



*Key Largo Wastewater Treatment District*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**

**Key Largo Wastewater Treatment District  
Comprehensive Annual Financial Report  
For the Fiscal Year ended September 30, 2017**

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# Key Largo Wastewater Treatment District

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Key Largo, FL 33037

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May 24, 2018

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, 2017, 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, 2017, 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, 2017, 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 ecosystems for the benefit of future generations. In Key Largo, and typically all the Florida Keys except Key West, the disposal of domestic sewage has been historically handled by septic tanks and cesspits. Many commercial operations utilized small package sewage treatment plants. Florida statute 99-395 mandated the district establish goals which included the introduction of advanced wastewater treatment (AWT) and disposal infrastructure to serve all residents and commercial operations of Key Largo by July, 2010. This was later amended by the legislature in 2010 and the deadline for Advanced Wastewater Treatment standards required by the Statue 99-395 was extended to 2016.

Over 13,000 individual parcels of land exist on Key Largo. The District designed, engineered and constructed a main transmission line and associated collection systems to provide vacuum based collection services to the District's entire service area excluding properties where it was cost prohibitive to do so. This project was completed and placed into service during fiscal year 2011, which was 4 years earlier than the extended deadline. The completion of this project concluded the construction of the District's basic wastewater infrastructure throughout its entire service area, however, those unique properties that were unable to be provided with vacuum based collection services were given the option of joining the District's grinder pump project that started in fiscal year 2013, and was completed before the 2016 deadline. This project provides approximately 165 parcels with grinder pump based collection services.

The District also upgraded the plant capacity from a 2.3 million gallon per day (mgd) advanced wastewater treatment plant to 3.45mgd to provide treatment services to the Village of Islamorada service area. During FY2017 the District completed the chemical feed system upgrade project, and the blower upgrade project. In FY2018 the District plans to do a process water system project, a headworks bypass piping project, as well as other various small projects.

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

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

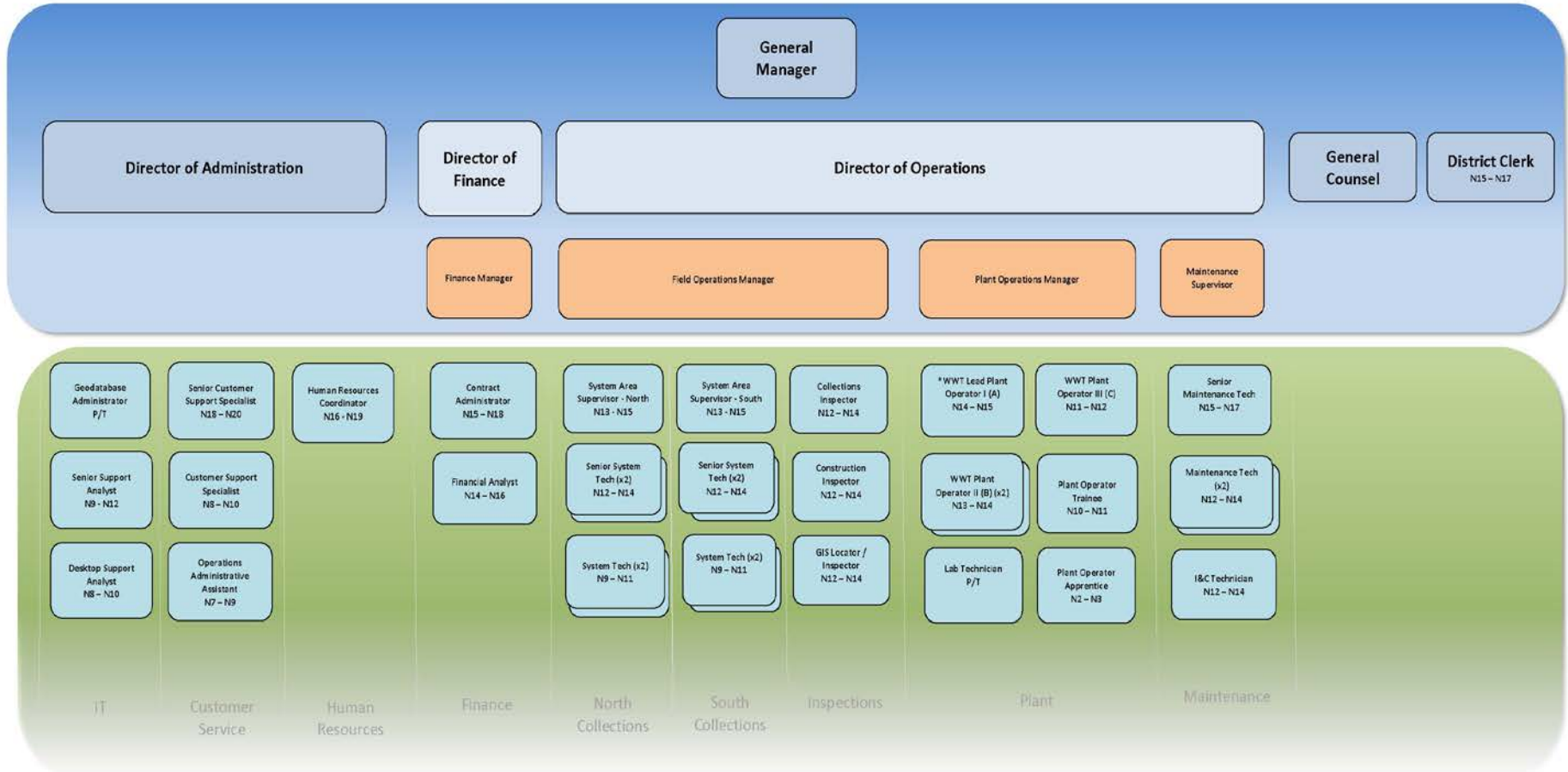
A handwritten signature in blue ink, appearing to read "P. Rosasco, CPA". The signature is fluid and cursive, with the initials "P.R." being prominent.

Peter Rosasco, CPA General Manager & Finance Director



# Key Largo Wastewater Treatment District FY17 Organizational Chart and Staffing Plan

## Board of Commissioners



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

**Board of Commissioners**

**FY 2017**

David Asdourian, Chairman  
Andrew Tobin, Vice Chairman  
Steve Gibbs, Commissioner  
Robert Majeska, Commissioner  
Sue Heim, Secretary/Treasurer

**FY 2018**

David Asdourian, Chairman  
Andrew Tobin, Vice Chairman  
Steve Gibbs, Commissioner  
Robert Majeska, Commissioner  
Sue Heim, Secretary/Treasurer

**District Management**

Peter Rosasco, CPA, General Manager  
Peter Rosasco, CPA, Finance Director  
Connie Fazio, Finance Manager  
Katherine Jackson, Clerk to the Board

**District Counsel**

Ray Giglio and Nicholas Mulick

**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, 2017, 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, 2017, 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 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 May 24, 2018, 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 May 24, 2018, 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.

May 24, 2018

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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, 2017. 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.

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 2.3 mgd 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 and FY2012 the District completed its 2.3mgd regional treatment plant and collection system and placed it into service. 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, and in FY2014 the District began receiving flows from Islamorada for treatment. During FY2015 through FY2016 this treatment plant capacity was upgraded to 3.45mgd to accommodate the additional flows from Islamorada. This facility is currently meeting Advanced Wastewater Treatment Standards (AWT). The grinder pump project commenced during FY2012 and was substantially completed in FY2016. The grinder pump project provides centralized sewer service to properties where it was cost prohibitive to provide a vacuum based collection system. During FY17 the chemical feed system upgrade project and the blower upgrade project were completed.

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

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

## **Basic Financial Statements**

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

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

The *statement of 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, 2017, were \$185,296,136 and total liabilities amounted to \$69,872,461. Total net position of the District was \$115,423,675. For the prior year, total assets of the District at September 30, 2016, were \$191,567,462 and total liabilities amounted to \$79,795,151 and total net position of the District was \$111,772,311.

Total current assets of \$14,415,939 at September 30, 2017 consisted of \$1,158,735 in amounts due to the District from other government agencies and unrestricted cash and cash equivalents of \$9,312,730. Restricted current assets included cash and cash equivalents of \$3,871,968, restricted for debt service and reserves for future repairs and replacements. For the prior year, total current assets of \$14,772,720 at September 30, 2016 consisted of \$1,240,255 in amounts due to the District from other government agencies. The District had unrestricted cash and cash equivalents of \$8,796,484 and restricted cash and cash equivalents of \$4,693,741. These funds were restricted for debt service and reserves for future repairs and replacements.

Total noncurrent assets at September 30, 2017 of \$170,880,197 consisted essentially of \$13,617,368 in amounts due from other governments, \$59,095 in prepaid expense and other assets, \$28,507,957 in assessments levied but not received, \$128,695,777 in land, equipment, and infrastructure net of accumulated depreciation owned by the District. In the prior year, total noncurrent assets at September 30, 2016 of \$176,794,742 consisted essentially of \$59,095 in prepaid expenses and other assets, \$31,857,432 in assessments levied but not received, and \$131,537,290 in land, equipment, construction in progress, and infrastructure net of accumulated depreciation owned by the District.

### District's Net Position (Continued)

Total liabilities at September 30, 2017 of \$69,872,461 included \$406,002 due to vendors for goods and services rendered, \$8,203 due to construction contractors for contracts and retainage payable, \$223,831 in accrued interest expense, \$40,578,452 in loans payable, of which \$4,338,119 is due next year, and \$28,507,957 for assessments levied but not yet received. In the prior year, liabilities at September 30, 2016 of \$79,795,151 included \$297,383 due to vendors for goods and services rendered \$28,497 due to construction contractors for retainage payable, \$256,147 in accrued interest expense, \$47,178,256 in loans payable, and \$31,857,432 for assessments levied but not yet received.

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

#### Key Components of Net Position

	September 30,	
	2017	2016
Current and other assets	\$ 56,600,359	\$ 60,030,172
Capital assets, net of depreciation	128,695,777	131,537,290
Total assets	185,296,136	191,567,462
Current liabilities	4,994,386	4,969,430
Long-term liabilities	64,878,075	74,825,721
Total liabilities	69,872,461	79,795,151
Net position		
Net investment in capital assets	88,109,122	84,330,537
Restricted	3,648,137	4,437,594
Unrestricted	23,666,416	23,004,180
Total net position	\$ 115,423,675	\$ 111,772,311

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

The District's net position increased by \$3,651,364 during FY2017; from \$111,772,311 on September 30, 2016 to \$115,423,675 on September 30, 2017. Total revenues for the period were \$15,782,019 and total expenses for the period were \$12,130,655. For the prior year, total revenues for the period were \$29,679,656 and total expenses for the period were \$11,174,511.

For FY2017, operating revenues consisted of \$9,556,501 in charges to customers for services and related fees. Non-operating revenues consisted of \$1,190,014 in intergovernmental income, of which \$980,990 is from the interlocal agreement with Monroe County for the Stewardship funding swap. The District received \$4,201,378 in assessments, \$334,835 in interest income and \$498,000 in grant income. For FY2016, operating revenue consisted of \$9,369,902 in charges to customers for services and related fees. Non-operating revenues consisted of \$14,747,826 in intergovernmental income, of which \$14,340,925 is from the interlocal agreement with Monroe County for the Mayfield funding swap, \$4,284,578 in assessments, \$23,108 in interest income, and \$1,257,882 in grant income.

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

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

	<u>Change in Net Position</u>	
	Fiscal Year Ended September 30,	
	<u>2017</u>	<u>2016</u>
Operating activities:		
Charges for services	\$ 9,556,501	\$ 9,369,902
Cost of sales	(3,858,023)	(3,462,536)
Administration	(2,132,947)	(2,061,163)
Other	(354,727)	(134,052)
Depreciation	<u>(4,623,560)</u>	<u>(4,188,921)</u>
Net operating (loss)	<u>(1,412,756)</u>	<u>(476,770)</u>
Nonoperating activities:		
Grant revenue	498,000	1,257,882
Assessments	4,201,378	4,284,578
Interest income	334,835	23,108
Intergovernmental income	1,190,014	14,747,826
Gain (loss) on sale of assets	1,291	(3,640)
Interest expense	<u>(1,161,398)</u>	<u>(1,327,839)</u>
Net nonoperating activities	<u>5,064,120</u>	<u>18,981,915</u>
Change in net position	<u>3,651,364</u>	<u>18,505,145</u>
Net position, beginning	<u>111,772,311</u>	<u>93,267,166</u>
Net position, ending	<u>\$ 115,423,675</u>	<u>\$ 111,772,311</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 FY2011.

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

At September 30, 2017 the District had \$157,552,092 invested in land, infrastructure, equipment, and construction in progress. Depreciation of \$28,856,315 has been taken, which resulted in a net book value of \$128,695,777. More detailed information about the District's capital assets is presented in the notes to the financial statements.

## **Capital Debt**

The District's capital debt decreased by \$6,599,804 during the current fiscal year, primarily due to an advanced debt payoff of two State Revolving Fund loans and the regularly scheduled annual debt service payments. More detailed information about the District's capital debt is presented in the notes to the financial statements.

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

The unemployment rate for Monroe County was 3.4% at December 2017, which is a slight increase from a rate of 3.2% a year ago. The rate still compares favorably to the state's average unemployment rate of 3.9%.

Assessed property values in the District's service area increased in 2017; 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 FY2018, the District is planning on beginning a process water system project, a headworks bypass piping project and other various small projects.

## **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, 2017**

**ASSETS**

Current assets:

Unrestricted:

Cash and cash equivalents	\$ 9,312,730
Accounts receivable	6,528
Due from other governments	1,158,735
Inventories	25,436
Prepaid expenses	40,542
Total unrestricted current assets	<u>10,543,971</u>

Restricted:

Cash and cash equivalents	<u>3,871,968</u>
Total restricted current assets	<u>3,871,968</u>
Total current assets	<u>14,415,939</u>

Noncurrent assets:

Due from other governments	13,617,368
Prepaid and other assets	59,095
Assessments	28,507,957
Capital assets:	
Land	2,012,494
Construction in progress	20,990
Depreciable assets	155,518,608
Less accumulated depreciation	<u>(28,856,315)</u>
Total capital assets, net	<u>128,695,777</u>
Total noncurrent assets	<u>170,880,197</u>
Total assets	<u>185,296,136</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued expenses	406,002
Payable from restricted assets:	
Accrued bond interest payable	223,831
Contracts and retainage payable	8,203
Current portion of long term debt	4,356,350
Total current liabilities	<u>4,994,386</u>

Noncurrent liabilities:

Unearned revenue	28,512,625
Loans payable	36,222,102
Deposits	200
Compensated absences	58,068
Other post employment benefits	85,080
Total noncurrent liabilities	<u>64,878,075</u>
Total liabilities	<u>69,872,461</u>

**NET POSITION**

Net investment in capital assets	88,109,122
Restricted for debt service	342,933
Restricted for other	3,305,204
Unrestricted	23,666,416
Total net position	<u>\$ 115,423,675</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, 2017**

Operating revenues:	
Charges for services	\$ 8,596,778
Other service fees	959,723
Total operating revenues	<u>9,556,501</u>
Operating expenses:	
Costs of sales and services	3,858,023
Administration	2,132,947
Other	354,727
Depreciation	4,623,560
Total operating expenses	<u>10,969,257</u>
Operating income (loss)	<u>(1,412,756)</u>
Nonoperating revenues (expenses):	
Grant revenues	498,000
Assessments	4,201,378
Interest income	334,835
Intergovernmental income	1,190,014
Gain/(loss) on disposal	1,291
Interest expense	<u>(1,161,398)</u>
Total nonoperating revenues (expenses):	<u>5,064,120</u>
Change in net position	3,651,364
Total net position - beginning	<u>111,772,311</u>
Total net position - ending	<u>\$ 115,423,675</u>

See accompanying notes to financial statements

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Cash flows from operating activities:	
Receipts from customers and users	\$ 9,612,978
Payments to employees	(2,632,763)
Payments to suppliers	(3,639,043)
Net cash provided (used) by operating activities	<u>3,341,172</u>
Cash flows from capital and related financing activities:	
Grants and other intergovernmental	498,000
Assessments	4,201,263
Other income	913,571
Payments on bank loans	(1,277,858)
Payments and fees on loan from other government	(5,321,946)
Interest payments	(1,193,714)
Gain/(loss) on disposal	1,291
Acquisition and construction of capital assets	(1,802,141)
Net cash provided (used) by capital and related financing activities	<u>(3,981,534)</u>
Cash flows from investing activities:	
Investment earnings	<u>334,835</u>
Net cash provided (used) by investing activities	<u>334,835</u>
Net increase (decrease) in cash and cash equivalents	<u>(305,527)</u>
Cash and cash equivalents (including restricted), October 1	<u>13,490,225</u>
Cash and cash equivalents (including restricted), September 30	<u>\$ 13,184,698</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating (loss)	<u>\$ (1,412,756)</u>
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	4,623,560
(Increase)/Decrease in accounts receivable	(73)
(Increase)/Decrease in due from other governments	56,550
(Increase)/Decrease in inventory	(1,662)
(Increase)/Decrease in prepaid	(28,561)
Increase/(Decrease) in accounts payable	108,619
Increase/(Decrease) in other post employment benefits	9,834
Increase/(Decrease) in compensated absences payable	(14,339)
Total adjustments	<u>4,753,928</u>
Net cash provided (used) by operating activities	<u>\$ 3,341,172</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. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

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

**Inventories** – Inventories at September 30, 2017 represent chemicals and supplies 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 8, 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 – RESTRICTED CASH AND DEPOSITS**

Cash and investment amounts restricted for specific use by outside parties at September 30, 2017 are as follows:

Restricted for debt service on loans	\$ 566,764
Restricted for repair, replacement and windstorm damage	3,305,204
	<u>\$ 3,871,968</u>

### NOTE 3 – RESTRICTED CASH AND DEPOSITS (Continued)

#### Deposits

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

### NOTE 4 – CAPITAL ASSETS

The table below summarizes the capital activity for the fiscal year ended September 30, 2017.

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 2,012,494	\$ -	\$ -	\$ -	\$ 2,012,494
Construction in progress	1,996,949	20,990		(1,996,949)	20,990
Total capital assets, not being depreciated	4,009,443	20,990	-	(1,996,949)	2,033,484
Capital assets, being depreciated:					
Buildings	793,716	-	-	-	793,716
Treatment facilities	36,805,459	1,346,292	(14,233)	1,844,020	39,981,538
Collection system	113,262,993	189,624	-	152,929	113,605,546
Equipment	981,898	238,476	(82,566)	-	1,137,808
Total capital assets, being depreciated	151,844,066	1,774,392	(96,799)	1,996,949	155,518,608
Less accumulated depreciation for:					
Buildings	40,889	26,457	-		67,346
Treatment facilities	6,640,354	1,566,850	7,117		8,200,087
Collection system	16,903,626	2,895,781	-		19,799,407
Equipment	731,350	134,472	76,347		789,475
Total accumulated depreciation	24,316,219	4,623,560	83,464	-	28,856,315
Total capital assets, being depreciated, net	127,527,847	(2,849,168)	(13,335)	1,996,949	126,662,293
Total capital assets, net	\$ 131,537,290	\$ (2,828,178)	\$ (13,335)	\$ -	\$ 128,695,777

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.

For the year ended September 30, 2017, no interest costs relating to construction were capitalized. The interest costs incurred and charged to expense was \$1,161,398 for the year ended September 30, 2017.

### 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, 2017 totaled \$937,861. Furthermore, Islamorada purchased capacity from the District and also agreed to pay for its proportionate share of plant capacity upgrades that the District constructed. The District charged Islamorada \$10,176,000 for the purchase of capacity.



## **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 agreement, the District is eligible to receive \$28,658,070 in grant reimbursements, of which it had received \$17,155,470 as of September 30, 2016. During the current fiscal year the District received \$498,000 of funding which increased the total amount received to \$17,653,470.

### **Monroe County Interlocal Agreement**

On March 11, 2015, the District was awarded a \$17,000,000 grant from the State of Florida Department of Environmental Protection to be applied toward the construction of the wastewater system improvements. During the fiscal year 2016 the District executed an interlocal agreement with Monroe County whereby the grant was assigned to Monroe County in exchange for the amount being repaid over a 10 year period with zero interest. The agreement also stipulated that during the first three years of the assignment, Monroe County would be obligated to repay a maximum of \$1,000,000 per year. Furthermore, since the note is being repaid over 9 more years, the District discounted the remaining \$16,000,000 due from Monroe County over 9 years (8 years remaining at 9/30/17) using a 2.04% discount rate to arrive at a discounted receivable balance of \$12,636,378. This amount is included as due from other governments.

Under the ILA agreement any other additional grant funds received by the District would be eligible to be part of this exchange and would transferred to the County, with the County having first right of refusal, and as long as both parties agreed. The Florida Keys Environmental Stewardship Act was passed by the Florida State Legislature and signed into law in 2016. The Florida Keys received \$5,000,000 in 2016 from the Stewardship Act. The District was allocated \$1,250,000 of the \$5,000,000 allocation from the State of Florida Department of Environmental Protection for water quality improvement projects. The District Board, on October 18, 2016, approved exchanging the \$1,250,000 allocation with Monroe County. The note is being repaid over 12 years, therefore, the District discounted the \$1,250,000 due from Monroe County over 12 years (12 years remaining at 9/30/17) using a 2.04% discount rate to arrive at a discounted receivable balance of \$980,990, which is included as due from other governments on the balance sheet.

## **NOTE 6 – LONG-TERM DEBT**

### **State Revolving Fund Loans**

As of September 30, 2017, 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, 2017 the District has borrowed a total of \$57,818,739 under these agreements, including capitalized interest. As of September 30, 2017 repayments have begun on all loan agreements and WW464020 and WW464030 were paid off. The breakdown as of September 30, 2017 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:

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

**State Revolving Fund Loans(Continued)**

SRF Loan Agreement	Total Loan Authorized Amount	Interest Rate	Semi-Annual Payment Amount	Total Obligation September 30, 2017
WW46401P	\$ 22,670,199	2.41% - 2.68%	\$ 779,480	\$ 15,991,517
WW464010	32,077,094	2.49% - 2.92%	1,059,290	9,300,507
WW464020	891,422	2.56%	-	-
WW464030	2,180,024	2.68%	-	-
Total	<u>\$ 57,818,739</u>		<u>\$ 1,838,770</u>	<u>\$ 25,292,024</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, 2017.

**Long-term debt transactions**

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
State Revolving Loan WW46401P	\$ 17,114,490	\$ -	\$ 1,122,973	\$ 15,991,517	\$ 1,152,235
State Revolving Loan WW464010	11,144,162	-	1,843,655	9,300,507	1,891,404
State Revolving Loan WW464020	512,189	-	512,189	-	-
State Revolving Loan WW464030	1,843,129	-	1,843,129	-	-
Series 2013 Bonds	8,281,516	-	638,880	7,642,636	656,306
Series 2014 Bonds	8,282,770	-	638,978	7,643,792	656,405
Compensated absences	72,407	98,452	112,791	58,068	-
Total long term debt	<u>\$ 47,250,663</u>	<u>\$ 98,452</u>	<u>\$ 6,712,595</u>	<u>\$ 40,636,520</u>	<u>\$ 4,356,350</u>

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

Year ending September 30,	Total		
	Principal	Interest	Total
2018	4,338,119	1,075,458	5,413,577
2019	4,439,638	997,747	5,437,385
2020	4,564,427	872,958	5,437,385
2021	4,692,775	744,610	5,437,385
2022	3,770,556	612,599	4,383,155
2023-2027	13,864,559	1,611,161	15,475,720
2028-2032	4,908,378	101,975	5,010,353
	<u>\$ 40,578,452</u>	<u>\$ 6,016,508</u>	<u>\$ 46,594,960</u>

## **NOTE 7 – DEFERRED COMPENSATION PLAN**

The Key Largo Wastewater Treatment District Retirement Plan is a Deferred Compensation Plan 457(b) Plan established by the District to provide benefits at retirement to the employees of the District. All full-time employees can contribute after six months of service. Employees' interest in the District's contributions vest as follows: 25% after 1 year, 50% after 2 years, 75% after 3 years and 100% after 4 years.

The total payroll for all employees and payroll for employees covered by the 457(b) Plan for the current year were \$2,027,695. The District will match up to 6% of the employee's base salary. For the year ended September 30, 2017, the District and the covered employees made the required contributions of \$85,313 and \$122,657, respectively, for a total of \$207,970.

## **NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Plan Description**

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

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

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

**Implicit Benefits** - Employees are permitted to continue coverage under the plans offered by the District in retirement by paying 100% of the cost of the premium for the continued coverage. This arrangement creates an implicit cost and liability for the District because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. Since the same premiums are charged to active employees and retirees, and the District is unable to obtain age-adjusted premium information for the retirees, GASB 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, 2017, 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.

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

**Plan Description (Continued)**

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	\$ 9,120
Supplemental Cost	9,499
Interest	<u>369</u>
Annual Required Contribution (ARC)	18,988
Interest on Net OPEB Obligation	3,010
Adjustment to ARC	<u>(9,097)</u>
Annual OPEB Cost (Expense)	12,901
Actual Benefit Payments	<u>(3,067)</u>
Increase in Net OPEB Obligation	9,834
Net OPEB Obligation - September 30, 2016	<u>75,246</u>
Net OPEB Obligation - September 30, 2017	<u>\$ 85,080</u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2015	10,996	0.00%	66,354
September 30, 2016	11,755	24.36%	75,246
September 30, 2017	12,901	23.77%	85,080

As of October 1, 2014, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$73,812 and the value of assets was \$0, resulting in an unfunded accrued liability (UAL) of \$80,123. 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, 2017 was 10 years.

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts and errors and omissions. During fiscal year 2017, the District maintained liability and errors and omissions insurance through the Preferred Governmental Insurance Trust (PGIT), coverage may not extend to all situations. There were no significant settled claims during the past three years that exceeded the insurance coverage.

**NOTE 10 –LITIGATION AND CLAIMS**

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

# **Required Supplementary Information**

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFIT PLAN  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL), Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percent of Covered Payroll	
October 1, 2015	-	69,351	69,351	N/A	-	N/A	N/A
October 1, 2016	-	73,812	73,812	N/A	-	N/A	N/A
October 1, 2017	-	80,123	80,123	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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Wastewater Service Revenue	\$ 9,192,207	\$ 9,483,341	\$ 8,596,778	\$ (886,563)
Other revenues	-	-	959,723	959,723
Total operating revenues	9,192,207	9,483,341	9,556,501	73,160
<b>OPERATING EXPENSES:</b>				
Department:				
Administrative	2,445,390	2,346,390	2,123,113	223,277
Collections	1,870,338	1,961,738	1,835,406	126,332
Maintenance	444,269	372,269	334,282	37,987
Treatment Plant	2,039,575	2,295,291	2,022,617	272,674
Construction	-	-	20,445	(20,445)
Total operating expenses	6,799,572	6,975,688	6,335,863	639,825
Budgetary basis operating income (loss)	2,392,635	2,507,653	3,220,638	712,985
<b>NON OPERATING REVENUES (EXPENSES):</b>				
Assessments	4,010,190	4,010,190	4,011,509	1,319
SDC Prepayments	168,000	188,000	189,869	1,869
Investment income	30,000	30,000	334,835	304,835
Other income	1,021,146	1,135,000	1,190,014	55,014
Gain/(loss) on disposal	-	-	1,291	1,291
Capital outlay	(18,384,511)	(1,895,430)	1,795,382	3,690,812
Debt service	(7,806,657)	(7,806,657)	(7,761,202)	45,455
Grant income	17,485,422	498,000	498,000	-
Cash on hand	1,574,288	1,823,757	-	(1,823,757)
Transfer to capital reserve	(490,513)	-	-	-
Total non operating revenues (expenses)	(2,392,635)	(2,017,140)	259,698	2,276,838
Budgetary basis income (loss)	-	490,513	3,480,336	2,989,823
OPEB Expense	-	-	(9,834)	(9,834)
Debt service principal	-	-	6,599,804	6,599,804
Depreciation	-	-	(4,623,560)	(4,623,560)
Capital asset additions	-	-	(1,795,382)	(1,795,382)
GAAP basis change in net position	\$ -	\$ 490,513	\$ 3,651,364	\$ 3,160,851

# Statistical Section

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

**Financial Trends:**

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

**Revenue Capacity:**

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

**Debt Capacity:**

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

**Demographic and Economic Information:**

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

**Operating Information:**

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

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 88,109,122	\$ 84,330,537	\$ 78,118,004	\$ 72,420,100	\$ 57,918,010	\$ 56,848,024	\$ 43,200,732	\$ 27,621,330	\$ 19,230,593	\$ 19,774,464
Restricted	3,648,137	4,437,594	4,553,495	2,533,008	7,236,276	6,366,921	15,658,154	38,133,096	27,257,778	12,839,163
Unrestricted	23,666,416	23,004,180	10,595,667	13,515,500	21,471,157	20,916,652	12,714,887	158,199	(63,417)	(146,530)
Total net position	\$ 115,423,675	\$ 111,772,311	\$ 93,267,166	\$ 88,468,608	\$ 86,625,443	\$ 84,131,597	\$ 71,573,773	\$ 65,912,625	\$ 46,424,954	\$ 32,467,097

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Operating revenues:</b>										
Charges for service	\$ 9,556,501	\$ 9,369,902	\$ 9,024,977	\$ 8,648,563	\$ 8,259,561	\$ 7,982,364	\$ 4,750,891	\$ 814,061	\$ 705,935	\$ 603,047
Ad valorem taxes	-	-	-	-	-	-	-	-	653,289	843,001
Total operating revenues	9,556,501	9,369,902	9,024,977	8,648,563	8,259,561	7,982,364	4,750,891	814,061	1,359,224	1,446,048
<b>Operating expenses:</b>										
Cost of sales and services	3,858,023	3,462,536	3,434,263	3,063,570	2,739,794	2,443,119	1,435,715	732,969	707,200	428,281
Administration	2,132,947	2,061,163	1,933,311	1,755,937	1,762,678	1,579,319	1,262,205	839,941	676,191	636,691
Professional and other	354,727	134,052	175,224	262,912	138,631	174,844	178,168	147,290	175,484	392,859
Depreciation	4,623,560	4,188,921	4,003,065	3,975,919	3,915,064	3,790,497	3,475,347	387,419	376,540	371,420
Total operating expenses	10,969,257	9,846,672	9,545,863	9,058,338	8,556,167	7,987,779	6,351,435	2,107,619	1,935,415	1,829,251
Total operating income (loss)	(1,412,756)	(476,770)	(520,886)	(409,775)	(296,606)	(5,415)	(1,600,544)	(1,293,558)	(576,191)	(383,203)
<b>Nonoperating revenues (expenses):</b>										
Grant revenue	498,000	1,257,882	795,356	195,762	-	-	500,000	13,439,479	4,825,358	2,224,498
Intergovernmental	1,190,014	14,747,826	-	-	-	11,678,229	1,457,479	3,704,411	4,107,049	2,448,767
Assessments	4,201,378	4,284,578	4,603,764	4,808,534	5,026,498	5,295,038	5,570,211	5,757,448	5,225,617	5,298,845
Other	-	-	-	(11,985)	-	4,185	-	-	-	-
Other income	-	-	1,395,209	59,680	-	-	-	-	-	-
Interest income	334,835	23,108	18,860	243,242	169,382	21,810	47,837	108,259	795,171	204,565
Gain (loss) on sale of assets	1,291	(3,640)	-	-	4,536	(1,850,125)	-	-	-	-
Interest expense	(1,161,398)	(1,327,839)	(1,493,745)	(2,971,624)	(2,409,964)	(2,585,898)	(2,502,009)	(2,228,368)	(419,147)	(22,144)
Bond issuance costs	-	-	-	(70,669)	-	-	-	-	-	-
Total nonoperating revenues	5,064,120	18,981,915	5,319,444	2,252,940	2,790,452	12,563,239	5,073,518	20,781,229	14,534,048	10,154,531
Change in net position	\$ 3,651,364	\$ 18,505,145	\$ 4,798,558	\$ 1,843,165	\$ 2,493,846	\$ 12,557,824	\$ 3,472,974	\$ 19,487,671	\$ 13,957,857	\$ 9,771,328

**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 Taxes		Grants	Intergovernmental	Assessments	Interest	Other		
2017	\$ 9,556,501	\$ -	\$ 9,556,501	\$ 498,000	\$ 1,190,014	\$ 4,201,378	\$ 334,835	\$ 1,291	\$ 6,225,518	\$ 15,782,019
2016	9,369,902	-	9,369,902	1,257,882	-	4,284,578	23,108	14,744,186	20,309,754	29,679,656
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

**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			
2017	\$ 3,858,023	\$ 2,132,947	\$ 354,727	\$ 4,623,560	\$ 10,969,257	\$ 1,161,398	\$ 12,130,655
2016	3,462,536	2,061,163	134,052	4,188,921	9,846,672	1,327,839	11,174,511
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

**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
2017	\$ 33.60	\$ 5.27	\$ 459,706	\$ 257,843	9,485	14,130
2016	33.60	5.27	464,893	270,074	9,447	14,251
2015	33.60	5.27	458,674	268,133	9,449	14,251
2014	33.60	5.27	454,580	251,894	9,260	14,144
2013	33.60	5.27	462,464	257,970	9,085	14,110
2012	33.60	5.27	449,623	251,267	9,124	14,097
2011	33.60	5.27	271,035	138,334	6,107	10,085
2010	33.60	5.27	56,915	6,894	1256	1,470
2009	33.60	5.27	45,842	6,743	655	1,023
2008	33.60	5.27	42,710	5,605	657	1023
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					
	Capacity Charge (EDU)	Connection Charge (Each)	Low Pressure Equipment & Lateral Connection	Residential	Assessment Non-Residential	Total
2017*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	3,305	2,535	-	379,600	318,722	698,322
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

\*The district did not assess any additional properties

**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>
2017	\$ 40,578,452	\$ 5,058,475,900	0.8022%	\$ 13,757,879
2016	47,178,256	4,431,117,858	1.0647%	13,064,121
2015	54,702,805	4,064,563,117	1.3458%	13,195,923
2014	58,329,191	3,794,887,898	1.5370%	13,321,671
2013	75,043,966	3,556,651,483	2.1100%	13,263,687
2012	75,835,590	3,223,256,011	2.3528%	12,935,426
2011	90,881,354	3,208,230,358	2.8328%	10,184,823
2010	80,049,168	3,802,498,273	2.1052%	6,571,509
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%	-
2004	100,000	2,737,790,340	0.0037%	-
2003	100,000	2,262,644,965	0.0044%	-



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

	Assessed Property Value	Estimated Resident Population	
		Key Largo District	Monroe County
2017	\$ 5,058,475,900	10,433	76,047
2016	4,431,117,858	10,433	76,047
2015	4,064,563,117	10,433	73,090
2014	3,794,887,898	10,433	74,044
2013	3,556,651,483	10,433	73,560
2012	3,223,256,011	10,433	72,897
2011	3,208,230,358	10,433	73,090
2010	3,802,498,273	11,019	73,460
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
2004	2,737,790,904	14,310	81,236
2003	2,262,644,965	14,183	80,537

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Executive (Commissioners)	5	5	5	5	5	4	5	5	5	5
Administration	9	12	11	11	13	7	7	6	6	4
Operations	24	20	16	18	16	20	24	6	5	4
Construction	0	2	3	4	4	6	7	18	13	9
	38	39	35	38	38	37	43	35	29	22

**KEY LARGO WASTEWATER TREATMENT DISTRICT  
OPERATING INDICATORS**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Number of Employees	38	39	35	38	38	37	43	35	29	22
Number of Customers	9,511	9,447	9,449	9,260	9,085	9,124	6,107	2,683	655	657
Collection Main (feet)	427,000	427,000	427,000	427,000	427,000	426,161	426,161	386,000	190,000	72,000
Transmission Main (feet)	120,000	120,000	120,000	120,000	120,000	119,801	119,801	100,000	27,000	27,000
Number of Vacuum Pits	3538	3538	3525	3505	3500	2550	2548	2000	1240	470
Number of Vacuum Stations	7	7	7	7	7	7	6	5	2	1
Average Daily Flow (gallons)	1,460,000	1,380,000	1,363,000	1,210,000	1,019,000	912,000	679,000	450,000	47,320	49,800
Peak Daily Flow (gallons)	2,150,000	1,950,000	1,974,000	1,780,000	1,450,000	1,749,000	1,010,000	525,000	66,000	58,550

**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 24, 2018.

**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.

May 24, 2018



**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, 2017. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

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.

May 24, 2018



**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, 2017, and have issued our report thereon dated May 24, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 24, 2018, 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.

May 24, 2018

## 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, 2016.

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, 2017.

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, 2017.

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, 2017 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, 2017. 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.