1,

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

2021 through September 30, 2021 was 1.66%. 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 \$44,236 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the Authority reported a liability of \$7,639,547 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Authority's proportionate share of the net pension liability was based on the Authority's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Authority's proportionate share was 0.062%, which was changed .001% from the proportionate share measured as of June 30, 2020. For the fiscal year ended September 30, 2021, the Authority recognized pension expense of \$164,712. 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	\$ 255,639	\$ 3,200
Change of assumptions	600,297	314,769
Net difference between projected and actual earnings on HIS Plan investments	7,964	-
Change in proportion and differences between Authority's HIS Plan contributions and proportionate share of contributions	298,904	425,357
Authority's HIS Plan contributions subsequent to the measurement date	97,400	-
	<u>\$ 1,260,204</u>	<u>\$ 743,326</u>

The deferred outflows of resources related to the HIS Plan, totaling \$97,400 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 as follows:

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

Fiscal Year Ending September 30:	<u>Amount</u>
2022	\$ 131,909
2023	7,555
2024	84,552
2025	79,117
2026	92,011
Thereafter	24,334
	<u>\$ 419,478</u>

Actuarial Assumptions

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

Inflation	2.40 %
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, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.16%. 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.

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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Authority's proportionate share of the net pension liability	\$ 8,832,056	\$ 7,639,547	\$ 6,662,552

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 Comprehensive Annual Financial Report.

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

Payables to the HIS Plan

At September 30, 2021, the Authority reported a payable in the amount of \$6,362 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

Summary of Pension Components

Fiscal Year Ending September 30, 2021

	Pension	HIS	Total
Deferred Outflows	\$ 4,714,342	\$ 1,260,204	\$ 5,974,546
Deferred Inflows	(14,119,946)	(743,326)	(14,863,272)
Net pension liability	3,857,561	7,639,547	11,497,108
Pension Expense (Income)	\$ (2,090,931)	\$ 164,712	\$ (1,926,219)

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 Comprehensive Annual 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 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 2020-21 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67%.

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, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the 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

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

Note 10. Retirement Plan (continued)

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 \$530,854 for the fiscal year ended September 30, 2021.

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.

Members Covered

Members covered as of October 1, 2020, the date of actuarial valuation, the following employees were covered by the benefit terms:

Membership

Inactive employees or beneficiaries currently receiving benefit payments	33
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	275
Total	308

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 retiree's 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

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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

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 2021 and the related information is as follows:

	<u>2021</u>
Service Cost	\$ 152,505
Interest	322,444
Benefit Changes	-
Experience	(820,343)
Assumption Changes	(594,577)
Benefit Payments	<u>(356,755)</u>
Net Change in Total OPEB Liability	(1,296,726)
Total OPEB Liability - beginning	<u>11,792,703</u>
Total OPEB Liability - ending	<u>\$ 10,495,977</u>
Covered Employee Payroll *	\$ 21,431,643
Payroll: (A)/(B)	48.97%

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

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the Authority reported a liability of \$10,495,977 for its total OPEB liability. The liability was measured as of October 1, 2020 and the OPEB liability was determined by an actuarial valuation as of October 1, 2020.

For the fiscal year ended September 30, 2021 the Authority recognized an OPEB expense (income) of (\$616). In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 69,738	\$ 1,422,017
Change of assumptions and other inputs	1,390,968	1,372,238
Contributions subsequent to measurement period	310,333	-
Total	<u>\$ 1,771,039</u>	<u>\$ 2,794,255</u>

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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

Contributions subsequent to the measurement date (deferred outflow of resources) are to be recognized as a reduction 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 as follows:

Fiscal Year Ending September 30	Amount
2022	\$ (170,094)
2023	(170,094)
2024	(170,094)
2025	(170,094)
2026	(170,094)
Thereafter	(483,079)
	\$ (1,333,549)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.43%. 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 2.43%, 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 (1.43%) or one percentage point higher (3.43%) than the current rate:

	1% Decrease (1.43%)	Discount Rate (2.43%)	1% Increase (3.43%)
Authority's total OPEB liability	\$ 12,157,965	\$ 10,495,977	\$ 9,141,420

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	5.5% to 2.8%	6.5% to 3.8%	7.5% to 4.8%
- Dental	2.80%	3.80%	4.80%
Total OPEB Liability	\$ 9,614,369	\$ 10,495,977	\$ 11,584,052

Notes to Financial Statements (continued)

For the fiscal year ended September 30, 2021

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

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:

Actuarial Assumptions

Actuarial Valuation Date	October 1, 2020
Measurement Date of the Total OPEB Liability	October 1, 2020
Employer's Fiscal Year End (Reporting Date)	September 30, 2021
Inflation	2.40% - not explicitly used in valuation
Projected salary increases	3.40% - 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 6.5% for 2020 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, 2021, the Authority entered into transactions with companies owned by one of its Board members. These companies were paid \$4.69 million for construction related costs with contractual commitment balances of approximately \$3,823,996 for capital construction projects remaining.

Note 13. Subsequent events

In October 2021, 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 for the transfer cost of \$1. Total construction costs of these assets were approximately \$260 million.

Required Supplementary Information

For the fiscal year ended September 30, 2021

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

June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	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	\$ 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	\$ 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	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	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,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 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	(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	\$ 22,939,760	\$ 21,602,595	\$ 20,891,691	\$ 21,904,322	\$ 19,980,917	\$ 19,521,084	\$ 19,443,078	\$ 18,870,171
Contributions as a percentage of covered payroll	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,	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	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	\$ 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	\$ 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	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	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,	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 366,081	\$ 353,613	\$ 343,618	\$ 362,553	\$ 332,433	\$ 336,357	\$ 244,025	\$ 214,225
Contributions in relation to the contractually required contribution	(366,081)	(353,613)	(343,618)	(362,553)	(332,433)	(336,357)	(244,025)	(214,225)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 22,939,760	\$ 21,602,595	\$ 20,891,691	\$ 21,904,322	\$ 19,980,917	\$ 19,521,084	\$ 19,443,078	\$ 18,870,171
Contributions as a percentage of covered payroll	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 and will be displayed as information becomes available.

Required Supplementary Information

For the fiscal year ended September 30, 2021

Schedule of Changes in Total OPEB Liability and Related Ratios

October 1, (Measurement date)	2020	2019	2018	2017
Service Cost	\$ 152,505	\$ 114,424	\$ 239,847	\$ 272,991
Interest	322,444	378,033	391,723	356,207
Benefit Changes	-	-	-	-
Difference Between Actual and Expected Experience	(820,343)	-	(949,194)	110,758
Assumption Changes	(594,577)	1,714,448	(565,512)	(681,938)
Benefit Payments	(356,755)	(345,638)	(272,968)	(373,202)
Net Change in Total OPEB Liability	(1,296,726)	1,861,267	(1,156,104)	(315,184)
Total OPEB Liability - beginning	11,792,703	9,931,436	11,087,540	11,402,724
Total OPEB Liability - ending	<u>\$ 10,495,977</u>	<u>\$ 11,792,703</u>	<u>\$ 9,931,436</u>	<u>\$ 11,087,540</u>
Covered Employee Payroll *	\$ 21,431,643	\$ 20,688,422	\$ 20,093,964	\$ 20,257,592
TOL as a Percentage of Covered Payroll:	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 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. 74

Rates and Revenues

These schedules contain trend information to help the reader assess the Authority's ability to generate revenue through user fees. 76

Debt

These schedules present information which helps the reader assess the affordability of the Authority's current levels of outstanding debt. 78

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. 80

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. 86

Financial Trends

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenue:										
Operating revenue	\$ 71,737	\$ 66,625	\$ 66,454	\$ 57,624	\$ 55,891	\$ 54,588	\$ 50,618	\$ 48,562	\$ 46,668	\$ 44,739
Other operating revenue	5,553	5,595	5,531	5,722	5,734	5,593	3,929	4,096	4,432	4,092
Less abatements	(484)	(340)	(394)	(412)	(352)	(371)	(294)	(333)	(431)	(414)
Net operating revenue	76,806	71,880	71,591	62,934	61,273	59,810	54,253	52,325	50,669	48,417
Operating expenses:										
Source of supply	812	768	825	727	753	812	701	622	507	695
Water treatment	4,154	4,044	4,019	3,861	3,903	3,783	3,670	3,617	3,450	3,329
Transmission & distribution	15,835	15,308	15,559	15,771	14,336	12,455	12,024	11,647	11,316	11,189
Wastewater treatment	1,796	1,472	4,577	1,434	1,462	3,467	943	859	878	834
Wastewater collection	4,097	3,522	3,131	3,918	2,212	17,075	1,319	1,159	1,090	1,071
Customer accounts	3,402	3,380	3,397	3,554	3,528	1,247	3,656	4,262	3,924	4,083
General & Administrative	19,413	22,438	18,525	20,264	18,569	1,871	15,736	15,862	12,981	12,801
Depreciation	14,339	15,117	15,525	15,395	15,495	15,350	14,975	14,964	14,576	14,386
Total operating expenses	63,848	66,049	65,558	64,924	60,258	56,060	53,024	52,992	48,722	48,388
Utility operating income (loss)	12,958	5,831	6,033	(1,990)	1,015	3,750	1,229	(667)	1,947	29
Non-Operating revenue (expenses)										
Interest income	180	882	1,135	690	447	293	244	319	346	357
Other income (reimbursements)	1,486	1,473	1,717	908	605	535	548	556	722	326
Grants & reimbursements from federal & state agencies	462	3,080	2,431	-	-	-	-	-	-	8
Gain(Loss) on disposal of plant assets & inventory	(52)	(26)	55	(102)	(52)	66	11	(148)	57	50
Impairment loss	-	-	-	-	(965)	-	-	-	-	-
Interest expense	(7,373)	(7,871)	(6,104)	(5,877)	(5,862)	(5,677)	(5,332)	(5,682)	(6,053)	(5,959)
Amortization	(232)	(232)	(289)	(300)	(317)	-	-	-	-	-
Other expenses	(973)	(317)	(591)	(316)	(324)	(591)	(745)	(354)	(616)	(519)
Total non-operating revenue (expenses)	(6,502)	(3,011)	(1,646)	(4,997)	(6,468)	(5,374)	(5,274)	(5,309)	(5,544)	(5,737)
Net income (Loss)	6,456	2,820	4,387	(6,987)	(5,453)	(1,623)	(4,044)	(5,976)	(3,597)	(5,708)
Capital grants and contributions	4,100	2,661	2,734	3,734	7,743	1,950	2,093	1,540	1,666	1,364
Change in net position	10,556	5,481	7,121	(3,253)	2,290	327	(1,951)	(4,436)	(1,931)	(4,344)
Net position, beginning of year	145,700	140,219	133,098	144,704	142,414	142,087	156,072	160,509	162,440	166,784
Adjustment for restatement	-	-	-	(8,353)	-	-	(12,034)	-	-	-
Net position, end of year	\$ 156,256	\$ 145,700	\$ 140,219	\$ 133,098	\$ 144,704	\$ 142,414	\$ 142,087	\$ 156,073	\$ 160,509	\$ 162,440

Financial Trends (continued)

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

	2021	2020	2019	(restated) 2018	2017	2016	2015	2014	2013	2012
Net investment in capital assets	\$ 136,187	\$ 139,271	\$ 137,549	\$ 133,017	\$ 130,534	\$ 137,153	\$ 135,293	\$ 136,145	\$ 136,638	\$ 130,549
Restricted										
Debt service	660	1,960	1,324	1,548	1,361	1,527	2,401	1,882	1,982	4,156
Capital projects	1,494	2,562	2,558	3,462	1,296	1,296	6,297	6,385	4,779	7,477
Other purposes	2,958	2,955	2,872	2,904	2,951	4,086	-	-	-	320
Unrestricted	14,957	(1,048)	(4,084)	(7,833)	209	(1,648)	(1,904)	11,661	17,110	19,938
Total net position	\$ 156,256	\$ 145,700	\$ 140,219	\$ 133,098	\$ 142,414	\$ 142,087	\$ 156,073	\$ 160,509	\$ 162,440	\$ 166,784

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

Fiscal Year	Base Charge	6,001-12,000		12,001-30,000		30,001-50,000		>50,000	
		0-6,000 gallons	gallons	gallons	gallons	gallons	gallons	gallons	gallons
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			
2013	13.43	5.64	8.24	9.23	10.30	11.30			
2012	13.27	5.57	8.14	9.12	10.17	11.16			

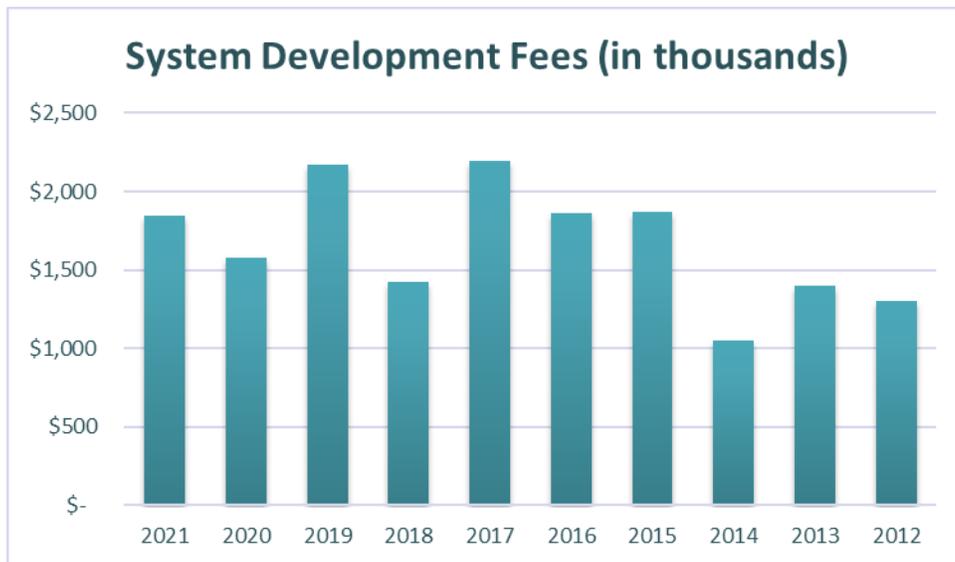
Wastewater Rates for Standard 5/8" Meter Last ten fiscal years

Fiscal Year	Base Charge	0-10,000 gallons
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
2013	27.05	10.24
2012	26.72	10.11

Rates and Revenues

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

Fiscal Year	System Development Fees Collected
2021	\$ 1,847
2020	1,575
2019	2,172
2018	1,427
2017	2,194
2016	1,866
2015	1,869
2014	1,052
2013	1,400
2012	1,302



Rates and Revenues (continued)

Ten Largest Customers Fiscal years ended September 30, 2021 and 2012

2021	Total Gallons Consumed (000)	Total Water Revenues	% of Water Revenue
1 United States Navy	238,858	\$ 1,096,302	1.8%
2 Keys Investment LLC	99,922	1,364,549	2.2%
3 City of Key West	53,981	629,637	1.0%
4 Monroe County School Board	47,570	555,251	0.9%
5 NWCL LLC	37,489	479,883	0.8%
6 Keys Hotel Operator Inc	37,483	465,523	0.8%
7 Ocean Reef Club Inc	32,457	362,868	0.6%
8 City of Marathon	24,073	290,683	0.5%
9 Knights Key Management LLC	23,770	288,428	0.5%
10 Monroe County Detention Center	21,761	287,028	0.5%

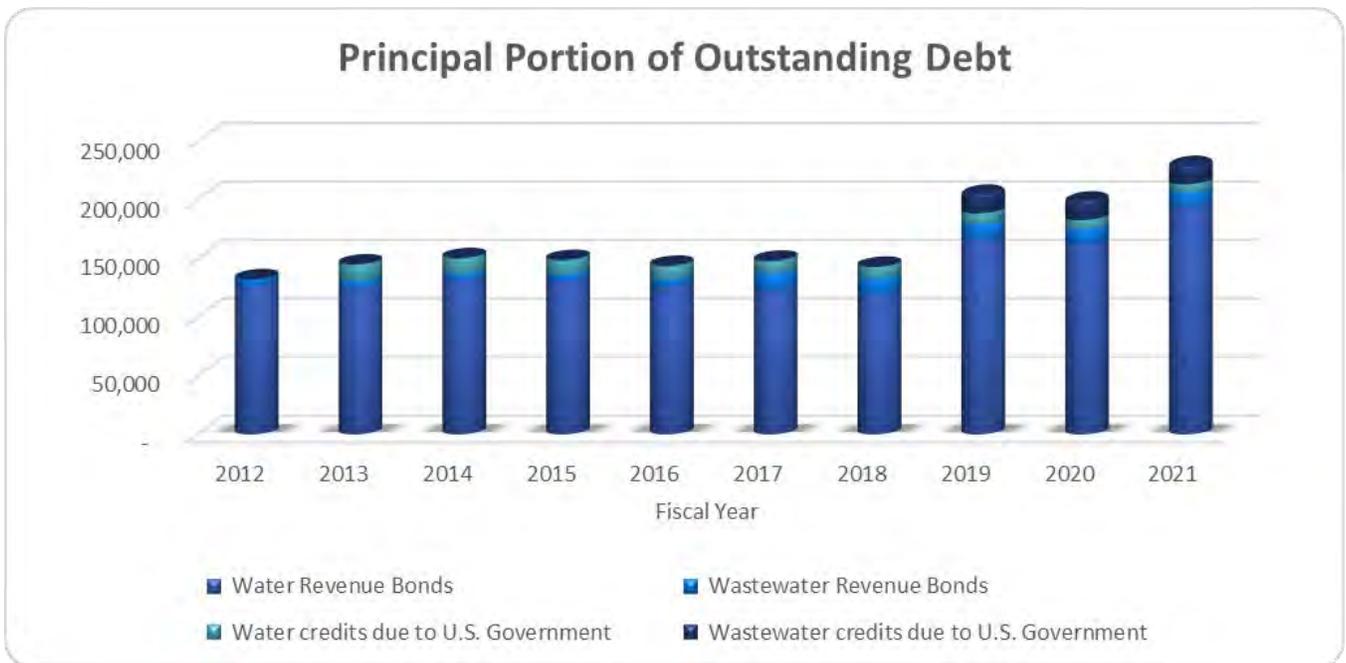
10 largest customers-year ended September 30, 2012

2012	Total Gallons Consumed (000)	Total Water Revenues	% of Water Revenue
1 United States Navy	273,154	\$ 1,027,335	2.9%
2 Monroe County	49,371	487,934	1.4%
3 Heartland Hotel	27,798	264,601	0.8%
4 Ocean Reef Club Inc.	29,569	262,538	0.7%
5 NWCL LLC	23,475	234,997	0.7%
6 Board of Public Instruction	24,247	225,585	0.6%
7 NHC FL 13 LP	19,906	214,844	0.6%
8 Hawk's Cay	19,320	197,685	0.6%
9 Holiday Land LP	17,939	178,663	0.5%
10 CHL Partnership	12,361	172,744	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	Water credits due to U.S. Government	Wastewater credits due to U.S. Government	Totals	Total per Customer
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
2013	123,085	2,199	5,635	130,919	14,128	-	145,047	3
2012	123,490	3,243	5,635	132,368	14,792	-	147,160	3



Debt (continued)

Revenue Bond Coverage Last ten fiscal years (in thousands)

Fiscal Year	Gross Revenues (1)(3)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
Water					
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
2013	48,759	32,610	16,149	8,082	2.00
2012	46,780	32,512	14,268	8,263	1.73
Wastewater					
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
2013	3,021	1,967	1,054	607	1.74
2012	2,737	1,905	832	621	1.34

(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 2012-2021

Year	Resident Population	Increase Decrease	Annual Percentage Change	Personal Income (in thousands)	Per Capita Income
2021	73,699	(529)	-0.7%	not available	
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
2013	73,560	663	0.90%	4,415,284	57,829
2012	72,897	227	0.30%	4,245,050	56,745



Demographic and Economic Information (continued)

Employment Statistics 2012-2021

Fiscal Year	Labor Force	Employment	Unemployment	Unemployment Rate
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%
2013	49,103	47,137	1,966	5.4%
2012	47,658	45,091	2,567	7.6%

Demographic and Economic Information (continued)

Principal Employers Fiscal years ended September 30, 2021 and 2012

Employer	2021	
	Employees	Percentage of Employment
US Armed Forces (includes civilians support and contractors)	2,190	4.44%
Monroe County Schools	1,701	3.45%
Ocean Reef Club	850	1.72%
Publix Stores	730	1.48%
Monroe County Government	540	1.09%
Monroe County Sheriff's Office	518	1.05%
City of Key West	470	0.95%
Lower Keys Medical Center	500	1.01%
Casa Marina/Reach Resort	356	0.72%
Spottswood Properties	360	0.73%

Employer	2012	
	Employees	Percentage of Employment
Monroe County Schools	1,241	2.40%
Ocean Reef Club	800	1.50%
Helth Management Assoc.	636	1.20%
Starwood Hotels and Resorts	620	1.20%
Monroe Board of County Commissioners	572	1.10%
Hilton Hotels	546	1.00%
Monroe County Sherriff's Office	546	1.00%
U.S. Armed Services	523	1.00%
Lower Keys Medical Center	455	0.90%
Winn Dixie Stores	425	0.80%

Demographic and Economic Information (continued)

Schedule of Customer Accounts Last ten fiscal years

Fiscal Year	Non		U.S. Navy	Cruise Ships	Senior Citizens	Total
	Residential	Residential				
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
2013	42,258	4,890	19	4	1,545	48,716
2012	42,401	4,829	21	4	1,408	48,663

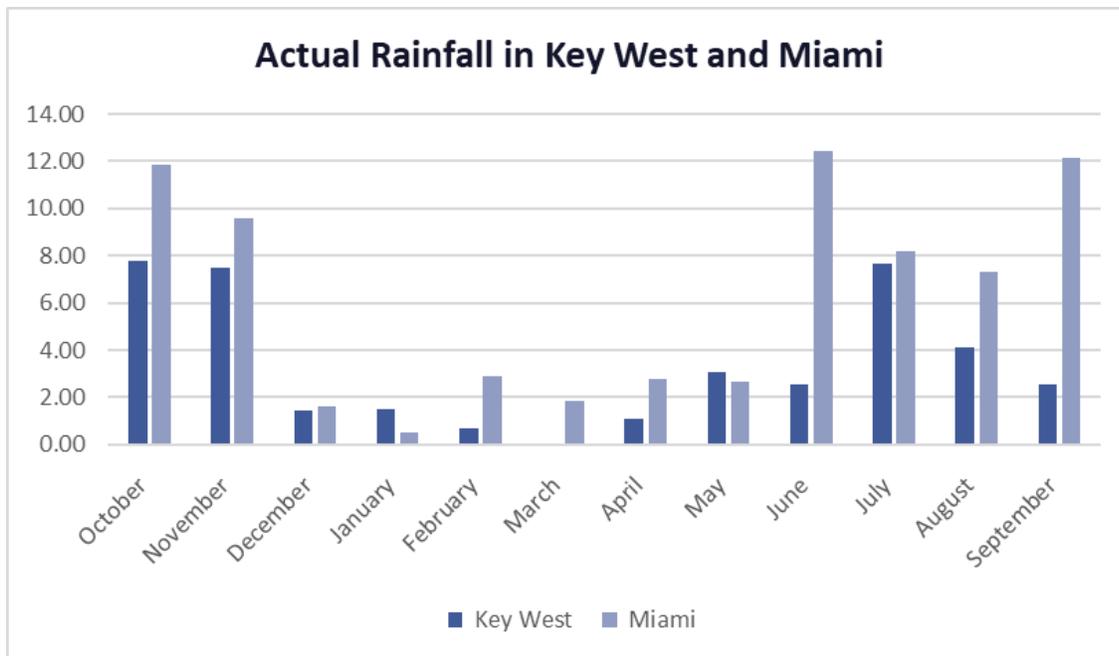
Location of Customers Last ten fiscal years

Fiscal Year	Key West to	Big Pine Key to	Long Key to	Total
	Little Torch Key	Conch Key	Ocean Reef	
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
2013	21,789	10,124	16,803	48,716
2012	21,830	10,117	16,716	48,663

Demographic and Economic Information (continued)

Monthly Rainfall Fiscal year ended September 30, 2021 (in inches)

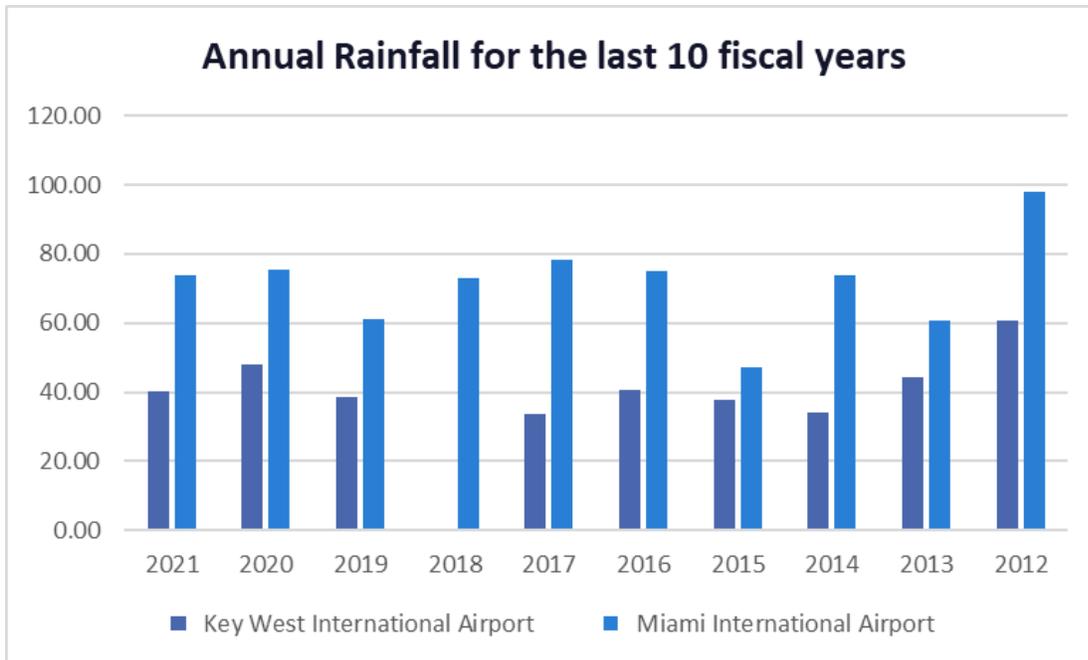
Month	Average-Key West International Airport	Actual-Key West International Airport	Average-Miami International Airport	Actual-Miami International Airport
October	5.67	7.77	7.65	11.86
November	2.05	7.52	3.53	9.60
December	2.16	1.45	2.44	1.60
January	1.83	1.51	1.83	0.50
February	1.54	0.69	2.15	2.90
March	1.53	0.05	2.46	1.87
April	2.07	1.11	3.36	2.81
May	3.12	3.09	6.32	2.68
June	4.23	2.58	10.51	12.44
July	3.63	7.65	7.36	8.18
August	5.37	4.14	9.58	7.29
September	7.24	2.54	10.22	12.12
Totals	40.44	40.10	67.41	73.85



Demographic and Economic Information (continued)

Annual Rainfall Last ten fiscal years (in inches)

Fiscal Year	Key West International Airport	Miami International Airport
2021	40.10	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
2013	44.43	60.58
2012	60.58	97.87



Operating Information

Operating and Capital Indicators Last ten fiscal years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water										
Water treatment plant permitted capacity	23.79 mgd									
Reverse osmosis permitted capacity	9 mgd	9mgd	9 mgd	9 mgd	9 mgd					
Miles of transmission main	197	197	181	181	181	187	187	187	187	187
Miles of distribution main	668	664	684	684	685	690	690	690	690	690
Number of pumping stations	26	26	26	26	26	26	26	26	25	25
Water storage capacity	46.4 mg	46.4 mg	46.4 mg	46.4 mg	48.4 mg	49.4 mg				
Wastewater										
Number of wastewater treatment plants	5	5	5	6	7	7	6	5	5	5
Combined permitted plant capacities	1.557 mgd	1.557 mgd	1.557 mgd	2.245 mgd	2.245 mgd	2.245 mgd	.92 mgd	.92 mgd	.92 mgd	.83 mgd
Approximate miles of wastewater collection lines	252	252	252	252	252	195	195	49	49	49
Approximate miles of reclaimed water lines	25	25	25	25	25	25	14.00	14.32	14.32	3.47

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

Operating Information (continued)

Water Production and Usage Last ten fiscal years

Water Production and Usage-Last Ten Fiscal Years
(in thousands of gallons)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water Available for Sale										
Biscayne Aquifer	6,519,346	6,294,726	6,247,602	6,288,971	6,460,980	6,238,986	6,284,108	6,079,842	5,889,923	5,874,860
Floridan Aquifer	579,831	371,294	357,652	62,174	34,981	59,390	223,710	147,863	213,680	123,896
Desalinated sea water	6,866	-	-	-	12,886	-	-	-	-	-
Less water lost in production**	-	-	-	-	-	-	50,295	70,146	6,123	-
Total Water Available for Sale	7,106,043	6,666,020	6,605,254	6,508,847	6,298,376	6,558,113	6,297,851	6,109,726	5,998,756	6,324,775
Water Sales:										
Residential	2,735,225	2,637,965	2,633,510	2,572,472	2,611,476	2,730,995	2,787,341	2,686,055	2,689,390	2,735,438
Non-Residential	2,348,231	2,102,271	2,217,775	2,010,654	2,052,054	2,007,041	1,907,458	1,826,920	1,770,246	1,686,189
U.S. Navy	261,684	245,358	259,772	270,840	274,729	254,324	274,413	273,266	273,584	290,151
City of Key West ***	-	-	-	-	-	19,055	29,748	16,844	20,481	25,055
Cruise ship through Outer Mole	-	786	3,690	1,434	1,488	2,167	657	2,109	1,292	1,332
Senior Citizens	54,750	60,739	68,319	66,091	57,594	49,961	49,066	54,982	58,477	54,312
Total Water Sold	5,399,890	5,047,119	5,183,066	4,997,341	5,063,543	5,048,683	4,860,176	4,813,470	4,792,477	4,858,794
Other accounted for water*	263,884	656,631	442,852	477,641	644,046	745,439	545,417	228,813	336,096	268,283
Total Accounted for Water	5,663,774	6,009,389	5,625,918	5,641,387	5,808,982	5,594,100	5,088,989	5,149,566	5,060,760	5,748,185
Unaccounted for water	1,442,269	962,270	979,335	952,013	867,460	489,394	964,013	1,208,862	960,160	937,996
Unaccounted for water as a percentage of total water production	20.3%	14.4%	14.8%	15.1%	13.3%	7.8%	18.4%	15.2%	15.4%	9.6%
Average daily water production (million gallons/day)	19.47	18.21	18.10	17.40	17.83	17.26	17.25	16.74	16.43	17.33
Average daily water sales (million gallons/day)	14.79	13.79	14.20	13.48	13.69	13.87	13.32	13.19	13.13	13.31

*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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Water										
Production	26	26	26	26	26	26	26	25	25	25
Transmission and distribution	86	88	86	80	78	80	83	83	82	82
Electrical and instrumental control	16	15	15	14	14					
Wastewater										
Treatment	20	18	18	17	11	13	13	13	9	8
Collection	18	16	16	16	16	7	7	8	4	5
Engineering and Construction										
Engineering	33	32	32	35	35	33	27	27	25	25
Construction	9	9	9	9	9	9	9	9	9	9
Administration										
Customer service	35	35	35	36	35	39	40	43	42	43
Finance, accounting and purchasing	26	26	26	30	30	29	29	24	24	25
Information Technology	11	11	11	11	11	26	25	26	22	22
Other administrative personnel	16	14	14	12	12	12	13	15	16	13
Totals	296	290	288	286	277	274	272	273	258	257

2021 EMPLOYEES BY ACTIVITY



Operating Information (continued)

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Land	\$ 437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building, Structures and Improvements	1,591	4,034	3,264	742	109	262	501	411	2,270	296
Equipment, Vehicles, Furniture and Fixtures	2,727	1,866	2,637	1,900	2,200	1,948	1,296	1,159	1,026	1,025
Transmission System	9,730	-	-	4,747	-	-	347	3,663	-	178
Distribution Systems	1,201	3,177	3,442	2,838	14,981	6,455	883	9,485	4,224	4,240
Water Meters	762	1,142	156	780	543	190	303	97	569	2,335
Water Storage Facilities	15	7	755	-	-	-	1,291	-	803	-
Pumping Stations	366	346	219	1,082	156	1,876	355	66	376	89
Water Treatment Facilities	53	202	65	177	126	145	16	444	132	23
Reverse Osmosis Equipment	27	-	11	-	-	96	-	636	-	-
Computer Equipment	119	72	26	152	191	388	125	671	258	280
Wastewater Treatment Equipment	1,465	468	1,472	589	442	889	228	64	38	23
Collection System	1,156	-	3,281	7,839	-	1,459	-	30	-	-
Reclaimed System	-	-	-	-	-	-	-	78	2,373	-
	\$ 19,649	\$ 11,314	\$ 15,328	\$ 20,846	\$ 18,748	\$ 13,708	\$ 5,345	\$ 16,804	\$ 12,069	\$ 8,489

Operating Information (continued)

Schedule of Insurance in Effect for the fiscal year ended September 30, 2021

Type of Coverage	Carrier/Policy Number	Coverage Amount	Deductible Self-retention	Effective Date	Expiration Date
Liability package	FMIT #0178		\$75,000 Stop Loss	10/1/2021	9/30/2022
General liability	65701	\$10,000,000 OCC	\$25,000	10/1/2021	9/30/2022
Automobile liability	65601	\$3,000,000 OCC	\$25,000 Comp., \$1,000 PD, \$1,000 PIP	10/1/2021	9/30/2022
Public officials liability	65701	\$10,000,000 OCC	\$25,000	10/1/2021	9/30/2022
Drone Liability	Global Aerospace 9021150	\$500,000	\$10,000	2/8/2020 2/8/2020	2/8/2022 2/8/2022
Crime	Travelers / 15590021	\$500,000	\$25,000	3/31/2021 3/31/2021	3/31/2022 3/31/2022
Property w/boiler and machinery	Lloyds/AMRisc 619333 Westport NAP 0456587-06 Ace American EUT N1 4321214	\$156,807,230.00	Wind (named storms) 5% of location values \$250,000 min flood- Florida City only 5% of ins. Values with min. of \$1mil. Boiler and machinery \$25,000	3/31/2021	3/31/2022
Flood building/contents	Bankers NFIP Various	Varies \$0-\$500,000 for building & contents	Varies \$1,000-\$3,000 for building & contents	12/7/2019 4/27/2020 5/14/2020 6/28/2020	12/7/2022 4/27/2022 5/7/2022 6/28/2022
Worker's compensation	Florida Municipal Self Insurers FMIT 0178	Statutory	\$2,500/each injury	10/1/2020	10/1/2021
Pollution and environmental coverage	Ironshore Specialty / 1873800	\$10,000,000 aggregate pollution \$1,000,000 aggregate storage tank	\$10,000 25,000 Navy	12/23/2019	12/23/2022
Board members bonding	NGN Ins Co	\$10,000 per member	No deductible	12/30/2018 12/31/2016	12/30/2024 12/31/2022
Fiduciary Insurance	Travellers / 106065534	\$1,000,000.00	No deductible	3/1/2021	3/1/2022

Operating Information, continued

Drinking Water Quality Standards and Analyses 2020/2021

(Refer to legend on next page)

Inorganic Contaminants	MCL mg/l*	2021 Finished Water mg/l*
Antimony	0.006	ND
Arsenic	0.010	ND
Asbestos	7 MFL	ND in 2017
Barium	2.0	0.0077
Beryllium	0.004	ND
Cadmium	0.005	ND
Chromium	0.100	ND
Cyanide	0.200	0.00767 l
Fluoride***	4.0	0.606
Lead	0.015	ND
Mercury	0.002	ND
Nickel	0.100	ND
Nitrate (as N)	10.0	2.97
Nitrite (as N)	1.0	ND
Total Nitrate & Nitrite (as N)	10.0	2.97
Selenium	0.050	ND
Sodium	160.0	25.2
Thallium	0.002	ND

Volatile Organic Contaminants	MCL mg/l*	2021 Finished Water mg/l*
2,3,7,8-TCDD (Dioxin)	3 x 10 ⁻⁸	ND in 2018
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	2021 Finished Water NTU
Turbidity	1.0	0.023

Disinfectant By Products	MCL mg/l*	2021 Finished Water mg/l*
Trihalomethanes (THM)	0.080	0.0324
Haloacetic Acids (HAA)	0.060	0.0192

Radionuclides Contaminant	MCL pCi/l*	2021 Finished Water pCi/l*
Gross Alpha	15	3.36 in 2018
Radium 226	5	0.898 in 2018
Radium 228	5	ND in 2018

Disinfectant By Products	MCL mg/l*	2021 Finished Water mg/l*
2,3,7,8-TCDD (Dioxin)	3 x 10 ⁻⁸	ND in 2018
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 2020/2021

Secondary Contaminant	MCL mg/l*	2021 Finished Water mg/l*
Aluminum	0.20	ND
Chloride	250	53.6
Color	15 Color Uni	ND
Copper	1.0	ND
Fluoride	2.0	0.606
Foaming Agents (MBAS)	0.50	ND
Iron	0.30	ND
Manganese	0.05	ND
Odor	3 TON	4
pH**	6.5 - 8.5	9.15
Silver	0.10	ND
Sulfate	250	40.2
Total Dissolved Solides (TDS)	500	266
Zinc	5.0	ND

General	2021 Finished Water mg/l*
Total Hardness	103
(Hardness in grains per gallon)	6
Calcium Hardness	86
Alkalinity	53
Total Chlorine	4.3

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, 2021.	284																
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, 2021.	14																
All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as of September 30, 2021.	\$ 23,384,633.47																
All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as of September 30, 2021.	\$ 1,382,690.24																
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, 2021.	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right; border-bottom: 1px solid black;">Projected Cost</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">Burton Dr. Watermain Realignment</td> <td style="text-align: right;">\$ 557,977.19</td> </tr> <tr> <td style="text-align: right;">Distribution System Upgrade- Duck Key Utility Relocation</td> <td style="text-align: right;">\$ 1,424,294.38</td> </tr> <tr> <td style="text-align: right;">Front & Whitehead Distribution Replacement</td> <td style="text-align: right;">\$ 323,436.56</td> </tr> <tr> <td style="text-align: right;">Blue Water Service Line Upgrade</td> <td style="text-align: right;">\$ 98,662.06</td> </tr> <tr> <td style="text-align: right;">Florida City K1 Roof Replacement</td> <td style="text-align: right;">\$ 170,012.72</td> </tr> <tr> <td style="text-align: right;">Stock Island RO Generator Facility</td> <td style="text-align: right;">\$ 534,574.48</td> </tr> <tr> <td style="text-align: right;">College Road Pump Station 019 * Building</td> <td style="text-align: right;">\$ 3,671,855.80</td> </tr> </tbody> </table>	Projected Cost		Burton Dr. Watermain Realignment	\$ 557,977.19	Distribution System Upgrade- Duck Key Utility Relocation	\$ 1,424,294.38	Front & Whitehead Distribution Replacement	\$ 323,436.56	Blue Water Service Line Upgrade	\$ 98,662.06	Florida City K1 Roof Replacement	\$ 170,012.72	Stock Island RO Generator Facility	\$ 534,574.48	College Road Pump Station 019 * Building	\$ 3,671,855.80
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Stock Island RO Generator Facility	\$ 534,574.48																
College Road Pump Station 019 * Building	\$ 3,671,855.80																
The budget variance based on the budget adopted under Section 189.016(4), Florida Statutes.	\$ 517,600.00																
The rate or rates of non-ad valorem special assessments imposed by the Authority as of September 30, 2021.	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="text-align: right;">Bay Point -238 records, 262.2 billing units and total revenue of:</td> <td style="text-align: right;">\$ 53,517.64</td> </tr> <tr> <td style="text-align: right;">Conch Key - 46 records, 63.9 billing units and total revenue of:</td> <td style="text-align: right;">\$ 13,042.63</td> </tr> <tr> <td style="text-align: right;">Layton - 83 records, 192.4 billing units and total revenue of:</td> <td style="text-align: right;">\$ 56,398.22</td> </tr> <tr> <td style="text-align: right;">Hawks Cay - 309 records, 316.9 billing units and total revenue of:</td> <td style="text-align: right;">\$ 216,034.40</td> </tr> </tbody> </table>	Bay Point -238 records, 262.2 billing units and total revenue of:	\$ 53,517.64	Conch Key - 46 records, 63.9 billing units and total revenue of:	\$ 13,042.63	Layton - 83 records, 192.4 billing units and total revenue of:	\$ 56,398.22	Hawks Cay - 309 records, 316.9 billing units and total revenue of:	\$ 216,034.40								
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The total amount of special assessments collected by or on behalf of the Authority as of September 30, 2021.	\$ 323,657.65																
The total amount of outstanding bonds issued by the Authority and the terms of such bonds as of September 30, 2021.	<i>Refer to financial statement footnote 5 - Long-term Liabilities</i>																

A photograph of a water treatment plant under a blue sky with white clouds. The plant features several large white cylindrical tanks, blue-roofed structures, and various pipes and walkways. A green lawn and a tree are in the foreground. A dark blue semi-transparent box is overlaid on the left side of the image, containing the title text.

REPORTING SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SCHEDULE OF FINDINGS AND QUESTION COSTS

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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, the financial statements of the Florida Keys Aqueduct Authority (the "Authority"), which comprise the statement of net position as of September 30, 2021 and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2022.

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 may exist that have not been identified.



Independent Auditors' Report (continued)

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 11, 2022

Independent Auditors' Report (continued)



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Audit Committee, Board of Directors and Executive Director

Florida Keys Aqueduct Authority

Report on Compliance for Its Major Federal Program

We have audited the Florida Keys Aqueduct Authority (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2021. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

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

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

Independent Auditors' Report (continued)

Opinion on Major Federal Program

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 its major federal program for the fiscal year ended September 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Independent Auditors' Report (continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 11, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial 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 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 financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

Miami, FL

March 11, 2022



Schedule of Expenditures of Federal Awards

FLORIDA KEYS AQUEDUCT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Federal Agency, Pass-through Entity Federal Program	CFDA No.	Contract/ Grant No.	Expenditures
<u>United States Environmental Protection Agency</u>			
Direct Program:			
Congressionally Mandated Projects	66.202	83310702	\$ 1,404,318
Total United States Environmental Protection Agency			<u>1,404,318</u>
<u>United States Department of Homeland Security</u>			
Indirect Program:			
Passed through Florida Division of Emergency Management - Hazard Mitigation Grant Program	97.039	H0571	393,789
Total United States Department of Homeland Security			<u>393,789</u>
Total Expenditures of Federal Awards			<u>\$ 1,798,107</u>

Notes to Schedule of Expenditures of Federal Awards

FLORIDA KEYS AQUEDUCT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Florida Keys Aqueduct Authority (the "Authority") under programs of the federal government for the fiscal year ended September 30, 2021. 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). 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.

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, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

3. INDIRECT COST RATE

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

Summary Schedule of Prior Audit Findings

**FLORIDA KEYS AQUEDUCT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARD 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, 2021

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 not considered to be material weakness(es)? Yes None reported

Non-compliance material to financial statements noted? Yes No

Federal Award

Internal control over major program:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major program: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major program:

<u>CFDA No.</u>	<u>Federal Program</u>
66.202	Congressionally Mandated Projects

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

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, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD 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**

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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, 2021, and have issued our report thereon dated March 11, 2022.

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; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; 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 11, 2021, 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

Section 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 95.

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 95.

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 11, 2022

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 during the fiscal year ended September 30, 2021. 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.

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

In our opinion, the Florida Keys Aqueduct Authority complied, in all material respects, with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2021.

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 11, 2022

