



*Key Largo Wastewater Treatment District*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

**Key Largo Wastewater Treatment District  
Comprehensive Annual Financial Report  
For the Fiscal Year ended September 30, 2015**

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## Key Largo Wastewater Treatment District

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April 19, 2016

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

The comprehensive annual financial report of the Key Largo Wastewater Treatment District, Florida for the fiscal year ended September 30, 2015, is submitted herewith pursuant to Florida Statute Chapter 218.39 and Chapter 189.436(3) governing audit requirements for special districts.

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

The Key Largo Wastewater Treatment District's financial statements have been audited by Grau & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Key Largo Wastewater Treatment District for the fiscal year ended September 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Key Largo Wastewater Treatment District's financial statements for the fiscal year ended September 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

The District's mission is part of larger state and national initiatives to save the Everglades and Florida Bay eco systems for the benefit of future generations. In Key Largo, and typically all the Florida Keys except Key West, the disposal of domestic sewage has been historically handled by septic tanks and cesspits. Many commercial operations utilize small package sewage treatment plants. Florida statute 99-395 mandated the district establish goals which included the introduction of advanced wastewater treatment (AWT) and disposal infrastructure to serve all residents and commercial operations of Key Largo by July, 2010. This was later amended by the legislature in 2010 and the deadline for Advanced Wastewater Treatment standards required by the Statue 99-395 was extended to 2015.

Over 13,000 individual parcels of land exist on Key Largo. The District designed, engineered and constructed a main transmission line and associated collection systems to provide vacuum based collection services to the District's entire service area excluding properties where it was cost prohibitive to do so. This project was completed and placed into service in during fiscal year 2011, which was 4 years earlier than the extended deadline. The completion of this project concluded the construction of the District's basic wastewater infrastructure throughout its entire service area, however, those unique properties that were unable to be provided with vacuum based collection services were given the option of joining the District's grinder pump project that started in fiscal year 2013, and was completed before the 2015 deadline. This project will provide approximately 163 parcels with grinder pump based collection services.

The District also designed, engineered and constructed a 2.3 million gallon per day advanced wastewater treatment plant to provide service to the District's entire service area. This project was completed in October of 2010. However, during fiscal year 2012 the District was able to sell 1.104 million gallons annual average daily flow of plant capacity to the Village of Islamorada for \$10,176,000. During fiscal year 2014 the District began construction on expanding the 2.3 million gallon per day treatment plant to a 3.45 million gallon per day plant in order to accept this additional daily flow, and this project was still in progress at September 30, 2015. In FY2015, the District purchased real estate for the administrative headquarters building. In September 2015, the District signed a contract for renovations to the building, with a move-in date during FY2016.

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

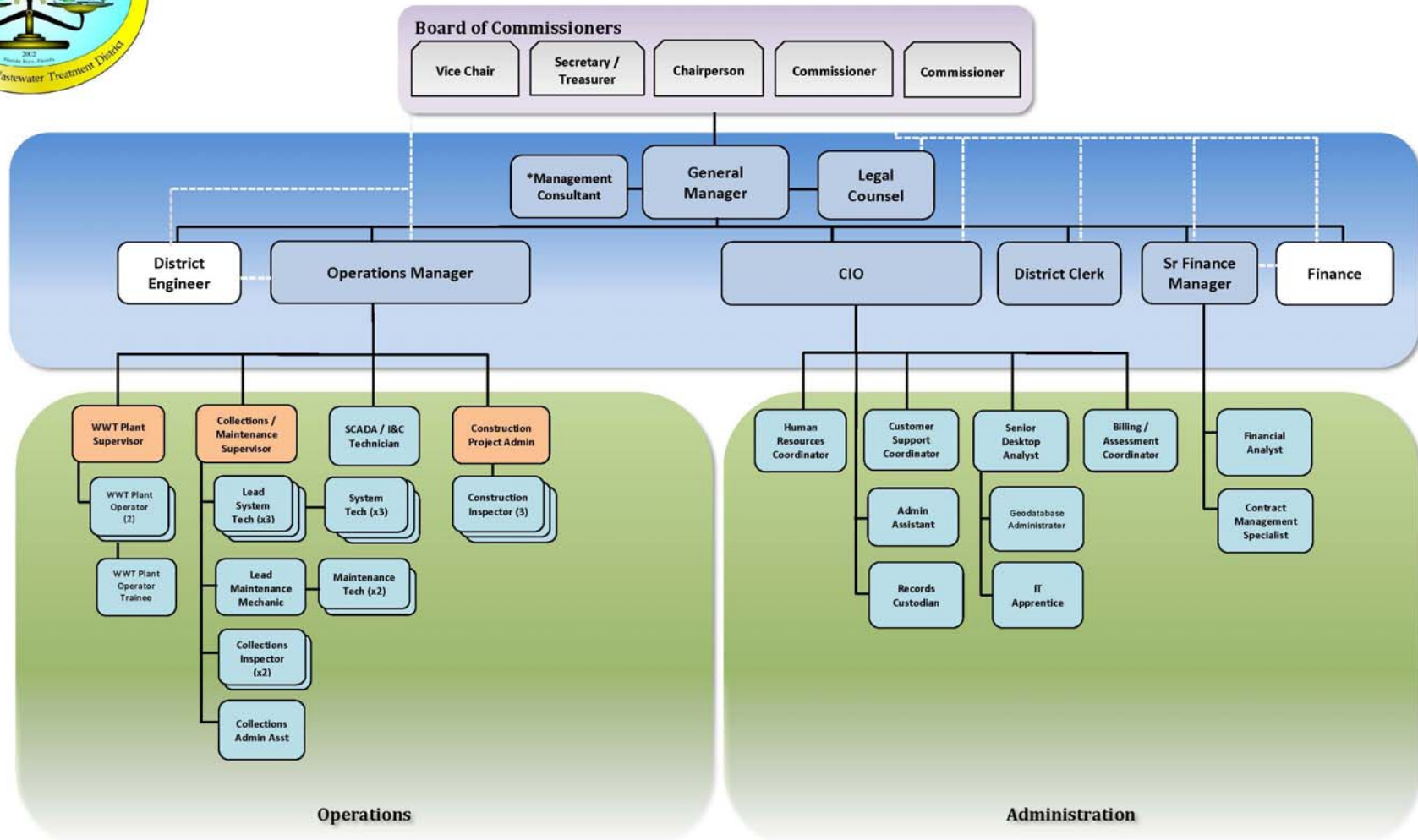
In closing, without the leadership and vision of the Board of Commissioners, preparation of this report would not have been possible.

  
\_\_\_\_\_  
Paul Christian, General Manager

  
\_\_\_\_\_  
Peter Rosasco, Finance Director



## Key Largo Wastewater Treatment District Organizational Chart



\*First quarter FY15 only

September 5, 2014

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

**Board of Commissioners**

**FY 2015**

David Asdourian, Chairman  
Andrew Tobin, Vice Chairman  
Steve Gibbs, Commissioner  
Robert Majeska, Secretary/Treasurer  
Norman Higgins, Commissioner

**FY 2016**

David Asdourian, Chairman  
Andrew Tobin, Vice Chairman  
Steve Gibbs, Commissioner  
Robert Majeska, Secretary/Treasurer  
Norman Higgins, Commissioner

**District Management**

Paul Christian, General Manager  
Peter Rosasco, CPA, Finance Director  
Connie Fazio, Senior Finance Manager  
Katherine Jackson, Clerk to the Board  
Charles Adams, Operations Manager  
Rob Bulkiewicz, Chief Information Officer

**District Counsel**

Ray Giglio

**District Engineer**

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

# **Financial Section**





## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, statistical section, and budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory, statistical sections and budgetary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated April 19, 2016, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

April 19, 2016

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# **Management's Discussion and Analysis**

## **KEY LARGO WASTEWATER TREATMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

On behalf of the Key Largo Wastewater Treatment District, Key Largo, Florida (District), management presents this narrative overview and analysis of financial activities of the District to readers of the District's financial statements for the fiscal year ended September 30, 2015. We are including this discussion and analysis in order to provide the reader with a better understanding of the District's overall financial position. This narrative should be considered in conjunction with the additional information contained in the introductory transmittal letter and the District's financial statements which follow in this section.

### **Overview of Operations**

The District was formed as a special district with the election of inaugural commissioners on November 5, 2002, as provided in Chapter 2002-337, Florida Statutes. The District's mission includes the introduction and operation of advanced wastewater treatment and disposal infrastructure to serve all residents and commercial operations on the unincorporated island of Key Largo by the year 2010.

The District's activities in FY2003 and FY2004 were focused on administrative responsibilities associated with organization of a new public utility and on implementing a demonstration project to serve 760 residential and commercial customers in the Key Largo Trailer Village and Key Largo Park communities. Contracts to design and build a demonstration project consisting of a 0.183 mgd (million gallons per day) wastewater treatment plant and to install collection systems serving 850 EDU's (equivalent dwelling units) were awarded. Administrative expenses totaling approximately \$675,000 were funded by Monroe County grants and MSTU ad valorem tax revenues. Project costs totaling \$1,253,232 were funded by federal, state and local grants.

In FY2005 and FY2006 the District commenced construction of the Key Largo Trailer Village and Key Largo Park demonstration project, initiating service to customers in May, 2006. The District also focused on the expansion of service to serve the northern half of the island by initiating the design and engineering of the North Components project. This project consists of expansion of the treatment plant from 0.183 to 2.30 mgd (million gallons per day) treatment plant to ultimately serve the entire island with a single regional treatment facility, construction of a main transmission line serving the northern half of the island, and installing vacuum collection systems in the four northern service areas. Construction of the North Transmission force main was initiated in July, 2006. Contracts for design and engineering of the regional treatment plant and the collection systems serving 3,700 EDU's associated with the North Components project were also awarded.

In FY2007 and FY2008 the District focused on construction of the North Components project. A north transmission force main was completed. Construction in all four northern service area collection systems was undertaken (Basins A, B, C, and D), and construction of the 2.3 mgd treatment plant expansion was initiated in October, 2008. The District also initiated design and engineering of a South Components project consisting of a transmission line to serve the southern half of the island and installation of vacuum collection systems in seven southern service areas (Basins E – K).

In FY2009, construction of the North Components collection systems was essentially completed. Expansion of the regional treatment plant continued with completion of a 3,700 ft. deep well and all treatment tanks. Construction of the South Components project was initiated in Basins E and F.

Beginning in 2005, the District has pursued a policy of levying special assessments on all parcels to be benefited by new construction 1-2 years preceding service availability. The assessments on the benefiting property owners are intended to recover a portion of the cost of the improvements. Each parcel owner had the choice to pay the assessment in full or as a non ad valorem tax over a 20 year period.

## **Overview of Operations (Continued)**

In FY2011 the District completed its 2.3 mgd (million gallons per day) regional treatment plant and placed it into service. This facility is currently meeting Advanced Wastewater Treatment Standards (AWT). In FY2012 the vacuum collection system was completed and all areas, north and south are in full operation. The grinder pump project that commenced during FY2012 continued on through FY2016. The grinder pump project will provide centralized sewer service to properties where it was cost prohibitive to provide a vacuum based collection system. In FY2012 the District entered into an interlocal agreement with the Islamorada Village of Islands to treat its wastewater, and sell treatment plant capacity space of 1.104 million gallons of average daily flow. In FY2014 the District began receiving flows from Islamorada for treatment.

## **The District's Single Enterprise Fund**

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

Activities in the first three years of the District's existence were directed entirely toward the design, engineering and construction of facilities. Operation of the District as a true enterprise through the delivery of sanitary sewer services for its first customers for a fee commenced in May, 2006.

## **Basic Financial Statements**

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

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

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

## **District's Net Position**

Total assets of the District at September 30, 2015, were \$183,706,747 and total liabilities amounted to \$90,439,581. Total net position of the District was \$93,267,166. For the prior year, total assets of the District at September 30, 2014, were \$189,863,389 and total liabilities amounted to \$101,394,781 and total net position of the District was \$88,468,608.

Total current assets of \$15,828,874 at September 30, 2015 consisted of approximately \$886,004 in billings due from customers and unrestricted cash and cash equivalents of \$9,362,638. Restricted current assets included cash and cash equivalents of \$4,851,501 restricted for debt service and reserves for future repairs and replacements, and \$676,361 due from other governments. For the prior year, total current assets of \$17,703,438 at September 30, 2014 consisted of \$735,231 in billings due from customers and unrestricted cash and cash equivalents of \$13,412,876. Restricted current assets included cash and cash equivalents of \$3,305,131 restricted for debt service and reserves for future repairs and replacements, and \$175,716 due from other governments.

### District's Net Position (Continued)

Total noncurrent assets at September 30, 2015 of \$167,877,873 consisted essentially of \$55,095 in prepaid expense and other assets, \$34,522,422 in assessments levied but not received, \$133,300,356 in land, equipment, and infrastructure net of accumulated depreciation owned by the District. In the prior year, total noncurrent assets at September 30, 2014 of \$172,159,951 consisted essentially of \$53,355 in prepaid expenses and other assets, \$40,964,905 in assessments levied but not received, and \$131,141,691 in land, equipment, construction in progress, and infrastructure net of accumulated depreciation owned by the District.

Total liabilities at September 30, 2015 of \$90,439,581 included \$277,057 due to vendors for goods and services rendered \$479,546 due to construction contractors for contracts and retainage payable, \$298,006 in accrued interest expense, \$54,702,806 in loans payable, of which \$4,186,250 is due next year, and \$34,522,422 for assessments levied but not yet received. In the prior year, liabilities at September 30, 2014 of \$101,394,781 included \$346,797 due to vendors for goods and services rendered \$392,401 due to construction contractors, \$772,123 in accrued interest expense, \$58,329,190 in loans payable, and \$40,964,905 for assessments levied but not yet received, and \$449,188 in advance payments towards the Village's share of the treatment plant expansion project.

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

	September 30,	
	2015	2014
Current and other assets	\$ 50,406,391	\$ 58,721,698
Capital assets, net of depreciation	133,300,356	131,141,691
Total assets	<u>183,706,747</u>	<u>189,863,389</u>
Current liabilities	5,240,859	5,137,711
Long-term liabilities	85,198,722	96,257,070
Total liabilities	<u>90,439,581</u>	<u>101,394,781</u>
Net position		
Net investment in capital assets	78,118,004	72,420,100
Restricted	4,553,495	2,533,008
Unrestricted	10,595,667	13,515,500
Total net position	<u>\$ 93,267,166</u>	<u>\$ 88,468,608</u>

### District Revenues, Expenses, and Changes in Net Position

The District's net position increased by \$4,798,558 during FY2015; from \$88,468,608 on September 30, 2014 to \$93,267,166 on September 30, 2015. Total revenues for the period were \$15,838,166 and total expenses for the period were \$11,039,608. For the prior year, total revenues for the period were \$13,955,781 and total expenses for the period were \$12,112,616.

For FY2015, operating revenues consisted of \$9,024,977 in charges to customers for services and related fees. Non-operating revenues consisted of \$4,603,764 in assessments, \$18,860 in interest income and a \$795,356 in grant income. For FY2014, operating revenue consisted of \$8,648,563 in charges to customers for services and related fees. Non-operating revenues consisted of \$4,808,534 in assessments, and \$243,242 in interest income, and a \$195,762 in grant income.

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

During the year ended September 30, 2012, Islamorada Village of Islands (the "Village") purchased wastewater treatment plant capacity of 1.104 million gallons of average daily flow, or 32% of plant capacity. The Village took the option of financing \$9,158,400 of this purchase over 9 years at 4% interest payable in monthly installments of \$101,117.61 commencing on June 1, 2013. \$1,017,600 was paid on the agreements effective date, along with a \$482,400 deposit on construction work to the treatment plant that must be completed to accommodate the agreement. In order to accommodate this agreement the District will be expanding its plant capacity from 2.3 mgd to 3.45 mgd. During FY14 the Village paid off the remaining balance due on the financing of the plant capacity purchase. The District applied the funds received toward an existing State Revolving Fund loan as an extra principal payment. The District also recognized revenues of \$1,395,209 of the construction deposit from the Village for the 32% share of the plant expansion project.

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

<u>Change in Net Position</u>		
Fiscal Year Ended September 30,		
	2015	2014
Operating activities:		
Charges for services	\$ 9,024,977	\$ 8,648,563
Cost of sales	(3,434,263)	(3,063,570)
Administration	(1,933,311)	(1,755,937)
Other	(175,224)	(262,912)
Depreciation	(4,003,065)	(3,975,919)
Net operating (loss)	<u>(520,886)</u>	<u>(409,775)</u>
Nonoperating activities:		
Grant revenue	795,356	195,762
Assessments	4,603,764	4,808,534
Interest income	18,860	243,242
Other income	1,395,209	59,680
Other	-	(11,985)
Interest expense	(1,493,745)	(2,971,624)
Bond issuance costs	-	(70,669)
Net nonoperating activities	<u>5,319,444</u>	<u>2,252,940</u>
Change in net position	<u>4,798,558</u>	<u>1,843,165</u>
Net position, beginning	<u>88,468,608</u>	<u>86,625,443</u>
Net position, ending	<u>\$ 93,267,166</u>	<u>\$ 88,468,608</u>

## Capital Assets and Project Plan

The District adopted a master facilities plan in March, 2006 to construct wastewater collection transmission and treatment facilities to serve the entire island of Key Largo. The wastewater transmission and treatment facilities project was substantially completed and in service at the end of fiscal year 2011. The remaining project is the connection of approximately 163 properties where it was cost prohibitive to provide vacuum based collection services.

These properties require a grinder pump based collection system. Work on the grinder pump project commenced during fiscal year 2012 and is still in progress through September 30, 2015. The District has also been working on the treatment plant expansion project to increase the treatment plant capacity from a 2.3 mgd capacity to 3.45 mgd. This project is necessary to accommodate for the wastewater flows that the District will be receiving from the Village.



## **Capital Debt**

At September 30, 2015 the District had \$153,438,423 invested in land, infrastructure, equipment, and construction in progress. Depreciation of \$20,138,067 has been taken, which resulted in a net book value of \$133,300,356. More detailed information about the District's capital assets is presented in the notes to the financial statements.

The District's capital debt decreased by \$3,626,384 during the current fiscal year, primarily due to the annual debt service payments. More detailed information about the District's capital debt is presented in the notes to the financial statements.

## **Economic Factors and Next Year's Budget**

The unemployment rate for Monroe County was 3.3% at November 2015, which is an increase from a rate of 3.2% a year ago. The rate still compares favorably to the state's average unemployment rate of 4.9%.

Assessed property values in the District's service area increased in 2015; however, the District has no taxing authority, and no District revenue is derived from or dependent upon ad-valorem taxation. Therefore, this increase in property value should have no significant effect on the current or future financial performance.

During Fiscal year 2016, the District will complete the grinder pump properties project. This project will allow the District to provide centralized sewer service to properties where it was not fiscally feasible to provide vacuum collection services. The District will also be working on finishing the treatment plant expansion from a 2.3 million gallon per day capacity to a 3.45 million gallon per day capacity, and will begin a blower upgrade project, to accommodate for the wastewater flows that the District will be receiving from Islamorada.

## **Contacting the District's Financial Management**

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

# **Basic Financial Statements**

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

<b>ASSETS</b>	
Current assets:	
Unrestricted:	
Cash and cash equivalents	\$ 9,362,638
Accounts receivable	886,004
Inventories	27,617
Prepaid expenses	24,753
Total unrestricted current assets	<u>10,301,012</u>
Restricted:	
Cash and cash equivalents	4,851,501
Due from other governments	676,361
Total restricted current assets	<u>5,527,862</u>
Total current assets	<u>15,828,874</u>
Noncurrent assets:	
Prepaid and other assets	55,095
Assessments	34,522,422
Capital assets:	
Land	2,012,494
Construction in progress	5,054,646
Depreciable assets	146,371,283
Less accumulated depreciation	<u>(20,138,067)</u>
Total capital assets, net	<u>133,300,356</u>
Total noncurrent assets	<u>167,877,873</u>
Total assets	<u>183,706,747</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	277,057
Payable from restricted assets:	
Accrued bond interest payable	298,006
Contracts and retainage payable	479,546
Current portion of long term debt	4,186,250
Total current liabilities	<u>5,240,859</u>
Noncurrent liabilities:	
Unearned revenue	34,527,097
Loans payable	50,516,556
Deposits	25,000
Compensated absences	63,715
Other post employment benefits	66,354
Total noncurrent liabilities	<u>85,198,722</u>
Total liabilities	<u>90,439,581</u>
<b>NET POSITION</b>	
Net investment in capital assets	78,118,004
Restricted for debt service	1,847,003
Restricted for other	2,706,492
Unrestricted	10,595,667
Total net position	<u>\$ 93,267,166</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Operating revenues:	
Charges for services	\$ 8,592,159
Other service fees	432,818
Total operating revenues	<u>9,024,977</u>
Operating expenses:	
Costs of sales and services	3,434,263
Administration	1,933,311
Other	175,224
Depreciation	4,003,065
Total operating expenses	<u>9,545,863</u>
Operating income (loss)	<u>(520,886)</u>
Nonoperating revenues (expenses):	
Grant revenues	795,356
Assessments	4,603,764
Interest income	18,860
Other income	1,395,209
Interest expense	(1,493,745)
Total nonoperating revenues (expenses):	<u>5,319,444</u>
Change in net position	4,798,558
Total net position - beginning	<u>88,468,608</u>
Total net position - ending	<u>\$ 93,267,166</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Cash flows from operating activities:	
Receipts from customers and users	\$ 8,874,204
Payments to employees	(2,321,247)
Payments to suppliers	(3,256,025)
Net cash provided (used) by operating activities	<u>3,296,932</u>
Cash flows from capital and related financing activities:	
Grants and other intergovernmental	1,698,321
Assessments	4,159,251
Payments on bank loans	(1,210,903)
Payments and fees on loan from other government	(2,415,481)
Interest payments	(1,967,862)
Acquisition and construction of capital assets	(6,082,986)
Net cash provided (used) by capital and related financing activities	<u>(5,819,660)</u>
Cash flows from investing activities:	
Investment earnings	18,860
Net cash provided (used) by investing activities	<u>18,860</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,503,868)</u>
Cash and cash equivalents (including restricted), October 1	<u>16,718,007</u>
Cash and cash equivalents (including restricted), September 30	<u>\$ 14,214,139</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	<u>\$ (520,886)</u>
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	4,003,065
(Increase)/Decrease in accounts receivable	(150,773)
(Increase)/Decrease in inventory	13,851
(Increase)/Decrease in prepaid	6,523
Increase/(Decrease) in accounts payable	(69,740)
Increase/(Decrease) in other post employment benefits	10,996
Increase/(Decrease) in compensated absences payable	3,896
Total adjustments	<u>3,817,818</u>
Net cash provided (used) by operating activities	<u>\$ 3,296,932</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – REPORTING ENTITY**

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories** – Inventories at September 30, 2015 represent chemicals on hand carried at their historical cost.

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

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

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

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

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

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

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

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

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

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

**Other Postemployment Benefits (OPEB)** – Effective October 1, 2009, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect of this adoption was to establish uniform reporting standards for benefit plans associated with postemployment benefits other than pensions, and to change the measurement, recognition, and display of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in annual financial reports of governmental entities. Implementation of this statement had no effect on fiscal years prior to fiscal year 2010. See Note 7, Other Postemployment Benefits (OPEB), for more information on the District’s OPEB Plan.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources** – Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

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

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

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

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

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

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



### NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and investments amounts restricted for specific use by outside parties at September 30, 2015 are as follows:

Restricted for debt service on loans	\$ 2,145,009
Restricted for repair, replacement, and windstorm damage	2,706,492
	<u>\$ 4,851,501</u>

#### Deposits

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

#### Investments

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The District did not have investments at September 30, 2015.

**NOTE 4 – CAPITAL ASSETS**

The table below summarizes the capital activity for the fiscal year ended September 30, 2015.

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,780,804	\$ 231,690	\$ -	\$ 2,012,494
Construction in progress	3,481,673	4,290,263	(2,717,290)	5,054,646
Total capital assets, not being depreciated	5,262,477	4,521,953	(2,717,290)	7,067,140
Capital assets, being depreciated:				
Buildings	433,430	432,968	-	866,398
Vacuum and treatment facilities	32,519,242	-	-	32,519,242
Collection system	108,195,499	3,864,055	(8,400)	112,051,154
Equipment	866,044	68,445	-	934,489
Total capital assets, being depreciated	142,014,215	4,365,468	(8,400)	146,371,283
Less accumulated depreciation for:				
Buildings	(82,185)	(15,810)	-	(97,995)
Vacuum and treatment facilities	(4,498,720)	(1,065,837)	-	(5,564,557)
Collection system	(11,096,291)	(2,773,240)	-	(13,869,531)
Equipment	(457,805)	(148,179)	-	(605,984)
Total accumulated depreciation	(16,135,001)	(4,003,066)	-	(20,138,067)
Total capital assets, being depreciated, net	125,879,214	362,402	(8,400)	126,233,216
Total capital assets, net	\$ 131,141,691	\$ 4,884,355	\$ (2,725,690)	\$ 133,300,356

In connection with the District’s wastewater treatment project, the District has entered into various contracts with engineers and contractors to construct the collection system and treatment plant. At September 30, 2015 the District had commitments of \$1,051,410 with respect of unfinished capital projects.

For the year ended September 30, 2015, no interest costs relating to construction were capitalized. The interest costs incurred and charged to expense was \$1,493,745 for the year ended September 30, 2015.

**NOTE 5 – INTERLOCAL AGREEMENTS**

On May 22, 2012, the District entered into an interlocal agreement with Islamorada Village of Islands (“Islamorada”) for wastewater services. Under the terms of the agreement, the District will provide wastewater treatment and disposal services to Islamorada for a period of 30 years. The fee charged to Islamorada is \$4.65 per thousand gallons and adjusted in accordance with true-up provisions in the agreement. Wastewater treatment and disposal services commenced during June, 2014. Total revenue earned relating to wastewater services provided to Islamorada during the year ended September 30, 2015 totaled \$399,699. Furthermore, Islamorada purchased capacity from the District and has also agreed to pay for its proportionate share of plant capacity upgrades that the District will construct. The District charged Islamorada \$10,176,000 for the purchase of capacity and received an initial payment of \$1,017,600 with the remaining \$9,158,400 due to be received in monthly installments over a period of ten years with interest charged at 4.0% beginning in June of 2013. During the year ended September 30, 2014, Islamorada paid off the entire amount owed for its purchase capacity in the amount of \$8,874,627. In connection with the plant capacity upgrades, the District received an initial deposit of \$482,400 from Islamorada to fund Islamorada’s proportionate share of the plant capacity upgrades. The deposit will be applied towards Islamorada’s share of the plant capacity upgrades as costs are incurred and projects are completed. During the year ended September 30, 2015, \$442,709 of the deposit was applied towards Islamorada’s share of the plant capacity upgrades which depleted the entire deposit in addition \$952,500 was received during the year bring the total amount paid plant capacity upgrades to \$1,395,209 which is included under other income.

**NOTE 5 – INTERLOCAL AGREEMENTS (Continued)**

**Florida Keys Water Quality Improvement Program**

On October 31, 2014, the District entered into an interlocal agreement with the City of Marathon (“City”), Florida, and the Village of Islamorada (“Village”), Florida, to reallocate future grant revenue related to the United States Army Corps of Engineers’ Florida Keys Water Quality Improvement Program (“FKWQIP”). The original FKWQIP agreement authorized grant reimbursements to the District, City, and Village in a total amount of \$100,000,000. Under the original agreement, the District was eligible to receive \$28,291,194 in grant reimbursements, of which it had received \$15,906,470 as of September 30, 2014. During the current fiscal year the District received \$500,000 of funding which increased the total amount received to \$16,406,470. The interlocal agreement increased the remaining amount the District is eligible to be reimbursed for from \$12,384,724 to \$12,751,600.

**NOTE 6 – LONG-TERM DEBT**

**State Revolving Fund Loans**

As of September 30, 2015, the District has entered into four revolving loan agreements with the State of Florida Department of Environmental Protection Clean Water State Revolving Fund Loan program to finance its wastewater utility capital projects. Under the terms of the loan agreements pledged revenues shall be the gross revenues, together with system development charges, and annual wastewater assessments, derived yearly from the operation of the sewer system after payment of operating and maintenance expenses and any yearly payment obligation of any senior debt obligations. Each loan shall be repaid in 40 semiannual payments. Through September 30, 2015 the District has borrowed a total of \$57,818,739 under these agreements, including capitalized interest. As of September 30, 2015 repayments have begun on all loan agreements. The breakdown as of September 30, 2015 of the total amounts authorized, the fixed weighted average interest rate, the estimated semi-annual payment amount and the amounts drawn to date on each loan is as follows:

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Semi-Annual Payment Amount	Total Obligation September 30, 2015
WW46401P	\$ 22,670,199	2.41% - 2.68%	\$ 779,480	\$ 18,208,946
WW464010	32,077,094	2.49% - 2.92%	1,059,290	16,191,118
WW464020	891,422	2.56%	29,190	556,602
WW464030	2,180,024	2.68%	73,049	1,937,922
Total	<u>\$ 57,818,739</u>		<u>\$ 1,941,009</u>	<u>\$ 36,894,588</u>

**Series 2013 and 2014**

On December 19, 2013, the District issued \$10,000,000 of Utility Revenue Refunding Bond Series 2013 due October 15, 2027, with a fixed interest rate of 2.70%. On January 6, 2014, the District issued \$10,000,000 of Utility Revenue Refunding Bond Series 2014 due October 15, 2027, with a fixed interest rate of 2.70%. The Bonds were issued to refund a portion of the District’s outstanding Utility Revenue Bond Series 2010 (the “Refunded Bonds”), and pay certain costs associated with the issuance of the Bonds. Interest and principal is to be paid quarterly on each October 15, January 15, April 15 and July 15.

The financing documents allow for the prepayment of the principal balance in whole on a scheduled payment date with a 1% prepayment premium. Extraordinary prepayments are also allowed in part once a year, on a payment date, specifically from grant and loan proceeds with no prepayment premium.

The District shall establish and collect fees and charges for the product services and facilities of its system to provide in each fiscal year net revenues, pledged system development charges, wastewater connection fees and any other special assessment proceeds, equal to at least 110% of the annual debt service becoming due in such fiscal year. The District is in compliance with those requirements of the Bonds at September 30, 2015.

**NOTE 6 – LONG-TERM DEBT (Continued)**

**Long-term debt transactions**

Changes in long-term liability activity for the fiscal year ended September 30, 2015 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
State Revolving Loan WW46401P	\$ 18,823,745	\$ -	\$ 614,799	\$ 18,208,946	\$ 1,094,456
State Revolving Loan WW464010	17,856,201	-	1,665,083	16,191,118	1,708,658
State Revolving Loan WW464020	599,899	-	43,297	556,602	44,413
State Revolving Loan WW464030	2,030,224	-	92,302	1,937,922	94,793
Series 2013 Bonds	9,508,839	-	605,405	8,903,434	621,918
Series 2014 Bonds	9,510,282	-	605,498	8,904,784	622,012
Compensated absences	59,819	6,826	2,930	63,715	-
Total loans payable	<u>\$ 58,389,009</u>	<u>\$ 6,826</u>	<u>\$ 3,629,314</u>	<u>\$ 54,766,521</u>	<u>\$ 4,186,250</u>

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

Year ending September 30,	Total		
	Principal	Interest	Total
2016	\$ 4,186,250	\$ 1,408,005	\$ 5,594,255
2017	4,297,102	1,297,145	5,594,247
2018	4,410,901	1,183,346	5,594,247
2019	4,527,718	1,066,529	5,594,247
2020	4,647,634	946,613	5,594,247
2021-2025	22,096,493	2,857,364	24,953,857
2026-2030	10,323,311	553,916	10,877,227
2031-2032	213,397	5,745	219,142
	<u>\$ 54,702,806</u>	<u>\$ 9,318,663</u>	<u>\$ 64,021,469</u>

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

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

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

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Plan Description (Continued)**

**Implicit Benefits** - Employees are permitted to continue coverage under the plans offered by the District in retirement by paying 100% of the cost of the premium for the continued coverage. This arrangement creates an implicit cost and liability for the District because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. Since the same premiums are charged to active employees and retirees, and the District is unable to obtain age-adjusted premium information for the retirees, GASB 45 requires the district to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees.

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

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

**Post Employment Benefits** - Currently, 0 retired employees receive health benefits from the District. Future retirees will contribute 100% for coverage.

The District recognizes the cost of providing health insurance annually as expenses in the Statement of Revenues, Expenses and Changes in Net Position as costs are incurred. For the year ended September 30, 2015, the District recognized \$0 for its share of insurance premiums for currently enrolled retirees.

The District's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Normal Cost	\$	6,953
Supplemental Cost		8,221
Interest		301
Annual Required Contribution (ARC)		<u>15,475</u>
Interest on Net OPEB Obligation		2,214
Adjustment to ARC		<u>(6,693)</u>
Annual OPEB Cost (Expense)		10,996
Actual Benefit Payments		-
Increase in Net OPEB Obligation		<u>10,996</u>
Net OPEB Obligation - September 30, 2014		<u>55,358</u>
Net OPEB Obligation - September 30, 2015	\$	<u><u>66,354</u></u>

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

<b>Fiscal Year Ending</b>	<b>Percentage of Annual OPEB</b>		
	<b>Annual OPEB Cost</b>	<b>Cost Contributed</b>	<b>Net OPEB Obligation</b>
September 30, 2011	\$ -	0%	\$ -
September 30, 2012	23,043	0%	23,043
September 30, 2013	18,004	13.3%	41,047
September 30, 2014	19,414	14%	55,358

As of October 1, 2014, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$69,351 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$69,351. The covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAL to the covered payroll was not applicable. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

**Methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014 valuation, the Projected Unit Credit cost method was used. The assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of (2.95%) initially, 9.00% in the second year and reduced by decrements to an ultimate rate of 5.00% after 10 years. The UAL is being amortized on an open basis. The remaining amortization period at September 30, 2015 was 9 years.

**NOTE 8 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts and errors and omissions. During fiscal year 2015, the District maintained liability and errors and omissions insurance through the Preferred Governmental Insurance Trust (PGIT), coverage may not extend to all situations. There have been no claims from these risks that exceeded commercial insurance coverage over the past three years.

## **NOTE 9 – SUBSEQUENT EVENTS**

### **Loan Payments**

Subsequent to fiscal year end, the District prepaid \$3,300,000 of the State Revolving Fund Loan number 464010.

### **Grant Award**

On March 11, 2015, the District was awarded a \$17,000,000 grant from the State of Florida Department of Environmental Protection to be applied toward the construction of the wastewater system improvements. During the current fiscal year the District executed an interlocal agreement with Monroe County whereby the grant was assigned to Monroe County in exchange for the amount being repaid over a 10 year period with zero interest. As required for enforceability the courts validated the agreement subsequent to year end.

# **Required Supplementary Information**



**KEY LARGO WASTEWATER TREATMENT DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFIT PLAN  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as Percent of Covered Payroll	
		Accrued Liability (AAL), Entry Age						
October 1, 2013	\$ -	\$ 68,347		\$ 68,347	N/A	\$ -	N/A	N/A
October 1, 2014	-	87,360		87,360	N/A	-	N/A	N/A
October 1, 2015	-	69,351		69,351	N/A	-	N/A	N/A

# **Supplementary Information**

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES (BUDGETARY BASIS) – BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>OPERATING REVENUES:</b>			
Wastewater Service Revenue	\$ 9,154,331	\$ 8,592,159	\$ (562,172)
Other revenues	-	432,818	432,818
Total operating revenues	<u>9,154,331</u>	<u>9,024,977</u>	<u>(129,354)</u>
<b>OPERATING EXPENSES:</b>			
Department:			
Administrative	2,403,651	1,922,315	481,336
Collections & Maintenance	1,637,532	1,560,895	76,637
Treatment Plant	2,162,753	1,873,368	289,385
Construction	-	175,224	(175,224)
Total operating expenses	<u>6,203,936</u>	<u>5,531,802</u>	<u>672,134</u>
Budgetary basis operating income (loss)	<u>2,950,395</u>	<u>3,493,175</u>	<u>542,780</u>
<b>NON OPERATING REVENUES (EXPENSES):</b>			
Assessments	4,332,974	4,355,618	22,644
SDC Prepayments	175,000	248,146	73,146
Investment income	17,500	18,860	1,360
Other income	1,747,618	1,395,209	(352,409)
Capital outlay	(10,141,558)	(6,170,131)	3,971,427
Debt service transfer	(5,710,495)	(5,120,131)	590,364
Grant income	7,582,500	795,356	(6,787,144)
Cash on hand	853,441	-	(853,441)
Transfer to capital reserve	(800,000)	-	800,000
Surplus to operating reserve	(50,087)	-	50,087
Transfer to insurance deductible reserve	(20,000)	-	20,000
Total non operating revenues (expenses)	<u>(2,013,107)</u>	<u>(4,477,073)</u>	<u>(2,463,966)</u>
Budgetary basis income (loss)	937,288	(983,898)	(1,921,186)
OPEB Expense	-	(10,996)	(10,996)
Debt service principal	-	3,626,386	3,626,386
Depreciation	-	(4,003,065)	(4,003,065)
Capital asset additions	-	6,170,131	6,170,131
GAAP basis change in net position	<u>\$ 937,288</u>	<u>\$ 4,798,558</u>	<u>\$ 3,861,270</u>

# Statistical Section

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

**Financial Trends:**

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

**Revenue Capacity:**

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

**Debt Capacity:**

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

**Demographic and Economic Information:**

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

**Operating Information:**

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

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

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net investment in capital assets	\$ 78,118,004	\$ 72,420,100	\$ 57,918,010	\$ 56,848,024	\$ 43,200,732	\$ 27,621,330	\$ 19,230,593	\$ 19,774,464	\$ 15,622,110	\$ 12,709,020
Restricted	4,553,495	2,533,008	7,236,276	6,366,921	15,658,154	38,133,096	27,257,778	12,839,163	6,962,626	1,024,411
Unrestricted	10,595,667	13,515,500	21,471,157	20,916,652	12,714,887	158,199	(63,417)	(146,530)	111,033	(8,635)
Total net position	<u>\$ 93,267,166</u>	<u>\$ 88,468,608</u>	<u>\$ 86,625,443</u>	<u>\$ 84,131,597</u>	<u>\$ 71,573,773</u>	<u>\$ 65,912,625</u>	<u>\$ 46,424,954</u>	<u>\$ 32,467,097</u>	<u>\$ 22,695,769</u>	<u>\$ 13,724,796</u>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Operating revenues:</b>										
Charges for service	\$ 9,024,977	\$ 8,648,563	\$ 8,259,561	\$ 7,982,364	\$ 4,750,891	\$ 814,061	\$ 705,935	\$ 603,047	\$ 516,765	\$ 84,022
Ad valorem taxes		-	-	-	-	-	653,289	843,001	787,643	681,289
Total operating revenues	9,024,977	8,648,563	8,259,561	7,982,364	4,750,891	814,061	1,359,224	1,446,048	1,304,408	765,311
<b>Operating expenses:</b>										
Cost of sales and services	3,434,263	3,063,570	2,739,794	2,443,119	1,435,715	732,969	707,200	428,281	381,279	68,691
Administration	1,933,311	1,755,937	1,762,678	1,579,319	1,262,205	839,941	676,191	636,691	558,753	540,336
Professional and other	175,224	262,912	138,631	174,844	178,168	147,290	175,484	392,859	240,709	208,382
Depreciation	4,003,065	3,975,919	3,915,064	3,790,497	3,475,347	387,419	376,540	371,420	188,327	3,994
Total operating expenses	9,545,863	9,058,338	8,556,167	7,987,779	6,351,435	2,107,619	1,935,415	1,829,251	1,369,068	821,403
Total operating income (loss)	(520,886)	(409,775)	(296,606)	(5,415)	(1,600,544)	(1,293,558)	(576,191)	(383,203)	(64,660)	(56,092)
<b>Nonoperating revenues (expenses):</b>										
Grant revenue	795,356	195,762	-	-	500,000	13,439,479	4,825,358	2,224,498	907,829	2,095,394
Intergovernmental	-	-	-	11,678,229	1,457,479	3,704,411	4,107,049	2,448,767	5,518,395	791,699
Assessments	4,603,764	4,808,534	5,026,498	5,295,038	5,570,211	5,757,448	5,225,617	5,298,845	2,474,159	661,671
Forgiveness of debt	-	-	-	-	-	-	-	-	-	1,023,821
Other	-	(11,985)	-	4,185	-	-	-	-	-	-
Other income	1,395,209	59,680	-	-	-	-	-	-	-	-
Interest income	18,860	243,242	169,382	21,810	47,837	108,259	795,171	204,565	174,233	13,268
Gain (loss) on sale of assets	-	-	4,536	(1,850,125)	-	-	-	-	-	-
Interest expense	(1,493,745)	(2,971,624)	(2,409,964)	(2,585,898)	(2,502,009)	(2,228,368)	(419,147)	(22,144)	(38,983)	-
Bond issuance costs	-	(70,669)	-	-	-	-	-	-	-	-
Total nonoperating revenues	5,319,444	2,252,940	2,790,452	12,563,239	5,073,518	20,781,229	14,534,048	10,154,531	9,035,633	4,585,853
Change in net position	\$ 4,798,558	\$ 1,843,165	\$ 2,493,846	\$ 12,557,824	\$ 3,472,974	\$ 19,487,671	\$ 13,957,857	\$ 9,771,328	\$ 8,970,973	\$ 4,529,761

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

Fiscal Year	Operating		Total Operating Revenue	Nonoperating					Total Non- Operating Revenue	Total Combined Revenue
	Sewer Service	Ad valorem		Grants	Intergovernmental	Assessments	Interest	Other		
2015	\$ 9,024,977	\$ -	\$ 9,024,977	\$ 795,356	\$ -	\$ 4,603,764	\$ 18,860	\$ 1,395,209	\$ 6,813,189	\$ 15,838,166
2014	8,648,563	-	8,648,563	195,762	-	4,808,534	243,242	59,680	5,307,218	13,955,781
2013	8,259,561	-	8,259,561	-	-	5,026,498	169,382	4,536	5,200,416	13,459,977
2012	7,982,364	-	7,982,364	-	11,678,229	5,295,038	21,810	4,185	16,999,262	24,981,626
2011	4,750,891	-	4,750,891	500,000	1,457,479	5,570,211	47,837	-	7,575,527	12,326,418
2010	814,061	-	814,061	13,439,479	3,704,411	5,757,448	108,259	-	23,009,597	23,823,658
2009	705,935	653,289	1,359,224	4,825,358	4,107,049	5,225,617	795,171	-	14,953,195	16,312,419
2008	603,047	843,001	1,446,048	2,224,498	2,448,767	5,298,845	204,565	-	10,176,675	11,622,723
2007	516,765	787,643	1,304,408	907,829	5,518,395	2,474,159	174,233	-	9,074,616	10,379,024
2006	84,022	681,289	765,311	2,095,394	791,699	661,671	13,268	1,023,821	4,585,853	5,351,164

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

Fiscal Year	Operating Expenses				Total Operating Expenses	Total Non- Operating Expenses	Combined Expenses
	Cost of Sales and Service	Adminstration	Contractual and Other	Depreciation			
2015	\$ 3,434,263	\$ 1,933,311	\$ 175,224	\$ 4,003,065	9,545,863	\$ 1,493,745	11,039,608
2014	3,063,570	1,755,937	262,912	3,975,919	9,058,338	3,054,278	12,112,616
2013	2,739,794	1,762,678	138,631	3,915,064	8,556,167	2,409,964	10,966,131
2012	2,443,119	1,579,319	174,844	3,790,497	7,987,779	4,305,186	12,292,965
2011	1,435,715	1,262,205	178,168	3,475,347	6,351,435	2,502,009	8,853,444
2010	732,969	839,941	147,290	387,419	2,107,619	2,228,368	4,335,987
2009	707,200	676,191	175,484	376,540	1,935,415	419,147	2,354,562
2008	428,281	636,691	289,652	371,420	1,726,044	125,351	1,851,395
2007	381,279	558,753	240,709	188,327	1,369,068	38,983	1,408,051
2006	68,691	540,336	208,382	3,994	821,403	-	821,403

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

	Base Charge (EDU)	Flow Charge (1,000 Gal.)	Average Monthly Service Fees			
			Residential	Non-Residential	Accounts	EDU's
2015	\$ 33.60	\$ 5.27	\$ 458,674	\$ 268,133	9,449	14,251
2014	33.60	5.27	454,580	251,894	9,260	14,144
2013	33.60	5.27	462,464	257,970	9,085	14,110
2012	33.60	5.27	449,623	251,267	9,124	14,097
2011	33.60	5.27	271,035	138,334	6,107	10,085
2010	33.60	5.27	56,915	6,894	1,256	1,470
2009	33.60	5.27	45,842	6,743	655	1,023
2008	33.60	5.27	42,710	5,605	657	1,023
2007	33.60	5.27	43,760	2,400	656	681
2006	33.60	5.27	19,509	286	426	435



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

	Fee Structure						Total
	Capacity Charge (EDU)	Connection Charge (Each)	Low Pressure Equipment & Lateral Connection	Assessment			
				Residential	Non-Residential		
2015*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2014*	-	-	-	-	-	-	
2013	2,950	2,250	3,300	332,375	170,340	502,715	
2012	2,950	2,250	3,300	1,325,510	273,400	1,598,910	
2011*	-	-	-	-	-	-	
2010*	-	-	-	-	-	-	
2009	2,950	2,250	-	12,579,702	2,860,780	15,440,482	
2008	2,950	2,250	-	14,941,820	8,412,311	23,354,131	
2007	2,850	2,200	-	16,439,222	4,354,407	20,793,629	
2006	2,820	2,150	-	11,790,338	7,906,212	19,696,550	
2005	2,700	2,070	-	4,527,049	266,641	4,793,690	

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

		<b>Loans</b>	<b>Assessed Property Value</b>	<b>Percentage of Assessed Value</b>	<b>Pledged Revenue</b>
2015	\$	54,702,805	\$ 4,064,563,117	1.3458%	\$ 13,195,923
2014		58,329,191	3,794,887,898	1.5370%	13,321,671
2013		75,043,966	3,556,651,483	2.1100%	13,263,687
2012		75,835,590	3,223,256,011	2.3528%	12,935,426
2011		90,881,354	3,208,230,358	2.8328%	10,184,823
2010		80,049,168	3,802,498,273	2.1052%	6,571,509
2009		41,212,198	3,479,137,002	1.1846%	5,931,552
2008		7,953,334	4,464,565,476	0.1781%	5,901,892
2007		3,193,855	4,818,870,865	0.0663%	2,990,924
2006		1,206,982	4,306,056,741	0.0280%	745,693
2005		1,014,285	3,375,533,340	0.0300%	-

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

	Assessed Property Value	Estimated Resident Population	
		Key Largo District	Monroe County
2015	\$ 4,064,563,117	10,433	73,090
2014	3,794,887,898	10,433	74,044
2013	3,556,651,483	10,500	73,560
2012	3,223,256,011	10,405	72,897
2011	3,208,230,358	10,433	73,090
2010	3,802,498,273	11,019	73,460
2009	3,479,137,002	10,909	72,243
2008	4,464,565,476	12,886	76,081
2007	4,818,870,865	14,078	79,942
2006	4,306,056,741	14,655	83,219
2005	3,375,533,340	14,340	81,433

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Executive (Commissioners)	5	5	5	4	5	5	5	5	5	5
Administration	11	11	13	7	7	6	6	4	4	5
Operations	16	18	16	20	24	6	5	4	4	2
Construction	3	4	4	6	7	18	13	9	5	2
	35	38	38	37	43	35	29	22	18	14

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
OPERATING INDICATORS**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Number of Employees	35	38	38	37	43	35	29	22	18	14
Number of Customers	9,449	9,260	9,085	9,124	6,107	2,683	655	657	656	426
Collection Main (feet)	427,000	427,000	427,000	426,161	426,161	386,000	190,000	72,000	45,000	41,000
Transmission Main (feet)	120,000	120,000	120,000	119,801	119,801	100,000	27,000	27,000	27,000	7,000
Number of Vacuum Pits	3525	3505	3500	2550	2548	2000	1240	470	320	219
Number of Vacuum Stations	7	7	7	7	6	5	2	1	1	1
Average Daily Flow (gallons)	1,363,000	1,210,000	1,019,000	912,000	679,000	450,000	47,320	49,800	46,000	21,000
Peak Daily Flow (gallons)	1,974,000	1,780,000	1,450,000	1,749,000	1,010,000	525,000	66,000	58,550	58,000	32,000

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated April 19, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 19, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Key Largo Wastewater Treatment District, Key Largo, Florida ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.



## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

April 19, 2016

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Agency</u> <u>Pass-through Entity, Federal Program</u>	CFDA/ CSFA Number	Agency or Pass-through Number	Expenditures
<b><u>MAJOR PROGRAM</u></b>			
<b>Department of Defense</b>			
Florida Keys Water Quality Improvement Program	12.113	N/A	\$ 500,000
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 500,000</u>

See accompanying notes to schedule of expenditures of federal awards

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Key Largo Wastewater Treatment District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	<i>Unqualified Opinion</i>	
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weakness?	___ yes	<u>X</u> none
Noncompliance material to financial statements noted?	___ yes	<u>X</u> no

**Federal Awards Programs**

Internal Control over major federal awards programs:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weakness?	___ yes	<u>X</u> no

Type of auditor's report issued on compliance for major federal awards *Unqualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a).	___ yes	<u>X</u> no
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Identification of major federal awards programs and state financial assistance

<u>Federal</u>	<u>CFDA No.</u>
Public Assistance Grants	12.113

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

Auditee qualified as low risk auditee for audit of federal awards program?	<u>X</u> yes	___ no
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**SECTION II - FINDINGS – FINANCIAL STATEMENT**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM**

None

**SECTION V - FINDINGS – PRIOR YEAR**

None



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

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

We have examined Key Largo Wastewater Treatment District, Key Largo, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2015. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015.

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

April 19, 2016



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

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

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Key Largo Wastewater Treatment District, Key Largo, Florida ("District") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated April 19, 2016.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 19, 2016, should be considered in conjunction with this management letter.

**Purpose of this Letter**

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

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

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

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

April 19, 2016

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2014.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2015.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2015.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2015 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2015. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.