



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

**Financial Statements
For the Years Ended September 30, 2016 and 2015**

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

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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Board of County Commissioners
Broward County Water and 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 "Water and Wastewater Fund"), an enterprise fund of Broward County, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Water and Wastewater Fund, an enterprise fund of Broward County as of September 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Enterprise Fund Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the Water and Wastewater Fund and do not purport to, and do not, present the financial position of Broward County, Florida as of September 30, 2016 and 2015, the changes in its financial position and cash flows for the years 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress – Other Post Employment Benefits and Pension 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Honorable Board of County Commissioners
Broward County Water and Wastewater Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017, on our consideration of the Water and Wastewater Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Water and Wastewater Fund's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive, flowing style.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 22, 2017

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, 2016 and 2015. 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 2016 by \$412.4 million (net position). Of this amount, \$75.2 million is unrestricted and thus available for the Fund's ongoing and future obligations.
- In 2016, the Fund's net position increased by \$22.9 million, or 5.9%. The increase is due to the positive results of operations.
- The debt service coverage for the fund of 174% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt decreased by \$13.9 million, or 3.8% 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, 2016, 2015 and 2014 is shown on the following page:

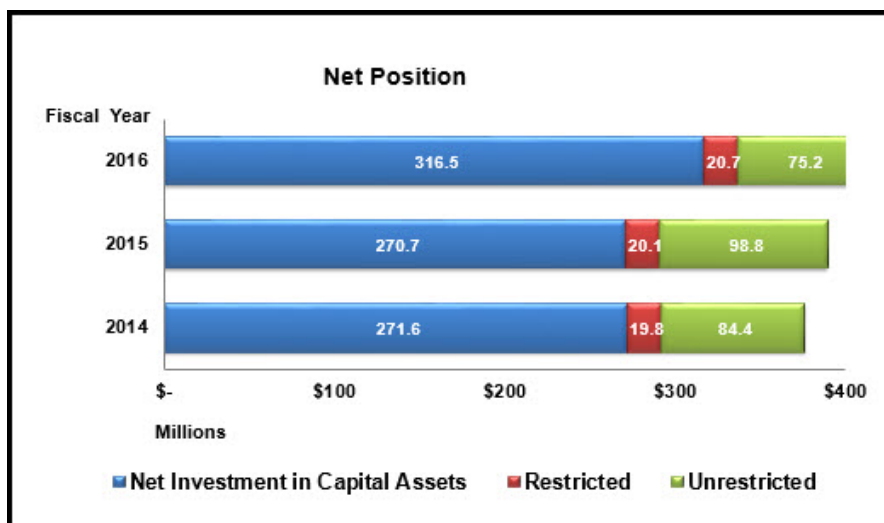
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

**Net Position
As of September 30, 2016, 2015 and 2014
(In Thousands)**

	2016	2015	2014
Current Assets	\$ 148,349	\$ 168,221	\$ 155,181
Noncurrent Assets-Other Than Capital Assets	43,359	42,952	81,043
Capital Assets (Net)	789,024	758,057	734,465
Total Assets	<u>980,732</u>	<u>969,230</u>	<u>970,689</u>
Deferred Outflows of Resources	<u>34,002</u>	<u>31,639</u>	<u>13,445</u>
Current Liabilities	55,905	53,320	54,154
Noncurrent Liabilities	545,902	556,017	548,281
Total Liabilities	<u>601,807</u>	<u>609,337</u>	<u>602,435</u>
Deferred Inflows of Resources	<u>528</u>	<u>1,988</u>	<u>5,898</u>
Net Investment in Capital Assets	316,526	270,706	271,569
Restricted	20,687	20,075	19,835
Unrestricted	75,186	98,763	84,397
Total Net Position	<u>\$ 412,399</u>	<u>\$ 389,544</u>	<u>\$ 375,801</u>

The overall position of the Fund improved in both the 2016 and 2015 fiscal years. Total net position as of September 30, 2016, was \$412.4 million, representing an increase of \$22.9 million, or 5.9% compared to 2015. Total net position as of September 30, 2015, was \$389.5 million, as compared to the 2014 net position of \$375.8 million, representing an increase of \$13.7 million, or 3.7% during fiscal year 2015. The increase in fiscal years 2016 and 2015 was primarily due to the positive results of operations in the Fund.

At September 30, 2016, 76.8% 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, 5.0% 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 18.2% 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, 2016, 2015 and 2014.

**Changes in Net Position
For the Years Ended September 30, 2016, 2015 and 2014
(In Thousands)**

	2016	2015	2014
Operating Revenues:			
Water Sales	\$ 48,106	\$ 47,796	\$ 45,453
Wastewater Services	76,890	76,159	70,385
Other Services	6,953	7,473	6,932
Total Operating Revenues	<u>131,949</u>	<u>131,428</u>	<u>122,770</u>
Operating Expenses:			
Personal Services	27,066	24,405	23,081
General Operating	43,051	42,480	38,721
Depreciation	34,328	34,962	34,730
Total Operating Expenses	<u>104,445</u>	<u>101,847</u>	<u>96,532</u>
Operating Income	<u>27,504</u>	<u>29,581</u>	<u>26,238</u>
Non-Operating Revenues (Expenses):			
Investment Income	444	351	394
Interest Expense, Net of Capitalized Interest	(14,052)	(16,385)	(16,964)
Bond Issuance Costs	-	(1,506)	-
Other	390	(822)	446
Total Non-Operating Expenses	<u>(13,218)</u>	<u>(18,362)</u>	<u>(16,124)</u>
Income Before Capital Contributions and Transfers	14,286	11,219	10,114
Capital Contributions	8,569	8,046	6,600
Transfer out	-	(5,522)	-
Change in Net Position	<u>22,855</u>	<u>13,743</u>	<u>16,714</u>
Total Net Position - Beginning, as Restated	<u>389,544</u>	<u>375,801</u>	<u>359,087</u> *
Total Net Position - Ending	<u>\$ 412,399</u>	<u>\$ 389,544</u>	<u>\$ 375,801</u>

* The October 1, 2013 beginning balance in the table above was restated due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

The Fund's current year activities increased net position by \$22.9 million, a 5.9% increase from the 2015 balance of \$389.5 million. The increase is primarily due to the positive result of operations. Some of the significant changes 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.

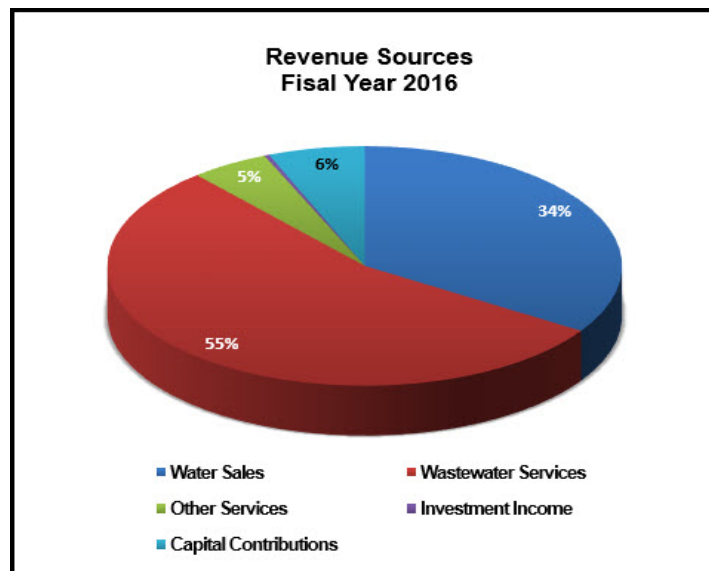
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

- 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.

In fiscal year 2015, net position for the Fund was \$389.5 million, \$13.7 million, or a 3.7%, increase from the October 1, 2014 beginning net position of \$375.8 million. Key elements of the increase are as follows:

- Operating revenues increased by \$8.7 million, or 7.1% from \$122.8 million in 2014 to \$131.4 million in 2015. The increase was primarily due to a \$3.3 million increase in retail water sales as a result of an increase of 6.9% in retail water usage. Compared to the prior fiscal year, sewage flows decreased 4.3%. The decrease was a result of the drought during the 2015 which reduced the inflow and infiltration sewage flows from our Large Users by 5.21%. Retail sewage flows increased 3.45% during 2015. Retail Sewer revenue increased \$2.8 million and Large User Sewer increased \$2.2 million in the 2015.
- Operating expenses increased \$5.3 million, or 5.5% over the prior year. The increase is the result of an increase in personal services and general operating expenses of \$5.1 million, and an increase in depreciation expense of \$0.2 million.
- Non-operating expenses for fiscal year 2015 increased by \$2.2 million, or 13.9% from the prior year. Primarily due to the \$1.5 million bond issuance costs and a decrease of \$1.3 million in other non-operating expenses which was offset by a decreased of \$0.6 million in interest expense.
- Capital contributions increased by \$1.4 million, or 21.9% to \$8.0 million from \$6.6 million in fiscal year 2014 due to improving economic conditions.

The following is a chart of the fiscal year 2016 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, 2016, the Fund had \$789.0 million invested in a variety of capital assets, as reflected in the following schedule. In 2016, there was a net increase in capital assets (additions less retirements and depreciation) of \$31.0 million.

The following is a summary of capital assets of the Fund as of September 30, 2016, 2015 and 2014:

**Comparative Summary of Capital Assets
As of September 30, 2016, 2015 and 2014
(In Thousands)**

	2016	2015	2014
Land	\$ 4,936	\$ 4,936	\$ 4,936
Construction in Progress	111,473	101,079	63,231
Total Non-depreciable Assets	<u>116,409</u>	<u>106,015</u>	<u>68,167</u>
Utility Plant in Service	1,194,686	1,143,447	1,124,870
Equipment	31,401	28,688	27,270
Less Accumulated Depreciation	<u>(553,472)</u>	<u>(520,093)</u>	<u>(485,842)</u>
Total Depreciable Assets, Net	<u>672,615</u>	<u>652,042</u>	<u>666,298</u>
Total Capital Assets, Net	<u>\$ 789,024</u>	<u>\$ 758,057</u>	<u>\$ 734,465</u>

In fiscal year 2016, capital projects under construction increased by \$57.5 million and \$46.9 million in projects were completed and put into service. Major capital projects completed include the Neighborhood Improvement Program for \$22.4 million and \$24.5 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 2015, the Fund capitalized assets totaling \$15.4 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 overall 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, 2016, the Fund had \$483.9 million in bonded debt outstanding compared to the \$497.8 million in 2015, a 2.8% decrease. The decrease in debt payable was due to principal payments of \$13.9 million. All debt outstanding as of the end of fiscal year 2015 was secured by system revenues.

In fiscal year 2015, the Fund had \$497.8 million in bonded debt outstanding compared to the \$514.1 million in 2014, a 2.8% decrease. During fiscal year 2015, the Fund issued Water and Sewer Utility Revenue Refunding Bonds, Series 2015A and Series 2015B with principal amounts of \$42,255,000 and \$157,555,000, respectively, to refund all of outstanding Series 2005A Bonds and a portion of the Series 2009A Bonds of \$49,130,000 and \$153,330,000, respectively. The decrease in debt payable was due to principal payments of \$13.9 million and the result of refunding decreased the debt by \$2.6 million.

**Comparative Summary of Bonded Debt
As of September 30, 2016, 2015 and 2014
(In Thousands)**

	2016	2015	2014
Water and Sewer Utility Revenue Bonds	\$ 483,910	\$ 497,785	\$514,140

Water and sewer utility bonds maintained strong ratings 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 2017 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 2017 budget:

- Water consumption decreased 2.7% due to the return of wetter weather patterns.
- Increase in annual system costs of 3.1% due to increases labor cost, sludge hauling/disposal and purchased water from the City of Hollywood.
- Maintain competitive retail rates among local utilities.

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

- Maintain conservation based water rates to reward customers with the lowest rates of consumption.
- The average residential retail rate will increase by 3.1%.
- 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 2017. The regional rates for wastewater and raw water for fiscal year 2017 decreased by 0.5% and increased 3.3% from fiscal year 2016.

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, 2016 AND 2015
(In Thousands)**

	2016	2015
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 7,627	\$ 13,305
Investments	80,498	85,915
Receivables		
Accounts, Net of Allowance of \$8,102 and \$8,042, Respectively	16,645	18,227
Other	53	8
Due from Other Governments	-	18
Inventory	8,845	8,694
Prepaid Items	427	1,337
Total Current Unrestricted Assets	114,095	127,504
Restricted Assets:		
Cash and Cash Equivalents	34,254	31,694
Investments	-	9,023
Total Current Restricted Assets	34,254	40,717
Total Current Assets	148,349	168,221
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	37,141	36,752
Investments	6,218	6,200
Total Noncurrent Restricted Assets	43,359	42,952
Capital Assets:		
Utility Plant in Service	1,194,686	1,143,447
Land	4,936	4,936
Construction in Progress	111,473	101,079
Equipment	31,401	28,688
Total Capital Assets	1,342,496	1,278,150
Less Accumulated Depreciation	(553,472)	(520,093)
Total Capital Assets, Net	789,024	758,057
Total Noncurrent Assets	832,383	801,009
TOTAL ASSETS	980,732	969,230
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	26,673	29,145
Deferred Outflows on Pensions	7,329	2,494
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 34,002	\$ 31,639

(continued)

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2016 AND 2015
(In Thousands)**

	2016	2015
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 13,517	\$ 5,694
Accrued Liabilities	474	1,133
Due to Other County Funds	404	-
Due to Other Governments	5,571	4,032
Compensated Absences	1,685	1,744
Total Current Liabilities Payable from Unrestricted Assets	21,651	12,603
Payable From Restricted Assets:		
Accounts Payable	22	9,442
Accrued Interest Payable	10,999	8,352
Revenue Bonds Payable	14,080	13,875
Customer Deposits	9,153	9,048
Total Current Liabilities Payable from Restricted Assets	34,254	40,717
Total Current Liabilities	55,905	53,320
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	521,843	539,373
Compensated Absences	1,914	1,815
Other Post Employment Benefits	830	762
Net Pension Liability	21,315	14,067
Total Noncurrent Liabilities	545,902	556,017
TOTAL LIABILITIES	601,807	609,337
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Pensions	528	1,988
NET POSITION		
Net Investment in Capital Assets	316,526	270,706
Restricted for:		
Debt Service	14,080	13,875
Renewal, Replacement, and Improvement	6,607	6,200
Unrestricted	75,186	98,763
TOTAL NET POSITION	\$ 412,399	\$ 389,544

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, 2016 AND 2015
(In Thousands)

	2016	2015
Operating Revenues:		
Retail Services:		
Water	\$ 47,249	\$ 46,947
Wastewater	39,968	38,999
Septic Charges	3,054	2,743
Other Services	6,953	7,473
	97,224	96,162
Wholesale Services:		
Water	857	849
Wastewater	33,868	34,417
Total Operating Revenues	131,949	131,428
Operating Expenses:		
Personal Services	27,066	24,405
Utilities Services	16,424	15,712
Chemicals	3,184	3,225
County Services	3,827	4,052
Materials and Supplies	5,773	5,628
Motor Pool	1,161	1,322
Contractual Services	9,933	10,294
Other	2,749	2,247
Total Operating Expenses before Depreciation	70,117	66,885
Operating Income before Depreciation	61,832	64,543
Depreciation Expense	34,328	34,962
Operating Income	27,504	29,581
Non-Operating Revenues (Expenses):		
Grants	-	18
Interest Income	444	351
Interest Expense, Net of Capitalized Interest	(14,052)	(16,385)
Other Income	505	469
Bond Issuance Costs	-	(1,506)
Discontinued Project Costs	(185)	(1,344)
Gain on Disposal of Capital Assets	93	71
Other Expenses	(23)	(36)
Total Non-Operating Expenses	(13,218)	(18,362)
Income before Capital Contributions and Transfers	14,286	11,219
Capital Contributions	8,569	8,046
Transfers out	-	(5,522)
Change in Net Position	22,855	13,743
Total Net Position - Beginning	389,544	375,801
Total Net Position - Ending	\$ 412,399	\$ 389,544

See accompanying notes to financial statements.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Thousands)**

	2016	2015
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 133,830	\$ 128,787
Cash Payments to Suppliers for Goods and Services	(40,726)	(43,305)
Cash Payments to Employees for Services	(26,662)	(24,838)
Other Cash Received	505	469
Net Cash Provided by Operating Activities	66,947	61,113
Cash Flows From Noncapital Financing Activities:		
Transfers out	-	(5,522)
Noncapital Grants	16	-
Net Cash Provided by (Used for) Noncapital Financing Activities	16	(5,522)
Cash Flows From Capital And Related Financing Activities:		
Proceeds from Bond Refunding	-	653
Payment to Refunded Bond Escrow Agent	-	(748)
Payment of Bond Issuance Costs	(85)	(546)
Acquisition and Construction of Capital Assets	(55,540)	(48,355)
Proceeds from Sale of Capital Assets	94	71
Capital Recovery Fees	2,394	3,120
Capital Surcharges Contributed from Other Governments	1,874	1,743
Principal Paid on Revenue Bonds	(13,875)	(13,705)
Interest Paid on Revenue Bonds	(19,352)	(26,892)
Other Debt Service Costs Paid	(23)	(36)
Net Cash Used for Capital and Related Financing Activities	(84,513)	(84,695)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(225,562)	(235,835)
Proceeds from Sale and Maturities of Investment Securities	239,984	232,437
Interest and Dividends on Investments	399	721
Net Cash Provided by (Used for) Investing Activities	14,821	(2,677)
Net Decrease in Cash and Cash Equivalents	(2,729)	(31,781)
Cash and Cash Equivalents, Beginning	81,751	113,532
Cash and Cash Equivalents, Ending	79,022	81,751
Cash and Cash Equivalents - Unrestricted Assets	7,627	13,305
Cash and Cash Equivalents - Restricted Assets	71,395	68,446
Total Cash and Cash Equivalents	79,022	81,751
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	27,504	29,581
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	34,328	34,962
Miscellaneous Non-Operating Revenue	505	469
Decrease (Increase) in Assets and Deferred Outflows of Resources:		
Accounts Receivable	1,590	(3,732)
Inventory	(151)	(183)
Prepaid Items	14	(223)
Deferred Outflows on Pensions	(4,835)	(873)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	1,121	(419)
Accrued Liabilities	(659)	74
Due to Other Governments	1,529	941
Customer Deposits	105	150
Compensated Absences	40	(65)
Other Post Employment Benefits	68	72
Net Pension Liability	7,248	4,269
Deferred Inflows on Pensions	(1,460)	(3,910)
Total Adjustments	39,443	31,532
Net Cash Provided by Operating Activities	\$ 66,947	\$ 61,113
Noncash Investing, Capital And Related Financing Activities:		
Issuance of Refunding Bonds to Refund Existing Debt	-	221,328
Capital Assets Acquired through Current Accounts Payable	10,145	13,150
Capital Contributions	4,301	3,183
Amortization of Deferred Charge on Refunding	2,472	1,679
Amortization of Bond Discounts and Premiums	(3,450)	(2,438)
Change in Fair Value of Investments	13	279

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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.

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.

Operating revenues and operating expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operation. The Fund's principal operating revenues are charges to water and wastewater customers. 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, 2016.

1. *GASB Statement No. 72 "Fair Market Value Measurement and Application"*

Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement requires a government to use valuation techniques which are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The adoption of this Statement is reflected in Note 2.

2. GASB Statement 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"

Statement No. 73 establishes requirements for defined benefit and defined contribution pension plans that are not within the scope of Statement No. 68 and also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This Statement also clarifies the application of certain provisions of Statement No. 67 and No. 68 with regard to information that is required to be presented as notes to the ten year schedules of required supplementary information about investment related factors that significantly affect trends in the amounts reported, accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions and timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation. This Statement had no impact on the Fund's financial statements.

3. GASB Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"

Statement No. 76 identifies the hierarchy of generally accepted accounting principles (GAAP) used to prepare financial statements of state and local governmental entities and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP. The first category of authoritative GAAP consists of GASB Statements. The second category consists of GASB Technical Bulletins and Implementation Guides, and literature of the American Institute of Certified Public Accountants (AICPA) cleared by the GASB. This Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement had no impact on the Fund's financial statements.

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, as determined from quoted market prices.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$8,102,000 and \$8,042,000 at September 30, 2016 and 2015, 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.

H. Inventories and Prepaid Items

Inventories held for use in maintaining the Utility are stated at average cost.

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

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, 2016 and 2015, was \$21,021,000 and \$22,588,000, respectively, and of this \$6,969,000 and \$6,203,000, 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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Bonds payable are reported net of the applicable unamortized premium or discount.

N. Pensions

In the Statement of Net Position, pension liabilities are recognized for the Fund's proportionate 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 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.

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,

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 earned.

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 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.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2016 and 2015, the Fund's deposits and investments consisted of the following (in thousands):

	September 30	
	2016	2015
Cash Deposits	\$ 64,828	\$ 79,366
Investments:		
U.S. Treasuries	19,452	10,723
U.S. Agencies	45,298	92,307
Commercial Paper	36,160	308
World Bank	-	185
Total Investments	100,910	103,523
Total Cash and Investments	\$ 165,738	\$ 182,889

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

	September 30	
	2016	2015
Current Assets		
Unrestricted		
Cash and Cash Equivalents	\$ 7,627	\$ 13,305
Investments	80,498	85,915
Restricted		
Cash and Cash Equivalents	34,254	31,694
Investments	-	9,023
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	37,141	36,752
Investments	6,218	6,200
Total Cash, Cash Equivalents and Investments	\$ 165,738	\$ 182,889

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 and establishment period. 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, 2016, \$36,718,000 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, 2016 and 2015

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 Investment Trust, 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, and certain money market funds. The County may also invest in collateralized mortgage obligations and reverse repurchase agreements 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, 2016, the portfolio weighted average maturity was 576 days, 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, 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, if such obligations are rated, 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.

The County's investments in U.S. Treasuries and U.S. Agencies, except for investments 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 and P-1 by Moody's Investors Service. The County's investments in World Bank notes are rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service.

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*

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Disclosures - an amendment of GASB Statement No. 3 requires disclosure when 5% or more is invested in any one issuer. 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 County 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, 2016 and 2015 (in thousands):

	September 30	
	2016	2015
	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
Debt Securities:		
U.S. Treasuries	\$ 19,452	\$ 10,723
U.S. Agencies	45,298	92,307
Commercial Paper	36,160	308
World Bank	-	185
Total Investments at Fair Value	\$ 100,910	\$ 103,523

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, 2016 and 2015

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2016 and 2015 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 required principal and interest payments on all outstanding bonds in the next fiscal year. 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,	
	2016	2015
Bond Construction Accounts	\$ -	\$ 9,335
Bond Reserve Accounts	36,752	36,752
Debt Service Accounts	25,079	22,227
Renewal, Replacement, and Improvement Accounts	6,607	6,200
Other Restricted Accounts	9,175	9,155
	<u>\$ 77,613</u>	<u>\$ 83,669</u>

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

	September 30,	
	2016	2015
Current Restricted Assets		
Cash and Cash Equivalents	\$ 34,254	\$ 31,694
Investments	-	9,023
Noncurrent Restricted Assets		
Cash and Cash Equivalents	37,141	36,752
Investments	6,218	6,200
	<u>\$ 77,613</u>	<u>\$ 83,669</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2016 and 2015 are as follows (in thousands):

	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>

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	63,231	54,549	(16,701)	101,079
Total Capital Assets, Not Being Depreciated	<u>68,167</u>	<u>54,549</u>	<u>(16,701)</u>	<u>106,015</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,124,870	18,577	-	1,143,447
Equipment	27,270	2,129	(711)	28,688
Total Capital Assets, Being Depreciated	<u>1,152,140</u>	<u>20,706</u>	<u>(711)</u>	<u>1,172,135</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(468,043)	(33,369)	-	(501,412)
Equipment	(17,799)	(1,593)	711	(18,681)
Total Accumulated Depreciation	<u>(485,842)</u>	<u>(34,962)</u>	<u>711</u>	<u>(520,093)</u>
Total Capital Assets Being Depreciated, Net	<u>666,298</u>	<u>(14,256)</u>	<u>-</u>	<u>652,042</u>
Total Capital Assets, Net	<u>\$ 734,465</u>	<u>\$ 40,293</u>	<u>\$ (16,701)</u>	<u>\$ 758,057</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2016 and 2015 are as follows (in thousands):

	Balance October 1, 2015			Balance September 30, 2016	Amount Due Within One Year	Amount Due After One Year
		Additions	Deductions			
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	\$ 571,636	\$ 8,875	\$ (18,844)	\$ 561,667	\$ 15,765	\$ 545,902

	Balance October 1, 2014			Balance September 30, 2015	Amount Due Within One Year	Amount Due After One Year
		Additions	Deductions			
Revenue Bonds Payable	\$ 514,140	\$ 199,810	\$ (216,165)	\$ 497,785	\$ 13,875	\$ 483,910
Unamortized Bond Premiums and Discounts	35,493	23,024	(3,054)	55,463	-	55,463
Compensated Absences	3,624	1,456	(1,521)	3,559	1,744	1,815
Other Post Employment Benefits	690	145	(73)	762	-	762
Net Pension Liability	9,798	4,269	-	14,067	-	14,067
Total	\$ 563,745	\$ 228,704	\$ (220,813)	\$ 571,636	\$ 15,619	\$ 556,017

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2016 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption Optional (O) or Mandatory (M)		Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2016
			Rate %	Date	Year	Year				
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2021	\$ 63,555	\$ 52,260	\$ 11,295
2009 Series A	Improvements	Term	5.25-5.3	04/01 10/01	M	2031	10/1/2034	111,825	111,825	-
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	4,500	46,795
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	21,895	25,760
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
										\$ 483,910

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, 2016 and 2015.

The annual debt service requirements for all bonds outstanding as of September 30, 2016 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2017	\$ 14,080	\$ 21,869	\$ 35,949
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
2022-2026	93,645	86,113	179,758
2027-2031	112,385	60,303	172,688
2032-2036	144,775	30,783	175,558
2037-2038	58,920	2,982	61,902
	\$ 483,910	\$ 285,073	\$ 768,983

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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, 2016 and 2015 are as follows (in thousands):

	September 30,	
	2016	2015
Revenues	\$ 132,838	\$ 132,139
Expenses	70,117	66,885
Amount Available for Debt Service	<u>\$ 62,721</u>	<u>\$ 65,254</u>
Debt Service		
Deposit to Principal Account	\$ 14,080	\$ 13,875
Deposit to Interest Account	21,999	23,347
Total Debt Service	<u>\$ 36,079</u>	<u>\$ 37,222</u>
Debt Service Coverage Available for Debt Service	174%	175%
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, 2016 and 2015 were as follows (in thousands):

	September 30,	
	2016	2015
Revenue Pledged	\$ 62,721	\$ 65,254
Debt Service	\$ 33,227	\$ 40,597
Future Revenues Pledged	\$ 768,983	\$ 802,210
Percentage of Debt Service to Pledged Revenues	53.0%	62.2%

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, 2016
2015	Water and Sewer Utility Revenue Bonds Series 2009 A (Partially Refunded)	\$ 153,330

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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):

	2016	2015
Capital Recovery Fees	\$ 2,394	\$ 3,120
Capital Contributed from Other Governments	1,874	1,743
Capital Contributed by Developers	4,301	3,183
	<u>\$ 8,569</u>	<u>\$ 8,046</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 project. On January 1, 2015, the County entered into a contract with Humana to provide for employee health insurance through a self-insurance program with Humana as a third party payer. The County has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$400,000. 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, 2016. 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.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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 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, 2016 and 2015

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, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular - 5.56% and 5.80%, Senior Management Service - 19.73% and 20.05%; and DROP participants - 11.22% and 11.33%. The employer contribution rates by job class for the period from July 1, 2014 through June 30, 2015 were as follows: Regular - 6.07%, Senior Management Service - 19.84% and DROP participants

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 9 - RETIREMENT PLANS (Continued)

11.02%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ending September 30, 2016 and 2015, contributions, including employee contributions of \$568,000 and \$535,000, to the Pension Plan for the Fund totaled \$1,736,000 and \$1,745,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, the Fund reported liabilities of \$13,217,000 and \$7,092,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and July 1, 2015. The Fund's proportionate share of the net pension liability was based on its share of the County's 2015-2016 and 2014-2015 fiscal year contributions relative to the 2015-2016 and 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the County's proportionate share was 0.76293% which was a decrease of 0.03506% from its proportionate share measured as of June 30, 2015. At June 30, 2015, the County's proportionate share was 0.79799%, which was a decrease of 0.00620% from its proportionate share measured at June 30, 2014.

For the fiscal years ended September 30, 2016 and 2015, the Fund recognized pension expense of \$1,817,000 and \$471,000, 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, 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)

As of September 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 749	\$ (168)
Change of Assumptions	471	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(1,694)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	359	(56)
Pension Plan Contributions Subsequent to the Measurement Date	284	-
Total	\$ 1,863	\$ (1,918)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 9 - RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$389,000 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, 2017. 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):

<i>Years Ending September 30</i>	
2017	\$ 720
2018	721
2019	2,048
2020	1,350
2021	148
Thereafter	45
Total	\$ 5,032

Actuarial Assumptions - The total pension liability in the July 1, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.60% in 2016 and 7.65% in 2015, 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, 2016 and, 2015 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, 2016 valuation were unchanged from those used in the prior valuation as of July 1, 2015 with two exceptions; 1) the investment return assumption was decreased from 7.65% to 7.60%; and 2) the mortality assumption applied to members while in FRS covered employment, was updated to better anticipate expected future experience.

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, 2016

<i>Asset Class</i>	<i>Target Allocation*</i>	<i>Annual Arithmetic Return</i>	<i>Compound Annual (Geometric) Return</i>	<i>Standard Deviation</i>
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	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 9 - RETIREMENT PLANS (Continued)

As of September 30, 2015

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	7.00%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			

Assumed Inflation - Mean 2.60% 1.90%

*As outlined in the Pension Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 and 2015 was 7.60% and 7.65%, 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. In 2016, the rate of return assumption is a prescribed assumption as defined by the Actuarial Standards of Practice No. 27 (ASOP 27) and the 7.60% assumption was adopted by the 2016 FRS Actuarial Assumption Conference.

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, 2016 and 2015 using the discount rate of 7.60% and 7.65%, 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 (6.60% and 6.65%) or one percentage point higher (8.60% and 8.65%) than the current rate (in thousands):

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

As of September 30, 2015	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Proportional Share of the Net Pension Liability	\$ 18,377	\$ 7,092	\$ (2,299)

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.

Payables to the Pension Plan - At September 30, 2016 and 2015, the Fund reported payables in the amount of \$137,000 and \$91,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2016 and 2015.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE 9 - RETIREMENT PLANS (Continued)

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, 2016 and 2015, 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, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2016 were 1.26% and 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, 2016 and 2015, contributions to the HIS Plan for the Fund totaled \$314,000 and \$225,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, the Fund reported liabilities of \$8,098,000 and \$6,975,000, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of 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. The net pension liability measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. Liabilities originally calculated as of the July 1, 2014 actuarial valuation date have been recalculated as of June 30, 2015 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 2015-2016 and 2014-2015 fiscal year contributions relative to the 2015-2016 and 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the County's proportionate share was 1.01065% which was an increase of 0.01660% from its proportionate share measured as of June 30, 2015. At June 30, 2015, the County's proportionate share was 0.99405%, which was a decrease of 0.00414% from its proportionate share measured at June 30, 2014.

For the fiscal years ended September 30, 2016 and 2015, the Fund recognized pension expense of \$618,000 and \$450,000, 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, 2016 and 2015

NOTE 9 - RETIREMENT PLANS (Continued)

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)

As of September 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions	549	-
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	-	(70)
Pension Plan Contributions Subsequent to the Measurement Date	78	-
Total	\$ 631	\$ (70)

The deferred outflows of resources related to the HIS Plan, totaling \$78,000 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, 2017. 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):

<i>Years Ending September 30</i>	
2017	\$ 226
2018	226
2019	225
2020	225
2021	202
Thereafter	181
Total	\$ 1,285

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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, 2016. The July 1, 2014 actuarial valuation was used to develop the liabilities for June 30, 2015. Liabilities originally calculated as of the July 1, 2014 actuarial valuation date were recalculated as of June 30, 2015 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2016 and 2015 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	2.85% in 2016 and 3.80% in 2015, 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, 2016 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, 2016 and 2015 was 2.85% and 3.80% 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, 2016 and 2015 using the discount rate of 2.85% and 3.80%, 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 (1.85% and 2.80%) or one percentage point higher (3.85% and 4.80%) than the current rate (in thousands):

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

As of September 30, 2015	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
Proportional Share of the Net Pension Liability	\$ 7,948	\$ 6,975	\$ 6,164

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, 2016 and 2015, the Fund reported payables in the amount of \$33,000 and \$22,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2016 and 2015.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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, 2016 and 2015, 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 \$216,000 and \$194,000 for the fiscal years ended September 30, 2016 and 2015 respectively.

Payables to the Investment Plan - At September 30, 2016 and 2015, the Fund reported payables in the amount of \$38,000 and \$25,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2016 and 2015.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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 for the Fund for the 2016 and 2015 fiscal years, and the related information for the plan, is as follows (in thousands):

Required Contributions Rates:	2016	2015
Employer	Pay-as-you-go	Pay-as-you-go
Active Plan Members	N/A	N/A
Annual Required Contribution	\$ 147	\$ 149
Interest on Net OPEB Obligation	37	33
Adjustment to Annual Required Contribution	(48)	(37)
Annual OPEB Cost	136	145
Contributions Made	(68)	(73)
Increase in Net OPEB Obligation	68	72
Net OPEB Obligation, Beginning of Year	762	690
Net OPEB Obligation, End of Year	\$ 830	\$ 762

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

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 2016, 2015 and 2014 for the Fund, were as follows (dollars in thousands):

	2016	2015	2014
Annual OPEB Cost	\$ 136	\$ 145	\$ 139
Percentage of OPEB Cost Contributed	50.00%	49.99%	47.92%
Net OPEB Obligation	\$ 830	\$ 762	\$ 690

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, 2016 and 2015

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	22 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, 2016, the Fund had various uncompleted construction projects in process, with commitments totaling \$38,777,000. The retainage payable on these contracts totaled \$3,913,000.

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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)**

	2016	2015	2014
Fund's Proportion of the Net Pension Liability (Asset)	0.05234%	0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset) \$	13,217	\$ 7,092	\$ 3,376
Fund's Covered-employee Payroll \$	18,158	\$ 17,946	\$ 17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	72.79%	39.52%	19.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,168	\$ 1,210	\$ 1,175
Contributions in Relation to the Contractually Required Contribution	\$ (1,168)	\$ (1,210)	\$ (1,175)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 18,942	\$ 17,818	\$ 17,164
Contributions as a Percentage of Covered-employee Payroll	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)**

	2016	2015	2014
Fund's Proportion of the Net Pension Liability (Asset)	0.06948%	0.06840%	0.06868%
Fund's Proportionate Share of the Net Pension Liability (Asset) \$	8,098 \$	6,975 \$	6,422
Fund's Covered-employee Payroll \$	18,158 \$	17,946 \$	17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	44.60%	38.87%	36.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 314	\$ 225	\$ 206
Contributions in Relation to the Contractually Required Contribution	\$ (314)	\$ (225)	\$ (206)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 18,942	\$ 17,818	\$ 17,164
Contributions as a Percentage of Covered-employee Payroll	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, 2016 and 2015

NOTE 1 - PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2016 was decreased from 7.65% to 7.60%. 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 rate of return assumptions is a prescribed assumption as defined by the Actuarial Standards of Practice No. 27 (ASOP 27) and the 7.60% assumption was adopted by the 2016 FRS Actuarial Assumption Conference.

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, 2016 AND 2015
(Dollars In Thousands)**

	<u>2016</u>	<u>2015</u>
Revenues:		
Water	\$ 48,106	\$ 47,796
Wastewater	76,890	76,159
Other	7,417	7,893
Interest Income	425	291
Total Revenues	<u>132,838</u>	<u>132,139</u>
Expenses:		
Personal Services	27,066	24,405
Utilities Services	16,424	15,712
Chemicals	3,184	3,225
County Services	3,827	4,052
Material and Supplies	5,773	5,628
Motor Pool	1,161	1,322
Contractual Services	9,933	10,294
Other	2,749	2,247
Total Expenses	<u>70,117</u>	<u>66,885</u>
Net Revenue Available for		
Principal and Interest Requirements	<u>62,721</u>	<u>65,254</u>
Principal And Interest Requirements:		
Series 2005 Bonds	-	1,979
Series 2009A Bonds	2,367	8,773
Series 2012A Bonds	8,251	8,252
Series 2012B Bonds	5,523	5,523
Series 2012C Bonds	10,940	10,945
Series 2015A Bonds	2,113	411
Series 2015B Bonds	6,885	1,339
Total Principal and Interest Requirements	<u>36,079</u>	<u>37,222</u>
Debt Coverage Required	<u>1.20</u>	<u>1.20</u>
Actual Debt Coverage All Debt Service by Net Revenue	<u>1.74</u>	<u>1.75</u>
Balance Available for Renewal, Replacement and Capital Expenditures	<u>\$ 26,642</u>	<u>\$ 28,032</u>

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



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, as listed in the table of contents, of the Broward County Water and Wastewater Fund (the "Water and Wastewater Fund"), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water and Wastewater 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 Water and Wastewater Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water and Wastewater 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 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 over financial reporting 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 Water and Wastewater Fund's financial statements are free of 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*.

We noted certain other matters that we reported to management in a separate letter dated March 22, 2017.

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 Water and Wastewater Fund'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 Water and Wastewater Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 22, 2017