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COMMISSIONERS AT ITS
MEETING ON

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ORANGE COUNTY WATER UTILITIES SYSTEM
ORANGE COUNTY, FLORIDA
ANNUAL FINANCIAL REPORT
for the years ended September 30, 2021 and 2020

ORANGE COUNTY WATER UTILITIES SYSTEM
ANNUAL FINANCIAL REPORT
for the years ended September 30, 2021 and 2020

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Report of Independent Auditor

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

Report on the Financial Statements

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, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Other Matters

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. The Customer Statistics has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

As discussed in Note A, 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.



Orlando, Florida
March 14, 2022

**ORANGE COUNTY WATER UTILITIES SYSTEM
STATEMENTS OF NET POSITION
September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents	\$ 148,489,371	\$ 41,094,954
Accrued interest receivable	563,980	310,286
Accounts receivable	24,328,864	23,909,899
Less allowance for doubtful accounts	(247,474)	(150,243)
Due from other governmental agencies	875,459	17,756
Inventories and prepaid costs	2,968,614	3,072,530
Cash and cash equivalents, restricted	53,133,320	48,304,562
Accrued interest receivable, restricted	14	5,270
Total current assets	230,112,148	116,565,014
Noncurrent assets:		
Cash and cash equivalents, restricted	28,463,722	8,417,306
Investments, restricted	6,321,351	6,162,915
Accounts receivable	1,024,720	58,198
Prepaid costs	3,427,114	5,059,543
Nondepreciable capital assets	426,480,523	401,269,448
Depreciable capital assets, net	1,327,359,292	1,263,347,034
Total noncurrent assets	1,793,076,722	1,684,314,444
Total assets	2,023,188,870	1,800,879,458
Deferred outflows of resources:		
Related to pensions and OPEB	12,037,144	16,906,667
Total assets and deferred outflows of resources	\$ 2,035,226,014	\$ 1,817,786,125
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,683,777	\$ 45,078,474
Due to other governmental agencies	554,976	504,182
Net pension liability	76,191	159,737
Payable from restricted assets:		
Accrued interest payable	4,967,174	1,553,358
Loans payable	5,323,865	5,209,730
Revenue bonds payable	3,780,000	3,600,000
Customer deposits	11,033,329	10,965,708
Total current liabilities	65,419,312	67,071,189
Noncurrent liabilities:		
Compensated absences payable	2,343,590	1,934,762
Loans payable	85,077,157	90,401,021
Revenue bonds payable (net of unamortized costs)	257,972,367	80,223,218
Net pension and OPEB liability	23,035,043	58,228,010
Total noncurrent liabilities	368,428,157	230,787,011
Total liabilities	433,847,469	297,858,200
Deferred inflows of resources:		
Related to grants	191,317	-
Related to pensions and OPEB	27,699,090	1,718,526
Total liabilities and deferred inflows of resources	461,737,876	299,576,726
<u>NET POSITION</u>		
Net investment in capital assets	1,401,168,405	1,458,253,624
Restricted for:		
Debt service	16,212,257	16,427,675
Operating reserve	31,565,681	30,343,312
Unrestricted	124,541,795	13,184,788
Total net position	1,573,488,138	1,518,209,399
Total liabilities, deferred inflows of resources and net position	\$ 2,035,226,014	\$ 1,817,786,125

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Wastewater service	\$ 137,826,667	\$ 137,430,911
Water service	57,872,208	57,315,877
Reclaimed water service	12,063,336	11,297,107
Miscellaneous	8,797,268	8,316,334
	<u>216,559,479</u>	<u>214,360,229</u>
Operating and maintenance expenses:		
Personal services	60,275,191	57,977,899
Contractual services	35,952,275	35,060,146
Materials and supplies	9,325,531	9,100,936
Utilities	15,260,245	14,411,062
Repairs and maintenance	25,074,564	23,027,638
Other expenses	7,802,448	7,230,486
Pension and OPEB liability adjustment	(4,426,426)	4,436,942
	<u>149,263,828</u>	<u>151,245,109</u>
Operating income before depreciation and amortization	67,295,651	63,115,120
Depreciation and amortization	<u>86,886,009</u>	<u>85,204,691</u>
Operating loss	<u>(19,590,358)</u>	<u>(22,089,571)</u>
Nonoperating revenues (expenses):		
Investment income	638,106	2,541,208
Interest expense and fiscal charges	(4,761,551)	(5,179,533)
Debt issuance costs	(634,202)	-
Gain (loss) on disposal of assets	1,052,724	(2,387,727)
Federal and state grants	1,059,100	652,620
	<u>(2,645,823)</u>	<u>(4,373,432)</u>
Loss before contributions and transfers	(22,236,181)	(26,463,003)
Capital contributions	87,214,920	84,807,046
Transfer out	<u>(9,700,000)</u>	<u>(8,900,000)</u>
Change in net position	55,278,739	49,444,043
Total net position, October 1	<u>1,518,209,399</u>	<u>1,468,765,356</u>
Total net position, September 30	<u>\$ 1,573,488,138</u>	<u>\$ 1,518,209,399</u>

See accompanying notes to financial statements.

ORANGE COUNTY WATER UTILITIES SYSTEM
STATEMENTS OF CASH FLOWS
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 215,173,052	\$ 212,836,775
Cash payments to suppliers for goods and services	(91,007,277)	(89,184,713)
Cash payments to employees for services	(59,559,128)	(56,959,232)
	<u>64,606,647</u>	<u>66,692,830</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Transfer out	(9,700,000)	(8,900,000)
Federal and state grants	1,059,100	652,620
	<u>(8,640,900)</u>	<u>(8,247,380)</u>
Net cash used by noncapital financing activities		
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue bonds	185,643,105	-
Acquisition and construction of capital assets	(139,708,830)	(143,651,848)
Principal paid on long-term debt	(8,809,729)	(7,438,380)
Interest and fees paid on long-term debt	(6,645,629)	(6,004,360)
Capital contributions	44,505,021	34,400,149
Proceeds from state revolving fund loan	-	6,087,527
Proceeds from disposition of assets	1,061,176	569,564
	<u>76,045,114</u>	<u>(116,037,348)</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities:		
Purchase of investments	(6,323,644)	(6,197,962)
Investment maturities	6,197,962	6,115,980
Interest on investments	384,412	2,649,247
	<u>258,730</u>	<u>2,567,265</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	132,269,591	(55,024,633)
Cash and cash equivalents, October 1	<u>97,816,822</u>	<u>152,841,455</u>
Cash and cash equivalents, September 30	<u>\$ 230,086,413</u>	<u>\$ 97,816,822</u>
Classified as:		
Current assets	\$ 148,489,371	\$ 41,094,954
Current assets, restricted	53,133,320	48,304,562
Noncurrent assets, restricted	28,463,722	8,417,306
	<u>\$ 230,086,413</u>	<u>\$ 97,816,822</u>
Total		

See accompanying notes to financial statements.

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (19,590,358)	\$ (22,089,571)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	86,886,009	85,204,691
Pension and OPEB adjustment	(4,426,426)	4,436,942
Allowance for doubtful accounts	97,231	3,750
Decrease (increase) in assets:		
Accounts receivable	(241,899)	(1,060,801)
Due from other governmental agencies	(857,703)	18,701
Inventories and prepaid costs	1,736,345	(757,361)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	885,033	1,117,656
Due to other governmental agencies	50,794	(12,341)
Customer deposits	67,621	(168,836)
Total adjustments	<u>84,197,005</u>	<u>88,782,401</u>
Net cash provided by operating activities	<u>\$ 64,606,647</u>	<u>\$ 66,692,830</u>
Noncash investing, capital and financing activities:		
Capital assets donated by developers	\$ 42,709,899	\$ 50,266,395
Capital assets acquired through retainage payables	<u>17,598,327</u>	<u>15,441,028</u>
	<u>\$ 60,308,226</u>	<u>\$ 65,707,423</u>

See accompanying notes to financial statements.

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS
for the years ended September 30, 2021 and 2020

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, 2021 and 2020

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 2021 or the 2020 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 investments 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 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 \$8,867,263 and \$8,564,984 as of September 30, 2021 and 2020, respectively. The System also records receivables for special assessments on certain construction projects. The amount of special assessments receivable included in accounts receivable was \$1,173,690 and \$59,776 as of September 30, 2021 and 2020, respectively. Of these amounts, \$148,970 and \$1,578, 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, 2021 and 2020

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 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, 2021 and 2020

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:

	2021	2020
Due to vendors	\$ 33,373,303	\$ 39,075,235
Salaries and benefits payable	6,310,474	6,003,239
Total	\$ 39,683,777	\$ 45,078,474

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, 2021 and 2020, 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 in accordance with GASB Statement No. 16. The liability for compensated absences was \$6,310,690 and \$5,943,512 at September 30, 2021 and 2020, respectively. Of these amounts, \$3,967,100 and \$4,008,750, 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 and wastewater treatment services. Other revenues, such as non-capital grants and interest revenue, are classified as nonoperating.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

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 recorded as a component of interest expense. Amortization of the premium for the fiscal years ended September 30, 2021 and 2020 was \$4,113,956 and \$741,565, 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 \$10,667,834 and \$10,590,367, as of September 30, 2021 and 2020, 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 \$15,905,142 and \$15,032,453 as of September 30, 2021 and 2020, respectively.

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

B. DEPOSIT AND INVESTMENT RISK

As of September 30, 2021 and 2020, 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>2021</u>	<u>2020</u>	<u>Credit Rating</u>
Demand and time deposits	\$ 7,535,821	\$ 4,132,652	NA
Money market mutual funds	103,756	417,614	
U.S. Treasury Notes	6,321,351	6,162,915	
County investment pool:			
Florida PRIME	50,934,259	21,014,652	AAAm
U.S. Treasury Bills	25,060,037	17,871,952	A-1+
U.S. Treasury Notes	141,437,509	46,646,635	AA+/Aaa
Federal instrumentalities:			
Notes and bonds	5,013,025	7,148,543	AA+/Aaa
Money market mutual funds	2,006	584,774	AAAm/Aaa-mf
Total	<u>\$ 236,407,764</u>	<u>\$ 103,979,737</u>	

The System's fair value measurement for U.S. Treasury Bills, U.S. Treasury Notes and Federal Instrumentalities uses observable inputs other than quoted prices in active markets (Level 2 inputs). 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, 2021 and 2020

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, 2021, the System's portion of the Board investment pool portfolio was invested in one authorized Instrumentality, which represented two percent 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, 2021 and 2020, 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, 2021 and 2020, 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 13.1 and 9.9 months at September 30, 2021 and 2020, respectively. The portfolio did not contain any callable securities at September 30, 2021 and 2020. 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, 2021 and 2020

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, 2021 and 2020:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Totals</u>
<u>September 30, 2021:</u>				
Operations and maintenance fund	\$ 31,513,943	\$ -	\$ -	\$ 31,513,943
Revenue fund	51,738	-	-	51,738
Bond principal	3,780,035	-	-	3,780,035
Bond interest	4,714,114	-	14	4,714,128
Bond renewal and replacement fund	8,000,000	-	-	8,000,000
Bond reserve account	103,756	6,321,351	-	6,425,107
Loan debt service	1,280,021	-	-	1,280,021
Loan repayment reserve	760,140	-	-	760,140
Customer deposits	11,033,329	-	-	11,033,329
2020 Series construction fund	<u>20,359,966</u>	<u>-</u>	<u>-</u>	<u>20,359,966</u>
Total restricted assets	81,597,042	6,321,351	14	87,918,407
Less: current portion	<u>53,133,320</u>	<u>-</u>	<u>14</u>	<u>53,133,334</u>
Restricted assets, noncurrent portion	<u>\$ 28,463,722</u>	<u>\$ 6,321,351</u>	<u>\$ -</u>	<u>\$ 34,785,073</u>
<u>September 30, 2020:</u>				
Operations and maintenance fund	\$ 30,275,252	\$ -	\$ -	\$ 30,275,252
Revenue fund	68,060	-	-	68,060
Bond principal	3,600,229	-	-	3,600,229
Bond interest	1,285,651	-	5,270	1,290,921
Bond renewal and replacement fund	8,000,000	-	-	8,000,000
Bond reserve account	417,306	6,162,915	-	6,580,221
Loan debt service	1,349,522	-	-	1,349,522
Loan repayment reserve	760,140	-	-	760,140
Customer deposits	<u>10,965,708</u>	<u>-</u>	<u>-</u>	<u>10,965,708</u>
Total restricted assets	56,721,868	6,162,915	5,270	62,890,053
Less: current portion	<u>48,304,562</u>	<u>-</u>	<u>5,270</u>	<u>48,309,832</u>
Restricted assets, noncurrent portion	<u>\$ 8,417,306</u>	<u>\$ 6,162,915</u>	<u>\$ -</u>	<u>\$ 14,580,221</u>

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

D. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2021 and 2020 was as follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021
Capital assets, not being depreciated:				
Land	\$ 103,040,894	\$ 76,022	\$ -	\$ 103,116,916
Construction in progress	298,228,554	123,474,220	(98,339,167)	323,363,607
Total capital assets, not being depreciated	<u>401,269,448</u>	<u>123,550,242</u>	<u>(98,339,167)</u>	<u>426,480,523</u>
Capital assets, being depreciated/amortized:				
Buildings	30,218,092	-	-	30,218,092
Improvements other than buildings	2,400,515,280	118,412,282	(106,056)	2,518,821,506
Machinery and equipment	107,025,621	9,377,476	(4,039,641)	112,363,456
Intangible	164,012,834	23,195,195	-	187,208,029
Total capital assets, being depreciated/amortized	<u>2,701,771,827</u>	<u>150,984,953</u>	<u>(4,145,697)</u>	<u>2,848,611,083</u>
Less accumulated depreciation/amortization for:				
Buildings	(16,241,394)	(1,223,272)	-	(17,464,666)
Improvements other than buildings	(1,328,518,271)	(77,535,768)	106,056	(1,405,947,983)
Machinery and equipment	(79,969,652)	(7,717,574)	3,952,955	(83,734,271)
Intangible	(13,695,476)	(409,395)	-	(14,104,871)
Total accumulated depreciation/amortization	<u>(1,438,424,793)</u>	<u>(86,886,009)</u>	<u>4,059,011</u>	<u>(1,521,251,791)</u>
Total capital assets, being depreciated/amortized, net	<u>1,263,347,034</u>	<u>64,098,944</u>	<u>(86,686)</u>	<u>1,327,359,292</u>
Total System capital assets, net	<u>\$ 1,664,616,482</u>	<u>\$ 187,649,186</u>	<u>\$ (98,425,853)</u>	<u>\$ 1,753,839,815</u>
	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020
Capital assets, not being depreciated:				
Land	\$ 102,773,238	\$ 267,656	\$ -	\$ 103,040,894
Construction in progress	227,509,249	135,915,484	(65,196,179)	298,228,554
Total capital assets, not being depreciated	<u>330,282,487</u>	<u>136,183,140</u>	<u>(65,196,179)</u>	<u>401,269,448</u>
Capital assets, being depreciated/amortized:				
Buildings	30,141,496	76,596	-	30,218,092
Improvements other than buildings	2,305,818,116	96,770,133	(2,072,969)	2,400,515,280
Machinery and equipment	103,758,030	7,091,343	(3,823,752)	107,025,621
Intangible	146,095,968	17,916,866	-	164,012,834
Total capital assets, being depreciated/amortized	<u>2,585,813,610</u>	<u>121,854,938</u>	<u>(5,896,721)</u>	<u>2,701,771,827</u>
Less accumulated depreciation/amortization for:				
Buildings	(15,019,062)	(1,222,332)	-	(16,241,394)
Improvements other than buildings	(1,253,869,839)	(76,721,395)	2,072,963	(1,328,518,271)
Machinery and equipment	(76,780,323)	(6,851,611)	3,662,282	(79,969,652)
Intangible	(13,286,123)	(409,353)	-	(13,695,476)
Total accumulated depreciation/amortization	<u>(1,358,955,347)</u>	<u>(85,204,691)</u>	<u>5,735,245</u>	<u>(1,438,424,793)</u>
Total capital assets, being depreciated/amortized, net	<u>1,226,858,263</u>	<u>36,650,247</u>	<u>(161,476)</u>	<u>1,263,347,034</u>
Total System capital assets, net	<u>\$ 1,557,140,750</u>	<u>\$ 172,833,387</u>	<u>\$ (65,357,655)</u>	<u>\$ 1,664,616,482</u>

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

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, 2021 and 2020 is as follows:

	Balance 10/1/20	Additions	Reductions	Balance 9/30/21
Compensated absences payable	\$ 5,943,512	\$ 4,215,329	\$ (3,848,151)	\$ 6,310,690
Revenue bonds payable	82,340,000	140,740,000	(3,600,000)	219,480,000
Plus unamortized cost:				
Bond premium	1,483,218	44,903,105	(4,113,956)	42,272,367
Total revenue bonds payable, net of unamortized costs	83,823,218	185,643,105	(7,713,956)	261,752,367
Loans payable - direct borrowing	95,610,751	-	(5,209,729)	90,401,022
Net pension liability	57,090,209	-	(34,636,545)	22,453,664
Net OPEB liability	1,297,538	1,270,923	(1,910,891)	657,570
Total net pension and OPEB liability	58,387,747	1,270,923	(36,547,436)	23,111,234
System long-term liabilities, including current portion	\$ 243,765,228	\$ 191,129,357	\$ (53,319,272)	\$ 381,575,313

	Balance 10/1/19	Additions	Reductions	Balance 9/30/20
Compensated absences payable	\$ 5,405,879	\$ 4,516,208	\$ (3,978,575)	\$ 5,943,512
Revenue bonds payable	85,770,000	-	(3,430,000)	82,340,000
Plus unamortized cost:				
Bond premium	2,224,783	-	(741,565)	1,483,218
Total revenue bonds payable, net of unamortized costs	87,994,783	-	(4,171,565)	83,823,218
Loans payable - direct borrowing	93,531,604	6,087,527	(4,008,380)	95,610,751
Net pension liability	49,300,361	7,789,848	-	57,090,209
Net OPEB liability	1,793,854	843,409	(1,339,725)	1,297,538
Total net pension and OPEB liability	51,094,215	8,633,257	(1,339,725)	58,387,747
System long-term liabilities, including current portion	\$ 238,026,481	\$ 19,236,992	\$ (13,498,245)	\$ 243,765,228

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

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, 2021 and 2020

F. REVENUE BONDS PAYABLE, Continued

The following is a summary of revenue bonds payable as of September 30, 2021 and 2020:

	September 30	
	2021	2020
<u>\$89,035,000 Water and Wastewater Utility Revenue Bonds, Series 2016:</u>		
Serial bonds, due October 1, from 2020 to 2036 with interest due semi-annually on April 1 and October 1, at 2.00% to 5.00%	\$ 78,740,000	\$ 82,340,000
Unamortized bond premium	884,140	1,483,218
Series 2016 Bonds payable net of unamortized costs	79,624,140	83,823,218
 <u>\$140,740,000 Water and Wastewater Utility 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%	140,740,000	-
Unamortized bond premium	41,388,227	-
Series 2020 Bonds payable net of unamortized costs	182,128,227	-
 Total revenue bonds payable net of unamortized costs	\$ 261,752,367	\$ 83,823,218

The total principal and interest remaining to be paid on all outstanding series of bonds was \$322,330,422 and \$103,625,065 as of September 30, 2021 and 2020 respectively. Principal and interest paid in Fiscal Year 2021 and 2020 was \$8,250,885 and \$6,086,894, respectively. Total pledged revenue was \$66,435,181 and \$63,230,223, respectively, for the years ended September 30, 2021 and 2020.

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, 2021 and 2020**

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, 2021 and 2020

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, 2021 and 2020**

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, 2021:

Fiscal Year Ending September 30	Principal	Interest	Total
2021	\$ 3,780	\$ 4,714	\$ 8,494
2022	8,575	9,239	17,814
2023	9,010	8,810	17,820
2024	9,455	8,360	17,815
2025	9,930	7,887	17,817
2026-2030	55,345	33,737	89,082
2031-2035	66,975	22,115	89,090
2036-2040	56,410	7,988	64,398
Totals	<u>\$ 219,480</u>	<u>\$ 102,850</u>	<u>\$ 322,330</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, 2021.

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 \$1,616,535 and \$1,946,466 as of September 30, 2021 and 2020, 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 \$2,932,152 and \$3,257,430 as of September 30, 2021 and 2020, 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, 2021 and 2020

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 \$1,004,438 and \$1,086,985 as of September 30, 2021 and 2020, 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 \$1,132,340 and \$1,212,982 as of September 30, 2021 and 2020, 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 \$1,833,041 and \$1,963,584 as of September 30, 2021 and 2020, 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 \$1,227,960 and \$1,324,548 as of September 30, 2021 and 2020, 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 \$4,526,131 and \$4,807,676 as of September 30, 2021 and 2020, 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, 2021 and 2020

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 \$6,505,145 and \$6,888,638 as of September 30, 2021 and 2020, 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 \$2,751,397 and \$2,935,144 as of September 30, 2021 and 2020, 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 \$5,372,853 and \$5,691,375 as of September 30, 2021 and 2020, 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 \$61,499,030 and \$64,495,923 as of September 30, 2021 and 2020, 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 \$106,286,160 and \$113,487,320, as of September 30, 2021 and 2020, respectively. Principal and interest paid was \$7,201,160 and \$5,994,429 and total pledged revenue was \$54,575,796 and \$57,059,079, respectively, for the fiscal years ended September 30, 2021 and 2020.

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

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, 2021:

Fiscal Year Ending September 30	Principal	Interest	Total
2022	\$ 5,324	\$ 1,877	\$ 7,201
2023	5,441	1,761	7,202
2024	5,560	1,641	7,201
2025	5,682	1,519	7,201
2026	5,613	1,395	7,008
2027-2031	28,060	5,190	33,250
2032-2036	26,333	2,286	28,619
2037-2038	8,388	216	8,604
Totals	<u>\$ 90,401</u>	<u>\$ 15,885</u>	<u>\$ 106,286</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, 2021 and 2020

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.

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, 2021 and 2020**

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, 2021 - September 30, 2021	July 1, 2020 - June 30, 2021	October 1, 2019 - June 30, 2020
Regular	10.82%	10.00%	8.47%
Special Risk Administrative			
Support	37.76%	35.84%	38.59%
Special Risk	25.89%	24.45%	25.48%
Senior Management Services	29.01%	27.29%	25.41%
Elected Officers	51.42%	49.18%	48.82%
DROP participants	18.34%	16.98%	14.60%

These employer contribution rates include 1.66% HIS Plan subsidy for the period October 1, 2019 through September 30, 2021.

The System's contributions to the Pension Plan totaled \$3,790,482 and \$3,297,525 for the fiscal years ended September 30, 2021 and 2020, respectively.

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

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 \$7,316,801 and \$41,767,762 for its proportionate share of the Board’s Pension Plan’s net pension liability as of September 30, 2021 and 2020, 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, 2021, the System’s proportionate share was 6.22%, which was a decrease of 0.09% from its proportionate share of 6.31% measured as of September 30, 2020.

For the fiscal years ended September 30, 2021 and 2020, the System recognized pension expense of \$291,029 and \$8,930,114, 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	
	9/30/21	9/30/20	9/30/21	9/30/20
Differences between expected and actual experience	\$ 1,254,111	\$ 1,598,537	\$ -	\$ -
Change of assumptions	5,006,518	7,561,294	-	-
Net difference between projected and actual earnings on Pension Plan investments	-	2,486,893	25,526,481	-
Changes in proportion and differences between System Pension Plan contributions and proportionate share of contributions	1,054,924	859,095	-	1,533
System Pension Plan contributions subsequent to the measurement date	1,030,321	943,956	-	-
Total	<u>\$ 8,345,874</u>	<u>\$ 13,449,775</u>	<u>\$ 25,526,481</u>	<u>\$ 1,533</u>

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

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 \$1,030,321, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. 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 <u>September 30:</u>	<u>Amount</u>
2022	\$ (3,056,061)
2023	(3,704,726)
2024	(5,022,489)
2025	(6,543,439)
2026	115,787

Actuarial Assumptions – The total pension liability in the July 1, 2021 and 2020 actuarial valuations were 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	6.80%, net of pension plan investment expense, including inflation

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, 2021 and 2020 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 allocation and best estimates of arithmetic and geometric real rates of return for each major asset class for the July 1, 2021 actuarial valuation are summarized in the following table and were not changed significantly from the July 1, 2020 actuarial valuation:

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

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%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	<u>100.0%</u>			

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

Discount Rate - The discount rate used to measure the total pension liability was 6.80% for the July 1, 2021 and 2020 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 (asset) liability calculated using the discount rate of 6.80% for Fiscal Years 2021 and 2020, 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, 2021 and 2020**

H. RETIREMENT SYSTEMS, Continued

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
System's proportionate share of the net pension liability (asset) at September 30, 2021	\$ 32,721,226	\$ 7,316,801	\$ (13,918,449)
	1% Decrease (5.80%)	Discount Rate (6.80%)	1% Increase (7.80%)
System's proportionate share of the net pension liability at September 30, 2020	\$ 66,696,097	\$ 41,767,762	\$ 20,947,509

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, 2021 and 2020, the System reported de minimis amounts payable for outstanding contributions to the Pension Plan.

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

H. RETIREMENT SYSTEMS, Continued

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended September 30, 2021 and 2020, the HIS contribution rate was 1.66%. The System 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 \$726,259 and \$731,491 for the fiscal years ended September 30, 2021 and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The System reported a liability of \$15,136,863 and \$15,322,447 for its proportionate share of the Board's HIS Plan's net pension liability as of September 30, 2021 and 2020, 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. 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, 2021, the System's proportionate share was 9.90%, which was a decrease of 0.64% from its proportionate share of 10.54% measured as of September 30, 2020.

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. RETIREMENT SYSTEMS, Continued

For the fiscal years ended September 30, 2021 and 2020, the System recognized pension expense of \$1,294,984 and \$1,402,054, 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	
	9/30/21	9/30/20	9/30/21	9/30/20
Differences between expected and actual experience	\$ 506,518	\$ 626,781	\$ 6,340	\$ 11,820
Change of assumptions	1,189,419	1,647,599	623,677	890,941
Net difference between projected and actual earnings on HIS Plan investments	15,780	12,234	-	-
Changes in proportion and differences between System HIS Plan contributions and proportionate share of contributions	852,995	484,175	-	-
System HIS Plan contributions subsequent to the measurement date	187,476	198,716	-	-
Total	<u>\$ 2,752,188</u>	<u>\$ 2,969,505</u>	<u>\$ 630,017</u>	<u>\$ 902,761</u>

The deferred outflows of resources related to the HIS Plan resulting from System contributions to the HIS Plan subsequent to the measurement date, totaling \$187,476, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2022	\$ 507,107
2023	293,962
2024	365,450
2025	392,389
2026	298,078
Thereafter	77,709

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. RETIREMENT SYSTEMS, Continued

Actuarial Assumptions – The total pension liability in the July 1, 2021 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	2.16%

All assumptions were the same in the July 1, 2020 valuation with the exception of the municipal bond rate which was 2.21%

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

The actuarial assumptions used to determine the July 1, 2021 and 2020 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 2.16% and 2.21% for the July 1, 2021 and 2020 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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 2.16% and 2.21%, for the Fiscal Year 2021 and 2020, 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:

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. RETIREMENT SYSTEMS, Continued

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
System's proportionate share of the net pension liability at September 30, 2021	\$ 17,499,680	\$ 15,136,863	\$ 13,201,063
	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
System's proportionate share of the net pension liability at September 30, 2020	\$ 17,712,065	\$ 15,322,447	\$ 13,366,552

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, 2021 and 2020, 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 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

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

H. RETIREMENT SYSTEMS, Continued

Program, are funded through an employer contribution and by forfeited benefits of plan members. The employer contribution for the periods from October 1, 2019 through September 30, 2021 was 0.06% of payroll. Allocations to the investment member's accounts during the 2019-20 and 2020-21 fiscal years, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class--6.30%, Special Risk Administrative Support class--7.95%, Special Risk class--14.00%, Senior Management Service class--7.67% and County Elected Officers class--11.34%.

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, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the 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 \$745,443 and \$551,156 for the fiscal years ended September 30, 2021 and 2020, respectively.

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

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued

Retirement System (FRS) are eligible to receive a monthly benefit of three dollars per year of service up to a maximum of \$90 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 2021, the System's ADC payment was \$479,946, representing 1.09% of the System's covered employee payroll amount of \$44,216,972. For Fiscal Year 2020, the System's ADC payment to the trust was \$458,851, representing 1.03% of the System's covered employee payroll amount of \$44,614,700. 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, 2021 and 2020, System employee plan participation consisted of:

	2021	2020
Active members	735	738
Inactive employees currently receiving benefits	210	202
Inactive employees with deferred benefits	5	6

Net OPEB Liability - The System's net OPEB liability was measured as of September 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued

Actuarial Assumptions – The total OPEB liability in the September 30, 2021 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 6.40%; post 65 increase of 6.70% for Fiscal Year 2022, grading to an ultimate rate of 4.50% for Fiscal Year 2031+
Mortality	Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2021

All assumptions were the same in the September 30, 2020 actuarial valuation with the exception of the healthcare cost trend rate which was Pre-65 increase of 6.45%; post 65 increase of 7.25% for Fiscal Year 2021, grading to an ultimate rate of 4.5% for the Fiscal Year 2029 and mortality based on Pub-2010 Headcount Weighted General and Public Safety tables, projected with Scale MP-2020.

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ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

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 rate 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, 2021 are summarized in the following table, which also approximate the rate of return and asset allocation as of September 30, 2020:

<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	6.72%	4.11%	43.00%
Small Cap U.S. Equity	7.22%	4.60%	7.00%
International Equity	7.42%	4.80%	24.70%
Emerging Markets Equity	7.92%	5.29%	8.30%
Non-U.S. Developed Bond	2.50%	0.00%	5.00%
Intermediate Duration Bonds-Gov't	2.30%	-0.20%	7.70%
Intermediate Duration Bonds-Credit	3.20%	0.69%	4.30%
Total Portfolio	6.74%	4.54%	100.00%

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued

Changes in the Net OPEB Liability – for the System for fiscal years ended September 30, 2021 and 2020, are displayed in the following tables:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 9-30-20	\$ 6,160,857	\$ 4,863,319	\$ 1,297,538
Changes for the year:			
Service cost	250,738	-	250,738
Interest	432,956	-	432,956
Differences between expected and actual experience	(212,435)	-	(212,435)
Changes of assumptions	587,229	-	587,229
Contribution - employer	-	479,946	(479,946)
Net investment income	-	1,218,510	(1,218,510)
Benefit payments	(460,819)	(460,819)	-
Net changes	597,669	1,237,637	(639,968)
Balances at 9-30-21	\$ 6,758,526	\$ 6,100,956	\$ 657,570

Plan fiduciary net position as a percentage of
the total OPEB liability: 90.27%

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**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

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 9-30-19	\$ 6,022,263	\$ 4,228,409	\$ 1,793,854
Changes for the year:			
Service cost	235,952	-	235,952
Interest	429,014	-	429,014
Differences between expected and actual experience	178,443	-	178,443
Changes of assumptions	(308,757)	-	(308,757)
Contribution - employer	-	458,851	(458,851)
Net investment income	-	572,117	(572,117)
Benefit payments	(396,058)	(396,058)	-
Net changes	138,594	634,910	(496,316)
Balances at 9-30-20	<u>\$ 6,160,857</u>	<u>\$ 4,863,319</u>	<u>\$ 1,297,538</u>

Plan fiduciary net position as a percentage of
the total OPEB liability: 78.94%

The discount rate used to measure the total OPEB liability is 7.00% in Fiscal Years 2021 and 2020. 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, 2021 and 2020

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 2021 and 2020, 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, 2021	\$ 1,281,423	\$ 657,570	\$ 106,849

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
System's net OPEB liability at September 30, 2020	\$ 1,861,087	\$ 1,297,538	\$ 800,806

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 6.70% and 7.25% for Fiscal Years 2021 and 2020, 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 (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
System's net OPEB liability at September 30, 2021	\$ 280,265	\$ 657,570	\$ 1,098,651

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's net OPEB liability at September 30, 2020	\$ 978,918	\$ 1,297,538	\$ 1,669,208

Continued

**ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020**

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS, Continued

For fiscal years ended September 30, 2021 and 2020, the System recognized OPEB expense of \$116,643 and \$272,752, 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	
	09/30/21	09/30/20	09/30/21	09/30/20
Differences between expected and actual experience	\$ 134,491	\$ 156,467	\$ 309,890	\$ 148,148
Change of assumptions	804,591	330,920	403,937	485,201
Net difference between projected and actual earnings on OPEB Plan investments	-	-	828,765	180,883
Total	<u>\$ 939,082</u>	<u>\$ 487,387</u>	<u>\$ 1,542,592</u>	<u>\$ 814,232</u>

The OPEB Plan's deferred outflows of resources and deferred inflows of resources related to the System at September 30, 2021 will be recognized in OPEB expense of the System as follows:

Fiscal Year Ending September 30:	Amount
2022	\$ (222,015)
2023	(196,433)
2024	(224,890)
2025	(168,595)
2026	66,613
Thereafter	141,810

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 2021 and 2020 at an annual cost of \$3,706,380 and \$3,222,634, respectively. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2021.

Continued

ORANGE COUNTY WATER UTILITIES SYSTEM
NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended September 30, 2021 and 2020

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 \$125.1 million and \$194.1 million at September 30, 2021 and 2020, 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 \$9,700,000 and \$8,900,000 in Fiscal Year 2021 and 2020 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, 2021

	Budget	Actual
Operating revenues:		
Wastewater service	\$ 145,879,972	\$ 137,826,667
Water service	59,426,671	57,872,208
Reclaimed water service	12,312,376	12,063,336
Miscellaneous	7,340,633	8,797,268
Total operating revenues	224,959,652	216,559,479
Operating and maintenance expenses:		
Personal services	64,664,824	60,275,191
Contractual services	50,584,705	35,952,275
Materials and supplies	12,070,897	9,325,531
Utilities	16,377,969	15,260,245
Repairs and maintenance	32,429,856	25,074,564
Other expenses	10,209,698	7,802,448
Total operating and maintenance expenses	186,337,949	153,690,254
Operating income, budgetary basis*	38,621,703	62,869,225
Nonoperating revenues (expenses):		
Investment income	1,677,069	638,106
Interest expense and fiscal charges	(12,646,682)	(4,761,551)
Total net nonoperating revenues (expenses)	(10,969,613)	(4,123,445)
Income before contributions and transfer, budgetary basis*	27,652,090	58,745,780
Capital contributions	32,362,332	44,505,021
Transfer out	(9,700,000)	(9,700,000)
Change in net position, budgetary basis*	\$ 50,314,422	\$ 93,550,801

*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, 2021**

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	
2021	\$ 3,780,000	\$ 1,195,572 (a)	\$ -	\$ 3,518,500 (a)	\$ 8,494,072
2022	3,970,000	2,202,144	4,605,000	7,037,000	17,814,144
2023	4,170,000	2,003,643	4,840,000	6,806,750	17,820,393
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	\$ 78,740,000	\$ 18,803,922	\$ 140,740,000	\$ 84,046,500	\$ 322,330,422

(a) Represents semi-annual requirement only.

(b) Maximum annual debt service.

**ORANGE COUNTY WATER UTILITIES SYSTEM
BOND AND LOAN COVERAGE COMPUTATION
September 30, 2021**

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, 2021:

Gross operating revenues	\$ 216,559,479
Interest income, excluding interest on connection fees	378,221
Less operating and maintenance expenses	<u>149,263,828</u>
Net operating revenues available for debt service	<u>67,673,872</u>
Less required deposits to specified accounts	<u>(1,238,691)</u>
Net operating revenues available for debt service	<u>\$ 66,435,181</u>
Annual debt service requirement for bonds	<u>\$ 11,859,385</u>
Actual debt coverage (net operating revenues available for debt service divided by annual debt service)	5.60
Required debt coverage	1.10
Net operating revenues available for debt service less annual debt service requirement for bonds:	<u>\$ 54,575,796</u>
Annual debt service requirement for loans	<u>\$ 7,201,160</u>
Annual debt coverage for State Revolving Loans	7.58
Required debt coverage for loans	1.15

**ORANGE COUNTY WATER UTILITIES SYSTEM
CUSTOMER STATISTICS
for the years ended September 30, 2021 and 2020
(Unaudited)**

	2021	2020
Number of water accounts:		
Residential	153,105	150,929
Commercial	4,802	4,666
Number of wastewater accounts:		
Residential	121,669	119,120
Commercial	2,847	2,785
OUC billing (2)	46,249	45,382
Number of reclaimed accounts:		
Residential	31,749	29,729
Commercial	2,412	2,293
Water consumption: (1)		
Residential	12,803,610	12,819,300
Commercial	8,366,997	8,098,020
Wastewater consumption: (1)		
Residential	7,635,696	7,566,572
Commercial	7,219,944	6,744,459
OUC billing (2)	7,254,424	7,297,929
Reclaimed consumption: (1)		
Residential	4,914,882	4,641,533
Commercial	8,582,308	9,145,491

(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).