



**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
A Major Fund of Broward County, Florida**

**Financial Statements
For the Years Ended September 30, 2017 and 2016**

**BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND
FINANCIAL STATEMENTS**

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RSM US LLP

Independent Auditor's Report

To the Honorable Board of County Commissioners
Broward County Water & Wastewater Fund
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Fund, as of September 30, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2017 and its changes in financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Predecessor Auditor

The financial statements of the Fund as of and for the year ended September 30, 2016, were audited by other auditors whose report, dated March 22, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The accompanying supplementary information such as the introductory section and schedule of net revenue and debt coverage calculation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of net revenue and debt coverage calculation 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net revenue and debt coverage calculation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Fund'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 Fund's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 23, 2018

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The management of the Water and Wastewater Fund (the Fund) of Broward County, Florida (County) offers this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended September 30, 2017 and 2016. This discussion has been prepared by management and we encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follow this section.

Introduction

The Broward County Utilities Division was established on January 31, 1962, with the County's purchase of a small, investor-owned water and wastewater utility. Between 1962 and 1975, the County acquired additional private utilities. In 1972, the County commenced construction of the North Regional Wastewater Treatment Plant (NRWWTP), and in 1975, began providing wholesale wastewater treatment service to large users. The water utility service area is divided into separate geographic districts; District 1 is served by Water Treatment Plant (WTP) 1A, District 2 by WTP 2A and District 3 by purchased water from the City of Hollywood. Subsequent reorganizations created Water and Wastewater Services (WWS).

The Fund operates as a major enterprise fund of the County. It is self-supporting and does not rely on local tax dollars to fund its operations. Operating revenues must therefore be generated from water utility fees, investment income, and other non-operating revenues in order to (1) cover the fund's operating expenses, debt service payments, certain capital outlays, and other requirements, and (2) comply with the rate covenant provided in the Bond Resolution.

Financial Highlights

- Assets plus deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017 by \$437.9 million (net position). Of this amount, \$69.0 million is unrestricted and thus available for the Fund's ongoing and future obligations.
- In 2017, the Fund's net position increased by \$25.5 million, or 6.2%. The increase is due to the positive results of operations.
- The debt service coverage for the fund of 182% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt decreased by \$14.1 million, or 2.9% during the current fiscal year as a result of repayments of debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial section is comprised of two components: (1) financial statements, and (2) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements.

Financial Statements

The financial statements consist of a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows. These statements provide information about the activities and performance of the Fund and are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flow takes place. These statements are presented on pages 13-16.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The **Statement of Net Position** includes all of the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

Revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Changes in Net Position**. This statement measures the success of the Fund's operations over the past year and can be used to determine whether the Fund has recovered all of its costs through its user charges and fees.

The **Statement of Cash Flows** provides information about the Fund's cash receipts, cash payments and net changes in cash resulting from operations, investing in non-capital activities, investing in capital and related financing activities, and investing activities.

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the information provided in the Fund's financial statements. The notes to the financial statements can be found on pages 17-42.

Other Information

In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the progress in funding the obligation to provide other post employment benefits, the Fund's proportionate share of the net pension liability, and the Fund's pension contributions. Required supplementary information can be found on pages 44-49.

A schedule of net revenue and debt coverage calculation is presented immediately following the required supplementary information and can be found on page 51.

Financial Analysis

The statements of net position serve as a useful indicator of the Fund's financial position. They distinguish assets, deferred outflows of resources, liabilities and deferred inflows of resources, with respect to their expected use for current operations or internally designated use for capital projects. A condensed comparative summary of the Fund's Statements of Net Position as of September 30, 2017, 2016 and 2015 is shown on the following page:

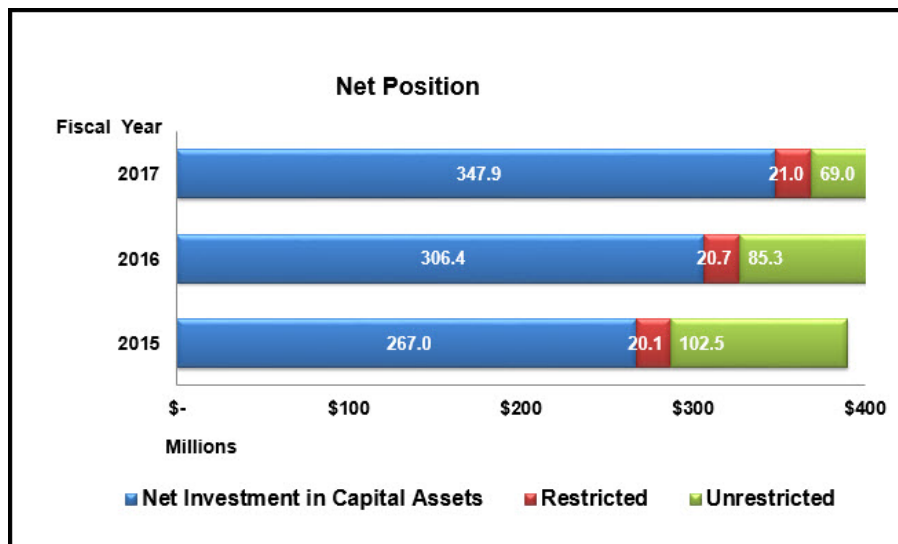
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

**Net Position
As of September 30, 2017, 2016 and 2015
(In Thousands)**

	2017	2016	2015
Current Assets	\$ 131,882	\$ 148,349	\$ 168,221
Noncurrent Assets-Other Than Capital Assets	43,394	43,359	42,952
Capital Assets (Net)	813,338	789,024	758,057
Total Assets	<u>988,614</u>	<u>980,732</u>	<u>969,230</u>
 Deferred Outflows of Resources	 32,752	 34,002	 31,639
Current Liabilities	51,800	55,905	53,320
Noncurrent Liabilities	530,263	545,902	556,017
Total Liabilities	<u>582,063</u>	<u>601,807</u>	<u>609,337</u>
 Deferred Inflows of Resources	 1,411	 528	 1,988
Net Investment in Capital Assets	347,941	306,381	266,998
Restricted	20,982	20,687	20,075
Unrestricted	68,969	85,331	102,471
Total Net Position	<u>\$ 437,892</u>	<u>\$ 412,399</u>	<u>\$ 389,544</u>

The overall position of the Fund improved in both the 2017 and 2016 fiscal years. Total net position as of September 30, 2017, was \$437.9 million, representing an increase of \$25.5 million, or 6.2% compared to 2016. Total net position as of September 30, 2016, was \$412.4 million, as compared to the 2015 net position of \$389.5 million, representing an increase of \$22.9 million, or 5.9% during fiscal year 2016. The increase in fiscal years 2017 and 2016 was primarily due to the positive results of operations in the Fund.

At September 30, 2017, 79.5% of the Fund's net position is represented by its net investment in capital assets. These capital assets are used to provide services to the utility's customers. The restricted portion, 4.8% of the Fund's net position, relates to assets that are subject to external restrictions on how they can be used pursuant to covenants of the bond resolution. The remaining unrestricted net position of 15.7% may be used to meet any of the Fund's ongoing obligations.



**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The following schedule shows the changes in net position for the fiscal years ended September 30, 2017, 2016 and 2015.

**Changes in Net Position
For the Years Ended September 30, 2017, 2016 and 2015
(In Thousands)**

	2017	2016	2015
Operating Revenues:			
Water Sales	\$ 50,620	\$ 48,106	\$ 47,796
Wastewater Services	79,411	76,890	76,159
Other Services	6,888	6,953	7,473
Total Operating Revenues	<u>136,919</u>	<u>131,949</u>	<u>131,428</u>
Operating Expenses:			
Personal Services	29,999	27,066	24,405
General Operating	42,875	43,051	42,480
Depreciation	36,282	34,328	34,962
Total Operating Expenses	<u>109,156</u>	<u>104,445</u>	<u>101,847</u>
Operating Income	<u>27,763</u>	<u>27,504</u>	<u>29,581</u>
Non-Operating Revenues (Expenses):			
Investment Income	1,099	444	351
Interest Expense, Net of Capitalized Interest	(15,699)	(14,052)	(16,385)
Bond Issuance Costs	-	-	(1,506)
Other	369	390	(822)
Total Non-Operating Revenues (Expenses)	<u>(14,231)</u>	<u>(13,218)</u>	<u>(18,362)</u>
Income Before Capital Contributions and Transfers	13,532	14,286	11,219
Capital Contributions	11,961	8,569	8,046
Transfer out	-	-	(5,522)
Change in Net Position	<u>25,493</u>	<u>22,855</u>	<u>13,743</u>
Total Net Position - Beginning	<u>412,399</u>	<u>389,544</u>	<u>375,801</u>
Total Net Position - Ending	<u>\$ 437,892</u>	<u>\$ 412,399</u>	<u>\$ 389,544</u>

The Fund's current year activities increased net position by \$25.5 million, a 6.2% increase from the 2016 balance of \$412.4 million. The increase is primarily due to the positive result of operations. Some of the significant changes are as follows:

- Operating revenues increased \$5.0 million, or 3.8% over the prior year. The increase was the result of several factors. Retail water revenue increased \$2.5 million due to a 3.05% increase in retail water rates and an increase of 2.4% in retail water usage. Compared to the prior fiscal year, sewage flows to the treatment plant decreased 7.8%. The decrease was a result of drier weather patterns during the fiscal year which decreased the inflow and infiltration sewage flows from our Large Users by 5.0%. Invoiced retail sewage flows increased 1.9% during the fiscal year. Retail Sewer revenue increased \$1.5 million largely due to a retail sewer rate increase of 3.16%. Large User revenue increased \$1.0 million compared to FY16.
- Operating expenses increased \$4.7 million, or 4.5% from the prior year. The increase is the result of an increase in personal services of \$2.9 million, a \$2.0 million increase in depreciation expense and a decrease of general operating expenses of \$0.2 million.

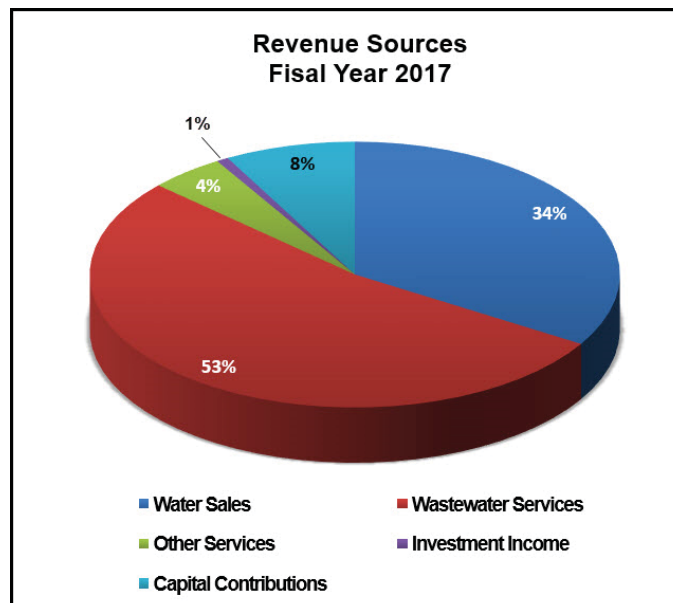
**Broward County, Florida
Water and Wastewater Fund
Management’s Discussion and Analysis**

- Non-operating revenues (expenses) for fiscal year 2017 increased by \$1.0 million from the prior year. This increase is primarily due to the \$0.6 million increase of investment and other income offset with an increase of \$1.6 million in interest expenses.
- Capital contributions increased by \$3.4 million, or 39.6% from the prior year. This increase is an indication that development activities are anticipated to grow, as broader economic factors in Broward County and throughout the State, such as unemployment rate, home values, and access to capital, continue to improve.

In fiscal year 2016, net position for the Fund was \$412.4 million, \$22.9 million, or a 5.9%, increase from the October 1, 2015 beginning net position of \$389.5 million. Key elements of the increase are as follows:

- Operating revenues increased \$0.5 million, or 0.4% over the prior year. The increase was the result of several factors. Retail water revenue increased \$0.3 million due to a 2.8% increase in retail water rates which was offset by a decrease of 2.7% in retail water usage. Compared to the prior fiscal year, sewage flows increased 12.7%. The increase was a result of wetter weather patterns during the fiscal year which increased the inflow and infiltration sewage flows from our Large Users by 14.4%. Retail sewage flows decreased 0.61% during the fiscal year. Retail Sewer revenue increased \$1.2 million. Large User revenue decreased \$0.5 million and Other Service revenue decreased \$0.5 million compared to FY15
- Operating expenses increased \$2.6 million, or 2.6% from the prior year. The increase is the result of an increase in general operating expenses of \$0.5 million and \$2.7 million increase in personal services and a decrease of depreciation expense of \$0.6 million.
- Non-operating expenses for fiscal year 2016 decreased by \$5.1 million from the prior year. This decrease is primarily due to the \$1.5 million bond issuance costs occurred in 2015 and a decrease of \$1.2 million in other non-operating expenses and a decrease of \$2.4 million in interest expense.
- Capital contributions increased by \$0.5 million, or 6.5% from the prior year. This increase is an indication that development activities are anticipated to grow, as broader economic factors in Broward County and throughout the state, such as unemployment rate, home values, and access to capital, continue to improve.

The following is a chart of the fiscal year 2017 revenues by source and by percentage of total revenues.



**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2017, the Fund had \$813.3 million invested in a variety of capital assets, as reflected in the following schedule. In 2017, there was a net increase in capital assets (additions less retirements and depreciation) of \$24.3 million.

The following is a summary of capital assets of the Fund as of September 30, 2017, 2016 and 2015:

**Comparative Summary of Capital Assets
As of September 30, 2017, 2016 and 2015
(In Thousands)**

	2017	2016	2015
Land	\$ 4,936	\$ 4,936	\$ 4,936
Construction in Progress	147,017	111,473	101,079
Total Non-depreciable Assets	<u>151,953</u>	<u>116,409</u>	<u>106,015</u>
Utility Plant in Service	1,217,919	1,194,686	1,143,447
Equipment	32,273	31,401	28,688
Less Accumulated Depreciation	<u>(588,807)</u>	<u>(553,472)</u>	<u>(520,093)</u>
Total Depreciable Assets, Net	<u>661,385</u>	<u>672,615</u>	<u>652,042</u>
Total Capital Assets, Net	<u>\$ 813,338</u>	<u>\$ 789,024</u>	<u>\$ 758,057</u>

In fiscal year 2017, capital projects under construction increased by \$50.2 million and \$14.4 million in projects were completed and put into service. Major capital projects completed include the Neighborhood Improvement Program for \$4.4 million, Airport Rehabilitation Expansion Projects \$7.6 million and \$2.4 million for various water and wastewater improvement projects. The Neighborhood Improvement Program was initiated by the County in 1993 to upgrade the infrastructure in Municipal Services District neighborhoods. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

In fiscal year 2016, the Fund capitalized assets totaling \$54.9 million of new and improved capital assets. The major new additions included equipment purchases and capital projects improvements. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

The Fund evaluates the need for capital improvements to the County's retail water and wastewater systems as well as the regional wastewater and water supply systems based upon its five-year capital improvement plan that balances the use of capital resources with projected cash flows. The plan is updated annually wherein all projects are thoroughly examined and scheduled. Each review builds upon prior analyses and uses new planning data when available. The Fund finances the capital projects from a combination of operating cash flows and the issuance of revenue bonds.

Additional information on the Fund's capital assets can be found in Note 4 on page 27.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

Debt Administration

As of September 30, 2017, the Fund had \$469.8 million in bonded debt outstanding compared to the \$483.9 million in 2016, a 2.9% decrease. The decrease in debt payable was due to principal payments of \$14.1 million. All debt outstanding as of the end of fiscal year 2017 was secured by system revenues.

In fiscal year 2016, the Fund had \$483.9 million in bonded debt outstanding compared to the \$497.8 million in 2015, a 2.8% decrease, with the decrease due to principal payments of \$13.9 million.

**Comparative Summary of Bonded Debt
As of September 30, 2017, 2016 and 2015
(In Thousands)**

	2017	2016	2015
Water and Sewer Utility Revenue Bonds	\$ 469,830	\$ 483,910	\$ 497,785

Water and sewer utility bonds maintained strong ratings of Aa1, AA+ and AA+ from the three major rating services: Moody's Investors Service, Fitch Ratings, and Standard & Poor's Ratings Services, respectively.

Additional information on the Fund's long-term liabilities can be found in Note 5 on pages 28-29.

Economic Factors and Next Year's Budget and Rates

The County charges uniform rates throughout its service areas. The water utility service area is divided into separate geographic districts; District 1 is served by Water Treatment Plant (WTP) 1A, District 2 by WTP 2A and District 3 by purchased water from the City of Hollywood. The County also owns and operates the North Regional Wastewater System (NRWWS), which provides contract wholesale wastewater services to 11 large users and retail customers from Districts 1 and 2. Sanitary services in Districts 1 and 2 are provided by the NRWWS and by the South District Regional Wastewater System owned and operated by the City of Hollywood for District 3.

The management of the fund has established goals which include providing high quality and cost-effective services to its customer while operating the facilities and executing programs in a manner that protects the environment. These goals were used as a guide to prepare for the fiscal year 2018 approved budget.

The operating and capital budgets ensure rates, fees and charges are sufficient to support fund activities and debt service requirements while providing appropriate coverage to maintain or to enhance bond ratings.

Management develops and implements a financing plan for the successful implementation of the capital plan and policies to ensure environmentally safe water resources.

The following factors were considered in preparing the fiscal year 2018 budget:

- Water consumption increased 2.4% due to the return of drier weather patterns.
- Increase in annual system costs of 3.2% due to increased labor cost, sludge hauling/disposal and purchased water from the City of Hollywood.
- Maintain competitive retail rates among local utilities.
- Maintain conservation based water rates to reward customers with the lowest rates of consumption.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

- The average residential retail rate will increase by 3.2%.
- The regional rates for wastewater and raw water were recalculated in conformance with large user agreements and recommended rates were approved by the Board for fiscal year 2018. The regional rates for wastewater were unchanged and raw water for fiscal year 2018 increased 4.5% from fiscal year 2017.

Additional information on Water and Wastewater Services is available on the County's web site, <http://www.broward.org/waterservices/Pages/Default.aspx>.

Requests for Information

This financial report is designed to present users with a general overview of the Fund's finances for all those with an interest in the Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Director of Water and Wastewater Services
2555 West Copans Road, Pompano Beach, FL 33069
Office: 954-831-0702 Fax: 954-831-0708

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016
(In Thousands)**

	2017	2016
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 8,920	\$ 7,627
Investments	58,339	80,498
Receivables		
Accounts, Net of Allowance of \$6,414 and \$8,102, Respectively	20,033	16,645
Other	136	53
Due from Other County Funds	459	-
Due from Other Governments	17	-
Inventory	9,044	8,845
Prepaid Items	395	427
Total Current Unrestricted Assets	97,343	114,095
Restricted Assets:		
Cash and Cash Equivalents	25,210	34,254
Investments	9,329	-
Total Current Restricted Assets	34,539	34,254
Total Current Assets	131,882	148,349
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	6,816	37,141
Investments	36,578	6,218
Total Noncurrent Restricted Assets	43,394	43,359
Capital Assets:		
Utility Plant in Service	1,217,919	1,194,686
Land	4,936	4,936
Construction in Progress	147,017	111,473
Equipment	32,273	31,401
Total Capital Assets	1,402,145	1,342,496
Less Accumulated Depreciation	(588,807)	(553,472)
Total Capital Assets, Net	813,338	789,024
Total Noncurrent Assets	856,732	832,383
TOTAL ASSETS	988,614	980,732
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	24,201	26,673
Deferred Outflows on Pensions	8,551	7,329
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 32,752	\$ 34,002

(continued)

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2017 AND 2016
(In Thousands)**

	2017	2016
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 11,518	\$ 13,517
Accrued Liabilities	510	474
Due to Other County Funds	234	404
Due to Other Governments	3,223	5,571
Compensated Absences	1,776	1,685
Total Current Liabilities Payable from Unrestricted Assets	17,261	21,651
Payable From Restricted Assets:		
Accounts Payable	-	22
Accrued Interest Payable	10,870	10,999
Revenue Bonds Payable	14,340	14,080
Customer Deposits	9,329	9,153
Total Current Liabilities Payable from Restricted Assets	34,539	34,254
Total Current Liabilities	51,800	55,905
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	504,052	521,843
Compensated Absences	2,006	1,914
Other Post Employment Benefits	896	830
Net Pension Liability	23,309	21,315
Total Noncurrent Liabilities	530,263	545,902
TOTAL LIABILITIES	582,063	601,807
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Pensions	1,411	528
NET POSITION		
Net Investment in Capital Assets	347,941	306,381
Restricted for:		
Debt Service	14,340	14,080
Renewal, Replacement, and Improvement	6,642	6,607
Unrestricted	68,969	85,331
TOTAL NET POSITION	\$ 437,892	\$ 412,399

See accompanying notes to financial statements.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands)**

	2017	2016
Operating Revenues:		
Retail Services:		
Water	\$ 49,817	\$ 47,249
Wastewater	41,727	39,968
Septic Charges	2,850	3,054
Other Services	6,888	6,953
	101,282	97,224
Wholesale Services:		
Water	803	857
Wastewater	34,834	33,868
Total Operating Revenues	136,919	131,949
Operating Expenses:		
Personal Services	29,999	27,066
Utilities Services	16,225	16,424
Chemicals	3,224	3,184
County Services	4,015	3,827
Materials and Supplies	5,408	5,773
Motor Pool	1,188	1,161
Contractual Services	8,496	9,933
Other	4,319	2,749
Total Operating Expenses before Depreciation	72,874	70,117
Operating Income before Depreciation	64,045	61,832
Depreciation Expense	36,282	34,328
Operating Income	27,763	27,504
Non-Operating Revenues (Expenses):		
Grants	17	-
Interest Income	1,099	444
Interest Expense, Net of Capitalized Interest	(15,699)	(14,052)
Other Income	643	505
Discontinued Project Costs	(390)	(185)
Gain on Disposal of Capital Assets	143	93
Other Expenses	(44)	(23)
Total Non-Operating Revenues (Expenses)	(14,231)	(13,218)
Income before Capital Contributions and Transfers	13,532	14,286
Capital Contributions	11,961	8,569
Change in Net Position	25,493	22,855
Total Net Position - Beginning	412,399	389,544
Total Net Position - Ending	\$ 437,892	\$ 412,399

See accompanying notes to financial statements.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Thousands)**

	2017	2016
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 132,464	\$ 133,830
Cash Payments to Suppliers for Goods and Services	(44,559)	(40,726)
Cash Payments to Employees for Services	(28,059)	(26,662)
Other Cash Received	621	505
Net Cash Provided by Operating Activities	60,467	66,947
Cash Flows From Noncapital Financing Activities:		
Noncapital Grants	-	16
Net Cash Provided by (Used for) Noncapital Financing Activities	-	16
Cash Flows From Capital And Related Financing Activities:		
Payment of Bond Issuance Costs	-	(85)
Acquisition and Construction of Capital Assets	(49,483)	(55,540)
Proceeds from Sale of Capital Assets	169	94
Capital Recovery Fees	1,527	2,394
Capital Surcharges Contributed from Other Governments	1,752	1,874
Principal Paid on Revenue Bonds	(14,080)	(13,875)
Interest Paid on Revenue Bonds	(21,869)	(19,352)
Other Debt Service Costs Paid	(44)	(23)
Net Cash Used for Capital and Related Financing Activities	(82,028)	(84,513)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(346,437)	(225,562)
Proceeds from Sale and Maturities of Investment Securities	328,907	239,984
Interest and Dividends on Investments	1,015	399
Net Cash Provided by (Used for) Investing Activities	(16,515)	14,821
Net Decrease in Cash and Cash Equivalents	(38,076)	(2,729)
Cash and Cash Equivalents, Beginning	79,022	81,751
Cash and Cash Equivalents, Ending	40,946	79,022
Cash and Cash Equivalents - Unrestricted Assets	8,920	7,627
Cash and Cash Equivalents - Restricted Assets	32,026	71,395
Total Cash and Cash Equivalents	40,946	79,022
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	27,763	27,504
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	36,282	34,328
Miscellaneous Non-Operating Revenue	643	505
Decrease (Increase) in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(3,396)	1,590
Due from Other County Funds	(459)	-
Inventory	(199)	(151)
Prepaid Items	(49)	14
Deferred Outflows on Pensions	(1,222)	(4,835)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	106	1,121
Accrued Liabilities	36	(659)
Due to Other Governments	(2,340)	1,529
Customer Deposits	176	105
Compensated Absences	183	40
Other Post Employment Benefits	66	68
Net Pension Liability	1,994	7,248
Deferred Inflows on Pensions	883	(1,460)
Total Adjustments	32,704	39,443
Net Cash Provided by Operating Activities	\$ 60,467	\$ 66,947
Noncash Investing, Capital And Related Financing Activities:		
Capital Assets Acquired through Current Accounts Payable	\$ 7,958	\$ 10,145
Capital Contributions	8,682	4,301
Amortization of Deferred Charge on Refunding	2,472	2,472
Amortization of Bond Discounts and Premiums	(3,451)	(3,450)
Change in Fair Value of Investments	91	13

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements present the financial position, changes in net position and cash flows of the Water and Wastewater Fund (the Fund) of Broward County, Florida (the County), a major enterprise fund of the County, and not the County as a whole. The Fund accounts for water and wastewater services provided to certain areas of the County and its residents.

The Board of County Commissioners (the Board) is responsible for legislative and fiscal control of the County. A County Administrator is appointed by the Board and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the Board. The Water and Wastewater Services (the WWS) operate within the Public Works Department, and are responsible for planning, construction, operation and financial management of the Water and Wastewater Systems (collectively, the Utility).

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Fund operates as a major enterprise fund of the County and uses the enterprise fund type to account for all of its operations. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. The financial statements distinguish operating revenues and operating expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. The Fund's principal operating revenues are charges to customers for water usage and wastewater treatment. Operating expenses of the Fund include employee wages and benefits, purchases of services, supplies and materials and other expenses related to operating the Fund and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Implementation of Governmental Accounting Standards Board Statements

The Fund adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2017.

1. GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"

Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pensions plans that are administered through trusts or equivalent arrangements. The adoption of this Statement had no impact on the Fund's financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 77 “Tax Abatement Disclosures”

Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This Statement requires disclosure of tax abatement information about the reporting government’s own tax abatement agreements and those that are entered into by other governments that reduce the reporting government’s tax revenues. The adoption of this Statement had no impact on the Fund’s financial statements.

3. GASB Statement No. 78 “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”

Statement No. 78 amends the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, liabilities, note disclosures, and required supplementary information for pensions that have the characteristics described above. The adoption of this Statement had no impact on the Fund’s financial statements.

4. GASB Statement No. 80 “Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14”

Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14*. The adoption of this Statement had no impact on the Fund’s financial statements.

5. GASB Statement No. 82 “Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73”

Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this Statement was insignificant and did not impact the payroll-related measures reflected in the Fund’s required supplementary information for the Pension Plans.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits and investments with original maturities at time of purchase of three months or less.

The Fund participates in the cash and investment pool maintained by the County. The Fund's portion of the pool is presented as "cash and cash equivalents," "investments," or "restricted assets" as appropriate. Earnings are allocated to the Fund based on the average daily cash and investment balances. The Fund also maintains cash and investments other than the County cash and investment pool for the purpose of funding debt service payments and bond reserve requirements, as well as for investment purposes. All investments are carried at fair value.

E. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of \$6,414,000 and \$8,102,000 at September 30, 2017 and 2016, respectively.

F. Due from Other Governments

The amounts due from other governments represent grants receivable from the South Florida Water Management District for their share of reimbursable costs.

G. Due from or to Other County Funds

During the course of operations, the Fund has activity with other County funds for various purposes. Any residual balances outstanding at the year end are reported as due from or to other County funds. The amount reflected as due from other County funds is the balance due for water services provided and the amount due to other County funds is the Fund's share of insurance costs.

H. Inventories and Prepaid Items

Inventories held for use in maintaining the Utility are stated at the lower of average cost or net realizable value.

Prepaid items consist primarily of insurance costs that will benefit future accounting periods.

I. Capital Assets

Capital assets, which include utility plant in service and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$1,000 for equipment and \$5,000 for utility plant in service and land. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Utility Plant in Service	10 - 45 years
Equipment	3 - 25 years

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capitalized Interest

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Fund during the fiscal years ended September 30, 2017 and 2016, was \$20,761,000 and \$21,021,000, respectively, and of this \$5,062,000 and \$6,969,000, respectively, was included as part of the cost of construction-in-progress.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources in the Fund's Statements of Net Position relates to debt refunding and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on pension activities are more fully disclosed in Note 1, Section N and Note 9.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the Fund relate to pension activities and are more fully disclosed in Note 1, Section N and Note 9.

L. Compensated Absences

The Fund's policy is to permit employees to accumulate earned but unused vacation and sick leave. The cost of earned but unused vacation is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination.

M. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis which approximates the effective interest rate method. Bonds payable as reported includes the amount of unamortized premiums or discounts.

N. Pensions

In the Statement of Net Position, pension liabilities are recognized for the Fund's proportionate share of the County's share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans. Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources, depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources, and are amortized as a component of pension expense using a systematic and rational method over a five year period beginning with the period in which a difference arose.

O. Net Position and Net Position Flow Assumption

Net position represents the residual interest in the Fund's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of other two components.

Sometimes the Fund will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Fund's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

P. Capital Contributions

Capital contributions consist mainly of capital recovery fees and contributions from developers and other governments. These capital contributions are recognized when all eligibility requirements have been met.

Q. Reclassifications

Certain amounts presented in the prior-year data have been reclassified to be consistent with the current year's presentation.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2017 and 2016, the Fund's deposits and investments consisted of the following (in thousands):

	September 30	
	2017	2016
Cash Deposits	\$ 40,946	\$ 64,828
Investments:		
U.S. Treasuries	30,953	19,452
U.S. Agencies	73,255	45,298
Commercial Paper	5	36,160
World Bank	33	-
Total Investments	<u>104,246</u>	<u>100,910</u>
Total Cash and Investments	<u>\$ 145,192</u>	<u>\$ 165,738</u>

Cash, cash equivalents and investments are classified on the Statements of Net Position as follows (in thousands):

	September 30	
	2017	2016
Current Assets		
Unrestricted		
Cash and Cash Equivalents	\$ 8,920	\$ 7,627
Investments	58,339	80,498
Restricted		
Cash and Cash Equivalents	25,210	34,254
Investments	9,329	-
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	6,816	37,141
Investments	36,578	6,218
Total Cash, Cash Equivalents and Investments	<u>\$ 145,192</u>	<u>\$ 165,738</u>

A. Deposits

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depositories' collateral pledging level. The pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

At September 30, 2017 and 2016, \$6,849,000 and \$36,718,000, respectively was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the County's name.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Fund follows the County's investment practices, which are governed by 218.415 of the Florida Statutes, County Code of Ordinances, Chapter 1, Article 1, Section 1-10 and the requirements of outstanding bond covenants. The County has a formal investment policy that, in the opinion of management, is designed to ensure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the types, issuer, maturity, and performance measurement of investment securities that are permissible. Securities are held to maturity with limited exceptions outlined in the investment policy. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio.

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith and credit of the government of Israel, The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2017 and 2016, the portfolio weighted average maturity was 600 days and 576 days, respectively, and was in accordance with the County's investment policy.

Credit Risk - The County's investment policy contains specific rating criteria for certain investments. The policy states that commercial paper and asset-backed commercial paper, as well as bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the State, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper not rated must be backed by a letter of credit or line of credit rated in one of the two highest rating categories. Any investments in World Bank notes, bonds, and discount notes must be rated AAA or equivalent by Moody's Investors Service or Standard & Poor's Ratings Services. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

As of September 30, 2017 and 2016, the County's investments in U.S. Treasuries and U.S. Agencies, except for investments of \$29,938,000 and \$557,000, respectively in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Ratings Services, P-1 by Moody's Investors Service and F1 by Fitch. The County's investments in World Bank notes are rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the U. S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all other investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*" requires disclosure when 5% or more is invested in any one issuer. At September 30, 2017, the investment in the Federal Home Loan Bank is 16.12%, the Federal Home Loan Mortgage Corporation is 10.02%, the Federal National Mortgage Association is 26.02%, the Federal Farm Credit Bank is 7.86%, and the Federal Agricultural Mortgage Corporation is 5.24%. As of September 30, 2016, the investment in the Federal Home Loan Bank is 17.52%, the Federal Home Loan Mortgage Corporation is 12.35%, the Federal National Mortgage Association is 22.46%, the Federal Farm Credit Bank is 9.73%, and the Federal Agricultural Mortgage Corporation is 7.35%.

Fair Value Measurement - The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset and liability. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Fund does not have any investments that are categorized as Level 1 or 3.

The Fund has the following recurring fair value measurements as of September 30, 2017 and 2016 (in thousands):

	September 30	
	2017	2016
	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
Debt Securities:		
U.S. Treasuries	\$ 30,953	\$ 19,452
U.S. Agencies	73,255	45,298
Commercial Paper	5	36,160
World Bank	33	-
Total Investments at Fair Value	\$ 104,246	\$ 100,910

U.S. Treasuries, U.S. Agencies, Commercial Paper and World Bank debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices (Level 2 inputs).

The investment balances categorized by fair value above include the Fund's investment in the County "pool" and the input levels presented are based on the actual allocation of the underlying investments held directly by the County.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2017 and 2016 represent amounts restricted for construction, debt service, maintenance and improvements under the terms of outstanding bond agreements and regulatory requirements. The bond construction funds include bond proceeds available for the design and construction of major capital projects. The bond reserve accounts contain the maximum amount of principal and interest requirements pursuant to the bond resolutions. The debt service accounts contain the principal and interest amounts required for payment due on October 1. The other restricted accounts include customer deposits and the renewal, replacement, and improvement fund required by the bond resolution.

Composition of restricted accounts is as follows (in thousands):

	September 30,	
	2017	2016
Bond Reserve Accounts	\$ 36,752	\$ 36,752
Debt Service Accounts	25,210	25,079
Renewal, Replacement, and Improvement Accounts	6,642	6,607
Other Restricted Accounts	9,329	9,175
	<u>\$ 77,933</u>	<u>\$ 77,613</u>

Restricted assets are classified on the Statements of Net Position as follows (in thousands):

	September 30,	
	2017	2016
Current Restricted Assets		
Cash and Cash Equivalents	\$ 25,210	\$ 34,254
Investments	9,329	-
Noncurrent Restricted Assets		
Cash and Cash Equivalents	6,816	37,141
Investments	36,578	6,218
	<u>\$ 77,933</u>	<u>\$ 77,613</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2017 and 2016 are as follows (in thousands):

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	111,473	50,295	(14,751)	147,017
Total Capital Assets, Not Being Depreciated	<u>116,409</u>	<u>50,295</u>	<u>(14,751)</u>	<u>151,953</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,194,686	23,233	-	1,217,919
Equipment	31,401	1,845	(973)	32,273
Total Capital Assets, Being Depreciated	<u>1,226,087</u>	<u>25,078</u>	<u>(973)</u>	<u>1,250,192</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(533,888)	(34,138)	-	(568,026)
Equipment	(19,584)	(2,144)	947	(20,781)
Total Accumulated Depreciation	<u>(553,472)</u>	<u>(36,282)</u>	<u>947</u>	<u>(588,807)</u>
Total Capital Assets Being Depreciated, Net	<u>672,615</u>	<u>(11,204)</u>	<u>(26)</u>	<u>661,385</u>
Total Capital Assets, Net	<u>\$ 789,024</u>	<u>\$ 39,091</u>	<u>\$ (14,777)</u>	<u>\$ 813,338</u>
	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	101,079	57,476	(47,082)	111,473
Total Capital Assets, Not Being Depreciated	<u>106,015</u>	<u>57,476</u>	<u>(47,082)</u>	<u>116,409</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,143,447	51,239	-	1,194,686
Equipment	28,688	3,663	(950)	31,401
Total Capital Assets, Being Depreciated	<u>1,172,135</u>	<u>54,902</u>	<u>(950)</u>	<u>1,226,087</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(501,412)	(32,476)	-	(533,888)
Equipment	(18,681)	(1,852)	949	(19,584)
Total Accumulated Depreciation	<u>(520,093)</u>	<u>(34,328)</u>	<u>949</u>	<u>(553,472)</u>
Total Capital Assets Being Depreciated, Net	<u>652,042</u>	<u>20,574</u>	<u>(1)</u>	<u>672,615</u>
Total Capital Assets, Net	<u>\$ 758,057</u>	<u>\$ 78,050</u>	<u>\$ (47,083)</u>	<u>\$ 789,024</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2017 and 2016 are as follows (in thousands):

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 483,910	\$ -	\$ (14,080)	\$ 469,830	\$ 14,340	\$ 455,490
Unamortized Bond Premiums and Discounts	52,013	-	(3,451)	48,562	-	48,562
Compensated Absences	3,599	2,394	(2,211)	3,782	1,776	2,006
Other Post Employment Benefits	830	139	(73)	896	-	896
Net Pension Liability	21,315	1,994	-	23,309	-	23,309
Total	<u>\$ 561,667</u>	<u>\$ 4,527</u>	<u>\$ (19,815)</u>	<u>\$ 546,379</u>	<u>\$ 16,116</u>	<u>\$ 530,263</u>

	Balance October 1, 2015	Additions	Deductions	Balance September 30, 2016	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 497,785	\$ -	\$ (13,875)	\$ 483,910	\$ 14,080	\$ 469,830
Unamortized Bond Premiums and Discounts	55,463	-	(3,450)	52,013	-	52,013
Compensated Absences	3,559	1,491	(1,451)	3,599	1,685	1,914
Other Post Employment Benefits	762	136	(68)	830	-	830
Net Pension Liability	14,067	7,248	-	21,315	-	21,315
Total	<u>\$ 571,636</u>	<u>\$ 8,875</u>	<u>\$ (18,844)</u>	<u>\$ 561,667</u>	<u>\$ 15,765</u>	<u>\$ 545,902</u>

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2017 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption		Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2017
			Rate %	Date	Optional (O) or Mandatory (M)	Year				
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2021	\$ 63,555	\$ 54,220	\$ 9,335
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	6,080	45,215
2012 Series A	Improvements	Term	5.0	04/01 10/01	M	2035	10/1/2037	89,330	-	89,330
2012 Series B	Refunding	Serial	4.0-5.0	04/01 10/01	O	2023	10/1/2027	110,920	-	110,920
2012 Series C	Refunding	Serial	0.44-1.9	04/01 10/01	N/A	N/A	10/1/2018	47,655	32,435	15,220
2015 Series A	Refunding	Serial	5.0	04/01 10/01	O	2025	10/1/2030	42,255	-	42,255
2015 Series B	Refunding	Serial	3.0-5.0	04/01 10/01	O	2025	10/1/2034	157,555	-	157,555
										<u>\$ 469,830</u>

Certain bond indentures contain provisions stipulating annual debt service, sinking fund, and minimum net revenue requirements. In addition, certain indentures require maintenance of various accounts and specify the deposits to be made to such accounts. The Fund was in compliance with bond indenture requirements as of September 30, 2017 and 2016.

The debt service requirements for all bonds outstanding as of September 30, 2017 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2018	\$ 14,340	\$ 21,591	\$ 35,931
2019	14,635	21,157	35,792
2020	15,205	20,512	35,717
2021	15,925	19,763	35,688
2022	17,035	18,994	36,029
2023-2027	98,200	81,395	179,595
2028-2032	118,335	54,622	172,957
2033-2037	145,975	24,415	170,390
2038	30,180	755	30,935
	<u>\$ 469,830</u>	<u>\$ 263,204</u>	<u>\$ 733,034</u>

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Water and Sewer Utility Revenue Bonds are issued to finance the construction or improvement of the County's Water and Wastewater Utility and are payable solely from and are secured by a pledge of net revenues, as defined in the Bond Resolution. In accordance with Section 502 of the Bond Resolution, the debt service coverage for the fiscal years ended September 30, 2017 and 2016 are as follows (in thousands):

	September 30,	
	2017	2016
Revenues	\$ 138,546	\$ 132,825
Expenses	72,874	70,117
Amount Available for Debt Service	<u>\$ 65,672</u>	<u>\$ 62,708</u>
Debt Service		
Deposit to Principal Account	\$ 14,340	\$ 14,080
Deposit to Interest Account	21,739	21,999
Total Debt Service	<u>\$ 36,079</u>	<u>\$ 36,079</u>
Debt Service Coverage Available for Debt Service	182%	174%
Required Debt Service Coverage	120%	120%

Total pledged revenues to repay the principal and interest of the Water and Sewer Utility Revenue Bonds as of September 30, 2017 and 2016 were as follows (in thousands):

	September 30,	
	2017	2016
Revenue Pledged	\$ 65,672	\$ 62,708
Debt Service	\$ 35,949	\$ 33,227
Future Revenues Pledged	\$ 733,034	\$ 768,983
Percentage of Debt Service to Pledged Revenues	54.7%	53.0%

Total future pledged revenues must be sufficient to repay principal and interest on a cash basis through fiscal year 2038.

Defeased Bonds

The Fund has entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the Fund's obligation with respect to certain outstanding bond issues. The net proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. The refunded bonds are not included in the Fund's Statements of Net Position as a liability since the Fund has legally satisfied its obligations through the refunding transactions.

The following is summary of the Fund's outstanding defeased bonds (in thousands):

Year of Defeasance	Bond Issue Defeased	Principal Outstanding September 30, 2017
2015	Water and Sewer Utility Revenue Bonds Series 2009 A (Partially Refunded)	<u>\$ 153,330</u>

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 6 - CAPITAL CONTRIBUTIONS

Contributions and fees used to acquire capital assets are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. Capital contributions consist of the following (in thousands):

	2017	2016
Capital Recovery Fees	\$ 1,527	\$ 2,394
Capital Contributed from Other Governments	1,752	1,874
Capital Contributed by Developers	8,682	4,301
	<u>\$ 11,961</u>	<u>\$ 8,569</u>

NOTE 7 - RISK MANAGEMENT

The Fund is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates in the County's workers' compensation, general liability and health insurance programs. For its self-insured workers' compensation exposure, the County purchases excess coverage above a \$1,500,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. The County's general liability is entirely self-insured, with the County providing coverage up to the statutory limits of \$200,000 per person and \$300,000 per occurrence. The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a \$250,000 per occurrence deductible for workers' compensation and general liability claims and a \$25,000 deductible for environmental claims. The Fund participates in the OCIP program and makes contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects. The County is self-insured for employee health insurance and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$400,000 per individual. The County (through the Self-Insurance Fund) also purchases commercial insurance for property coverage, and numerous smaller policies that are required by lease agreements, union contracts, state statutes, etc. Settled claims have not exceeded commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. Participating funds are indemnified against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred in all funds. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2017. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The claims liability estimates also include amounts for incremental adjustment expenses as well as estimated recoveries from salvage or subrogation. The claims liability is based on an estimate, and the ultimate settlement of the claims may differ from the amounts recorded. The claim liabilities for the Self-Insurance Programs are reported in the County's Self-Insurance Fund. The Fund is not liable for amounts beyond the premiums paid to the Self Insurance Fund.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 8 - LARGE USER AGREEMENTS

The County has entered into agreements with large (wholesale) users of the North Regional Wastewater System (System). These agreements provide that the cost of operating the System be charged to each large user on the basis of each user's proportionate share of total gallons processed. In addition, each large user is charged a debt service fee for the principal, interest and debt coverage requirements on debt issued to finance the construction of the North Regional Wastewater facilities. The debt service charge is based on the relative percentage of reserve capacity designated for each user to total reserve capacity.

NOTE 9 - RETIREMENT PLANS

All of the Fund's eligible employees, employees of the County, 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 Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website (www.frs.myflorida.com).

A. 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.

The general classes of membership for the Fund are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes
- Senior Management Service Class (SMSC) - Members in senior management level positions

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age, however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value (Per Year of Service)
Regular Class Members Initially Enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class Members Initially Enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Senior Management Service Class	2.00%

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July. If the member was initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before that time, the annual COLA is 3.0% per year. The annual COLA for retirees with an effective retirement date or DROP date beginning on or after August 1, 2011, who were initially enrolled before July 1, 2011, is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.0%. Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular - 5.80% and 6.20%, Senior Management Service - 20.05% and 20.99%; and DROP participants - 11.33% and 11.60%. The employer contribution rates by job class for the period from July 1, 2015 through June 30, 2016 were as follows: Regular - 5.56%, Senior Management Service - 19.73% and DROP participants

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

11.22%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ending September 30, 2017 and 2016, contributions, including employee contributions of \$578,000 and \$568,000, to the Pension Plan for the Fund totaled \$1,839,000 and \$1,736,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017 and 2016, the Fund reported liabilities of \$15,689,000 and \$13,217,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2017 and July 1, 2016. The Fund's proportionate share of the net pension liability was based on its share of the County's 2016-2017 and 2015-2016 fiscal year contributions relative to the 2016-2017 and 2015-2016 fiscal year contributions of all participating members. At June 30, 2017, the Fund's proportionate share was 0.05304% which was an increase of 0.0007% from its proportionate share measured as of June 30, 2016. At June 30, 2016, the Fund's proportionate share was 0.05234%, which was a decrease of 0.00257% from its proportionate share measured at June 30, 2015.

For the fiscal years ended September 30, 2017 and 2016, the Fund recognized pension expense of \$2,663,000 and \$1,817,000, respectively. In addition, the Fund reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources (in thousands):

As of September 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,397	\$ (84)
Change of Assumptions	5,114	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(377)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	311	(259)
Pension Plan Contributions Subsequent to the Measurement Date	388	-
Total	\$ 7,210	\$ (720)

As of September 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,009	\$ (123)
Change of Assumptions	797	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,405	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	274	(330)
Pension Plan Contributions Subsequent to the Measurement Date	389	-
Total	\$ 5,874	\$ (453)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$388,000 for the Fund, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. 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 (in thousands):

Years Ending September 30	
2018	\$ 832
2019	2,142
2020	1,454
2021	269
2022	1,018
Thereafter	387
Total	\$ 6,102

Actuarial Assumptions - The total pension liability in the July 1, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.10% in 2017 and 7.60% in 2016, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The assumptions used in the July 1, 2017 valuation were unchanged from those used in the prior valuation as of July 1, 2016 except for the investment return assumption which was decreased from 7.60% to 7.10%.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

As of September 30, 2017

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
Total	100.00%			
Assumed Inflation - Mean		2.60%		1.90%

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

As of September 30, 2016

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equity	53.00%	8.10%	6.80%	17.20%
Real Estate (Property)	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
Total	100.00%			

Assumed Inflation - Mean	2.60%	1.90%
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*As outlined in the Pension Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 and 2016 was 7.10% and 7.60%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. 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 calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.10% rate of return assumption used in the June 30, 2017 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2017 and 2016 using the discount rate of 7.10% and 7.60%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10% and 6.60%, respectively) or one percentage point higher (8.10% and 8.60%, respectively) than the current rate (in thousands):

As of September 30, 2017	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Proportional Share of the Net Pension Liability	\$ 24,815	\$ 15,689	\$ 4,010

As of September 30, 2016	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Proportional Share of the Net Pension Liability	\$ 24,366	\$ 13,217	\$ 3,937

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 Comprehensive Annual Financial Report.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

Payables to the Pension Plan - At September 30, 2017 and 2016, the Fund reported payables in the amount of \$162,000 and \$137,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2017 and 2016.

B. 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, 2017 and 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rate for the period from July 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2017 were 1.66% respectively. 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.

For the fiscal year ending September 30, 2017 and 2016, contributions to the HIS Plan for the Fund totaled \$320,000 and \$314,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017 and 2016, the Fund reported liabilities of \$7,620,000 and \$8,098,000, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2017 and June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2017 using a standard actuarial roll-forward technique. The Fund's proportionate share of the net pension liability was based on its share of the County's 2016-2017 and 2015-2016 fiscal year contributions relative to the 2016-2017 and 2015-2016 fiscal year contributions of all participating members. At June 30, 2017, the Fund's proportionate share was 0.07127% which was an increase of 0.00179% from its proportionate share measured as of June 30, 2016. At June 30, 2016, the Fund's proportionate share was 0.06948%, which was an increase of 0.00108% from its proportionate share measured at June 30, 2015.

For the fiscal years ended September 30, 2017 and 2016, the Fund recognized pension expense of \$573,000 and \$618,000, respectively. In addition, the Fund reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (in thousands):

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

As of September 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (15)
Change of Assumptions	1,029	(633)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	206	(43)
Pension Plan Contributions Subsequent to the Measurement Date	102	-
Total	\$ 1,341	\$ (691)

As of September 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (18)
Change of Assumptions	1,264	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	92	(57)
Pension Plan Contributions Subsequent to the Measurement Date	95	-
Total	\$ 1,455	\$ (75)

The deferred outflows of resources related to the HIS Plan, totaling \$102,000 for the Fund, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows (in thousands):

Years Ending September 30	
2018	\$ 143
2019	143
2020	142
2021	119
2022	70
Thereafter	(69)
Total	\$ 548

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2016 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2017 and 2016. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2017 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2017 and 2016 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.58% in 2017 and 2.85% in 2016, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2017 and 2016 was 3.58% and 2.85% respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2017 and 2016 using the discount rate of 3.58% and 2.85%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58% and 1.85%, respectively) or one percentage point higher (4.58% and 3.85%, respectively) than the current rate (in thousands):

As of September 30, 2017	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Proportional Share of the Net Pension Liability	\$ 8,697	\$ 7,620	\$ 6,723

As of September 30, 2016	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
Proportional Share of the Net Pension Liability	\$ 9,289	\$ 8,098	\$ 7,108

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

Payables to the HIS Plan - At September 30, 2017 and 2016, the Fund reported payables in the amount of \$36,000 and \$33,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2017 and 2016.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 9 - RETIREMENT PLANS (Continued)

C. Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. 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 years ended September 30, 2017 and 2016, 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 Fund.

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 Investment Plan pension expense for the Fund totaled \$265,000 and \$216,000 for the fiscal years ended September 30, 2017 and 2016 respectively.

Payables to the Investment Plan - At September 30, 2017 and 2016, the Fund reported payables in the amount of \$47,000 and \$38,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2017 and 2016.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Fund, as an agency of the County, participates in the County's single employer defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the Fund's plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports.

Funding Policy and Annual OPEB Cost

The Fund makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Fund for active employees. The County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is called the Employer Contribution.

The Fund's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost allocated to the Fund for the 2017 and 2016 fiscal years, and the related information for the plan, is as follows (in thousands):

Required Contributions Rates:	2017	2016
Employer	Pay-as-you-go	Pay-as-you-go
Active Plan Members	N/A	N/A
Annual Required Contribution	\$ 151	\$ 147
Interest on Net OPEB Obligation	39	37
Adjustment to Annual Required Contribution	(51)	(48)
Annual OPEB Cost	139	136
Contributions Made	(73)	(68)
Increase in Net OPEB Obligation	66	68
Net OPEB Obligation, Beginning of Year	830	762
Net OPEB Obligation, End of Year	\$ 896	\$ 830

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016 and 2015 for the Fund, were as follows (dollars in thousands):

	2017	2016	2015
Annual OPEB Cost	\$ 139	\$ 136	\$ 145
Percentage of OPEB Cost Contributed	52.36%	50.00%	49.99%
Net OPEB Obligation	\$ 896	\$ 830	\$ 762

Funded Status and Funding Progress

The funded status of the County's plan as of October 1, 2015, the date of the latest actuarial valuation, was as follows (dollars in thousands):

Actuarial Accrued Liability	\$ 24,196
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability	\$ 24,196
Funded Ratio	0.00%
Covered Payroll	\$ 265,122
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	9.13%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the County has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 and 2016

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Significant methods and assumptions were as follows:

Actuarial Valuation Date	10/1/2015
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return*	3.75%
Projected Salary Increases*	3.70% to 7.80%
Healthcare Cost Trend Rate	8.5% Initial, 4.5% Ultimate

*Includes 2.60% General Inflation Rate

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2017, the Fund had various uncompleted construction projects in process, with commitments totaling \$79,162,000. The retainage payable on these contracts totaled \$3,189,000.

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Required Supplementary Information

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
(Dollars in Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
10/1/2011	\$ 0	\$ 24,800	\$ 24,800	0.00%	\$ 231,302	10.72%
10/1/2013	\$ 0	\$ 25,389	\$ 25,389	0.00%	\$ 242,246	10.48%
10/1/2015	\$ 0	\$ 24,196	\$ 24,196	0.00%	\$ 265,122	9.13%

This schedule shows the County's actuarial accrued liability (AAL). An estimated 5% of this liability can be attributed to the Fund.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's Proportion of the Net Pension Liability (Asset)	0.05304%	0.05234%	0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,689	\$ 13,217	\$ 7,092	\$ 3,376
Fund's Covered-employee Payroll	\$ 18,397	\$ 18,158	\$ 17,946	\$ 17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	85.28%	72.79%	39.52%	19.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.00%

The amounts presented for each fiscal year were determined as of June 30th.

This is a 10 year schedule, however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,261	\$ 1,168	\$ 1,210	\$ 1,175
Contributions in Relation to the Contractually Required Contribution	\$ (1,261)	\$ (1,168)	\$ (1,210)	\$ (1,175)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 19,276	\$ 18,942	\$ 17,818	\$ 17,164
Contributions as a Percentage of Covered-employee Payroll	6.54%	6.17%	6.79%	6.85%

The amounts presented for each fiscal year were determined as of September 30th.

This is a 10 year schedule, however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's Proportion of the Net Pension Liability (Asset)	0.07127%	0.06948%	0.06840%	0.06868%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,620	\$ 8,098	\$ 6,975	\$ 6,422
Fund's Covered-employee Payroll	\$ 18,397	\$ 18,158	\$ 17,946	\$ 17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	41.42%	44.60%	38.87%	36.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%

The amounts presented for each fiscal year were determined as of June 30th.

This is a 10 year schedule, however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	2017	2016	2015	2014
Contractually Required Contribution	\$ 320	\$ 314	\$ 225	\$ 206
Contributions in Relation to the Contractually Required Contribution	\$ (320)	\$ (314)	\$ (225)	\$ (206)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 19,276	\$ 18,942	\$ 17,818	\$ 17,164
Contributions as a Percentage of Covered-employee Payroll	1.66%	1.66%	1.26%	1.20%

The amounts presented for each fiscal year were determined as of September 30th.

This is a 10 year schedule, however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017 and 2016

NOTE 1 - PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2017 was decreased from 7.60% to 7.10%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.10% rate of return assumption used in the June 30, 2017 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Plan.

Supplementary Financial Information

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF NET REVENUE AND DEBT COVERAGE CALCULATION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(Dollars In Thousands)**

	<u>2017</u>	<u>2016</u>
Revenues:		
Water	\$ 50,620	\$ 48,106
Wastewater	79,411	76,890
Other	7,507	7,417
Interest Income	<u>1,008</u>	<u>412</u>
Total Revenues	<u>138,546</u>	<u>132,825</u>
Expenses:		
Personal Services	29,999	27,066
Utilities Services	16,225	16,424
Chemicals	3,224	3,184
County Services	4,015	3,827
Material and Supplies	5,408	5,773
Motor Pool	1,188	1,161
Contractual Services	8,496	9,933
Other	<u>4,319</u>	<u>2,749</u>
Total Expenses	<u>72,874</u>	<u>70,117</u>
Net Revenue Available for		
Principal and Interest Requirements	<u>65,672</u>	<u>62,708</u>
Principal And Interest Requirements:		
Series 2009A Bonds	2,363	2,367
Series 2012A Bonds	8,253	8,251
Series 2012B Bonds	5,523	5,523
Series 2012C Bonds	10,942	10,940
Series 2015A Bonds	2,113	2,113
Series 2015B Bonds	<u>6,885</u>	<u>6,885</u>
Total Principal and Interest Requirements	<u>36,079</u>	<u>36,079</u>
Debt Coverage Required	<u>1.20</u>	<u>1.20</u>
Actual Debt Coverage All Debt Service by Net Revenue	<u>1.82</u>	<u>1.74</u>
Balance Available for Renewal, Replacement and Capital Expenditures	<u>\$ 29,593</u>	<u>\$ 26,629</u>

Revenue recorded on this schedule is based on the bond resolution.



RSM US LLP

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditor's Report

To the Honorable Board of County Commissioners
Broward County Water and Wastewater Fund
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Fort Lauderdale, Florida
March 23, 2018