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**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**ORANGE COUNTY, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**for the years ended September 30, 2023 and 2022**

**ORANGE COUNTY WATER UTILITIES SYSTEM**

**ANNUAL FINANCIAL REPORT**

**for the years ended September 30, 2023 and 2022**

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## Report of Independent Auditor

To the Honorable County Mayor and  
Board of County Commissioners  
Orange County, Florida

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying basic financial statements of the Orange County Water Utilities System of Orange County, Florida (the "System"), an enterprise fund of Orange County, Florida, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange County Water Utilities System of Orange County, Florida as of September 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Orange County, Florida, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note A to the financial statements, the financial statements referred to above present only the System and do not purport to, and do not, present fairly the financial position of Orange County, Florida, as of September 30, 2023 and 2022, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

### ***Auditor's Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The Schedule of Budgeted Revenues and Expenses Compared to Actual, the Bond and Loan Coverage Computation, the Schedule of Bonded Debt and Interest, and the Customer Statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Budgeted Revenues and Expenses Compared to Actual, the Bond and Loan Coverage Computation, and the Schedule of Bonded Debt and Interest have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Budgeted Revenues and Expenses Compared to Actual, the Bond and Loan Coverage Computation, and the Schedule of Bonded Debt and Interest are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

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

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

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

As discussed in Note A to the financial statements, the System is administered by the Orange County, Florida Board of County Commissioners, for which, in accordance with *Government Auditing Standards*, a report is issued which includes our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Orlando, Florida  
February 22, 2024

**ORANGE COUNTY WATER UTILITIES SYSTEM  
STATEMENTS OF NET POSITION  
September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Current assets:		
Cash and cash equivalents	\$ 135,333,163	\$ 157,223,187
Accrued interest receivable	798,704	433,660
Accounts receivable	26,785,263	25,310,614
Less allowance for doubtful accounts	(155,397)	(150,841)
Due from other governmental agencies	2,254,535	1,731,419
Inventories and prepaid costs	3,135,339	2,713,699
Cash and cash equivalents, restricted	65,241,176	60,152,740
Total current assets	233,392,783	247,414,478
Noncurrent assets:		
Cash and cash equivalents, restricted	8,509,813	8,306,166
Investments, restricted	5,915,011	6,114,385
Accounts receivable	4,999,912	1,715,351
Prepaid costs	3,592,375	4,834,952
Nondepreciable capital assets	275,970,479	374,898,863
Depreciable capital assets, net	1,600,346,940	1,426,139,124
Total noncurrent assets	1,899,334,530	1,822,008,841
Total assets	2,132,727,313	2,069,423,319
Deferred outflows of resources:		
Related to pensions and OPEB	14,658,909	13,635,251
Total assets and deferred outflows of resources	\$ 2,147,386,222	\$ 2,083,058,570
<b><u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,667,769	\$ 36,032,728
Due to other governmental agencies	666,253	525,762
Payable from restricted assets:		
Accrued interest payable	4,627,076	4,857,673
Loans payable	5,559,871	5,440,559
Revenue bonds payable	9,010,000	8,575,000
Customer deposits	11,917,458	11,272,727
Total current liabilities	74,448,427	66,704,449
Noncurrent liabilities:		
Compensated absences payable	3,034,908	2,233,896
Loans payable	74,076,728	79,636,598
Revenue bonds payable (net of unamortized costs)	231,148,092	244,594,392
Net pension and OPEB liability	66,922,438	54,120,677
Total noncurrent liabilities	375,182,166	380,585,563
Total liabilities	449,630,593	447,290,012
Deferred inflows of resources:		
Related to grants	-	1,130,313
Related to pensions and OPEB	4,379,795	4,778,391
Total liabilities and deferred inflows of resources	454,010,388	453,198,716
<b><u>NET POSITION</u></b>		
Net investment in capital assets	1,535,398,916	1,444,608,225
Restricted for:		
Debt service	25,362,199	24,841,085
Operating reserve	37,759,267	33,601,806
Unrestricted	94,855,452	126,808,738
Total net position	1,693,375,834	1,629,859,854
Total liabilities, deferred inflows of resources and net position	\$ 2,147,386,222	\$ 2,083,058,570

See accompanying notes to financial statements.

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
for the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Wastewater service	\$ 155,594,332	\$ 146,744,243
Water service	64,955,643	60,058,342
Reclaimed water service	13,886,910	12,830,574
Miscellaneous	8,905,830	12,000,355
	<u>243,342,715</u>	<u>231,633,514</u>
Total operating revenues		
Operating and maintenance expenses:		
Personal services	72,459,588	62,069,268
Contractual services	42,305,221	36,653,398
Materials and supplies	14,898,226	10,318,428
Utilities	21,727,800	17,254,934
Repairs and maintenance	31,953,896	26,171,349
Other expenses	9,684,709	8,163,438
Pension and OPEB liability adjustment	11,379,507	6,490,637
	<u>204,408,947</u>	<u>167,121,452</u>
Total operating and maintenance expenses		
Operating income before depreciation and amortization	38,933,768	64,512,062
Depreciation and amortization	94,746,823	89,702,100
Operating loss	<u>(55,813,055)</u>	<u>(25,190,038)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	10,211,094	(4,048,753)
Interest expense and fiscal charges	(9,187,024)	(6,775,436)
Gain on disposal of assets	377,643	684,679
Federal and state grants	3,012,996	909,876
	<u>4,414,709</u>	<u>(9,229,634)</u>
Total net nonoperating revenues (expenses)		
Loss before contributions and transfers	(51,398,346)	(34,419,672)
Capital contributions	125,114,326	100,691,388
Transfer out	(10,200,000)	(9,900,000)
Change in net position	63,515,980	56,371,716
Total net position, October 1	<u>1,629,859,854</u>	<u>1,573,488,138</u>
Total net position, September 30	<u>\$ 1,693,375,834</u>	<u>\$ 1,629,859,854</u>

See accompanying notes to financial statements.

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**STATEMENTS OF CASH FLOWS**  
for the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 241,961,228	\$ 229,918,391
Cash payments to suppliers for goods and services	(115,945,760)	(97,613,899)
Cash payments to employees for services	(71,280,229)	(61,363,311)
	<u>54,735,239</u>	<u>70,941,181</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Transfer out	(10,200,000)	(9,900,000)
Federal and state grants	3,012,996	909,876
	<u>(7,187,004)</u>	<u>(8,990,124)</u>
Net cash used by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(84,737,282)	(90,978,553)
Principal paid on long-term debt	(14,015,558)	(9,103,864)
Interest and fees paid on long-term debt	(10,786,873)	(11,212,442)
Capital contributions	34,682,976	47,706,397
Proceeds from disposition of assets	649,749	973,293
	<u>(74,206,988)</u>	<u>(62,615,169)</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities:		
Purchase of investments	(5,930,657)	(6,145,419)
Investment maturities	6,145,419	6,323,644
Investment income (loss)	9,846,050	(3,918,433)
	<u>10,060,812</u>	<u>(3,740,208)</u>
Net cash provided (used) by investing activities		
Net decrease in cash and cash equivalents	(16,597,941)	(4,404,320)
Cash and cash equivalents, October 1	<u>225,682,093</u>	<u>230,086,413</u>
Cash and cash equivalents, September 30	<u>\$ 209,084,152</u>	<u>\$ 225,682,093</u>
Classified as:		
Current assets	\$ 135,333,163	\$ 157,223,187
Current assets, restricted	65,241,176	60,152,740
Noncurrent assets, restricted	8,509,813	8,306,166
	<u>209,084,152</u>	<u>225,682,093</u>
Total	<u>\$ 209,084,152</u>	<u>\$ 225,682,093</u>

See accompanying notes to financial statements.

Continued



**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**STATEMENTS OF CASH FLOWS, Continued**  
**for the years ended September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (55,813,055)	\$ (25,190,038)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	94,746,823	89,702,100
Pension and OPEB adjustment	11,379,507	6,490,637
Allowance for doubtful accounts	4,556	(96,633)
Decrease (increase) in assets:		
Accounts receivable	(1,161,228)	(880,078)
Due from other governmental agencies	(523,116)	(855,960)
Inventories and prepaid costs	820,937	(1,152,923)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	4,495,593	2,713,892
Due to other governmental agencies	140,491	(29,214)
Customer deposits	644,731	239,398
Total adjustments	<u>110,548,294</u>	<u>96,131,219</u>
Net cash provided by operating activities	<u>\$ 54,735,239</u>	<u>\$ 70,941,181</u>
Noncash investing, capital and financing activities:		
Capital assets donated by developers	\$ 91,106,850	\$ 52,984,991
Capital assets acquired through retainage payables	<u>5,707,842</u>	<u>9,676,318</u>
	<u>\$ 96,814,692</u>	<u>\$ 62,661,309</u>

See accompanying notes to financial statements.

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**for the years ended September 30, 2023 and 2022**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose:

The Orange County Water Utilities System (the System) is owned and operated by the Orange County Board of County Commissioners, Orange County, Florida, an elected body (the Board). The System provides water and wastewater treatment service for areas within Orange County (County). The Orange County Comptroller, an elected official, provides the accounting and financial reporting functions for the System. The System is operated as a self-supporting governmental operation and is accounted for as an enterprise fund of the Board.

Basis of Presentation:

The System uses the enterprise fund concept of accounting. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that expenses of services provided to customers, as well as depreciation, amortization, and interest, be recovered primarily through user charges.

Basis of Accounting:

The financial statements have been prepared on an accrual basis. Revenues are recognized when earned and expenses are recognized when incurred. In addition, the financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates:

The preparation of financial statements requires management to make use of estimates that affect reported amounts. Actual results could differ from estimates.

Budgetary Data:

Florida Statutes require the Board to adopt an annual budget for the System on an accrual basis. Revenues and expenses are budgeted on a basis consistent with generally accepted accounting principles except that pension and other postemployment benefits (OPEB) liability adjustments, depreciation, amortization, noncash capital contributions, and gains/losses on the disposal of assets, are not budgeted, and capital outlays are budgeted as expense, and debt proceeds and principal payments are respectively budgeted as revenue and expense. Beginning net position and expense reserves are also included in the adopted budget. Encumbrance accounting, under which purchase orders are recorded as a reservation of available budget, is practiced during the year. At year-end, outstanding encumbrances lapse and are not presented in the financial statements.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The annual budget is subject to amendment during the year. The County Administrator is authorized to approve transfers of appropriations between individual expense accounts. The Board, by motion, may approve transfers of appropriations between a reserve account and an expense account. The Board, by resolution recorded in the minutes, may add to the overall appropriations of the System due to a financing source unanticipated when the original budget was adopted or due to increased revenues above the level contemplated in the original budget. Amendments to overall appropriations for any other reasons also require a public hearing prior to adoption. There were no amendments during the 2023 or the 2022 fiscal years which were extraordinary or unusual in cause or effect.

Cash and Cash Equivalents and Investments:

The System's cash and cash equivalents consist of cash on hand, demand and time deposits, and highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased. With the exception of cash and investment balances held for debt service requirements, the System's cash balances are pooled with other funds of the County for investment purposes. The County investment pool allows all participating funds the ability to deposit and withdraw cash daily as needed, and therefore all balances representing participants' equity in the investment pool are classified as cash equivalents for purposes of these statements. Earnings from the pooled investments are allocated to the System based on cash participation in the pool. All investments are stated at fair value based on quoted market prices, except for demand and time deposits, Florida PRIME, a qualifying investment pool as provided by Governmental Accounting Standards Board (GASB) Statement No. 79, and money market mutual funds, which are based on amortized cost.

Accounts Receivable and Revenue Recognition:

Water and wastewater service fee revenues are recognized when earned, with an allowance for accounts considered uncollectible. The System records the amount of earned, but unbilled, service revenues. The amount of unbilled revenues included in accounts receivable was \$9,667,850 and \$10,168,076 as of September 30, 2023 and 2022, respectively. The System also records receivables for special assessments on certain construction projects. The amount of special assessments receivable included in accounts receivable was \$5,539,026 and \$1,940,070 as of September 30, 2023 and 2022, respectively. Of these amounts, \$539,114 and \$224,719, respectively, are expected to be collected within one year and thus are included in current accounts receivable; the remainder is reported as noncurrent.

Inventories and Prepaid Costs:

Inventories and prepaid costs consist of the following: inventory of parts and materials, valued at lower of cost (determined using the moving average method) or market; deposits paid for

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

future construction projects; and the portion of operating permit fees which is applicable to future periods. Prepaid permit fees are allocated to operating periods over the life of the permit, using the straight-line method.

Restricted Assets:

The use of certain System assets is restricted by specific provisions of bond resolutions (see Note F) and agreements with various parties. Assets so designated are identified as restricted assets on the statements of net position. It is the System's policy to first apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restricted assets classified as noncurrent are those which are for acquisition or construction of capital assets, for liquidation of long-term debts, or for other than current operations.

Capital Assets:

Capital assets are stated at cost when purchased or constructed, or at acquisition value at the time of acquisition when constructed by others and donated to the System. The System capitalizes payments for plant additions and improvements. The thresholds for capitalization of assets range from \$500 to \$25,000, depending on the asset class. Expenses for plant maintenance and repairs are charged to operations. Projects under construction are retained in Construction in Progress and are transferred into Buildings and Improvements other than buildings when placed in service. Provisions for depreciation are made using the straight-line method, based upon the following estimated useful lives of the assets:

Plant	40 years
Pump stations	30 years
Transmission and distribution lines	10-20 years
Machinery and equipment	3-15 years

The System capitalizes costs associated with various intangible assets. These include initial payments under agreements with nearby utilities for the right to dispose of wastewater flows and payments to other utilities for the right to use certain water and wastewater lines. These capitalized costs are being amortized using the straight-line method over the expected lives of the assets, which is 3 to 40 years for the wastewater disposal agreements and 5 to 15 years for the rights to use lines. Additionally, the System capitalizes the value of purchased (at cost) and donated (at acquisition value) permanent land easements.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Deferred Outflows and Inflows of Resources:

The System presents amounts related to pensions and OPEB as deferred outflows of resources and amounts related to grants, pensions and OPEB as deferred inflows of resources.

Accounts Payable and Accrued Liabilities:

Current liabilities reported as accounts payable and accrued liabilities were comprised of the following components at September 30:

	2023	2022
Due to vendors	\$ 35,163,297	\$ 28,906,603
Salaries and benefits payable	7,504,472	7,126,125
Total	\$ 42,667,769	\$ 36,032,728

Obligation for Bond Arbitrage Rebate:

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the System must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of September 30, 2023 and 2022, the System had no outstanding arbitrage liability.

Compensated Absences:

The System accrues a liability, with a corresponding charge to current operations, for employees' rights to receive compensation for future absences to be subsequently taken or paid at point of employment termination. The liability for compensated absences was \$7,425,148 and \$6,375,106 at September 30, 2023 and 2022, respectively. Of these amounts, \$4,390,240 and \$4,141,210, respectively, is expected to be paid out within one year and thus is included in current liabilities; the remainder is reported as noncurrent. The current portion is based on the average annual amount of leave paid over the preceding three years.

Operating and Nonoperating Revenues:

The System reports as operating revenues all user fees generated through water services, wastewater treatment services, reclaimed water services and certain other miscellaneous charges. Other revenues, such as non-capital grants, gain on disposal of assets and investment income (loss), are classified as nonoperating.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Pension Expense:

The System expenses required pension contributions as a component of personal services expense. The remaining portion of pension expense, consisting of the proportionate share of the Florida Retirement System's actuarially determined pension expense in excess of amounts contributed by the System, is presented as pension liability adjustment.

Other Postemployment Benefit Expense:

The System expenses OPEB contributions as a component of personal services expense. The remaining portion of OPEB expense, consisting of the actuarially determined portion of the County's OPEB expense in excess of amounts contributed by the System, is presented as OPEB liability adjustment.

Bond Amortization Costs:

Bond premium is being amortized over the life of the debt using the interest method, and is included in nonoperating expenses as a component of interest expense and fiscal charges. Amortization of the premium for the fiscal years ended September 30, 2023 and 2022 was \$4,436,300 and \$4,802,975, respectively.

Capital Contributions:

Capital contributions revenue represents amounts received for connection fees charged to customers for initial connection to the System's water and wastewater lines, or capital assets donated by developers. Pursuant to County Ordinance No. 92-10, as amended by 2012-08 and 2018-15, connection fees are discounted for eligible affordable housing projects. Total cumulative affordable housing discounts given on connection fees were \$11,078,883 and \$11,061,925, as of September 30, 2023 and 2022, respectively. Additionally, pursuant to County Ordinance No. 94-21, as amended by 2012-08, water and wastewater connection fees are discounted for each residential lot that receives service from a Reclaimed Water Distribution System. Total cumulative discounts related to this ordinance were \$17,540,508 and \$16,640,946 as of September 30, 2023 and 2022, respectively.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**B. DEPOSIT AND INVESTMENT RISK**

As of September 30, 2023 and 2022, the carrying value of the System's deposits and investments, with their respective Standard & Poor's and Moody's Investors Service credit ratings, was as follows:

<u>Investment Type</u>	<u>2023</u>	<u>2022</u>	<u>Credit Rating</u>
Demand and time deposits	\$ 12,460,756	\$ 14,059,506	NA
Money market mutual funds	509,813	306,166	AAAm/Aaa-mf
U.S. Treasury Notes	5,915,011	6,114,385	AA+/Aaa
County investment pool:			
Florida PRIME	68,723,475	46,154,980	AAAm
U.S. Treasury Bills	37,826,819	31,345,433	A-1+
U.S. Treasury Notes	69,597,375	103,971,539	AA+/Aaa
U.S. Cash Management Bills	-	5,933,013	A-1+
Federal instrumentalities:			
Notes and bonds	18,196,015	23,203,509	A-1+/P-1
Money market mutual funds	1,769,899	707,947	AAAm/Aaa-mf
Total	<u>\$ 214,999,163</u>	<u>\$ 231,796,478</u>	

The System's fair value measurement for U.S. Treasury Bills, U.S. Treasury Notes, U.S. Cash Management Bills and Federal Instrumentalities uses observable inputs other than quoted prices in active markets (Level 2 inputs). Demand and time deposits, Florida PRIME and money market mutual funds are valued at amortized cost.

The System deposits all cash and investments, with the exception of cash balances for debt service, in the County's investment pool portfolio. Funds required to be provided for debt service are maintained by the System separately from the pooled investments. Investment balances by type, included in the County's investment pool, are presented above based on the System's proportionate share of the investment pool portfolio.

Credit Risk:

The Board's Investment Policy (Policy) limits credit risk by restricting authorized investments to the following: obligations issued or explicitly guaranteed by the U.S. Government (Treasuries), obligations of certain U.S. Government-sponsored Federal instrumentalities (Instrumentalities), direct obligations of states and municipalities, repurchase agreements comprised of Treasuries or Instrumentalities, Florida PRIME administered by the Florida State Board of Administration, commercial paper, bankers' acceptances, bank certificates of deposit or savings accounts, and money market mutual funds (Money Markets). The Policy requires that investments in Instrumentality debt be guaranteed by the full faith and credit of the U. S. Government-sponsored agency, and that investments in Money Markets have a Standard & Poor's rating of AAAm or AAAG. Eligible Money Markets are limited to those comprised of Treasuries.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**B. DEPOSIT AND INVESTMENT RISK, Continued**

Concentration of Credit Risk:

Except for Treasuries, the Policy establishes limitations on portfolio composition for all permitted investments, both by investment type and by issuer, in order to control concentration of credit risk. The Policy, which pertains to the overall investment pool portfolio of the Board and is not monitored at the individual fund level, provides that a maximum of 45% of the portfolio may be invested in any of four specified Instrumentalities, with a limit of 15% of the portfolio invested in any one issuer; and that a maximum of 25% of the portfolio may be invested in Money Markets, with a limit of 10% of the portfolio invested in any one issuer. At September 30, 2023, the System's portion of the Board investment pool portfolio was invested in three authorized Instrumentalities, each of which represented 6.7% or less of the total pool portfolio.

Custodial Credit Risk:

The Policy requires that bank demand and time deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida. At September 30, 2023 and 2022, all of the System's bank deposits were in qualified public depositories.

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in the Board's name. At September 30, 2023 and 2022, all of the System's investments are held in a bank's trust department in the Board's name.

Interest Rate Risk:

For all investment types, the Policy limits the investment of current operating funds to 13 months. To increase returns and provide diversity, the Policy also provides for the investment of noncurrent (beyond 13 months) operating funds in investments with maturities no longer than 60 months. Noncurrent operating funds are invested in the intermediate term portfolio with a maximum maturity of 36 months, and the noncurrent operating portfolio with a maximum maturity of 60 months. Construction funds and debt service reserve funds may be invested for up to 10 years, subject to debt covenant restrictions and liquidity needs.

The System's investments had weighted average maturities of 7.5 and 10.4 months at September 30, 2023 and 2022, respectively. The portfolio did not contain any callable securities at September 30, 2023 and 2022. The Money Markets have a weighted average maturity of not more than 60 days.

Continued



**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**C. RESTRICTED ASSETS**

The bond resolutions authorizing the issuance of the System's bonds and provisions of the loan agreements with the State of Florida Department of Environmental Protection require segregation of certain assets into restricted accounts. In addition, the System restricts funds available for repayment of customer deposits.

Restricted assets were as follows at September 30, 2023 and 2022:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>	<u>Totals</u>
<u>September 30, 2023:</u>			
Operations and maintenance fund	\$ 37,405,441	\$ -	\$ 37,405,441
Revenue fund	353,826	-	353,826
Bond principal	9,083,971	-	9,083,971
Bond interest	4,440,321	-	4,440,321
Bond renewal and replacement fund	8,000,000	-	8,000,000
Bond reserve account	509,813	5,915,011	6,424,824
Loan debt service	1,280,019	-	1,280,019
Loan repayment reserve	760,140	-	760,140
Customer deposits	<u>11,917,458</u>	<u>-</u>	<u>11,917,458</u>
Total restricted assets	73,750,989	5,915,011	79,666,000
Less: current portion	<u>65,241,176</u>	<u>-</u>	<u>65,241,176</u>
Restricted assets, noncurrent portion	<u>\$ 8,509,813</u>	<u>\$ 5,915,011</u>	<u>\$ 14,424,824</u>
<u>September 30, 2022:</u>			
Operations and maintenance fund	\$ 33,487,260	\$ -	\$ 33,487,260
Revenue fund	114,546	-	114,546
Bond principal	8,603,543	-	8,603,543
Bond interest	4,634,503	-	4,634,503
Bond renewal and replacement fund	8,000,000	-	8,000,000
Bond reserve account	306,166	6,114,385	6,420,551
Loan debt service	1,280,021	-	1,280,021
Loan repayment reserve	760,140	-	760,140
Customer deposits	<u>11,272,727</u>	<u>-</u>	<u>11,272,727</u>
Total restricted assets	68,458,906	6,114,385	74,573,291
Less: current portion	<u>60,152,740</u>	<u>-</u>	<u>60,152,740</u>
Restricted assets, noncurrent portion	<u>\$ 8,306,166</u>	<u>\$ 6,114,385</u>	<u>\$ 14,420,551</u>

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

**D. CAPITAL ASSETS**

Capital asset activity for the years ended September 30, 2023 and 2022 was as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
Capital assets, not being depreciated:				
Land	\$ 102,866,780	\$ 408,164	\$ -	\$ 103,274,944
Construction in progress	272,032,083	72,179,447	(171,515,995)	172,695,535
Total capital assets, not being depreciated	<u>374,898,863</u>	<u>72,587,611</u>	<u>(171,515,995)</u>	<u>275,970,479</u>
Capital assets, being depreciated/amortized:				
Buildings	30,218,092	24,698,868	-	54,916,960
Improvements other than buildings	2,666,987,328	192,758,533	-	2,859,745,861
Machinery and equipment	115,936,466	8,764,751	(1,940,873)	122,760,344
Intangible	219,861,364	42,732,919	-	262,594,283
Total capital assets, being depreciated/amortized	<u>3,033,003,250</u>	<u>268,955,071</u>	<u>(1,940,873)</u>	<u>3,300,017,448</u>
Less accumulated depreciation/amortization expense for:				
Buildings	(18,688,781)	(1,834,820)	-	(20,523,601)
Improvements other than buildings	(1,486,071,890)	(83,855,778)	-	(1,569,927,668)
Machinery and equipment	(87,589,608)	(8,638,309)	1,940,441	(94,287,476)
Intangible	(14,513,847)	(417,916)	-	(14,931,763)
Total accumulated depreciation/amortization expense	<u>(1,606,864,126)</u>	<u>(94,746,823)</u>	<u>1,940,441</u>	<u>(1,699,670,508)</u>
Total capital assets, being depreciated/amortized, net	<u>1,426,139,124</u>	<u>174,208,248</u>	<u>(432)</u>	<u>1,600,346,940</u>
Total System capital assets, net	<u>\$ 1,801,037,987</u>	<u>\$ 246,795,859</u>	<u>\$ (171,516,427)</u>	<u>\$ 1,876,317,419</u>
	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
Capital assets, not being depreciated:				
Land	\$ 103,116,916	\$ 92,803	\$ (342,939)	\$ 102,866,780
Construction in progress	323,363,607	76,225,698	(127,557,222)	272,032,083
Total capital assets, not being depreciated	<u>426,480,523</u>	<u>76,318,501</u>	<u>(127,900,161)</u>	<u>374,898,863</u>
Capital assets, being depreciated/amortized:				
Buildings	30,218,092	-	-	30,218,092
Improvements other than buildings	2,518,821,506	148,165,822	-	2,666,987,328
Machinery and equipment	112,363,456	7,725,033	(4,152,023)	115,936,466
Intangible	187,208,029	32,653,335	-	219,861,364
Total capital assets, being depreciated/amortized	<u>2,848,611,083</u>	<u>188,544,190</u>	<u>(4,152,023)</u>	<u>3,033,003,250</u>
Less accumulated depreciation/amortization expense for:				
Buildings	(17,464,666)	(1,224,115)	-	(18,688,781)
Improvements other than buildings	(1,405,947,983)	(80,123,907)	-	(1,486,071,890)
Machinery and equipment	(83,734,271)	(7,945,102)	4,089,765	(87,589,608)
Intangible	(14,104,871)	(408,976)	-	(14,513,847)
Total accumulated depreciation/amortization expense	<u>(1,521,251,791)</u>	<u>(89,702,100)</u>	<u>4,089,765</u>	<u>(1,606,864,126)</u>
Total capital assets, being depreciated/amortized, net	<u>1,327,359,292</u>	<u>98,842,090</u>	<u>(62,258)</u>	<u>1,426,139,124</u>
Total System capital assets, net	<u>\$ 1,753,839,815</u>	<u>\$ 175,160,591</u>	<u>\$ (127,962,419)</u>	<u>\$ 1,801,037,987</u>

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

**E. CHANGES IN LONG-TERM LIABILITIES**

A summary of the changes in long-term liabilities (current and noncurrent portions) of the System for the years ended September 30, 2023 and 2022 is as follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Compensated absences payable	\$ 6,375,106	\$ 5,775,694	\$ (4,725,652)	\$ 7,425,148	\$ 4,390,240
Revenue bonds payable	215,700,000	-	(8,575,000)	207,125,000	9,010,000
Plus unamortized cost:					
Bond premium	37,469,392	-	(4,436,300)	33,033,092	(4,058,070)
Total revenue bonds payable, net of unamortized costs	253,169,392	-	(13,011,300)	240,158,092	4,951,930
Loans payable - direct borrowing	85,077,157	-	(5,440,558)	79,636,599	5,559,871
Net pension liability	50,308,542	12,327,446	-	62,635,988	-
Net OPEB liability	3,812,135	2,156,519	(1,682,204)	4,286,450	-
Total net pension and OPEB liability	54,120,677	14,483,965	(1,682,204)	66,922,438	-
System long-term liabilities, including current portion	<u>\$ 398,742,332</u>	<u>\$ 20,259,659</u>	<u>\$ (24,859,714)</u>	<u>\$ 394,142,277</u>	<u>\$ 14,902,041</u>
	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Compensated absences payable	\$ 6,310,690	\$ 4,661,321	\$ (4,596,905)	\$ 6,375,106	\$ 4,141,210
Revenue bonds payable	219,480,000	-	(3,780,000)	215,700,000	8,575,000
Plus unamortized cost:					
Bond premium	42,272,367	-	(4,802,975)	37,469,392	(4,436,301)
Total revenue bonds payable, net of unamortized costs	261,752,367	-	(8,582,975)	253,169,392	4,138,699
Loans payable - direct borrowing	90,401,022	-	(5,323,865)	85,077,157	5,440,559
Net pension liability	22,453,664	27,854,878	-	50,308,542	-
Net OPEB liability	657,570	3,866,949	(712,384)	3,812,135	-
Total net pension and OPEB liability	23,111,234	31,721,827	(712,384)	54,120,677	-
System long-term liabilities, including current portion	<u>\$ 381,575,313</u>	<u>\$ 36,383,148</u>	<u>\$ (19,216,129)</u>	<u>\$ 398,742,332</u>	<u>\$ 13,720,468</u>

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**F. REVENUE BONDS PAYABLE**

On May 26, 2016, the Board issued Water and Wastewater Utility Revenue Bonds, Series 2016, in the amount of \$89,035,000 to finance certain costs relating to the acquisition, construction, and equipping of various capital improvements to the System, fund a deposit to the Reserve Account equal to the Reserve Account Requirement, and to pay expenses of issuance of the Series 2016 Bonds.

Series 2016 Bonds maturing on or after October 1, 2025, shall be subject to redemption at the option of the County prior to maturity in whole or in part on any date on or after October 1, 2024 at a redemption price equal to the principal amount thereof, without premium, plus interest accruing on the principal amount to be redeemed to the redemption date.

On December 10, 2020, the Board issued Water and Wastewater Utility Revenue Bonds, Series 2020, in the amount of \$140,740,000 to finance certain costs relating to the acquisition, construction and equipping of various capital improvements to the system and to pay expenses of issuance of the Series 2020 Bonds.

Series 2020 Bonds maturing on or after October 1, 2031, shall be subject to redemption at the option of the County prior to maturity in whole or in part on any date on or after October 1, 2030 at a redemption price equal to the principal amount thereof, without premium, plus interest accruing on the principal amount to be redeemed to the redemption date.

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**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**F. REVENUE BONDS PAYABLE, Continued**

The following is a summary of revenue bonds payable as of September 30, 2023 and 2022:

	September 30	
	2023	2022
<u>\$89,035,000 Water and Wastewater Utility</u>		
<u>Revenue Bonds, Series 2016:</u>		
Serial bonds, due October 1, from 2022 to 2036 with interest due semi-annually on April 1 and October 1, at 2.00% to 5.00%	\$ 70,990,000	\$ 74,960,000
Unamortized bond premium	120,481	429,468
Series 2016 Bonds payable net of unamortized costs	71,110,481	75,389,468
 <u>\$140,740,000 Water and Wastewater Utility</u>		
<u>Revenue Bonds, Series 2020:</u>		
Serial bonds, due October 1, from 2022 to 2040 with interest due semi-annually on April 1 and October 1, at 5.00%	136,135,000	140,740,000
Unamortized bond premium	32,912,611	37,039,924
Series 2020 Bonds payable net of unamortized costs	169,047,611	177,779,924
Total revenue bonds payable net of unamortized costs	\$ 240,158,092	\$ 253,169,392

The total principal and interest remaining to be paid on all outstanding series of bonds was \$291,617,009 and \$309,216,778 as of September 30, 2023 and 2022 respectively. Principal and interest paid in Fiscal Year 2023 and 2022 was \$17,599,769 and \$13,113,644, respectively. Total pledged revenue was \$42,369,162 and \$57,895,562, respectively, for the years ended September 30, 2023 and 2022.

All series of Water and Wastewater Utility Bonds outstanding are payable solely from, and secured by a lien on, a pledge of all the Net Revenues of the System, until applied to funds and accounts under the Resolution. The Board reserved the right to additionally pledge connection fees as security for the bonds. However, connection fees are not pledged to the

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**F. REVENUE BONDS PAYABLE, Continued**

Series 2016 and Series 2020 Bonds. Neither the full faith and credit, the taxing power, nor any physical properties of the Board was pledged to the payment of the Series 2016 and Series 2020 Bonds or the interest thereon.

While the Series 2016 and Series 2020 Bonds are outstanding, the Board covenanted to establish, fix, maintain and collect rates, fees and other charges for the product, services and facilities of the System to provide in each fiscal year:

- (a) net revenues (excluding connection fees) which will equal at least 120% of the annual debt service on any outstanding bond, and
- (b) net revenues which will equal at least 110% of the annual debt service, and at the same time produce net revenues in each fiscal year which will equal at least 100% of any required deposits to certain accounts.

The bond resolutions established certain funds and accounts and specifies the order in which revenues are to be deposited in these accounts, while the Series 2016 and Series 2020 Bonds are outstanding. The purpose of various funds and accounts are as follows:

Revenue Fund - Deposit all gross revenues of the System, including special assessments, when and if pledged to the payment of the bonds.

Connection Fees Fund - Deposit all connection fees charged and collected by the System and interest earnings thereon, when and if pledged to the payment of the bonds. Connection fees are not currently pledged for the payment of the bonds.

Operation and Maintenance Fund - Deposit monthly from the Revenue Fund amounts sufficient to provide one month's expenses of operation and maintenance plus the maintenance of a reserve equal to 60 days' anticipated expenses of operation and maintenance. Moneys shall be used solely for the payment of the operating expenses.

Interest Account - Deposit monthly from the Revenue Fund an amount which, together with the balance in said Account, shall equal the interest on all bonds outstanding accrued and unpaid and to accrue to the end of the then current calendar month.

Principal Account - Deposit monthly from the Revenue Fund an amount which, commencing one year prior to the first principal payment date, together with the balance in said Account equals the principal amounts on all Bonds Outstanding due and unpaid and to accrue to the end of the then current calendar month.

Term Bonds Redemption Account - Deposit monthly from the Revenue Fund an amount which, commencing one year to the prior first principal payment due date, together with the

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**F. REVENUE BONDS PAYABLE, Continued**

balance in said Account equals the principal amounts on all Term Bonds Outstanding due and unpaid and to accrue to the end of the then current calendar month.

Reserve Account - Deposit monthly from the Revenue Fund an amount which would enable the County to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account requirement. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred. The Reserve Account will be used to prevent default in the payment of principal and interest payments that the System is unable to make for any reason.

Renewal and Replacement Fund - Deposit monthly from the Revenue Fund an amount which is at least equal to one-twelfth of the Renewal and Replacement Fund Requirement until the amount accumulated is equal to the Renewal and Replacement Fund Requirement.

Moneys shall be used to provide for the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs to the System provided that such moneys are not required to supplement any insufficiency in the Interest Account, the Term Bonds Redemption Account, or the Principal Account which still exists after the Reserve Account has been drawn down.

Utility Reserve Fund - Any moneys remaining in the Revenue Fund after all payments hereinabove required have been made are to be transferred to the Utility Reserve Revenue Fund. Moneys in this account are to be used for the following purposes and in the following order of priority:

- (a) To restore the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Reserve Account, and the Rebate Fund to the respective amounts required at that time to be therein;
- (b) To any lawful purpose of the System;
- (c) To the purchase of bonds or redemption of bonds;
- (d) To the payment of debt service on subordinated debt;
- (e) To the payment of other obligations incurred with respect to the System;
- (f) To the Rate Stabilization Fund and improvements, renewals and replacements to the System.

In the event of default, all available pledged revenue shall be used to pay the interest and principal then due and unpaid upon the Bonds.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**F. REVENUE BONDS PAYABLE, Continued**

Future principal and interest payments (in thousands) required on the Series 2016 and Series 2020 Bonds are as follows as of September 30, 2023:

Fiscal Year Ending September 30	Principal	Interest	Total
2023	\$ 9,010	\$ 4,405	\$ 13,415
2024	9,455	8,360	17,815
2025	9,930	7,887	17,817
2026	10,285	7,529	17,814
2027	10,660	7,155	17,815
2028-2032	59,580	29,514	89,094
2033-2037	66,490	16,419	82,909
2038-2040	31,715	3,223	34,938
Totals	<u>\$ 207,125</u>	<u>\$ 84,492</u>	<u>\$ 291,617</u>

**G. LOANS PAYABLE – DIRECT BORROWING**

In June 2002, the County began participating in the Clean Water State Revolving Fund Construction Loan Program with the State of Florida Department of Environmental Protection. Loan proceeds are being utilized by the System to finance various construction projects of the water and wastewater system. Pledged revenues are those pledged as security by the System in its bond resolution, after payment of operation and maintenance expenses and satisfaction of the yearly payment obligation for outstanding System revenue bonds. The Board has covenanted to maintain rates and charges for System services which will be sufficient in each fiscal year, after payment of senior and parity obligations, to provide pledged revenues of at least 1.15 times the sum of all Loan Program payments due in the fiscal year. Following is a description of each of the loans outstanding as of September 30, 2023.

Loan #69214S was for construction of a central wastewater collection system in the Holden Heights area. The initial loan approved in June 2002 was for a total available amount of \$8,457,900. This was reduced in Fiscal Year 2008 to the actual amount drawn of \$6,241,215 to reflect the final cost of Phase 2 of the construction project. The principal balance outstanding was \$925,532 and \$1,276,330 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$193,774, including interest at 3.09%, are due on March 15 and September 15 of each year, through March 15, 2026.

In August 2006, loan #692150 was approved for a subsequent phase of the Holden Heights project, in the total available amount of \$8,339,312. This was reduced in Fiscal Year 2011 to the actual amount drawn of \$6,540,920 to reflect the final cost of Phase 3 of the construction project. The principal balance outstanding was \$2,255,535 and \$2,598,263 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$204,412, including interest at 2.63%, are due on January 15 and July 15 of each year, through July 15, 2029.

Continued



**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**G. LOANS PAYABLE – DIRECT BORROWING, Continued**

In March 2011, loan #480360 was approved for the Lake Lawne Gravity Sewer Rehabilitation Project in the initial amount of \$1,756,255. This was reduced in Fiscal Year 2013 to the actual amount drawn of \$1,734,755 to reflect the final cost of the construction project. The principal balance outstanding was \$832,985 and \$919,789 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$54,765, including interest of 2.53%, are due on February 15 and August 15 of each year through February 15, 2032.

In January 2012, loan #480310 was approved for the South and Eastern Area Reclaimed Water Main Project in the initial amount of \$5,064,998. This was reduced in Fiscal Year 2017 to the actual amount drawn of \$2,074,266 to reflect the final cost of the construction project. The principal balance outstanding was \$965,219 and \$1,049,768 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$54,517, including interest of 2.38%, are due on March 15 and September 15 of each year through September 15, 2033.

In January 2012, loan #480320 was approved for the East Southwood Gravity Sewer and Water System Project in the initial amount of \$4,360,690. This was reduced in Fiscal Year 2015 to the actual amount drawn of \$2,946,957 to reflect the final cost of the construction project. The principal balance outstanding was \$1,562,503 and \$1,699,372 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$88,252, including interest of 2.38%, are due on March 15 and September 15 through September 15, 2033.

In January 2012, loan #480330 was approved for the West Southwood Gravity Sewer and Water System Project in the initial amount of \$2,655,957. This was reduced in Fiscal Year 2013 to the actual amount drawn of \$2,068,169 to reflect the final cost of the construction contract. The principal balance outstanding was \$1,027,789 and \$1,129,059 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$63,771, including interest of 2.38%, are due on March 15 and September 15 through September 15, 2032.

In January 2012, loan #480380 was approved for the Huggins Street Pump Station Project in the initial amount of \$3,981,328. This was increased in Fiscal Year 2014 to \$6,545,876 for additional approved rehabilitation on Southwest Marriott Pumpstation and John Young Parkway Pumpstation. This was reduced in Fiscal Year 2017 to the actual amount drawn of \$6,297,137 to reflect the final cost of the construction project. The principal balance outstanding was \$3,942,788 and \$4,237,888 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$196,801, including interest of 2.38% on the original amount and 2.34% on the additional amount, are due on March 15 and September 15 of each year through March 15, 2035.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**G. LOANS PAYABLE – DIRECT BORROWING, Continued**

In December 2012, loan #DW4803A0 was approved for South and Eastern Area Water Main Project in the initial amount of \$10,807,569. This was reduced in Fiscal Year 2020 to the actual amount drawn of \$8,838,068 to reflect the final cost of the construction project. The principal balance outstanding was \$5,714,997 and \$6,113,982 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$328,839, including interest of 1.99%, were due on March 15 and September 15 of each year, through March 15, 2020. Semiannual payments for the period September 15, 2020 through March 15, 2036 were reduced to \$259,339 to reflect the reduction in loan amount.

In December 2012, loan #DW4803B0 was approved for Hidden Springs Water Facility Improvements Project in the initial amount of \$4,196,246. The initial amount was reduced in Fiscal Year 2019 to \$3,965,087 to reflect the final cost of the construction project. The principal balance outstanding was \$2,372,806 and \$2,563,976 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$120,623, including interest of 1.99%, are due on January 15 and July 15 of each year through 2034.

In September 2013, loan #WW4803D0 was approved for I-Drive Forcemain and Reclaimed Water Main Improvements Project in the initial amount of \$7,571,449. This was reduced in Fiscal Year 2017 to the actual amount drawn of \$7,122,045 to reflect the final cost of the construction project. The principal balance outstanding was \$4,717,254 and \$5,048,185 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$213,138, including interest of 1.92%, are due on April 15 and October 15 of each year through October 15, 2035.

In May 2014, loan #WW4803E0 was approved for Eastern Water Reclamation Facility Phase V Improvements Project in the initial amount of \$30,139,180. This was increased in Fiscal Year 2015 to \$61,985,280, and again in Fiscal Year 2016 to \$73,003,611. In Fiscal Year 2020, this was reduced to the actual amount drawn of \$69,476,053 to reflect the final cost of the construction project. The principal balance outstanding was \$55,319,191 and \$58,440,545 as of September 30, 2023 and 2022, respectively. For this loan, semiannual payments of \$2,232,470, including interest of 2.26% on the original amount, 1.91% on the first additional amount and 1.82% on the second additional amount, were due on February 15 and August 15 of each year through February 2020. Semiannual payments for the period August 15, 2020 through August 15, 2038, were reduced to \$2,151,191 to reflect the reduction in the loan amount.

The total principal and interest remaining to be paid on these loans was \$91,883,836 and \$99,084,994, as of September 30, 2023 and 2022, respectively. Principal and interest paid was \$7,201,158 and \$7,201,166 and total pledged revenue was \$24,548,768 and \$40,081,418, respectively, for the fiscal years ended September 30, 2023 and 2022.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**G. LOANS PAYABLE – DIRECT BORROWING, Continued**

In the event of default on these loans, the System may be caused to establish rates and collect fees and charges for use of the System in order to fulfill the agreements. The State of Florida Department of Environmental Protection may accelerate the repayment schedule or increase the interest rate on the unpaid principal up to 1.667 times the original interest rate, with the exception of loan #69214S, which may increase up to 3.333 times the original interest rate.

Future principal and interest payments (in thousands) required on the State Revolving Loans are as follows as of September 30, 2023:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,560	\$ 1,641	\$ 7,201
2025	5,682	1,519	7,201
2026	5,613	1,395	7,008
2027	5,537	1,276	6,813
2028	5,656	1,158	6,814
2029-2033	28,133	4,008	32,141
2034-2038	23,456	1,250	24,706
Totals	<u>\$ 79,637</u>	<u>\$ 12,247</u>	<u>\$ 91,884</u>

**H. RETIREMENT SYSTEMS**

Florida Retirement System:

General Information - All of the System's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Pension Plan**

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates are as follows:

Job Class	July 1, 2023 - September 30, 2023	July 1, 2022 - June 30, 2023	October 1, 2021 - June 30, 2022
Regular	13.57%	11.91%	10.82%
Special Risk Administrative			
Support	39.82%	38.65%	37.76%
Special Risk	32.67%	27.83%	25.89%
Senior Management Services	34.52%	31.57%	29.01%
Elected Officers	58.68%	57.00%	51.42%
DROP participants	21.13%	18.60%	18.34%

These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2021 through June 30, 2023 and increased to 2.00% for the period July 1, 2023 through September 30, 2023.

The System's contributions to the Pension Plan totaled \$5,109,156 and \$4,352,859 for the fiscal years ended September 30, 2023 and 2022, respectively.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$41,669,907 and \$37,100,897 for its proportionate share of the Board’s Pension Plan’s net pension liability as of September 30, 2023 and 2022, respectively. The net pension liability for each fiscal year was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation in each year as of July 1. The System’s proportionate share of the net pension liability was based on the System’s fiscal year contributions relative to the same fiscal year contributions of all participating members of the Board. At September 30, 2023, the System’s proportionate share was 6.84%, which was an increase of 0.10% from its proportionate share of 6.74% measured as of September 30, 2022.

For the fiscal years ended September 30, 2023 and 2022, the System recognized pension expense of \$8,740,658 and \$5,216,392, respectively. In addition, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources		Deferred Inflows of Resources	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Differences between expected and actual experience	\$ 3,912,445	\$ 1,762,078	\$ -	\$ -
Change of assumptions	2,716,390	4,569,131	-	-
Net difference between projected and actual earnings on Pension Plan investments	1,740,248	2,449,767	-	-
Changes in proportion and differences between System Pension Plan contributions and proportionate share of contributions	1,270,146	777,640	927,276	1,173,669
System Pension Plan contributions subsequent to the measurement date	1,311,802	1,214,203	-	-
Total	<u>\$ 10,951,031</u>	<u>\$ 10,772,819</u>	<u>\$ 927,276</u>	<u>\$ 1,173,669</u>

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

The deferred outflows of resources related to the Pension Plan resulting from System contributions to the Plan subsequent to the measurement date, totaling \$1,311,802, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2024	\$ 1,292,565
2025	(350,463)
2026	6,837,006
2027	693,856
2028	238,989

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

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

All assumptions were the same in the July 1, 2022 valuation.

Mortality rates were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2023 and 2022 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead was based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target return for each major asset class for the July 1, 2023 actuarial valuation are summarized in the following table and were not changed significantly from the July 1, 2022 actuarial valuation:

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**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate (property)	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100.0%</u>			
Assumed Inflation - Mean		2.4%		1.4%

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

Discount Rate - The discount rate used to measure the total pension liability was 6.70% for the July 1, 2023 and 2022 actuarial valuations. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 6.70% for Fiscal Years 2023 and 2022, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

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**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
System's proportionate share of the net pension liability at September 30, 2023	\$ 71,180,686	\$ 41,669,907	\$ 16,980,609
	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
System's proportionate share of the net pension liability at September 30, 2022	\$ 64,163,451	\$ 37,100,897	\$ 14,473,382

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

Payables to the Pension Plan - At September 30, 2023 and 2022, the System reported de minimis amounts payable for outstanding contributions to the Pension Plan.

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**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

**HIS Plan**

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

Benefits Provided – Eligible retirees and beneficiaries received a monthly HIS payment with a minimum and maximum payment as follows:

	<u>July 1, 2023 - September 30, 2023</u>	<u>October 1, 2021 - June 30, 2023</u>
Monthly HIS payment for each year of creditable service completed at the time of retirement	\$ 7.50	\$ 5.00
Minimum HIS payment per month	45.00	30.00
Maximum HIS payment per month	225.00	150.00

To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the period from October 1, 2021 through June 30, 2023 and July 1, 2023 through September 30, 2023 the HIS contribution rate was 1.66% and 2.00%, respectively. The Center contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The System’s contributions to the HIS Plan totaled \$900,357 and \$763,241 for the fiscal years ended September 30, 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$20,966,081 and \$13,207,645 for its proportionate share of the Board’s HIS Plan’s net pension liability as of September 30, 2023 and 2022, respectively. The net pension liability for each fiscal year was measured as of June 30, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of July 1, 2022. The System’s

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

proportionate share of the net pension liability was based on the System's fiscal year contributions relative to the same fiscal year contributions of all participating members of the Board. At September 30, 2023, the System's proportionate share was 10.68%, which was an increase of 0.28% from its proportionate share of 10.40% measured as of September 30, 2022.

For the fiscal years ended September 30, 2023 and 2022, the System recognized pension expense of \$8,034,680 and \$806,955, respectively. In addition, the System reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2023</u>	<u>9/30/2022</u>
Differences between expected and actual experience	\$ 306,929	\$ 400,883	\$ 49,211	\$ 58,115
Change of assumptions	551,192	757,071	1,816,782	2,043,214
Net difference between projected and actual earnings on HIS Plan investments	10,827	19,122	-	-
Changes in proportion and differences between System HIS Plan contributions and proportionate share of contributions	857,273	676,199	394,508	471,473
System HIS Plan contributions subsequent to the measurement date	<u>243,070</u>	<u>205,609</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,969,291</u>	<u>\$ 2,058,884</u>	<u>\$ 2,260,501</u>	<u>\$ 2,572,802</u>

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

The deferred outflows of resources related to the HIS Plan resulting from System contributions to the HIS Plan subsequent to the measurement date, totaling \$243,070, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2024. Other amounts reported as deferred outflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2024	\$ (9,694)
2025	18,802
2026	(82,347)
2027	(321,003)
2028	(147,216)
Thereafter	7,178

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65%

All assumptions were the same in the July 1, 2022 valuation with the exception of the municipal bond rate which was 3.54%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used to determine the July 1, 2023 and 2022 valuations, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 3.65% and 3.54% for the July 1, 2023 and 2022 actuarial valuation, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 3.65% and 3.54%, for the Fiscal Year 2023 and 2022, respectively, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
System's proportionate share of the net pension liability at September 30, 2023	\$ 23,919,027	\$ 20,966,081	\$ 18,518,288
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
System's proportionate share of the net pension liability at September 30, 2022	\$ 15,110,631	\$ 13,207,645	\$ 11,632,964

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

Payables to the HIS Plan - At September 30, 2023 and 2022, the System reported de minimus amounts payable for outstanding contributions to the HIS Plan.

**Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. System employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**H. RETIREMENT SYSTEMS, Continued**

are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution and by forfeited benefits of plan members. The employer contribution for the periods from October 1, 2021 through September 30, 2023 was 0.06% of payroll. Allocations to the investment member's accounts during the period covering October 1, 2021 to June 30, 2023 and July 1, 2023 to September 30, 2023, respectively, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class--9.30% and 11.30%, Special Risk Administrative Support class--10.95% and 12.95%, Special Risk class--17.00% and 19.00%, Senior Management Service class--10.67% and 12.67% and County Elected Officers class--14.34% and 16.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the System.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The System's Investment Plan pension expense totaled \$1,250,446 and \$902,493 for the fiscal years ended September 30, 2023 and 2022, respectively.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Plan Description – In addition to the pension benefits described in Note H, the System offers a postemployment benefit plan (OPEB Plan) that subsidizes the cost of health care for its retirees and eligible dependents. Employees of the System with at least 10 years of combined service under the System and/or any other Board department or any of the five county officers (County Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, or Tax Collector) who retire and immediately begin receiving benefits from the Florida Retirement System (FRS) are eligible to receive a monthly benefit of five dollars per year of service up to a maximum of \$150 per month. If combined service is at least 20 years and receipt of FRS benefits is deferred to a later date, the monthly benefit may be vested for commencement at such deferral date. Additionally, in accordance with State statute, System employees who retire and immediately begin receiving benefits from the FRS have the option of continuing in the Board’s health insurance plan at the same group rate as for active employees.

The Board has established the Orange County Health Care Benefit Trust (Trust), a single-employer defined benefit OPEB plan for, and administered by, the Board and County officers noted above. The Board has the authority to establish and amend the Plan and engages an actuarial firm to determine each participant’s estimated obligation and actuarially determined contribution (ADC). For Fiscal Year 2023, the System’s ADC payment was \$800,384, representing 1.47% of the System’s covered employee payroll amount of \$54,385,153. For Fiscal Year 2022, the System’s ADC payment to the trust was \$470,567, representing 1.02% of the System’s covered employee payroll amount of \$46,305,504. A full presentation of the Trust and OPEB Plan assets, liabilities, and actuarial methods and assumptions is included in the Orange County, Florida Annual Comprehensive Financial Report. Separate stand-alone financial statements for the Trust are not prepared.

At September 30, 2023 and 2022, System employee plan participation consisted of:

	2023	2022
Active members	758	776
Inactive employees currently receiving benefits	241	218
Inactive employees with deferred benefits	7	7

Net OPEB Liability - The System’s net OPEB liability was measured as of September 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

Actuarial Assumptions – The total OPEB liability in the September 30, 2023 actuarial valuation was determined based on a five-year actuarial experience study for the period ended September 30, 2018, and using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

The actuarial assumptions are:

Investment rate of return	7.0%
Discount rate used to measure total OPEB liability	7.0%
Projected annual salaries increase	4.5%
Inflation rate	2.5%
Healthcare cost trend rate	Pre-65 increase of 8.90%; post 65 increase of 8.25% for Fiscal Year 2023, grading to an ultimate rate of 4.50% for Fiscal Year 2033+
Mortality	Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2021

All assumptions were the same in the September 30, 2022 actuarial valuation with the exception of the healthcare cost trend rate which was Pre-65 increase of 7.20%; post 65 increase of 7.35% for Fiscal Year 2023, grading to an ultimate rate of 4.50% for the Fiscal Year 2032+.

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Continued



**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2023 are summarized in the following table, which also approximate the rate of return and asset allocation as of September 30, 2022:

<u>Asset Class</u>	<u>Expected Nominal Rate of Return</u>	<u>Expected Real Rate of Return</u>	<u>Allocation</u>
Large Cap U.S. Equity	6.80%	4.40%	42.90%
Small Cap U.S. Equity	7.30%	4.89%	7.10%
International Equity	7.30%	4.89%	24.50%
Emerging Markets Equity	7.70%	5.28%	8.50%
Non-U.S. Developed Bond	3.60%	1.27%	5.00%
Intermediate Duration Bonds-Gov't	3.40%	1.08%	7.90%
Intermediate Duration Bonds-Credit	4.30%	1.96%	4.10%
Total Portfolio	6.93%	4.53%	100.00%

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Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

Changes in the Net OPEB Liability – for the System for fiscal years ended September 30, 2023 and 2022, are displayed in the following tables:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9-30-2022	\$ 8,710,067	\$ 4,897,932	\$ 3,812,135
Changes for the year:			
Service cost	342,404	-	342,404
Interest	611,046	-	611,046
Differences between expected and actual experience	59,321	-	59,321
Changes of assumptions	1,143,748	-	1,143,748
Contribution - employer	-	800,384	(800,384)
Net investment income	-	881,820	(881,820)
Benefit payments	(657,599)	(657,599)	-
Net changes	1,498,920	1,024,605	474,315
Balances at 9-30-2023	\$ 10,208,987	\$ 5,922,537	\$ 4,286,450

Plan fiduciary net position as a percentage of  
the total OPEB liability: 58.01%

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Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9-30-2021	\$ 6,758,526	\$ 6,100,956	\$ 657,570
Changes for the year:			
Service cost	281,071	-	281,071
Interest	476,525	-	476,525
Change in Benefit Terms	1,907,955	-	1,907,955
Differences between expected and actual experience	(159,701)	-	(159,701)
Changes of assumptions	(82,116)	-	(82,116)
Contribution - employer	-	470,567	(470,567)
Net investment loss	-	(1,201,398)	1,201,398
Benefit payments	(472,193)	(472,193)	-
Net changes	1,951,541	(1,203,024)	3,154,565
Balances at 9-30-2022	<u>\$ 8,710,067</u>	<u>\$ 4,897,932</u>	<u>\$ 3,812,135</u>

Plan fiduciary net position as a percentage of  
the total OPEB liability: 56.23%

The discount rate used to measure the total OPEB liability is 7.00% in Fiscal Years 2023 and 2022. The projection of cash flows used to determine the discount rate assumed the System would continue to fund the actuarially determined contribution. Only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on these assumptions, the OPEB fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

Sensitivity of the System's Net OPEB Liability to Changes in the Discount Rate - The following represents the System's net OPEB liability calculated using the discount rate of 7.00% for Fiscal Years 2023 and 2022, as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's net OPEB liability at September 30, 2023	\$ 5,255,086	\$ 4,286,450	\$ 3,434,433

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's net OPEB liability at September 30, 2022	\$ 4,649,842	\$ 3,812,135	\$ 3,078,641

Sensitivity of the System's Net OPEB Liability to Changes in the healthcare cost trend rates - The following represents the System's OPEB liability calculated using a health care cost trend rate of 8.25% and 7.35% for Fiscal Years 2023 and 2022, respectively, as well as what the System's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
System's net OPEB liability at September 30, 2023	\$ 3,774,878	\$ 4,286,450	\$ 4,885,482

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
System's net OPEB liability at September 30, 2022	\$ 3,433,047	\$ 3,812,135	\$ 4,255,945

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM  
NOTES TO FINANCIAL STATEMENTS, Continued  
for the years ended September 30, 2023 and 2022**

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**I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued**

For fiscal years ended September 30, 2023 and 2022, the System recognized OPEB expense of \$499,758 and \$2,077,747, respectively. In addition, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources		Deferred Inflows of Resources	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
Differences between expected and actual experience	\$ 143,327	\$ 112,515	\$ 333,145	\$ 401,368
Change of assumptions	1,595,260	691,033	305,497	395,775
Net difference between projected and actual earnings on OPEB Plan investments	-	-	553,376	234,777
Total	<u>\$ 1,738,587</u>	<u>\$ 803,548</u>	<u>\$ 1,192,018</u>	<u>\$ 1,031,920</u>

The OPEB Plan's deferred outflows of resources and deferred inflows of resources related to the System at September 30, 2023 will be recognized in OPEB expense of the System as follows:

Fiscal Year Ending September 30:	Amount
2024	\$ (133,467)
2025	(77,172)
2026	158,036
2027	59,780
2028	145,666
Thereafter	393,726

**J. INSURANCE COVERAGE**

The Board maintains a self-insurance program that provides for coverage of substantially all risks. Various excess catastrophe insurance policies with commercial carriers are also in force for claims exceeding the amount chargeable against the loss fund. The System participated in the self-insurance program during Fiscal Years 2023 and 2022 at an annual cost of \$4,656,238 and \$3,608,758 respectively. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2023.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended September 30, 2023 and 2022**

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**J. INSURANCE COVERAGE, Continued**

Additionally, the Board maintains a self-insured plan for employee medical benefits in which the System participates. The self-insurance plan covers all regular employees and certain retirees and former employees of the Board and their eligible dependents. In accordance with the Affordable Care Act, the lifetime maximum for a covered individual is unlimited.

**K. COMMITMENTS AND CONTINGENCIES**

Outstanding commitments under operating and construction contracts for various projects totaled approximately \$198.0 million and \$165.4 million at September 30, 2023 and 2022, respectively.

The System is a party in various lawsuits and other claims incidental to the ordinary course of its operation, some of which are covered by the Board's self-insurance program. While the results of litigation cannot be predicted with certainty, management believes the final outcome of such litigation will not have a material adverse effect on the System's financial position.

**L. TRANSFERS OUT**

As permitted under covenants of the Water and Wastewater Utility Revenue Bonds, Series 2016 and Series 2020, the Board has adopted resolutions authorizing the System to make an annual transfer of surplus funds to the Board's General Fund, to be used for any lawful County purpose. Under these authorizations, the System transferred \$10,200,000 and \$9,900,000 in Fiscal Year 2023 and 2022 to the Board's General Fund.

**SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY WATER UTILITIES SYSTEM**  
**SCHEDULE OF BUDGETED REVENUES AND EXPENSES COMPARED TO ACTUAL**  
**(NON-GAAP BUDGETARY BASIS\*)**  
**for the year ended September 30, 2023**

	Budget	Actual
Operating revenues:		
Wastewater service	\$ 149,450,662	\$ 155,594,332
Water service	62,558,515	64,955,643
Reclaimed water service	13,306,801	13,886,910
Miscellaneous	7,634,015	8,905,830
Total operating revenues	232,949,993	243,342,715
Operating and maintenance expenses:		
Personal services	72,931,809	72,459,588
Contractual services	52,682,948	42,305,221
Materials and supplies	15,294,796	14,898,226
Utilities	22,212,080	21,727,800
Repairs and maintenance	44,974,918	31,953,896
Other expenses	11,036,444	9,684,709
Total operating and maintenance expenses	219,132,995	193,029,440
Operating income, budgetary basis*	13,816,998	50,313,275
Nonoperating revenues (expenses):		
Investment income	3,319,647	10,211,094
Interest expense and fiscal charges	(17,622,600)	(9,187,024)
Federal and state grants	47,523,973	3,012,996
Total net nonoperating revenues (expenses)	33,221,020	4,037,066
Income before contributions and transfer, budgetary basis*	47,038,018	54,350,341
Capital contributions	36,892,506	34,682,976
Transfer out	(10,200,000)	(10,200,000)
Change in net position, budgetary basis*	\$ 73,730,524	\$ 78,833,317

\*Budgetary basis, for purposes of this schedule, includes all budgeted items except for capital outlay, debt principal, beginning net position, non-cash developer donations, expense reserves and receipt of federal and state disaster reimbursements.



**ORANGE COUNTY WATER UTILITIES SYSTEM  
SCHEDULE OF BONDED DEBT AND INTEREST  
September 30, 2023**

BOND YEAR ENDING OCTOBER 1	WATER AND WASTEWATER UTILITY REVENUE BONDS, SERIES 2016		WATER AND WASTEWATER UTILITY REVENUE BONDS, SERIES 2020		TOTAL DEBT SERVICE
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2023	\$ 4,170,000	\$ 1,001,822 (a)	\$ 4,840,000	\$ 3,403,375 (a)	\$ 13,415,197
2024	4,375,000	1,795,144	5,080,000	6,564,750	17,814,894
2025	4,595,000	1,576,394	5,335,000	6,310,750	17,817,144
2026	4,685,000	1,484,494	5,600,000	6,044,000	17,813,494
2027	4,780,000	1,390,794	5,880,000	5,764,000	17,814,794
2028	4,875,000	1,295,193	6,175,000	5,470,000	17,815,193
2029	4,975,000	1,197,694	6,485,000	5,161,250	17,818,944
2030	5,080,000	1,091,975	6,810,000	4,837,000	17,818,975
2031	5,195,000	977,675	7,150,000	4,496,500	17,819,175
2032	5,325,000	847,800	7,510,000	4,139,000	17,821,800 (b)
2033	5,485,000	688,050	7,885,000	3,763,500	17,821,550
2034	5,645,000	523,500	8,275,000	3,369,250	17,812,750
2035	5,815,000	354,150	8,690,000	2,955,500	17,814,650
2036	5,990,000	179,700	9,125,000	2,521,000	17,815,700
2037	-	-	9,580,000	2,064,750	11,644,750
2038	-	-	10,060,000	1,585,750	11,645,750
2039	-	-	10,565,000	1,082,750	11,647,750
2040	-	-	11,090,000	554,500	11,644,500
Totals	<u>\$ 70,990,000</u>	<u>\$ 14,404,385</u>	<u>\$ 136,135,000</u>	<u>\$ 70,087,625</u>	<u>\$ 291,617,010</u>

(a) Represents semi-annual requirement only.

(b) Maximum annual debt service.

**ORANGE COUNTY WATER UTILITIES SYSTEM  
BOND AND LOAN COVERAGE COMPUTATION  
September 30, 2023**

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The Board covenants in the bond resolution and State revolving loan agreements to own, control, operate and maintain the Water Utilities System in an efficient and economical manner, and to the extent possible, on a revenue-producing basis. The Board further covenants to fix, establish, maintain and collect rates, fees and other charges for the services of the Water Utilities System fully sufficient at all times:

- (a) to produce net revenues (excluding connection fees) in each fiscal year which will equal at least 120% of the annual debt service requirement on all outstanding bonds, and
- (b) to produce net revenues in each fiscal year which will equal at least 110% of the annual debt service requirement, and at the same time produce net revenues in each fiscal year which will equal at least 100% of the amounts required by the terms of the Resolution to be deposited in the Reserve Account.

The following represents the coverage computation for the year ending September 30, 2023:

Gross operating revenues	\$ 243,342,715
Interest income, excluding interest on connection fees	7,353,576
Less operating and maintenance expenses	<u>(204,408,947)</u>
Net operating revenues available for debt service	<u>46,287,344</u>
Less required deposits to specified accounts	<u>(3,918,182)</u>
Net operating revenues available for debt service	<u>\$ 42,369,162</u>
Annual debt service requirement for bonds	<u>\$ 17,820,394</u>
Actual debt coverage (net operating revenues available for debt service divided by annual debt service)	2.38
Required debt coverage	1.10
Net operating revenues available for debt service less annual debt service requirement for bonds:	<u>\$ 24,548,768</u>
Annual debt service requirement for loans	<u>\$ 7,201,158</u>
Annual debt coverage for State Revolving Loans	3.41
Required debt coverage for loans	1.15

**ORANGE COUNTY WATER UTILITIES SYSTEM  
CUSTOMER STATISTICS  
for the years ended September 30, 2023 and 2022  
(Unaudited)**

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	2023	2022
Number of water accounts:		
Residential	158,040	155,148
Commercial	4,964	4,898
Number of wastewater accounts:		
Residential	125,299	123,242
Commercial	2,922	2,880
OUC billing (2)	47,433	46,770
Number of reclaimed accounts:		
Residential	33,597	32,527
Commercial	2,670	2,543
Water consumption: (1)		
Residential	13,265,679	12,500,911
Commercial	9,345,373	8,798,839
Wastewater consumption: (1)		
Residential	7,815,213	7,547,472
Commercial	8,115,700	7,678,147
OUC billing (2)	7,881,111	7,697,354
Reclaimed consumption: (1)		
Residential	5,280,688	5,146,180
Commercial	9,134,970	8,896,354

(1) Water, wastewater, and reclaimed water consumption stated in thousands of gallons.

(2) OUC billing represents accounts billed for the System pursuant to an agreement with the Orlando Utilities Commission (OUC).