



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

**Financial Statements  
For the Year Ended September 30, 2023**

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

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## Independent Auditor's Report

RSM US LLP

Honorable Board of County Commissioners  
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, 2023, 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, an enterprise fund of the County, as of September 30, 2023, and the changes in its financial position and 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 County 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 Matter**

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, 2023, 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.

#### **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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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 financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the

financial 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 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 25, 2024, 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 25, 2024

**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, 2023 and 2022. 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 2023 by \$571.7 million (net position).
- In fiscal 2023, the Fund's net position increased by \$21.1 million, or 3.8% compared to the prior fiscal year. The increase is due to the positive results of operations.
- The fiscal year 2023 debt service coverage for the Fund of 144% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt decreased by \$17.58 million or 2.1% during the current fiscal year as a result of repayment of debt and the issuance of the 2022B Refunding bonds which partially refunded the 2012A Bonds and fully refunded the 2012B bonds.

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

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

### **Financial Statements**

The financial statements 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, 2023 and 2022 is shown on the following page:

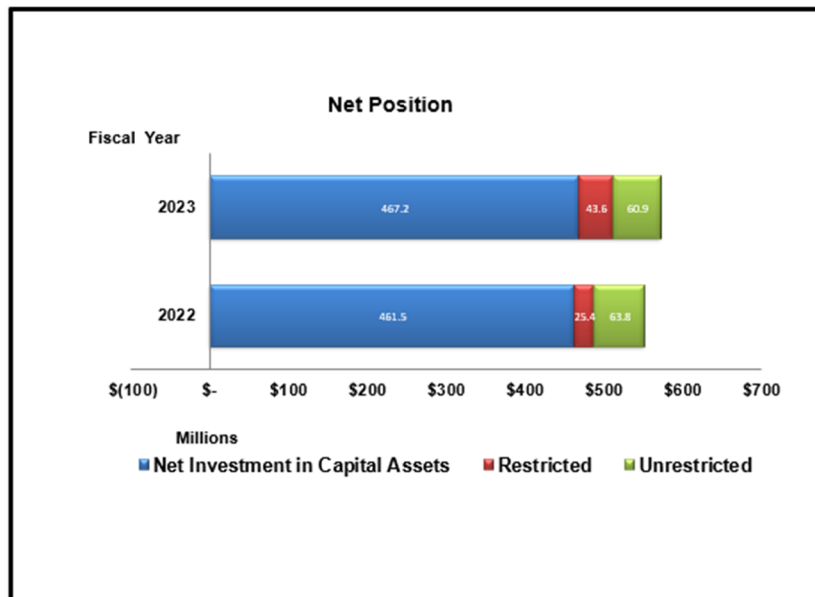
**Broward County, Florida  
Water and Wastewater Fund  
Management's Discussion and Analysis (Unaudited)**

**Summary Statement of Net Position  
As of September 30, 2023 and 2022  
(In Thousands)**

	2023	2022
Current Assets	\$ 190,390	\$ 170,500
Noncurrent Assets-Other Than Capital Assets	220,020	247,308
Capital Assets (Net)	1,157,324	1,143,828
Total Assets	<u>1,567,734</u>	<u>1,561,636</u>
Deferred Outflows of Resources	<u>19,836</u>	<u>22,417</u>
Current Liabilities	77,204	77,294
Noncurrent Liabilities	929,141	953,727
Total Liabilities	<u>1,006,345</u>	<u>1,031,021</u>
Deferred Inflows of Resources	<u>9,484</u>	<u>2,352</u>
Net Investment in Capital Assets	467,198	461,485
Restricted	43,638	25,397
Unrestricted	60,905	63,798
Total Net Position	<u>\$ 571,741</u>	<u>\$ 550,680</u>

The overall position of the Fund improved in both the 2023 and 2022 fiscal years. Total net position as of September 30, 2023, was \$571.7 million, representing an increase of \$21.1 million, or 3.8% compared to 2022. Total net position as of September 30, 2022, was \$550.7 million, as compared to the 2021 net position of \$515.3 million, representing an increase of \$35.3 million, or 6.9% during fiscal year 2022. The increase in fiscal years 2023 and 2022 was primarily due to the positive results of operations of the Fund.

At September 30, 2023, 81.7% 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, 7.6% 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 10.7% may be used to meet any of the Fund's ongoing obligations.





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

The following schedule shows the changes in net position for the fiscal years ended September 30, 2023 and 2022.

<b>Changes in Net Position For the Years Ended September 30, 2023 and 2022 (In Thousands)</b>		
	2023	2022
Operating Revenues:		
Water Sales	\$ 59,842	\$ 57,628
Wastewater Services	103,844	98,947
Other Services	6,485	7,595
Total Operating Revenues	170,171	164,170
Operating Expenses:		
Personal Services	44,707	36,028
General Operating	55,645	51,991
Depreciation	36,927	38,189
Total Operating Expenses	137,279	126,208
Operating Income	32,892	37,962
Non-Operating Revenues (Expenses):		
Grants	13	9
Investment Income	14,087	(568)
Interest Expense	(29,677)	(29,222)
Rebate of investment Earnings	(2,953)	-
Bond Issuance Costs	(212)	(1,049)
Other	374	387
Total Non-Operating Revenues (Expenses)	(18,368)	(30,443)
Income Before Capital Contributions and Transfers	14,524	7,519
Capital Contributions	6,537	6,466
Transfer In	-	21,353
Change in Net Position	21,061	35,338
Total Net Position - Beginning	550,680	515,342
Total Net Position - Ending	\$ 571,741	\$ 550,680

The Fund's current year activities increased net position by \$21.1 million, a 3.8% increase from the 2022 balance of \$550.7 million. The increase is primarily due to the positive result of operations. Some of the significant changes are as follows:

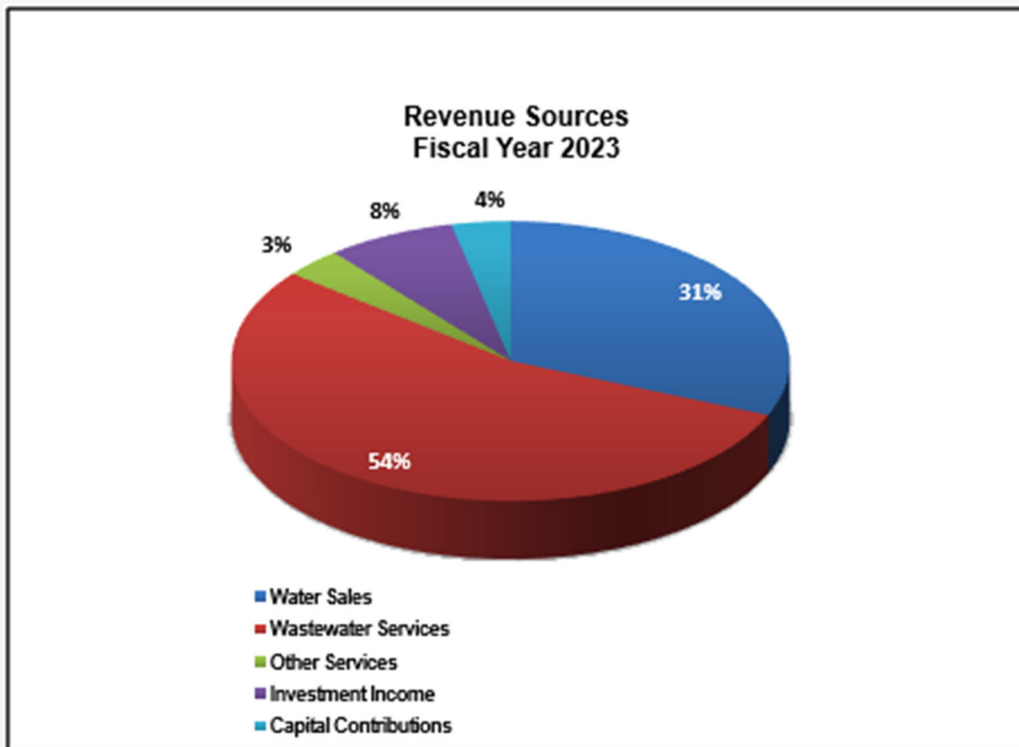
- Operating revenues increased \$6.0 million, or 3.7% over the prior year. The increase was the result of several factors. Retail water revenue increased \$2.3 million due to an increase in retail water demand and a retail water rate increase. Retail sewer revenue increased \$0.9 million due to increase in retail water consumption and increase in rates in FY23. Large User revenue increased \$3.3 million compared to FY22.
- Operating expenses increased \$11.1 million, or 8.8% from the prior year. General operating expenses increased \$3.7 million, personal services increased by \$8.68 million while depreciation expense decreased by \$1.3 million.

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

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- Net non-operating expenses for fiscal year 2023 decreased by \$12.1 million from the prior year. This decrease is primarily due to increase in investments income \$12.7 million, increase in fair value of investments by \$2.0 million, \$0.5 million increase in interest expense and \$0.8 million decrease in bond issuance costs and \$2.9 million increase in rebate of investment earnings.
- Capital contributions increased by \$0.1 million, or 1.1% 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 \$0.7 million during the fiscal year. Development activities are anticipated to remain steady in the coming year in Broward County and throughout the state as broader economic factors, such as unemployment rate, property values, and access to capital continues to improve.

The following is a chart of the fiscal year 2023 revenues by source and by percentage of total revenues.



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

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**Capital Assets and Debt Administration**

**Capital Assets**

As of September 30, 2023, the Fund had \$1,157.3 million, net of accumulated depreciation, invested in a variety of capital assets, as reflected in the following schedule. In 2023, there was a net increase in capital assets (additions less retirements and depreciation) of \$13.5 million.

The following is a summary of capital assets of the Fund as of September 30, 2023 and 2022:

**Comparative Summary of Capital Assets  
As of September 30, 2023 and 2022  
(In Thousands)**

	2023	2022
Land	\$ 4,936	\$ 4,936
Construction in Progress	481,125	437,653
Total Non-depreciable Assets	<u>486,061</u>	<u>442,589</u>
Utility Plant in Service	1,424,744	1,419,573
Equipment	44,145	43,827
Intangible Asset- right to use lease asset	1,509	1,509
Intangible Asset- subscription asset	277	-
Less Accumulated Depreciation	<u>(799,412)</u>	<u>(763,670)</u>
Total Depreciable Assets, Net	<u>671,263</u>	<u>701,239</u>
Total Capital Assets, Net	<u>\$ 1,157,324</u>	<u>\$ 1,143,828</u>

In fiscal year 2023, capital projects under construction increased by \$45.6 million and \$2.1 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.

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, 2023, the Fund had \$833.7 million in bonded debt outstanding compared to the \$851.3 million in 2022, a 2.1% decrease. During fiscal year 2023, the Water and Sewer System issued Revenue Refunding Bonds, Series 2022B in the principal amount of \$79.872 million at par to refund a large portion of the remaining 2012A Water and Sewer Bonds and fully refund the 2012B Water and Sewer Bonds. Overall, the debt payable decreased by \$17.578 million overall due to principal payment of \$17.790 million, issuance of Series 2022B of \$79.872 million, total refunding of \$79.660 million.

In fiscal year 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 million with issuance of bond for \$199.265 million and principal payment of \$17.04 million.

All debt outstanding as of the end of fiscal years 2023 and 2022 were secured by system revenues.

**Comparative Summary of Bonded Debt  
As of September 30, 2023 and 2022  
(In Thousands)**

	2023	2022
Water and Sewer Utility Revenue Bonds	\$ 833,747	\$ 851,325

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 customers 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 2024 budget:

- Water consumption is projected not to change significantly from prior years.

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

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- Increase in annual system costs of 5.49% 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 2024. The regional rates for wastewater increased by 13.57% and raw water increased by 15.71% from fiscal year 2023.

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, 2023  
(In Thousands)**

**ASSETS**

**Current Assets:**

Unrestricted Assets:

Cash and Cash Equivalents	\$	3,686
Investments		75,480
Receivables		
Accounts, Net of Allowance of \$7,424		18,163
Other		349
Due from Other County Funds		248
Due from Other Governments		31
Inventory		11,190
Prepaid Items		1,280
Total Current Unrestricted Assets		<u>110,427</u>

Restricted Assets:

Cash and Cash Equivalents		63,933
Prepaid Item		16,030
Total Current Restricted Assets		<u>79,963</u>
Total Current Assets		<u>190,390</u>

**Noncurrent Assets:**

Restricted Assets:

Cash and Cash Equivalents		211,717
Investments		8,303
Total Noncurrent Restricted Assets		<u>220,020</u>

Capital Assets:

Utility Plant in Service		1,424,744
Land		4,936
Construction in Progress		481,125
Equipment		44,145
Intangible asset- right to use lease asset		1,509
Intangible asset- subscription assets		277
Total Capital Assets		<u>1,956,736</u>
Less Accumulated Depreciation and Amortization		<u>(799,412)</u>
Total Capital Assets, Net		<u>1,157,324</u>
Total Noncurrent Assets		<u>1,377,344</u>

**TOTAL ASSETS**

**1,567,734**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Charge on Refunding		12,996
Deferred Outflows on Other Post Employment Benefit		308
Deferred Outflows on Pensions		6,532
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$</b>	<u><b>19,836</b></u>

*(continued)*

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF NET POSITION - continued  
SEPTEMBER 30, 2023  
(In Thousands)**

**LIABILITIES**

**Current Liabilities:**

Payable From Unrestricted Assets:		
Accounts Payable	\$	4,092
Accrued Liabilities		1,038
Due to Other County Funds		279
Due to Other Governments		5,209
Lease liabilities, current		34
Subscription liabilities, current		24
Compensated Absences		2,595
Total Current Liabilities Payable from Unrestricted Assets		<u>13,271</u>

Payable From Restricted Assets:		
Accounts Payable		17,712
Accrued Interest Payable		16,860
Revenue Bonds Payable		19,305
Customer Deposits		10,056
Total Current Liabilities Payable from Restricted Assets		<u>63,933</u>
Total Current Liabilities		<u>77,204</u>

**Noncurrent Liabilities:**

Revenue Bonds Payable including Discount and Premiums		886,504
Compensated Absences		1,748
Lease liabilities		1,412
Subscription liabilities		37
Total Other Post Employment Benefits Liability		1,135
Net Pension Liability		35,352
Total Noncurrent Liabilities		<u>926,188</u>

Payable From Restricted Assets:		
Arbitrage Rebate Payable		2,953
Total Noncurrent Liabilities Payable From Restricted Assets		<u>2,953</u>

<b>TOTAL LIABILITIES</b>		<u>1,006,345</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows on Other Post Employment Benefits		838
Deferred Inflows on Pensions		1,123
Deferred Inflows on Refunding		7,523

<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<u>9,484</u>
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**NET POSITION**

Net Investment in Capital Assets		467,198
Restricted for:		
Debt Service		35,335
Renewal, Replacement, and Improvement		8,303
Unrestricted		60,905

<b>TOTAL NET POSITION</b>	<b>\$</b>	<u><b>571,741</b></u>
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*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, 2023**  
(In Thousands)

**Operating Revenues:**

Retail Services:	
Water	\$ 58,977
Wastewater	48,521
Septic Charges	4,566
Other Services	6,485
	<u>118,549</u>
Wholesale Services:	
Water	865
Wastewater	50,757
Total Operating Revenues	<u>170,171</u>

**Operating Expenses:**

Personal Services	44,707
Utilities Services	19,557
Chemicals	5,352
County Services	5,359
Materials and Supplies	7,815
Motor Pool	2,175
Contractual Services	9,874
Other	5,513
Total Operating Expenses before Depreciation and Amortization	<u>100,352</u>

<b>Operating Income before Depreciation and Amortization</b>	69,819
Depreciation and Amortization Expense	36,927
<b>Operating Income</b>	<u>32,892</u>

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

Grants	13
Investment and Interest Income	14,295
Net decrease in the Fair Value of Investments	(208)
Interest Expense	(29,677)
Rebate of investment Earnings	(2,953)
Other Income	286
Bond Issuance Costs	(212)
Gain on Disposal of Capital Assets	88
Total Non-Operating Revenues (Expenses)	<u>(18,368)</u>

<b>Income before Capital Contributions</b>	14,524
<b>Capital Contributions</b>	<u>6,537</u>
<b>Change in Net Position</b>	21,061
<b>Total Net Position - Beginning</b>	<u>550,680</u>
<b>Total Net Position - Ending</b>	<u>\$ 571,741</u>

*See accompanying notes to financial statements.*



**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(In Thousands)**

**Cash Flows From Operating Activities:**

Cash Received from Customers	\$	171,529
Cash Payments to Suppliers for Goods and Services		(55,946)
Cash Payments to Employees for Services		(38,204)
Other Cash Received		284
		284
Net Cash Provided by Operating Activities		77,663

**Cash Flows From Capital And Related Financing Activities:**

Proceeds from Bond Refunding		212
Payment on Bond Issuance Costs		(212)
Acquisition and Construction of Capital Assets		(48,522)
Proceeds from Sale of Capital Assets		88
Lease and Subscription Payments		(283)
Capital Recovery Fees		690
Capital Surcharges Contributed from Other Governments		2,733
Principal Paid on Revenue Bonds		(17,790)
Interest Paid on Revenue Bonds		(35,832)
Prepaid principal on Revenue Bond		(14,640)
Prepaid interest on Revenue Bond		(1,390)
Other Debt Service Costs Paid		2
		2
Net Cash Used for Capital and Related Financing Activities		(114,944)

**Cash Flows From Investing Activities:**

Purchase of Investment Securities		(122,208)
Proceeds from Sale and Maturities of Investment Securities		109,711
Interest and Dividends on Investments		14,076
		14,076
Net Cash Provided by Investing Activities		1,579
<b>Net Change in Cash and Cash Equivalents</b>		<b>(35,702)</b>
<b>Cash and Cash Equivalents, Beginning</b>		<b>315,038</b>
<b>Cash and Cash Equivalents, Ending</b>		<b>279,336</b>
Cash and Cash Equivalents - Unrestricted Assets		3,686
Cash and Cash Equivalents - Restricted Assets		275,650
Total Cash and Cash Equivalents		279,336

**BROWARD COUNTY, FLORIDA  
WATER AND WASTEWATER FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(In Thousands)**

**Provided By Operating Activities:**

Operating Income	\$ <u>32,892</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	36,927
Miscellaneous Non-Operating Revenue	286
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	963
Due from Other County Funds	41
Inventory	(774)
Prepaid Items	17
Deferred Outflows on Other Post-Employment Benefits	39
Deferred Outflows on Pensions	980
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	435
Accrued Liabilities	(319)
Due to Other Governments	1,169
Customer Deposits	161
Compensated Absences	(53)
Total Other Post Employment Benefits Liability	67
Net Pension Liability	5,223
Deferred Inflows on Other Post-Employment Benefits	(143)
Deferred Inflows on Pensions	(248)
Total Adjustments	<u>44,771</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>77,663</u></b>

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

Issuance of Refunding Bonds to Refund Existing Debt	\$ 79,660
Capital Assets Acquired through Current Accounts Payable	17,712
Capital Contributions	3,114
Amortization of Deferred Charge on Refunding	2
Amortization of Bond Discounts and Premiums	(4,133)
Change in Fair Value of Investments	208
Arbitrage Rebate Payable	2,953

*See accompanying notes to financial statements.*

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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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, 2023.

##### **1. GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPP's and APA's)***

Statement No.94 improves financial reporting by establishing the definitions of PPP's and APA's and providing guidance for more relevant and reliable information for financial statement users and create greater consistency in practice. GASB Statement No.94 did not impact the Fund's financial position or results in operations for fiscal year ending September 30, 2023.

##### **2. GASB Statements No. 96, *Subscription-Based Information Technology Arrangements***

Statement No.96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's) for governments. A SBITA is a contract conveying the

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

right-to-use a vendor's information technology software, sometimes in combination with a tangible, underlying capital asset, in an exchange or exchange-like transaction. A subscription liability and an intangible asset is recognized in the financial statements. The effect of the adoption of GASB No. 96 is disclosed in Note 14 and 15.

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

Statement No.99 requirements are effective for different reporting periods. The Fund adopted the requirements related to leases, PPP's and SBITA's that clarify the financial reporting topics in GASB Statements No. 87, 94 and 96. GASB Statement No.99 did not impact the Fund's financial position or results in operations for fiscal year ending September 30, 2023.

#### **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, 2023.

#### **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.

#### **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.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

#### H. Capital Assets

Capital assets, which include utility plants 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 plants 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
Intangible Right-to-use Assets	1- 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 assets that applies to future periods 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 Statement 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 assets that applies to future periods 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.

#### 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.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

---

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

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

The total OPEB liability is measured as a 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.

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

---

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

**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, 2023

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### NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2023, the Fund's deposits and investments consisted of the following (in thousands):

Cash Deposits	\$ 34,730
Investments:	
U.S. Treasuries	21,021
U.S. Agencies	60,681
World Bank	2,082
Money Market Mutual	244,605
Total Investments	<u>328,389</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 363,119</u>

At September 30, 2023, Cash, cash equivalents and investments are classified on the Statements of Net Position as follows (in thousands):

Current Assets	
Unrestricted	
Cash and Cash Equivalents	\$ 3,686
Investments	75,480
Restricted	
Cash and Cash Equivalents	63,933
Noncurrent Assets	
Restricted	
Cash and Cash Equivalents	211,717
Investments	8,303
Total Cash, Cash Equivalents and Investments	<u>\$ 363,119</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, 2023

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

At September 30, 2023, \$8,740,000 was exposed to custodial 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.

As of September 30, 2023, the Fund's investments consisted of the following (in thousands):

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>
U.S Treasuries	\$ 21,021	257
U.S Agencies	60,681	469
World Bank	2,082	1,265
Money Market Mutual Funds	244,605	23
<b>Total Investments</b>	<b>\$ 328,389</b>	
<b>Portfolio Weighted Average Maturity</b>		<b>364</b>

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

*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, 2023, the portfolio weighted average maturity was 364 days, and it 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, 2023 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 Aaa by Moody's 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, 2023, 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 U.S. Treasury was 36.34%, Farmer Mac 22.31%, Federal Home Loan Bank was 16.35%, and Federal Farm Credit Bank was 13.87% as of September 30, 2023.

*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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

The Fund has the following recurring fair value measurements as of September 30, 2023 (in thousands):

<b>Investments by Fair Value Level</b>	<b>Total</b>	Quoted Prices in	Significant Other
		Active Markets (Level 1) September 30, <b>2023</b>	Observable Inputs (Level 2) September 30, <b>2023</b>
Debt Securities:			
U.S. Treasuries	\$ 21,021	-	\$ 21,021
U.S. Agencies	60,681	-	60,681
World Bank	2,082	-	2,082
<b>Total Debt Securities</b>	<b>\$ 83,784</b>	-	<b>83,784</b>

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

Money Market Mutual Funds	244,605
<b>Total Investments at Fair Value</b>	<b>\$ 328,389</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).

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. Investments with Money Market Mutual Funds are recorded at net asset value (NAV) per share. This method of determining fair value uses member units to which proportionate share of net asset attributed.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets of the Fund at September 30, 2023 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):

	September 30, 2023
Bond Reserve Accounts	\$ 54,834
Debt Service Accounts	36,165
Renewal, Replacement, and Improvement Accounts	8,303
Deposit Account	10,056
Construction Projects Account	174,595
	<b>\$ 283,953</b>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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**NOTE 3 - RESTRICTED ASSETS (Continued)**

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

	<u>September 30,</u> <u>2023</u>
Current Restricted Assets	
Cash and Cash Equivalents	\$ 63,933
Noncurrent Restricted Assets	
Cash and Cash Equivalents	211,717
Investments	8,303
	<u><u>\$ 283,953</u></u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the year ended September 30, 2023 are as follows (in thousands):

	Balance October 1, 2022 <sup>1</sup>	Increases	Decreases	Balance September 30, 2023
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	437,653	45,567	(2,095)	481,125
Total Capital Assets, Not Being Depreciated	<u>442,589</u>	<u>45,567</u>	<u>(2,095)</u>	<u>486,061</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,419,573	5,178	(7)	1,424,744
Equipment	43,827	1,558	(1,240)	44,145
Total Capital Assets, Being Depreciated	<u>1,463,400</u>	<u>6,736</u>	<u>(1,247)</u>	<u>1,468,889</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(734,278) <sup>2</sup>	(34,307)	4	(768,581)
Equipment	(29,339) <sup>2</sup>	(2,416)	1,181	(30,574)
Total Accumulated Depreciation	<u>(763,617)</u>	<u>(36,723)</u>	<u>1,185</u>	<u>(799,155)</u>
Total Capital Assets Being Depreciated, Net	<u>699,783</u>	<u>(29,987)</u>	<u>(62)</u>	<u>669,734</u>
Capital Assets, amortized:				
Intangible Asset- right to use lease asset	1,509	-	-	1,509
Intangible Asset- subscription assets	277 <sup>1</sup>	-	-	277
Total Capital Assets, Being Amortized	<u>1,786</u>	<u>-</u>	<u>-</u>	<u>1,786</u>
Less Accumulated Amortization For:				
Intangible Asset- right to use lease asset	(53)	(53)	-	(106)
Intangible Asset- subscription assets	-	(151)	-	(151)
Total Accumulated Amortization	<u>(53)</u>	<u>(204)</u>	<u>-</u>	<u>(257)</u>
Total Capital Assets Being Amortized, Net	<u>1,733</u> <sup>1</sup>	<u>(204)</u>	<u>-</u>	<u>1,529</u>
Total Capital Assets, Net	<u>\$ 1,144,105</u> <sup>1</sup>	<u>\$ 15,376</u>	<u>\$ (2,157)</u>	<u>\$ 1,157,324</u>

(1) Restated to retroactively adopt the provisions of GASB Statement No. 96 (see Note 1 and Note 14).

(2) Reclass of \$12,027 between these accounts from FY22.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

**NOTE 5 - LONG-TERM LIABILITIES**

Changes in long-term obligations for the year ended September 30, 2023 are as follows (in thousands):

	Balance October 1, 2022	Additions	Deductions	Balance September 30, 2023	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 851,325	\$ -	\$ (97,450)	\$ 753,875	\$ 4,665	\$ 749,210
Unamortized Bond Premiums/Discount	85,278	-	(13,216)	72,062	-	72,062
Direct Borrowing	-	79,872	-	79,872	14,640	65,232
Compensated Absences	4,396	3,470	(3,523)	4,343	2,595	1,748
Lease Liabilities	1,478	-	(32)	1,446	34	1,412
Subscription Liabilities	277 <sup>1</sup>	-	(216)	61	24	37
Arbitrage Payable	-	2,953	-	2,953	-	2,953
Other Post Employment Benefits	1,068	67	-	1,135	-	1,135
Net Pension Liability	30,129	5,223	-	35,352	-	35,352
<b>Total</b>	<b>\$ 973,951 <sup>1</sup></b>	<b>\$ 91,585</b>	<b>\$ (114,437)</b>	<b>\$ 951,099</b>	<b>\$ 21,958</b>	<b>\$ 929,141</b>

(1) Restated for GASB 96

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2023 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption Optional (O) or Mandatory (M)	Year	Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2023
			Rate %	Date						
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	49,895	1,400
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	7,085	150,470
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
2022 Series B	Refunding	Serial	3.48	04/01 10/01	-	-	10/1/2028	79,872	-	\$ 79,872
										<u>\$ 833,747</u>

Certain bond indentures contain provisions stipulating annual debt service, sinking fund, and minimum net revenue requirements. In addition, certain indentures require maintenance of various accounts and specify the deposits to be made to such accounts. The Fund was in compliance with bond indenture requirements as of September 30, 2023.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

The debt service maturity requirements for all bonds outstanding as of September 30, 2023 are as follows (in thousands):

Fiscal Year	Bonds		Note from Direct Borrowing		Total
	Principal	Interest	Principal	Interest	
2024	\$ 4,665	\$ 30,833	\$ 14,640	\$ 2,525	\$ 52,663
2025	4,880	30,605	15,082	2,007	52,574
2026	5,125	30,355	15,535	1,474	52,489
2027	5,380	30,092	15,999	926	52,397
2028	5,645	29,816	16,483	361	52,305
2029-2033	126,500	134,513	2,133	38	263,184
2034-2038	157,495	105,912	-	-	263,407
2039-2043	200,080	69,774	-	-	269,854
2044-2048	244,105	25,176	-	-	269,281
	<u>\$ 753,875</u>	<u>\$ 487,076</u>	<u>\$ 79,872</u>	<u>\$ 7,331</u>	<u>\$ 1,328,154</u>

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 full refunding of the 2012B Water and Sewer Revenue Bonds in addition to funding the cost of issuance of the Series 2022B. The True Interest Cost (TIC) for the series 2022B Bonds is 3.480441%. The County advance refunded the 2012A and 2012B bonds to reduce its total debt service payments over the next 6 years by approximately \$3.6 million.

The 2022B bond was a direct borrowing that is secured by a lien upon and pledge of the Net Revenues of the County's Water and Sewer System on parity with the Fund's outstanding Water and Sewer Revenue Bonds. The refunded bonds were called in October 2022. The 2022B Bond is additionally secured by monies in the Reserve Account. The balance in the Reserve Account is currently \$54,834,200.

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.

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, 2023 is as follows (in thousands):

	<u>September 30,</u> <u>2023</u>
Revenues	\$ 176,333
Expenses	<u>100,352</u>
Amount Available for Debt Service	<u>\$ 75,981</u>
Debt Service	
Deposit to Principal Account	\$ 19,305
Deposit to Interest Account	33,589
Total Debt Service	<u>\$ 52,894</u>
Debt Service Coverage Available for Debt Service	144%
Required Debt Service Coverage	120%



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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

Total pledged revenues to repay the principal and interest of the Water and Sewer Utility Revenue Bonds as of September 30, 2023 are as follows (in thousands):

	<u>September 30,</u> <u>2023</u>
Revenue Pledged	\$ 75,981
Debt Service	\$ 53,623
Future Revenues Pledged	\$ 1,328,154
Percentage of Debt Service to Pledged Revenues	70.6%

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

**Arbitrage Rebate**

The Tax Reform Act of 1986 requires the Fund to rebate the earnings on the investments of the bond and revenue note proceeds, in excess of their yield, to the federal government. This requirement is effective for the Fund's bonds issued after August 15, 1986. Of the rebate, 90% is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10% is payable 60 days after the bonds are retired. Since positive arbitrage can be offset against negative arbitrage, the rebatable amount fluctuates each year and may or may not be owed at the payment intervals. Due to uncertainty of having to make this rebate payment, the Fund is contingently liable for arbitrage rebate, and recorded arbitrage payable of \$2,953,000 as of September 30, 2023.

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# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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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):

	2023
Capital Recovery Fees	\$ 690
Capital Contributed from Other Governments	2,733
Capital Contributed by Developers	3,114
	<u>\$ 6,537</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 are 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 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 seven (7) year statute of repose and four (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 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 (3) 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, 2023. 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, 2023

**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, 2023, the top ten customers' revenues accounted for approximately 38% of total operating revenue and the Large User revenues, which excludes Major Retail customers, accounted for 31% 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 (in thousands):

Customer:	2023			% of Total Operating Revenue
	Wastewater	Water	Total	
Coconut Creek <sup>1</sup>	\$ 4,700	\$ 8,152	\$ 12,852	7.56%
Pompano Beach	12,196	-	12,196	7.17%
Coral Springs	7,843	-	7,843	4.61%
Tamarac	7,050	-	7,050	4.14%
Deerfield Beach	6,323	-	6,323	3.72%
Lauderhill	6,499	-	6,499	3.82%
North Springs Improvements District	3,809	-	3,809	2.24%
North Lauderdale	3,752	-	3,752	2.20%
Broward County Agencies <sup>2</sup>	1,299	2,356	3,655	2.15%
Broward County School Board <sup>2</sup>	613	875	1,488	0.87%
	<u>\$ 54,084</u>	<u>\$ 11,383</u>	<u>\$ 65,467</u>	<u>38.48%</u>

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

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

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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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, 2023, the OPEB Plan covered 379 active department's benefit eligible employees. In addition, the total retirees covered under this plan for the County is 176 (excluding Broward Sheriff Office) at September 30, 2023, 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	9/30/2023
Actuarial Cost Method	Entry Age
Discount Rate	4.87%
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	7.00% 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 FY2023.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

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

Below are details regarding the total OPEB liability for the year ended September 30, 2023.

	<u>2023</u>
Total OPEB Liability recognized at October 1st	<u>\$ 1,068</u>
Changes for the Fiscal Year:	
Service Cost	58
Interest	55
Difference between Actual and Expected Experience	35
Assumption Changes	(16)
Benefits Payments	<u>(65)</u>
Net Change in total OPEB	67
Total OPEB Liability at September 30th	<u><u>\$ 1,135</u></u>
Covered-Employee Payroll	26,872
Total OPEB Liability as a percent of Covered-Employee Payroll	4.23%

*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, 2023 using the discount rate of 4.87%, 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 (3.87%) or one percentage point higher (5.87%) than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
<b>As of September 30, 2023</b>	3.87%	4.87%	5.87%
Total OPEB Liability	\$ 1,305	\$ 1,135	\$ 1,018

*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, 2023 using health care cost trend of 7.00%- 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 (6.00%-3.50%) or one percentage point higher (8.00%-5.50%) respectively than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
<b>As of September 30, 2023</b>	6.00% to 3.50%	7.00% to 4.50%	8.00% to 5.50%
Total OPEB Liability	\$ 978	\$ 1,135	\$ 1,367

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

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

For the year ended September 30, 2023, the Fund recognized OPEB gain of \$38,000. At September 30, 2023, the Fund reported deferred outflows and deferred inflows of resources related to OPEB for the following sources:

<b>As of September 30, 2023</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resource</b>
Difference between Expected and Actual Experience	181	\$ (471)
Changes in Assumptions or Other Inputs	127	(367)
<b>Total</b>	<u>\$ 308</u>	<u>\$ (838)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2023, will be recognized in the OPEB expense as follows:

<b>Years Ending September 30th</b>	
2024	\$ (39)
2025	(39)
2026	(39)
2027	(39)
2028	(46)
Thereafter	(328)
<b>Total</b>	<u>\$ (530)</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, 2023

**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, 2023

**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, 2022, through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular - 10.19% and 11.51%, Senior Management Service - 29.85% and 32.46%; and DROP participants -16.94% and 19.13%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal year ending September 30, 2023, contributions, including employee contributions of \$532,000, to the Pension Plan for the Fund totaled \$2,933,000.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2023, the Fund reported liabilities of \$23,607,000, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2023. The Fund's proportionate share of the net pension liability was based on its share of the County's 2022-2023 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the Fund's proportionate share was 0.0529% which was a decrease of 0.00132% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Fund recognized pension expense of \$4,691,000. 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, 2023</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,978	\$ -
Change of Assumptions	1,373	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	880	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	789	(75)
Pension Plan Contributions Subsequent to the Measurement Date	640	-
<b>Total</b>	<b>\$ 5,660</b>	<b>\$ (75)</b>



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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

The deferred outflows of resources related to the Pension Plan, totaling \$640,000 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, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows (in thousands):

<i>Years Ending September 30th</i>	
2024	\$ 865
2025	24
2026	3,617
2027	340
2028	99
<b>Total</b>	<b>\$ 4,945</b>

*Actuarial Assumptions* - The total pension liability in the July 1, 2023 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 2023, 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, 2023, valuations were 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, 2023 valuation were unchanged from those used in the prior valuation as of July 1, 2022.

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, 2023</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%	2.90%	2.90%	1.10%
Fixed Income	19.80%	4.50%	4.40%	3.40%
Global Equity	54.00%	8.70%	7.10%	18.10%
Real Estate	10.30%	7.60%	6.60%	14.80%
Private Equity	11.10%	11.90%	8.80%	26.30%
Strategic Investments	3.80%	6.30%	6.10%	7.80%
<b>Total</b>	<b>100.00%</b>			
Assumed Inflation - Mean			2.40%	1.40%

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

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

*Discount Rate* - The discount rate used to measure the total pension liability at June 30, 2023 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, 2023 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, 2023 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, 2023</b>	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Proportional Share of the Net Pension Liability	\$ 40,326	\$ 23,607	\$ 9,620

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

*Payables to the Pension Plan* - At September 30, 2023, the Fund reported payables in the amount of \$194,500 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

**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, 2023, 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.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

*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, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023 were 1.66% and 2.00% respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ending September 30, 2023, contributions to the HIS Plan for the Fund totaled \$522,000.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2023, the Fund reported liabilities of \$11,745,000 for its proportionate share of the HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2023. The Fund's proportionate share of the net pension liability was based on its share of the County's 2022-2023 fiscal year contributions relative to the 2022-2023 fiscal year contributions of all participating members. At June 30, 2023, the Fund's proportionate share was 0.0667% which was a decrease of 0.00074% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Fund recognized pension expense of \$4,080,000.

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, 2023</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 155	\$ (25)
Change in Assumptions	278	(918)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	312	(105)
Pension Plan Contributions Subsequent to the Measurement Date	121	-
<b>Total</b>	<b>\$ 872</b>	<b>\$ (1,048)</b>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

The deferred outflows of resources related to the HIS Plan, totaling \$121,000 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, 2024. 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):

<b><i>Years Ending September 30th</i></b>	
2024	\$ -
2025	1
2026	(60)
2027	(165)
2028	(73)
Thereafter	-
<b>Total</b>	<b>\$ (297)</b>

*Actuarial Assumptions* - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2023 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2023. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2023 using a standard actuarial roll-forward technique.

The total pension liabilities as of June 30, 2023 was determined using the following actuarial assumptions:

- Inflation 2.40%
- Salary Increases 3.25% average, including inflation
- Investment Rate of Return 3.65% in 2023, net of pension plan investment expense, including inflation

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, 2023 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, 2023 was 3.65%, an increase of 0.11% from the discount rate of 3.54% used in the previous year. 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, 2023 using the discount rate of 3.65%, 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 (2.65%) or one percentage point higher (4.65%) than the current rate (in thousands):

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

<b>As of September 30, 2023</b>	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Proportional Share of the Net Pension Liability	\$ 13,399	\$ 11,745	\$ 10,374

*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, 2023, the Fund reported payables in the amount of \$41,000, for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2023.

**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 0.06% 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 8.30% and Senior Management Service Class 9.67%.

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, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Fund.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

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

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

The Investment Plan pension expense for the Fund totaled \$874,000 for the fiscal year ended September 30, 2023.

*Payables to the Investment Plan* - At September 30, 2023, the Fund reported payables in the amount of \$68,500, for outstanding contributions to the Investment Plan required for the fiscal year ended September 30, 2023.

The Fund's proportionate share of the Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2023, and pension expense/adjustments for the fiscal year ended September 30, 2023, were allocated to the Fund based on contributions. Amounts are as follows (in thousands):

<b>September 30, 2023</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	\$ (23,607)	\$ 5,660	\$ (75)	\$ 2,335
HIS Plan	(11,745)	872	(1,048)	3,620
<b>Total Fund's Activities</b>	<b>\$ (35,352)</b>	<b>\$ 6,532</b>	<b>\$ (1,123)</b>	<b>\$ 5,955</b>

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES**

At September 30, 2023, the Fund had various uncompleted construction projects in process, with commitments totaling \$85,121,000. The retainage payable on these contracts totaled \$8,255,000.

**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 \$2,860,000 for the year ended September 30, 2023.

The Fund also bills other County departments for water and sewer services provided. The total amount billed for the year ended September 30, 2023 was approximately \$3,655,000.

At September 30, 2023, \$248,000 was due from other County funds.

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

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2023

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**NOTE 13 - LEASES**

GASB statement No. 87 defines 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 transaction. The Fund entered into a lease agreement for a customer payment center space. Under this contract, the Fund recognized lease liability and asset (intangible right-to-use asset) 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 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 a 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 \$105,600, for a right-to-use lease asset balance of \$1,403,400, net of amortization, as of September 30, 2023.

The Fund recognized an initial lease liability of \$1,509,000, lease payments of \$61,000 included principal payment of \$32,000 plus interest payment of \$29,000, as of September 30, 2023. The principal payments reduced the lease liability to \$1,446,000 as of September 30, 2023.

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

The present value of future principal and interest payments as of September 30, 2023 are as follows:

<b>Fiscal Years Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 34,020	\$ 26,658
2025	32,860	26,018
2026	30,391	25,446
2027	32,093	24,861
2028	33,854	24,244
2029-2033	197,672	110,760
2034-2038	250,679	89,855
2039-2043	312,379	63,598
2044-2048	383,988	31,120
2049-2050	\$ 138,083	\$ 1,955
	<u>\$ 1,446,019</u>	<u>\$ 424,515</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

**NOTE 14- SUBSCRIPTION LIABILITY**

The Fund entered into subscription-based information technology arrangement (SBITA) for administrative and operational purposes. The subscriptions include services related to software subscription, data management and management services. Under the terms of the agreements, the Fund does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods range from two to five years. The calculated interest rate used range from 3.22% to 3.27%, which were the incremental borrowing rate based on market conditions as of the most recent quarter end as compared to the agreements' commencement date.

As of September 30, 2023, the capitalized right-to-use asset related to SBITA, net of accumulated amortization was \$126,000 and the total subscription liability was \$61,000 of which \$24,000 is classified as current liability representing the portion due within the next fiscal year.

For the year ended September 30, 2023, the Fund recognized \$5,400 of interest expense to this arrangement. The principal and interest payments to maturity are as follows:

<b>Fiscal Years Ended September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 23,858	\$ 1,492	\$ 25,350
2025	17,433	921	18,354
2026	17,444	351	17,795
2027	1,936	27	1,963
Total	<u>\$ 60,671</u>	<u>\$ 2,791</u>	<u>\$ 63,462</u>

**NOTE 15- IMPLEMENTATION OF GASB STATEMENT NO. 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)**

Governmental Accounting Standards Board Statement No.96, Subscription-Based Information Technology Arrangements, was implemented during the fiscal year. The new standard requires the reporting of certain subscription assets and liabilities, which were previously not reported. The result of these changes impacted the beginning right of use assets and liability.

	<b><u>Right to Use Asset</u></b>	<b><u>Lease Liability</u></b>
Statement of Net Position		
Balances September 30, 2022, as previously reported	\$ -	\$ -
Change to implement GASB No. 96	<u>277,000</u>	<u>277,000</u>
Balances October 1, 2022, as restated	<u>\$ 277,000</u>	<u>\$ 277,000</u>

**NOTE 16- SUBSEQUENT EVENTS**

The Water and Sewer System acquired 6 million gallons per day of raw water allocation from a newly constructed water reservoir. The acquisition cost of \$27.6 million was paid in October 2024.



**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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 58	\$ 133	\$ 132	\$ 91	\$ 75	\$ 67
Interest	55	53	52	64	64	50
Difference between Actual and Expected Experience	35	(509)	(88)	188	118	45
Assumption Changes	(16)	(439)	(6)	284	(43)	(19)
Benefits Payments	<u>(65)</u>	<u>(84)</u>	<u>(95)</u>	<u>(77)</u>	<u>(74)</u>	<u>(71)</u>
Net Change in Total OPEB	67	(846)	(5)	550	140	72
Total OPEB Liability Beginning	1,068	1,914	1,919	1,369	1,229	1,157
<b>Total OPEB Liability Ending</b>	<b><u>\$ 1,135</u></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	\$ 26,872	\$ 20,793	\$ 21,058	\$ 20,986	\$ 18,151	\$ 18,610
Total OPEB liability as a Percentage of Covered Employee Payroll	4.23%	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>. 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 PENSION PLAN  
LAST TEN FISCAL YEARS  
(Dollars in Thousands)  
(UNAUDITED)**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Fund's Proportion of the Net Pension Liability (Asset)	0.0529%	0.05419%	0.05446%	0.05087%	0.05512%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 23,607	\$ 22,061	\$ 6,023	\$ 23,702	\$ 18,982
Fund's Covered-employee Payroll	\$ 19,761	\$ 18,677	\$ 18,357	\$ 18,663	\$ 18,328
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	119.46%	118.12%	32.81%	127.00%	103.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.38%	82.89%	96.40%	78.85%	82.61%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Fund's Proportion of the Net Pension Liability (Asset)	0.05011%	0.05304%	0.05234%	0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,093	\$ 15,689	\$ 13,217	\$ 7,092	\$ 3,376
Fund's Covered-employee Payroll	\$ 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	85.25%	88.39%	76.07%	41.60%	20.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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>.

*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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 2,400	\$ 2,021	\$ 1,815	\$ 1,573	\$ 1,457
Contributions in Relation to the Contractually Required Contribution	\$ (2,400)	\$ (2,021)	\$ (1,815)	\$ (1,573)	\$ (1,457)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 22,048	\$ 18,815	\$ 18,364	\$ 18,730	\$ 18,553
Contributions as a Percentage of Covered-employee Payroll	10.89%	10.74%	9.88%	8.40%	7.85%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,333	\$ 1,276	\$ 1,230	\$ 1,205	\$ 1,168
Contributions in Relation to the Contractually Required Contribution	\$ (1,333)	\$ (1,276)	\$ (1,230)	\$ (1,205)	\$ (1,168)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 17,793	\$ 18,154	\$ 18,192	\$ 17,042	\$ 16,844
Contributions as a Percentage of Covered-employee Payroll	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>.

*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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Fund's Proportion of the Net Pension Liability (Asset)	0.0667%	0.06742%	0.06823%	0.06951%	0.06937%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,745	\$ 8,069	\$ 9,325	\$ 9,343	\$ 8,437
Fund's Covered-employee Payroll	\$ 26,475	\$ 24,596	\$ 24,137	\$ 24,118	\$ 23,181
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	44.36%	32.81%	38.63%	38.74%	36.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.12%	4.81%	3.56%	3.00%	2.63%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Fund's Proportion of the Net Pension Liability (Asset)	0.06677%	0.07127%	0.06948%	0.06840%	0.06868%
Fund's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,841	\$ 7,620	\$ 8,098	\$ 6,975	\$ 6,422
Fund's Covered-employee Payroll	\$ 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	35.42%	34.85%	46.61%	33.55%	31.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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>.

*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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 522	\$ 413	\$ 401	\$ 404	\$ 391
Contributions in Relation to the Contractually Required Contribution	\$ (522)	\$ (413)	\$ (401)	\$ (404)	\$ (391)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 26,117	\$ 24,868	\$ 24,153	\$ 24,298	\$ 23,604
Contributions as a Percentage of Covered-employee Payroll	2.00%	1.66%	1.66%	1.66%	1.66%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 370	\$ 372	\$ 372	\$ 282	\$ 248
Contributions in Relation to the Contractually Required Contribution	\$ (370)	\$ (372)	\$ (372)	\$ (282)	\$ (248)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-employee Payroll	\$ 22,679	\$ 22,407	\$ 22,387	\$ 20,472	\$ 20,458
Contributions as a Percentage of Covered-employee Payroll	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>.

*See accompanying notes to the Required Supplementary Information*

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

September 30, 2023

**NOTE 1 - OTHER POSTEMPLOYMENT BENEFITS INFORMATION**

The Fund did not have assets accumulated in a trust. For the measurement date of September, 30, 2023, the actuarial valuation used a discount rate of 4.87%. 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, 2023 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, 2023 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  
SCHEDULES OF NET REVENUE AND DEBT COVERAGE CALCULATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(Dollars In Thousands)**

	2023
<b>Revenues:</b>	
Water	\$ 59,842
Wastewater	103,844
Other	6,642
Interest Income	6,005
Total Revenues	176,333
<b>Expenses:</b>	
Personal Services	44,707
Utilities Services	19,557
Chemicals	5,352
County Services	5,359
Material and Supplies	7,815
Motor Pool	2,175
Contractual Services	9,874
Other	5,513
Total Expenses	100,352
 Net Revenue Available for Principal and Interest Requirements	 75,981
 Principal And Interest Requirements:	
Series 2012A Bonds	56
Series 2015A Bonds	2,113
Series 2015B Bonds	11,208
Series 2019A Bonds	10,583
Series 2019B Bonds	3,633
Series 2022A Bonds	8,013
Series 2022B Bonds	17,288
Total Principal and Interest Requirements	52,894
 Debt Coverage Required	 1.20
 Actual Debt Coverage All Debt Service by Net Revenue	 <b>1.44</b>
 Balance Available for Renewal, Replacement and Capital Expenditures	 <b>\$ 23,087</b>

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, 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), a major enterprise fund of Broward County, Florida (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated March 25, 2024.

**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 25, 2024