



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

**Financial Statements  
For the Year Ended September 30, 2022**



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

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**Independent Auditor's Report**

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

**Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of the Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

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

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 and Note 14 to the financial statements, the Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* as of October 1, 2021. As a result of the adoption beginning right to use assets and lease liability were restated. Our opinion is not modified with respect to this matter.

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

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to the pension and other post-employment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Schedule of Net Revenue and Debt Service Coverage Calculation is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Net Revenue and Debt Service Coverage Calculation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fund's internal control over financial reporting and compliance.

*RSM US LLP*

Fort Lauderdale, Florida  
March 27, 2023

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

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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, 2022 and 2021. 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 all Water Utility Revenue Bonds Resolutions.

### **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 2022 by \$550.7 million (net position).
- In fiscal 2022, the Fund's net position increased by \$35.3 million, or 6.9% compared to prior fiscal year. The increase is due to the positive results of operations.
- The fiscal year 2022 debt service coverage for the Fund of 154% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt increased by \$182.23 million (net of debt repayment of \$17.04 million) or 27.24% during the fiscal year 2022, compared to prior year, as a result of issuance of new debt in fiscal year 2022.

### **Overview of the Financial Statements**

This discussion and analysis are 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 include the 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.

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

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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, non-capital activities, 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.

### **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.

A schedule of net revenue and debt coverage calculation is presented immediately following the required supplementary information.

### **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, 2022 and 2021 is shown on the following page:



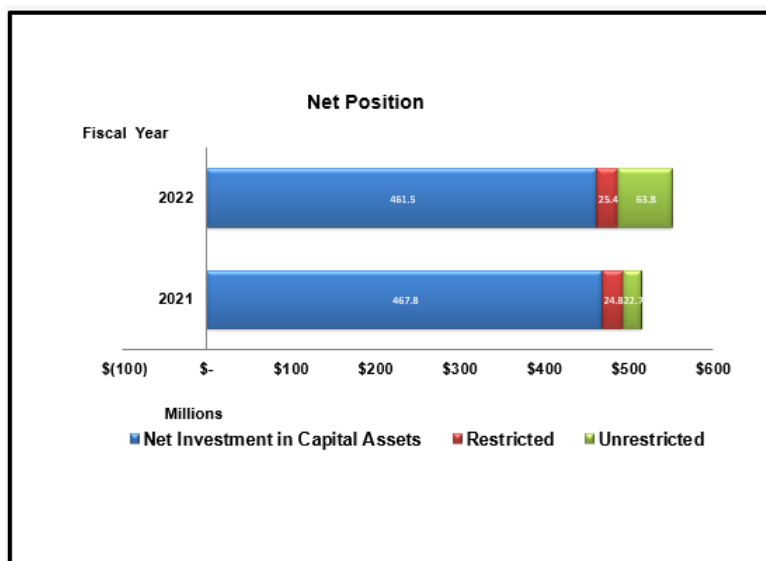
**Broward County, Florida  
Water and Wastewater Fund  
Management's Discussion and Analysis (Unaudited)**

**Summary Statement of Net Position  
As of September 30, 2022 and 2021  
(In Thousands)**

	2022	2021
Current Assets	\$ 170,500	\$ 131,384
Noncurrent Assets-Other Than Capital Assets	247,308	78,104
Capital Assets (Net)	1,143,828	1,109,888
Total Assets	1,561,636	1,319,376
Deferred Outflows of Resources	22,417	23,502
Current Liabilities	77,294	81,388
Noncurrent Liabilities	953,727	731,258
Total Liabilities	1,031,021	812,646
Deferred Inflows of Resources	2,352	14,890
Net Investment in Capital Assets	461,485	467,816
Restricted	25,397	24,837
Unrestricted	63,798	22,689
Total Net Position	\$ 550,680	\$ 515,342

The overall position of the Fund improved in both the 2022 and 2021 fiscal years. Total net position as of September 30, 2022, was \$550.7 million, representing an increase of \$35.3 million, or 6.9% compared to 2021. Total net position as of September 30, 2021, was \$515.3 million, as compared to the 2020 net position of \$496.4 million, representing an increase of \$18.9 million, or 3.8% during fiscal year 2021. The increase in fiscal years 2022 and 2021 was primarily due to the positive results of operations in the Fund.

At September 30, 2022, 83.8% 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 Water and Wastewater Utility customers. The restricted portion, 4.6% 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 11.6% may be used to meet any of the Fund's ongoing obligations.



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

The following schedule shows the changes in net position for the fiscal years ended September 30, 2022 and 2021.

**Changes in Net Position  
For the Years Ended September 30, 2022 and 2021  
(In Thousands)**

	2022	2021
Operating Revenues:		
Water Sales	\$ 57,628	\$ 53,618
Wastewater Services	98,947	92,306
Other Services	7,595	5,188
Total Operating Revenues	<u>164,170</u>	<u>151,112</u>
Operating Expenses:		
Personal Services	36,028	31,767
General Operating	51,991	47,874
Depreciation	38,189	36,661
Total Operating Expenses	<u>126,208</u>	<u>116,302</u>
Operating Income	<u>37,962</u>	<u>34,810</u>
Non-Operating Revenues (Expenses):		
Grants	9	3,008
Investment Income	(568)	321
Interest Expense	(29,222)	(25,681)
Bond Issuance Costs	(1,049)	-
Other	387	1,118
Total Non-Operating Revenues (Expenses)	<u>(30,443)</u>	<u>(21,234)</u>
Income Before Capital Contributions and Transfers	7,519	13,576
Capital Contributions	6,466	5,320
Transfer In	21,353	-
Change in Net Position	35,338	18,896
Total Net Position - Beginning	<u>515,342</u>	<u>496,446</u>
Total Net Position - Ending	<u>\$ 550,680</u>	<u>\$ 515,342</u>

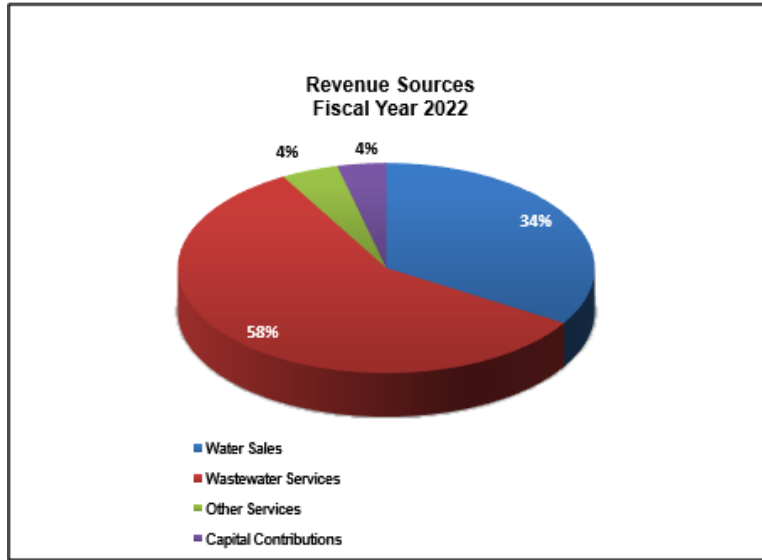
The Fund's current year activities increased net position by \$35.3 million, a 6.9% increase from the 2021 balance of \$515.3 million. The increase is primarily due to the positive result of operations. Some of the significant changes are as follows:

- Operating revenues increased \$13.1 million, or 8.6% over the prior year. The increase was the result of several factors. Retail water revenue increased \$3.9 million due to increase in retail water demand. Retail sewer revenue increased \$2.0 million due to increase in retail water consumption and increase in rates in FY22. Large User revenue increased \$4.1 million compared to FY21.
- Operating expenses increased \$9.9 million, or 8.5% from the prior year. General operating expenses increased \$4.1 million, personal services increased by \$4.26 million while depreciation expense increased by \$1.5 million.
- Non-operating expenses for fiscal year 2022 increased by \$9.2 million from the prior year. This increase is primarily due to \$3.0 million decrease in grant revenue received, \$0.9 million decrease in investment income, \$3.5 increase in interest expense and \$1.0 million increase in bond issuance costs due to bonds issued in 2022.

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

- Capital contributions increased by \$1.1 million, or 21.5% from the prior year. These assets are site specific to the developer's project and are required to provide service to the specific project. Capital recovery fees paid remained strong at \$1.5 million during the fiscal year. Development activities are anticipated to remain steady in the coming year as the impact of Covid-19 on broader economic factors in Broward County and throughout the State is decreasing, such as unemployment rate, property values, and access to capital.

The following is a chart of the fiscal year 2022 revenues by source and by percentage of total revenues.



**Capital Assets and Debt Administration**

**Capital Assets**

As of September 30, 2022, the Fund had \$1,143.8 million, net of accumulated depreciation, invested in a variety of capital assets, as reflected in the following schedule. In 2022, there was a net increase in capital assets (additions less retirements and depreciation) of \$33.9 million.

The following is a summary of capital assets of the Fund as of September 30, 2022 and 2021:

**Comparative Summary of Capital Assets  
As of September 30, 2022 and 2021  
(In Thousands)**

	2022	2021
Land	\$ 4,936	\$ 4,936
Construction in Progress	437,653	377,893
Total Non-depreciable Assets	<u>442,589</u>	<u>382,829</u>
Utility Plant in Service	1,419,573	1,410,565
Equipment	43,827	42,454
Intangible Asset- right to use lease asset	1,509	-
Less Accumulated Depreciation	<u>(763,670)</u>	<u>(725,960)</u>
Total Depreciable Assets, Net	<u>701,239</u>	<u>727,059</u>
Total Capital Assets, Net	<u>\$ 1,143,828</u>	<u>\$ 1,109,888</u>

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

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In fiscal year 2022, capital projects under construction increased by \$66.3 million and \$6.5 million in projects were completed and put into service. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

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

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

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

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**Debt Administration**

As of September 30, 2022, the Fund had \$851.3 million in bonded debt outstanding compared to the \$669.1 million in 2021, a 27.2% increase. During fiscal year 2022, the Water and Sewer System issued Revenue Bonds, Series 2022A in the principal amount of \$199.265 million with a premium of \$31.05 million. The debt payable increased by \$182.230 with issuance of bond for \$199.265 million and principal payments of \$17.04 million. All debt outstanding as of the end of fiscal year 2022 was secured by system revenues.

**Comparative Summary of Bonded Debt  
As of September 30, 2022 and 2021  
(In Thousands)**

	2022	2021
Water and Sewer Utility Revenue Bonds	\$ 851,325	\$ 669,095

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

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

**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 2023 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 2023 budget:

- Water consumption is projected not to change significantly from prior years.
- Increase in annual system costs of 3.98% which includes increases to labor cost, sludge hauling/disposal and purchased water from the City of Hollywood.
- Maintain competitive retail rates among local utilities.
- Maintain conservation-based water rates to reward customers with the lowest rates of consumption.
- 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 2023. The regional

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

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rates for wastewater increased 6.44% and raw water for fiscal year 2022 increased 5.24% from fiscal year 2021.

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  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022  
(In Thousands)**

**ASSETS**

**Current Assets:**

Unrestricted Assets:

Cash and Cash Equivalents	\$	9,533
Investments		63,887
Receivables		
Accounts, Net of Allowance of \$7,424		19,126
Other		130
Due from Other County Funds		289
Due from Other Governments		17
Inventory		10,416
Prepaid Items		1,298
Total Current Unrestricted Assets		<u>104,696</u>

Restricted Assets:

Cash and Cash Equivalents		<u>65,804</u>
Total Current Restricted Assets		<u>65,804</u>
Total Current Assets		<u>170,500</u>

**Noncurrent Assets:**

Restricted Assets:

Cash and Cash Equivalents		239,701
Investments		<u>7,607</u>
Total Noncurrent Restricted Assets		<u>247,308</u>

Capital Assets:

Utility Plant in Service		1,419,573
Land		4,936
Construction in Progress		437,653
Equipment		43,827
Intangible asset- right to use lease asset		<u>1,509</u>
Total Capital Assets		1,907,498
Less Accumulated Depreciation and Amortization		<u>(763,670)</u>
Total Capital Assets, Net		<u>1,143,828</u>
Total Noncurrent Assets		<u>1,391,136</u>

**TOTAL ASSETS**

**1,561,636**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Charge on Refunding		14,558
Deferred Outflows on Other Post Employment Benefit		347
Deferred Outflows on Pensions		7,512

**TOTAL DEFERRED OUTFLOWS OF RESOURCES**

**\$ 22,417**

(continued)

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF NET POSITION - continued  
SEPTEMBER 30, 2022  
(In Thousands)**

**LIABILITIES**

**Current Liabilities:**

Payable From Unrestricted Assets:	
Accounts Payable	\$ 3,657
Accrued Liabilities	1,357
Due to Other County Funds	279
Due to Other Governments	4,040
Lease liabilities, current	32
Compensated Absences	2,125
Total Current Liabilities Payable from Unrestricted Assets	<u>11,490</u>

Payable From Restricted Assets:	
Accounts Payable	19,202
Accrued Interest Payable	18,917
Revenue Bonds Payable	17,790
Customer Deposits	9,895
Total Current Liabilities Payable from Restricted Assets	<u>65,804</u>
Total Current Liabilities	<u>77,294</u>

**Noncurrent Liabilities:**

Revenue Bonds Payable, including Discount and Premiums	918,813
Compensated Absences	2,271
Lease liabilities	1,446
Total Other Post-Employment Benefits Liability	1,068
Net Pension Liability	30,129
Total Noncurrent Liabilities	<u>953,727</u>

**TOTAL LIABILITIES** 1,031,021

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows on Other Post-Employment Benefits	981
Deferred Inflows on Pensions	1,371
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>2,352</u></u>

**NET POSITION**

Net Investment in Capital Assets	461,485
Restricted for:	
Debt Service	17,790
Renewal, Replacement, and Improvement	7,607
Unrestricted	63,798
<b>TOTAL NET POSITION</b>	<u><u>\$ 550,680</u></u>

*See accompanying notes to financial statements.*



**BROWARD COUNTY, FLORIDA**  
**WATER AND WASTEWATER FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**  
(In Thousands)

**Operating Revenues:**

Retail Services:		
Water	\$	56,652
Wastewater		47,651
Septic Charges		3,952
Other Services		7,595
		<u>115,850</u>
Wholesale Services:		
Water		976
Wastewater		47,344
Total Operating Revenues		<u>164,170</u>

**Operating Expenses:**

Personal Services	36,028
Utilities Services	18,914
Chemicals	4,377
County Services	5,654
Materials and Supplies	6,417
Motor Pool	2,048
Contractual Services	8,873
Other	5,708
Total Operating Expenses before Depreciation and Amortization	<u>88,019</u>

**Operating Income before Depreciation and Amortization**

Depreciation and Amortization Expense	76,151
	<u>38,189</u>

**Operating Income**

37,962

**Non-Operating Revenues (Expenses):**

Grants	9
Interest Income	1,639
Net (decrease) in the Fair Value of Investments	(2,207)
Interest Expense	(29,222)
Other Income	283
Bond Issuance Costs	(1,049)
Gain on Disposal of Capital Assets	104
Total Non-Operating Revenues (Expenses)	<u>(30,443)</u>

**Income before Capital Contributions and Transfers**

7,519

**Capital Contributions**

6,466

**Transfers in**

21,353

**Change in Net Position**

35,338

**Total Net Position - Beginning**

515,342

**Total Net Position - Ending**

**\$ 550,680**

*See accompanying notes to financial statements.*

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(In Thousands)**

<b>Cash Flows From Operating Activities:</b>	
Cash Received from Customers	\$ 164,095
Cash Payments to Suppliers for Goods and Services	(53,592)
Cash Payments to Employees for Services	(34,995)
Other Cash Received	<u>277</u>
Net Cash Provided by Operating Activities	<u>75,785</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Transfer In	<u>21,353</u>
Net Cash Provided by Noncapital Financing Activities	<u>21,353</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Payment on Bond Issuance Costs	(1,049)
Acquisition and Construction of Capital Assets	(79,021)
Proceeds from Sale of Capital Assets	104
Proceeds from Revenue Bonds	230,313
Lease Payments	(60)
Capital Recovery Fees	1,498
Capital Surcharges Contributed from Other Governments	2,206
Principal Paid on Revenue Bonds	(17,035)
Interest Paid on Revenue Bonds	(28,155)
Other Debt Service Costs Paid	<u>7</u>
Net Cash Provided by Capital and Related Financing Activities	<u>108,808</u>
<b>Cash Flows From Investing Activities:</b>	
Purchase of Investment Securities	(123,543)
Proceeds from Sale and Maturities of Investment Securities	121,626
Interest and Dividends on Investments	<u>1,536</u>
Net Cash Used for Investing Activities	<u>(381)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>205,565</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>109,473</b>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>315,038</u></b>
Cash and Cash Equivalents - Unrestricted Assets	9,533
Cash and Cash Equivalents - Restricted Assets	<u>305,505</u>
Total Cash and Cash Equivalents	<u>315,038</u>

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(In Thousands)**

**Reconciliation Of Operating Income To Net Cash**

**Provided By Operating Activities:**

Operating Income	\$ 37,962
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	38,189
Miscellaneous Non-Operating Revenue	277
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(1,669)
Due from Other County Funds	186
Inventory	(681)
Prepaid Items	(769)
Deferred Outflows on Other Post-Employment Benefits	47
Deferred Outflows on Pensions	(524)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	671
Accrued Liabilities	216
Due to Other Governments	449
Customer Deposits	140
Compensated Absences	(106)
Total Other Post Employment Benefits Liability	(846)
Net Pension Liability	14,781
Deferred Inflows on Other Post-Employment Benefits	855
Deferred Inflows on Pensions	(13,393)
Total Adjustments	37,823
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 75,785</b>

**Noncash Investing, Capital And Related Financing Activities:**

Capital Assets Acquired through Current Accounts Payable	\$ 19,201
Capital Contributions	2,762
Amortization of Deferred Charge on Refunding	1,562
Amortization of Bond Discounts and Premiums	(5,173)
Change in Fair Value of Investments	2,207

*See accompanying notes to financial statements.*

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

#### B. Measurement Focus and Basis of Accounting

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

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

#### C. Implementation of Governmental Accounting Standards Board Statements

The Fund adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2022.

##### 1. GASB Statement No. 87, *Leases*

Statement No.87 increases the usefulness of financial statements by requiring the recognition of certain lease assets and liabilities that were previously classified as operation leases and recognized as inflows of resources or outflows of resources based on provisions of the contract. See Note 13 and Note 14 for the impact of Statement No. 87 on the Fund's financial statements.

##### 2. GASB Statements No. 92, *Omnibus 2020*

Statement No.92 clarifies multiple financial reporting topics included in multiple GASB Statements. Statement No. 92 did not impact the Fund's financial position or results in operations.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Statement No.93 addresses the accounting and financial reporting implications that result from a replacement of an interbank offered rate. Statement No. 93 did not impact the Fund's financial position or results in operations.

#### 4. GASB Statement No. 99, *Omnibus 2022*

Statement No. 99 clarifies multiple financial reporting topics included in multiple GASB Statements. Certain portions of the statement are effective and implemented for the fiscal year ended September 30, 2022, including extension of the use of LIBOR, accounting for SNAP distributions, disclosure of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB 34, as amended, and terminology updates related to GASB Statement No. 53 and Statement No. 63 upon issue date (April 2022). Statement No. 99 did not impact on the Fund's financial position or results in operations.

#### 5. GASB Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement 62*

Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 did not impact the Fund's financial position or results in operations.

#### D. Deposits and Investments

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

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

#### E. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of \$7,424,000 for fiscal year ending September 30, 2022.

#### F. Due from or to Other County Funds

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Inventories and Prepaid Items**

Inventories held for use in maintaining the Utility are stated at the lower of average cost or net realizable value. Inventory is received using first-in, first-out method. Prepaid items consist primarily of insurance costs that will benefit future accounting periods.

**H. 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 \$5,000 for equipment and \$50,000 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 - 30 years

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements 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, OPEB and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on OPEB activities are more fully disclosed in Note 1, Section L and Note 9. Deferred outflows on pension activities are more fully disclosed in Note 1, Section M and Note 10.

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 that relate to OPEB activities are more fully disclosed in Note 1, Section L and Note 9. Deferred inflows of resources reported by the Fund that relate to pension activities are more fully disclosed in Note 1, Section M and Note 10.

**J. 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.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **K. Long-term Obligations**

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

#### **L. Post-Employment Benefits Other Than Pensions (OPEB)**

The total OPEB liability is measured as portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The total OPEB liability is reported in the Statements of Net Position.

#### **M. Pensions**

In the Statements of Net Position, pension liabilities are recognized for the Fund's proportionate share of the County's share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans.

Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources, depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources and are amortized as a component of pension expense using a systematic and rational method over a five year period beginning with the period in which a difference arose.

#### **N. 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 by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of other two components.

Sometimes the Fund will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net



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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**O. Capital Contributions**

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

**P. Use of Estimates**

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 2 - DEPOSITS AND INVESTMENTS**

At September 30, 2022, the Fund's deposits and investments consisted of the following (in thousands):

	<u>September 30</u> <u>2022</u>
Cash Deposits	\$ 97,968
Investments:	
U.S. Treasuries	8,286
U.S. Agencies	53,450
World Bank	9,758
Money Market Mutual	<u>217,070</u>
Total Investments	<u>288,564</u>
Total Cash, Cash Equivalents and Investments	<u><b>\$ 386,532</b></u>

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

	<u>September 30</u> <u>2022</u>
Current Assets	
Unrestricted	
Cash and Cash Equivalents	\$ 9,533
Investments	63,887
Restricted	
Cash and Cash Equivalents	65,804
Noncurrent Assets	
Restricted	
Cash and Cash Equivalents	239,701
Investments	<u>7,607</u>
Total Cash, Cash Equivalents and Investments	<u><b>\$ 386,532</b></u>

**A. Deposits**

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

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2022, \$80,957,000 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.

#### **B. Investments**

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

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

*Interest Rate Risk* - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2022, the portfolio weighted average maturity was 495, and was in accordance with the County's investment policy.

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

As of September 30, 2022 the County's investments in U.S. Treasury are rated AA by Standard & Poor's Rating Services and Aaa by Moody's Investor Services, with its investments in U.S. Agencies rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investor Services. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and Fitch, and Aaa by Moody's

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investor Services. The County's investments in the Money Market Mutual Funds are rated AAAM by Standard & Poor's Rating Services and Aaa-mf by Moody's Investor Services.

At September 30, 2022, the County's investments were held in the County's name.

*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 investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer at the time of purchase. GASB Statement No. 40, "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3" requires disclosure when 5% or more is invested in any one issuer. The County's investment in Federal Home Loan Bank was 29.63%, Farmer Mac 23.22%, U.S. Treasury was 17.91% and Federal Farm Credit Bank was 17.34% as of September 30, 2022.

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

Investments with Local Government Investment Pools (LGIP) are recorded at net asset value (NAV) per share. This method of determining fair value uses member units to which a proportionate share of net assets is attributed.

The Fund has the following recurring fair value measurements as of September 30, 2022 (in thousands):

Investments by Fair Value Level	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1) September 30, 2022</u>	<u>Significant Other Observable Inputs (Level 2) September 30, 2022</u>
Debt Securities:			
U.S. Treasuries	\$ 8,286	-	\$ 8,286
U.S. Agencies	53,450	-	53,450
World Bank	9,758	-	9,758
<b>Total Debt Securities</b>	<b>\$ 71,494</b>	<b>-</b>	<b>\$ 71,494</b>

**Investments at Net Asset Value (NAV)**

Money Market Mutual Funds	217,070
<b>Total Investments at Fair Value</b>	<b>\$ 288,564</b>

U.S. Treasuries, U.S. Agencies, 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 3 - RESTRICTED ASSETS**

Restricted assets of the Fund at September 30, 2022 represent amounts restricted for debt service, maintenance and improvements under the terms of outstanding bond agreements. The bond reserve accounts contain the maximum amount of principal and interest requirements pursuant to the bond resolutions. The debt service accounts contain the principal and interest amounts required for payment due on October 1. The deposit account represents customer deposits, and the renewal, replacement, and improvement fund are required by the bond resolution.

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

	<u>September 30,</u> <u>2022</u>
Bond Reserve Accounts	\$ 54,834
Debt Service Accounts	36,707
Renewal, Replacement, and Improvement Accounts	7,607
Deposit Account	9,895
Construction Projects Account	204,069
	<u><b>\$ 313,112</b></u>

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

	<u>September 30,</u> <u>2022</u>
Current Restricted Assets	
Cash and Cash Equivalents	\$ 65,804
Noncurrent Restricted Assets	
Cash and Cash Equivalents	239,701
Investments	7,607
	<u><b>\$ 313,112</b></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the years ended September 30, 2022, are as follows (in thousands):

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	377,893	66,308	(6,548)	437,653
Total Capital Assets, Not Being Depreciated	<u>382,829</u>	<u>66,308</u>	<u>(6,548)</u>	<u>442,589</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,410,565	9,008	-	1,419,573
Equipment	42,454	1,904	(531)	43,827
Total Capital Assets, Being Depreciated	<u>1,453,019</u>	<u>10,912</u>	<u>(531)</u>	<u>1,463,400</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(686,629)	(35,622)	-	(722,251)
Equipment	(39,331)	(2,509)	474	(41,366)
Total Accumulated Depreciation	<u>(725,960)</u>	<u>(38,131)</u>	<u>474</u>	<u>(763,617)</u>
Total Capital Assets Being Depreciated, Net	<u>727,059</u>	<u>(27,219)</u>	<u>(57)</u>	<u>699,783</u>
Capital Assets, amortized:				
Intangible Asset- right to use lease asset	1,509	-	-	1,509
Total Capital Assets, Being Amortized	<u>1,509*</u>	<u>-</u>	<u>-</u>	<u>1,509</u>
Less Accumulated Amortization For:				
Intangible Asset- right to use lease asset	-	(53)	-	(53)
Total Accumulated Amortization	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(53)</u>
Total Capital Assets Being Amortized, Net	<u>1,509*</u>	<u>(53)</u>	<u>-</u>	<u>1,456</u>
Total Capital Assets, Net	<u>\$ 1,111,397*</u>	<u>\$ 39,036</u>	<u>\$ (6,605)</u>	<u>\$ 1,143,828</u>

\* Restated for GASB 87- See Note 14

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2022

**NOTE 5 - LONG-TERM LIABILITIES**

Changes in long-term obligations for the years ended September 30, 2022, are as follows (in thousands):

	Balance October 1, 2021	Additions	Deductions	Balance September 30, 2022	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 669,095	\$ 199,265	\$ (17,035)	\$ 851,325	\$ 17,790	\$ 833,535
Unamortized Bond Premiums and Discounts	59,403	31,049	(5,174)	85,278	-	85,278
Compensated Absences	4,502	3,023	(3,129)	4,396	2,125	2,271
Lease Liabilities	1,509*	-	(31)	1,478	32	1,446
Other Post Employment Benefits	1,914	-	(846)	1,068	-	1,068
Net Pension Liability	15,348	14,781	-	30,129	-	30,129
<b>Total</b>	<b>\$ 751,771*</b>	<b>\$ 248,118</b>	<b>\$ (26,215)</b>	<b>\$ 973,674</b>	<b>\$ 19,947</b>	<b>\$ 953,727</b>

\* Restated for GASB 87- See Note 14

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2022 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption	Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2022	
			Rate %	Date						Optional (O) or Mandatory (M)
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	29,315	21,980
2012 Series B	Refunding	Serial	4.0-5.0	04/01 10/01	O	2023	10/1/2027	110,920	38,505	72,415
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	2,630	154,925
2019 Series A	Improvements	Serial	3.0-5.0	04/01 10/01	O	2029	10/1/2044	249,110	-	249,110
2019 Series B	Refunding	Serial	2.558-3.088	04/01 10/01	O	2029	10/1/2037	96,440	-	96,440
2019 Series B	Refunding	Term	3.3	04/01 10/01	M	2037	10/1/2034	14,935	-	14,935
2022 Series A	Improvements	Serial	4.0-5.0	04/01 10/01	O	2031	10/1/2045	95,845	-	95,845
2022 Series A	Improvements	Term	4.0	04/01 10/01	M	2046	10/1/2047	103,420	-	103,420
									<b>\$ 851,325</b>	

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, 2022.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 5 - LONG-TERM LIABILITIES (Continued)**

The debt service maturity requirements for all bonds outstanding as of September 30, 2022, are as follows (in thousands):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	17,790	36,372	54,162
2024	18,670	34,453	53,123
2025	19,585	33,506	53,091
2026	20,565	32,503	53,068
2027	21,590	31,449	53,039
2028-2032	123,360	140,319	263,679
2033-2037	151,855	111,558	263,413
2038-2042	190,470	78,097	268,567
2043-2047	234,715	34,752	269,467
2048	\$ 52,725	\$ 1,055	53,780
	<u>\$ 851,325</u>	<u>\$ 534,064</u>	<u>\$ 1,385,389</u>

On February 15, 2022, pursuant to Resolution No. 2022-024 adopted by the Board of County Commissioners of the County on January 25, 2022, the County Issued: (i) \$199.265 million in Water and Sewer Utility Revenue Bonds, Series 2022A (the "Series 2022A Bonds") with interest rates ranging from 4.00% to 5.00% with a premium of \$31.049 million resulting in a true interest rate of 3.08%.

The Series 2022A Bonds were issued for the purposes of providing funds, together with other legally available funds, if any to: (i) pay all or a portion of the Costs of acquiring and constructing the 2022 Projects; (ii) fund the increase in the Reserve Account Requirement; and (iii) pay the costs of issuance of the Series 2022A Bonds.

The various Bond Resolutions applicable to the outstanding Water and Sewer Utility Revenue Bonds generally contain provisions that, upon the occurrence of and continuation of any event that constitutes an "Event of Default" (typically payment or covenant related compliance criteria), the outstanding principal balance, accrued interest, and/or penalties may, at the option of a required percentage of Bondholders, be accelerated and would be due and payable immediately.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**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 of the Fund, as defined in the Bond Resolution. In accordance with Section 502 of the Bond Resolution, the debt service coverage for the fiscal year ended September 30, 2022, are as follows (in thousands):

	<u>September 30,</u> <u>2022</u>
Revenues	\$ 166,059
Expenses	88,019
Amount Available for Debt Service	<u>\$ 78,040</u>
Debt Service	
Deposit to Principal Account	\$ 17,790
Deposit to Interest Account	32,806
Total Debt Service	<u>\$ 50,596</u>
Debt Service Coverage Available for Debt Service	154%
Required Debt Service Coverage	120%

Total pledged revenues to repay the principal and interest of the Water and Sewer Utility Revenue Bonds as of September 30, 2022, are as follows (in thousands):

	<u>September 30,</u> <u>2022</u>
Revenue Pledged	\$ 78,040
Debt Service	\$ 45,189
Future Revenues Pledged	\$ 1,385,389
Percentage of Debt Service to Pledged Revenues	57.9%

Total future pledged revenues must be sufficient to repay principal and interest on a cash basis through fiscal year 2048.

**Defeased Bonds**

The Fund has entered into a refunding transaction whereby refunding bonds have been issued to facilitate the retirement of the Fund's obligation with respect to certain outstanding bonds. The net proceeds of the refunding issues have been placed in an irrevocable escrow account 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 transaction.

The Fund had an outstanding defeased bond balance of \$101.115 million for Water and Sewer Utility Revenue Bonds Series 2012A (Partially Refunded) as of September 30, 2022.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### 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):

	2022
Capital Recovery Fees	\$ 1,498
Capital Contributed from Other Governments	2,206
Capital Contributed by Developers	2,762
	<u>\$ 6,466</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 \$2,000,000 retention limit and pays any claims below the retention from its Self-Insurance Fund Mass transit liability, auto liability, medical malpractice, and general liability. 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 participated in the OCIP program and made contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects. The OCIP program expired in December 2019. However, there are incurred but not reported (IBNR) responsibilities for all projects that were enrolled. There is a 10 year statute of repose and a 4 year statutory liability limit. The County is self-insured for employee health insurance and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$500,000 per individual. The County (through the Self-Insurance Fund) also purchases commercial insurance for property coverage, and numerous smaller policies that are required by lease agreements, union contracts, state statutes, etc. Settled claims have not exceeded commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. Participating funds are indemnified against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred in all funds. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2022. 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 8 - LARGE USER AGREEMENTS AND MAJOR CUSTOMERS**

The County has entered into agreements with Large Users (wholesale) 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. As of September 30, 2022, the top ten customers revenues accounted for approximately 37% of total operating revenue and the Large User revenues, which excludes Major Retail customers, accounted for 29% of total operating revenue.

A significant portion of the Water and Wastewater Services earnings and revenues are directly or indirectly attributed to the demand of Large Users and Major Retail customers. The Large User agreements contain an automatic renewal clause. It is unlikely that any of the Large User customers would cease to be a customer of the system.

Major customers, based on dollars of revenue, are as follows:

Customer:	2022			% of Total Operating Revenue
	Wastewater	Water	Total	
Coconut Creek <sup>1</sup>	\$ 4,580	\$ 7,954	\$ 12,534	7.64%
Pompano Beach	11,253	-	11,253	6.85%
Coral Springs	7,493	-	7,493	4.56%
Tamarac	6,701	-	6,701	4.08%
Deerfield Beach	6,138	-	6,138	3.74%
Lauderhill	6,051	-	6,051	3.69%
NSID <sup>3</sup>	3,508	-	3,508	2.14%
North Lauderdale	3,460	-	3,460	2.11%
Broward County Agencies <sup>2</sup>	1,210	1,369	2,579	1.57%
Broward County School Board <sup>2</sup>	882	644	1,526	0.93%
	<u>\$ 51,276</u>	<u>\$ 9,967</u>	<u>\$ 61,243</u>	<u>37.31%</u>

<sup>1</sup> Retail Customer for Water

<sup>2</sup> Retail Customer for Wastewater and Water

<sup>3</sup> North Springs Improvement District

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### NOTE 9 - 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 financial reports. At September 30, 2022, the OPEB Plan covered 375 active department's benefit eligible employees. In addition, the total retirees covered under this plan for the County is 197 (excluding BSO) at September 30, 2022 whereas individual totals of retirees by department is not available.

#### Funding Policy and Annual OPEB Cost

The Fund is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund of the County and other funds where personnel are located. 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 and represents the implicit subsidy provided by the Fund to its retirees.

#### Actuarial Methods and Assumptions

The actuarial assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As a national economic and County experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary updated.

Significant methods and assumptions were as follows:

Actuarial Valuation Date/Measurement Date	9/30/2022
Actuarial Cost Method	Entry Age
Discount Rate	4.77%
Projected Cash Flows	Pay-as-you-go
Municipal Bond Rate	20-Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or Higher
Projected Salary Increases*	3.25%
Healthcare Cost Trend Rate	7.50% initial; 4.50% ultimate

**\*Includes 2.6% general inflation rate for Broward County Employees.**

Various PUB-2010 Generational Tables projected generationally using Scale MP-2021 and various RP-2000 Generational Tables projected generationally using Scale BB for the OPEB mortality assumption for FY2022.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**Changes in Total OPEB Liability and Related Ratios**

Below are details regarding the total OPEB liability for the year ended September 30, 2022.

	<u>2022</u>
Total OPEB Liability recognized at October 1st	<u>\$ 1,914</u>
Changes for the Fiscal Year:	
Service Cost	133
Interest	53
Difference between Actual and Expected Experience	(509)
Assumption Changes	(439)
Benefits Payments	<u>(84)</u>
Net Change in total OPEB	<u>(846)</u>
Total OPEB Liability at September 30th	<u><u>\$ 1,068</u></u>
 Covered-Employee Payroll	 20,793
Total OPEB Liability as a percent of Covered-Employee Payroll	5.14%

*Sensitivity of the Proportionate Share of the Total OPEB 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, 2022 using the discount rate of 4.77%, as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.77% and 1.43%, respectively) or one percentage point higher (5.77% and 3.43%, respectively) than the current rate (in thousands):

<b>As of September 30, 2022</b>	1% Decrease 3.77%	Current Discount Rate 4.77%	1% Increase 5.77%
Total OPEB Liability	\$ 1,393	\$ 1,068	\$ 1,083

*Sensitivity of the Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trends* - The following represents the Fund's proportionate share of the total OPEB liability calculated as of September 30, 2022 using health care cost trend of 7.50% - 4.50% as well as what the proportionate share of the OPEB liability would be if it were calculated using a healthcare cost rate trend that is one percentage point lower (6.50% -3.50%) or one percentage point higher (8.50%-5.50%) respectively than the current rate (in thousands):

<b>As of September 30, 2022</b>	1% Decrease 6.50% to 3.50%	Current Discount Rate 7.50% to 4.50%	1% Increase 8.50% to 5.50%
Total OPEB Liability	\$ 1,051	\$ 1,068	\$ 1,445

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2022, the Fund recognized OPEB expenses of \$57,000. At September 30, 2022, the Fund reported deferred outflows and deferred inflows of resources related to OPEB for the following sources:

<b>As of September 30, 2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Difference between Expected and Actual Experience	188	\$ (561)
Changes in Assumptions or Other Inputs	159	(420)
<b>Total</b>	<u>\$ 347</u>	<u>\$ (981)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2022, will be recognized in the OPEB expense as follows:

<b>Years Ending September 30th</b>	
2023	\$ 44
2024	44
2025	44
2026	44
2027	44
Thereafter	414
<b>Total</b>	<u>\$ 634</u>

**NOTE 10 - RETIREMENT PLANS**

All of the Fund's eligible employees, employees of the County, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone annual comprehensive 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](http://www.frs.myflorida.com)).

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 10 - RETIREMENT PLANS (Continued)**

**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.

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% on the preceding months DROP accumulation until DROP participation ends.

*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.

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value (Per Year of Service)</b>
<b>Regular Class Members Initially Enrolled before July 1, 2011</b>	
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%
<b>Regular Class Members Initially Enrolled on or after July 1, 2011</b>	
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%
<b>Senior Management Service Class</b>	<b>2.00%</b>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 10 - RETIREMENT PLANS (Continued)**

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, 2021, through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular - 9.10% and 10.19%, Senior Management Service - 27.29% and 29.85%; and DROP participants -16.68% and 16.94%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ending September 30, 2022 contributions, including employee contributions of \$512,000, to the Pension Plan for the Fund totaled \$2,533,000.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2022, the Fund reported liabilities of \$22,061,000 for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2022 and June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022 and July 1, 2021, respectively. The Fund's proportionate share of the net pension liability was based on its share of the County's 2021-2022 and 2020-2021 fiscal year contributions relative to the 2021-2022 and 2020-2021 fiscal year contributions of all participating members. At June 30, 2022, the Fund's proportionate share was 0.05419% which was a decrease of 0.00027% from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the Fund recognized pension expense of \$3,141,000. 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):

<b>As of September 30, 2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 958	\$ -
Change of Assumptions	2,484	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,331	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	1,056	(100)
Pension Plan Contributions Subsequent to the Measurement Date	644	
<b>Total</b>	<b>\$ 6,473</b>	<b>\$ (100)</b>



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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 10 - RETIREMENT PLANS (Continued)**

The deferred outflows of resources related to the Pension Plan, totaling \$644,000 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, 2023.

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 30th</i>	
2023	\$ (1,470)
2024	(710)
2025	151
2026	(3,530)
2027	(170)
<b>Total</b>	<b>\$ (5,729)</b>

*Actuarial Assumptions* - The total pension liability in the July 1, 2022 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.70% in 2022, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2022 valuation were unchanged from those used in the prior valuation as of July 1, 2021.

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:

<b>As of September 30, 2022</b>	<b>Target Allocation*</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Annual Standard Deviation</b>
Cash Equivalents	1.00%	2.60%	2.60%	1.10%
Fixed Income	19.80%	4.40%	4.40%	3.20%
Global Equity	54.00%	8.80%	7.30%	17.80%
Real Estate	10.30%	7.40%	6.30%	15.70%
Private Equity	11.10%	12.00%	8.90%	26.30%
Strategic Investments	3.80%	6.20%	5.90%	7.80%
<b>Total</b>	<b>100.00%</b>			

Assumed Inflation - Mean	2.40%	1.30%
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\* As outlined in the Pension Plan's investment policy.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 10 - RETIREMENT PLANS (Continued)**

*Discount Rate* - The discount rate used to measure the total pension liability at June 30, 2022 was 6.70%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136 (10), Florida Statutes. The 6.70% rate of return assumption used in the June 30, 2022 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

*Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate* - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2022 using the discount rate of 6.70%, 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 (5.70%) or one percentage point higher (7.70%) than the current rate (in thousands):

<b>As of September 30, 2022</b>	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Proportional Share of the Net Pension Liability	\$ 38,152	\$ 22,061	\$ 8,606

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

*Payables to the Pension Plan* - At September 30, 2022, the Fund reported payables in the amount of \$163,100, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2022.

**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, 2022, 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, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022 were 1.66% and 1.66% respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 10 - RETIREMENT PLANS (Continued)**

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, 2022, contributions to the HIS Plan for the Fund totaled \$413,000.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2022, the Fund reported liabilities of \$8,069,000 for its proportionate share of the HIS Plan's net pension liability.

The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022.

The Fund's proportionate share of the net pension liability was based on its share of the County's 2021-2022 and 2020-2021 fiscal year contributions relative to the 2021-2022 and 2020-2021 fiscal year contributions of all participating members. At June 30, 2022, the Fund's proportionate share was 0.06742% which was a decrease of 0.00081% from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the Fund recognized pension expense of \$462,000.

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):

<b>As of September 30, 2022</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 217	\$ (31)
Change in Assumptions	409	(1,105)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	293	(135)
Pension Plan Contributions Subsequent to the Measurement Date	110	-
<b>Total</b>	<b>\$ 1,039</b>	<b>\$ (1,271)</b>

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# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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### NOTE 10 - RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$110,000 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, 2022. 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):

<u>Years Ending September 30th</u>	
2023	\$ (37)
2024	-
2025	1
2026	(61)
2027	(168)
Thereafter	(77)
<b>Total</b>	<b>\$ (342)</b>

*Actuarial Assumptions* - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2021 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2022. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2021 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2022 were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.54% in 2022, net of pension plan investment expense, including inflation

2022 Mortality Rates were based on the Generational PUB-2010 with Projection Scale BB-2018 tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2022 and 2021 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

*Discount Rate* - The discount rate used to measure the total pension liability at June 30, 2022 was 3.54%. 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, 2022 using the discount rate of 3.54%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate (in thousands):

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### NOTE 10 - RETIREMENT PLANS (Continued)

As of September 30, 2022	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
Proportional Share of the Net Pension Liability	\$ 9,231	\$ 8,068	\$ 7,107

*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 Annual Comprehensive Financial Report.

*Payables to the HIS Plan* - At September 30, 2022, the Fund reported payables in the amount of \$31,500, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2022.

#### 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 Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the 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 year ended September 30, 2022, the information for the number 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

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2022

### NOTE 10 - RETIREMENT PLANS (Continued)

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 \$715,000 for the fiscal year ended September 30, 2022.

*Payables to the Investment Plan* - At September 30, 2022, the Fund reported payables in the amount of \$53,100, for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2022.

The Fund's proportionate share of the Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2022, and pension expense/adjustments for the fiscal year ended September 30, 2022, were allocated to the Fund's funds based on contributions. Amounts are as follows (in thousands):

<b>September 30, 2022</b>	<b>Net Pension Liabilities</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense Adjustment</b>
<b>Fund's Activities</b>				
Pension Plan	\$ (22,061)	\$ 6,473	\$ (100)	\$ 818
HIS Plan	(8,068)	1,039	(1,271)	46
<b>Total Fund's Activities</b>	<b>\$ (30,129)</b>	<b>\$ 7,512</b>	<b>\$ (1,371)</b>	<b>\$ 864</b>

### NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2022, the Fund had various uncompleted construction projects in process, with commitments totaling \$83,683,000. The retainage payable on these contracts totaled \$10,833,000.

### NOTE 12 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS

The Fund reimburses the General Fund of the County for an allocated portion of certain support department costs, which include such services as management, administrative, fiscal, internal audit, legal, personnel, purchasing, computer services and information systems, and communication costs. Furthermore, the Fund is charged for the cost of services provided by the Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$2,732,000 for the year ended September 30, 2022.

The Fund also bills other County departments for water and sewer services provided. The total amount billed for the year ended September 30, 2022 was approximately \$2,580,000.

At September 30, 2022, \$289,000 was due from other County funds.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

**NOTE 13 - LEASES**

GASB statement No. 87 a lease as a contract that transfers the right to use another entity's asset for a specific period of time in an exchange or exchange- like transactions. The Fund entered into a lease agreements for a customer payment center space. Under this contract, the Fund recognizes lease liability and assets (intangible right-to-use assets) and the commencement of the lease term, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

An amendment to a lease contract is considered a lease modification, unless the lessee's right-to-use the underlying asset decreases, in which case it is considered a partial or full lease termination. A lease termination is accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any differences being recognized as a gain or loss.

The future payments are discounted using the interest rate implicit in the lease. if the interest rate is not available, the Fund uses its incremental borrowing rate determined by the County. The lease term is determined by the sum of the noncancellable periods, plus renewal options when they are reasonably certain of being exercised or early termination options when they are reasonably certain of not being exercised.

The Fund entered into lease agreement with a lessee for intangible right-to-use leased office space for customer payment center. The lease term includes the noncancellable period per the contract plus/ minus any extension options or termination options the Fund is reasonably certain to exercise. The Fund recognized a right-to-use lease asset balance of \$1,509,000 and amortization of \$52,800, for a right-to- use lease asset balance of \$1,456,200, net of amortization at September 30, 2022.

The Fund recognized an initial lease liability of \$1,509,000, principal lease payments of \$58,000, and interest payments of \$27,000. The principal payments reduced the lease liability to \$1,478,000 at September 30, 2022.

The Fund used an incremental discount rate of 1.83% based on incremental borrowing rate.

The Fund amortized the right to use asset as follows during the fiscal year (in thousands):

	Balance at October 1, 2021	Additions	Deletions	Balance at September 30, 2022
Office lease	\$ 1,509	\$ -	\$ (31)	\$ 1,478
Total, right to use leased assets	\$ 1,509*	\$ -	\$ (31)	\$ 1,478

\* Restated for GASB 87- See Note 14

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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**NOTE 13 – LEASES (Continued)**

The present value of future principal and interest payments as of September 30, 2022 are as follows:

Fiscal Year	Principal	Interest
2023	\$ 32,211	\$ 27,278
2024	34,020	26,658
2025	32,860	26,018
2026	30,391	25,446
2027	32,093	24,861
2028-2032	188,009	114,368
2033-2037	239,418	94,438
2038-2042	299,287	69,317
2043-2047	368,810	38,159
2048-2050	\$ 221,131	\$ 5,249
	<u>\$ 1,478,230</u>	<u>\$ 451,792</u>

**NOTE 14- IMPLEMENTATION OF GASB STATEMENT NO. 87 LEASES**

Governmental Accounting Standards Board Statement No.87, Leases, was implemented during fiscal year 2022. The new standard requires the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes impacted the beginning right of use asset and lease liability.

	Righ to Use Asset	Lease Liability
Statement of Net Position		
Balances September 30, 2021, as previously reported	\$ -	\$ -
Change to implement GASB No. 87	1,509	1,509
Balances October 1, 2021, as restated	<u>\$ 1,509</u>	<u>\$ 1,509</u>

**NOTE 15 - SUBSEQUENT EVENTS**

On October 18, 2022, the Water and Sewer System issued Revenue Refunding Bonds, Series 2022B in the principal amount of \$79,872,000 at par for the purpose of partially refunding the 2012A Water and Sewer Revenue Bonds and refunding all of the 2012B Water and Sewer Revenue Bonds in addition to funding the cost of issuance. The True Interest Cost (TIC) for the series 2022B Bonds is 3.480441%. The refunding resulted in a net present value savings of \$3,249,136.

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**Required Supplementary Information  
(Unaudited)**

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
SCHEDULE OF CHANGES IN THE FUND'S TOTAL OTHER POSTEMPLOYMENT BENEFITS  
LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\*  
(Dollars in Thousands)  
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 133	\$ 132	\$ 91	\$ 75	\$ 67
Interest	53	52	64	64	50
Difference between Actual and Expected Experience	(509)	(88)	188	118	45
Assumption Changes	(439)	(6)	284	(43)	(19)
Benefits Payments	(84)	(95)	(77)	(74)	(71)
Net Change in Total OPEB	(846)	(5)	550	140	72
Total OPEB Liability Beginning	1,914	1,919	1,369	1,229	1,157
<b>Total OPEB Liability Ending</b>	<b><u>\$ 1,068</u></b>	<b><u>\$ 1,914</u></b>	<b><u>\$ 1,919</u></b>	<b><u>\$ 1,369</u></b>	<b><u>\$ 1,229</u></b>
Fund's Covered Payroll	\$ 20,793	\$ 21,058	\$ 20,986	\$ 18,151	\$ 18,610
Total OPEB liability as a Percentage of Covered Employee Payroll	5.14%	9.09%	9.14%	7.54%	6.61%

\* The amounts presented for each fiscal year were determined as of September 30<sup>th</sup>. Additional years will be displayed as they become available.

*See accompanying notes to the Required Supplementary Information*

**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)  
(UNAUDITED)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Fund's Proportion of the Net Pension Liability (Asset)	0.05419%	0.05446%	0.05087%	0.05512%	0.05011%	0.05304%	0.05234%	0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 22,061	\$ 6,023	\$ 23,702	\$ 18,982	\$ 15,093	\$ 15,689	\$ 13,217	\$ 7,092	\$ 3,376
Fund's Covered-employee Payroll	\$ 18,677	\$ 18,357	\$ 18,663	\$ 18,328	\$ 17,705	\$ 17,750	\$ 17,374	\$ 17,049	\$ 16,856
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	118.12%	32.81%	127.00%	103.57%	85.25%	88.39%	76.07%	41.60%	20.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.00%

The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

\* 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.

*See accompanying notes to the Required Supplementary Information*

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,021	\$ 1,815	\$ 1,573	\$ 1,457	\$ 1,333	\$ 1,276	\$ 1,230	\$ 1,205	\$ 1,168
Contributions in Relation to the Contractually Required Contribution	\$ (2,021)	\$ (1,815)	\$ (1,573)	\$ (1,457)	\$ (1,333)	\$ (1,276)	\$ (1,230)	\$ (1,205)	\$ (1,168)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 18,815	\$ 18,364	\$ 18,730	\$ 18,553	\$ 17,793	\$ 18,154	\$ 18,192	\$ 17,042	\$ 16,844
Contributions as a Percentage of Covered-employee Payroll	10.74%	9.88%	8.40%	7.85%	7.49%	7.03%	6.76%	7.07%	6.93%

The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

\* 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.

*See accompanying notes to the Required Supplementary Information*

**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)  
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's Proportion of the Net Pension Liability (Asset)	0.06742%	0.06823%	0.06951%	0.06937%	0.06677%	0.07127%	0.06948%	0.06840%	0.06868%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,069	\$ 9,325	\$ 9,343	\$ 8,437	\$ 7,841	\$ 7,620	\$ 8,098	\$ 6,975	\$ 6,422
Fund's Covered-employee Payroll	\$ 24,596	\$ 24,137	\$ 24,118	\$ 23,181	\$ 22,138	\$ 21,865	\$ 17,374	\$ 20,789	\$ 20,441
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	32.81%	38.63%	38.74%	36.40%	35.42%	34.85%	46.61%	33.55%	31.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

\* 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.

*See accompanying notes to the Required Supplementary Information*

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 413	\$ 401	\$ 404	\$ 391	\$ 370	\$ 372	\$ 372	\$ 282	\$ 248
Contributions in Relation to the Contractually Required Contribution	\$ (413)	\$ (401)	\$ (404)	\$ (391)	\$ (370)	\$ (372)	\$ (372)	\$ (282)	\$ (248)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered- employee Payroll	\$ 24,868	\$ 24,153	\$ 24,298	\$ 23,604	\$ 22,679	\$ 22,407	\$ 22,387	\$ 20,472	\$ 20,458
Contributions as a Percentage of Covered-employee Payroll	1.66%	1.66%	1.66%	1.66%	1.63%	1.66%	1.66%	1.38%	1.21%

The amounts presented for each fiscal year were determined as of June 30<sup>th</sup>.

\* 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.

*See accompanying notes to the Required Supplementary Information*

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2022**

**NOTE 1 - OTHER POSTEMPLOYMENT BENEFITS INFORMATION**

The Fund did not have assets accumulated in a trust. For the measurement date of September, 30, 2022, the actuarial valuation used a discount rate of 4.77%. The discount rate will be updated annually to reflect market conditions as of the measurement date.

**NOTE 2 - PENSION INFORMATION**

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2022 was 6.70%. 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 6.70% rate of return assumption used in the June 30, 2022 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Plan.

## **Supplementary Financial Information**



**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
SUPPLEMENTARY FINANCIAL INFORMATION  
SCHEDULE OF NET REVENUE AND DEBT COVERAGE CALCULATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2022  
(Dollars In Thousands)**

	2022
<b>Revenues:</b>	
Water	\$ 57,628
Wastewater	98,947
Other	7,845
Interest Income	1,639
Total Revenues	166,059
<b>Expenses:</b>	
Personal Services	36,028
Utilities Services	18,914
Chemicals	4,377
County Services	5,654
Material and Supplies	6,417
Motor Pool	2,048
Contractual Services	8,873
Other	5,708
Total Expenses	88,019
Net Revenue Available for Principal and Interest Requirements	78,040
Principal And Interest Requirements:	
Series 2012A Bonds	3,757
Series 2012B Bonds	14,271
Series 2015A Bonds	2,113
Series 2015B Bonds	11,209
Series 2019A Bonds	10,583
Series 2019B Bonds	3,633
Series 2022A Bonds	5,030
Total Principal and Interest Requirements	50,596
Debt Coverage Required	1.20
Actual Debt Coverage All Debt Service by Net Revenue	1.54
Balance Available for Renewal, Replacement and Capital Expenditures	\$ 27,444

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

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated March 27, 2023. Our report contained emphasis of matter paragraphs related to the basis of presentation of the basic financial statements and implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion was not modified with respect to these matters.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*RSM US LLP*

Fort Lauderdale, Florida  
March 27, 2023