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

Financial Statements
For the Years Ended September 30, 2019 and 2018

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND
FINANCIAL STATEMENTS

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RSM

RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2019 and 2018 and its changes in financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The schedules of net revenue and debt coverage calculation are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020

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

The management of the Water and Wastewater Fund (the Fund) of Broward County, Florida (County) offers this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended September 30, 2019 and 2018. 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 2019 by $481.7 million (net position).
- In 2019, the Fund's net position increased by $21.4 million, or 4.7%. The increase is due to the positive results of operations.
- The debt service coverage for the Fund of 183% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt decreased by $14.6 million, or 3.2% during the current fiscal year as a result of repayments of debt.

Overview of the Financial Statements

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

Financial Statements

The financial statements 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. These statements are presented on pages 13-16.

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

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

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

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

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the information provided in the Fund's financial statements. The notes to the financial statements can be found on pages 17-47.

Other Information

In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the progress in funding the obligation to provide other post-employment benefits, the Fund's proportionate share of the net pension liability, and the Fund's pension contributions. Required supplementary information can be found on pages 49-54.

A schedule of net revenue and debt coverage calculation is presented immediately following the required supplementary information and can be found on page 56.

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, 2019, 2018 and 2017 is shown on the following page:

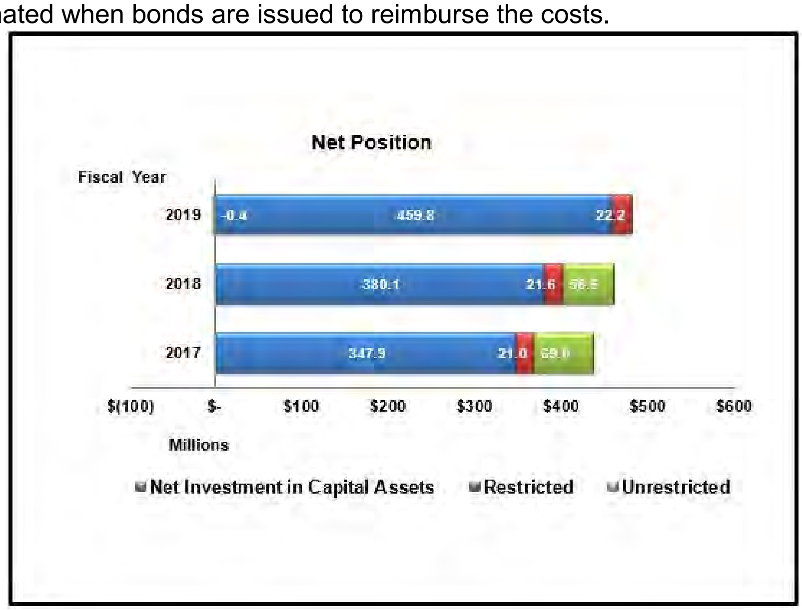
Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis

Net Position
As of September 30, 2019, 2018 and 2017
(In Thousands)

	2019	2018	2017
Current Assets	$ 118,140	$ 124,934	$ 131,882
Noncurrent Assets-Other Than Capital Assets	43,776	43,679	43,394
Capital Assets (Net)	927,426	837,646	813,338
Total Assets	1,089,342	1,006,259	988,614
Deferred Outflows of Resources	28,188	30,309	32,752
Current Liabilities	136,050	60,693	51,800
Noncurrent Liabilities	497,941	513,413	530,263
Total Liabilities	633,991	574,106	582,063
Deferred Inflows of Resources	1,832	2,202	1,411
Net Investment in Capital Assets	459,845	380,096	347,941
Restricted	22,229	21,562	20,982
Unrestricted	(367)	58,602	68,969
Total Net Position	$ 481,707	$ 460,260	$ 437,892

The overall position of the Fund improved in both the 2019 and 2018 fiscal years. Total net position as of September 30, 2019, was $481.7 million, representing an increase of $21.4 million, or 4.7% compared to 2018. Total net position as of September 30, 2018, was $460.3 million, as compared to the 2017 net position of $437.9 million, representing an increase of $22.4 million, or 5.1% during fiscal year 2018. The increase in fiscal years 2019 and 2018 was primarily due to the positive results of operations in the Fund.

At September 30, 2019, 95.5% of the Fund's net position is represented by its net investment in capital assets. These capital assets are used to provide services to the utility's customers. The restricted portion, 4.6% 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 Fund reported an unrestricted deficit of $367,000, or 0.1% of the Fund's net position as of September 30, 2019. This deficit is the result of costs relating to acquisition and construction of major water and sewer capital facilities and equipment. This deficit will be eliminated when bonds are issued to reimburse the costs.



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

The following schedule shows the changes in net position for the fiscal years ended September 30, 2019, 2018 and 2017.

Changes in Net Position
For the Years Ended September 30, 2019, 2018 and 2017
(In Thousands)

	2019	2018	2017
Operating Revenues:			
Water Sales	$ 54,856	$ 51,788	$ 50,620
Wastewater Services	83,942	80,976	79,411
Other Services	4,150	5,237	6,888
Total Operating Revenues	142,948	138,001	136,919
Operating Expenses:			
Personal Services	34,001	30,741	29,999
General Operating	45,615	44,114	42,875
Depreciation	34,355	34,079	36,282
Total Operating Expenses	113,971	108,934	109,156
Operating Income	28,977	29,067	27,763
Non-Operating Revenues (Expenses):			
Investment Income	3,467	1,055	1,099
Interest Expense, Net of Capitalized Interest	(19,293)	(13,581)	(15,699)
Other	87	48	369
Total Non-Operating Revenues (Expenses)	(15,739)	(12,478)	(14,231)
Income Before Capital Contributions and Transfers	13,238	16,589	13,532
Capital Contributions	8,209	6,045	11,961
Transfer out	-	-	-
Change in Net Position	21,447	22,634	25,493
Total Net Position - Beginning	460,260	437,892	412,399
Cumulative effect of adoption of GASB Stmt No. 75	-	(266)	-
Total Net Position - Beginning, as Restated	$ 460,260	$ 437,626	$ 412,399
Total Net Position - Ending	$ 481,707	$ 460,260	$ 437,892

The Fund's current year activities increased net position by $21.4 million, a 4.7% increase from the 2018 balance of $460.3 million. The increase is primarily due to the positive result of operations. Some of the significant changes are as follows:

- Operating revenues increased $4.9 million, or 3.6% over the prior year. The increase was the result of several factors. Retail water revenue increased $2.9 million due to a 3.14% increase in retail water rates and an increase of 1.7% in retail water usage. Retail Sewer revenue increased $1.7 million largely due to a retail sewer rate increase of 3.14%. Large User revenue increased $1.4 million compared to FY18.

- Operating expenses increased $5.0 million, or 4.6% from the prior year. The increase is due to a $0.3 million increase in depreciation expense, a $3.2 million increase in personal services and a $1.5 million increase in general operating expenses.

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

- Non-operating revenues (expenses) for fiscal year 2019 decreased by $3.3 million from the prior year. This decrease is primarily due to the $2.4 million increase of investment and other income offset with a increase of $5.7 million in interest expenses.

- Capital contributions increased by $2.2 million, or 35.8% from the prior year. This increase is an indication that development activities are anticipated to grow. 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 $2.1 million during the fiscal year. This is an indication that development activities are anticipated to grow as broader economic factors in Broward County and throughout the State, such as unemployment rate, home values, and access to capital continue to improve.

In fiscal year 2018, net position for the Fund was $460.3 million, $22.4 million, or a 5.2%, increase from the October 1, 2017 beginning net position of $437.9 million. Key elements of the increase are as follows:

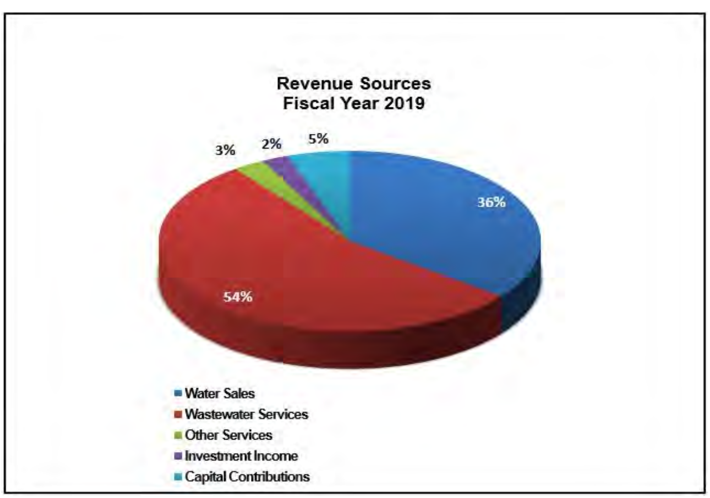
- Operating revenues increased $1.1 million, or .08% over the prior year. The increase was the result of several factors. Retail water revenue increased $1.2 million due to a 3.16% increase in retail water rates and an increase of 2.4% in retailwater usage. Compared to the prior fiscal year sewage flows to the treatment plant increased 7.31%. The increase was a result of wet weather patterns during the fiscal year which increased the inflow and infiltration sewage flows from our Large Users by 7.8%. Retail Sewer revenue increased $1.6 million largely due to a retail sewer rate increase of 3.24%. Large User revenue increased $1.1 million compared to FY17.

- Operating expenses decreased $.2 million, or 0.2% from the prior year. The decrease is due to a $2.1 million decrease in depreciation expense, offset by a $0.7 million increase in personal services and a $1.2 million increase in general operating expenses.

- Non-operating revenues (expenses) for fiscal year 2018 increased by $1.7 million from the prior year. This increase is primarily due to the $0.4 million decrease of investment and other income offset with an decrease of $2.1 million in interest expenses.

- Capital contributions decreased by $5.9 million, or 49.5% from the prior year. The decrease was the result of a reduction of assets contributed by developers. These assets are site specific to the developer's project and are required to provide service to the specific project. Capital recovery fees paid increased 41% during the fiscal year. This is an indication that development activities are anticipated to grow as broader economic factors in Broward County and throughout the State, such as unemployment rate, home values, and access to capital continue to improve.

The following is a chart of the fiscal year 2019 revenues by source and by percentage of total revenues.



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

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2019, the Fund had $927.4 million invested in a variety of capital assets, as reflected in the following schedule. In 2019, there was a net increase in capital assets (additions less retirements and depreciation) of $89.8 million.

The following is a summary of capital assets of the Fund as of September 30, 2019, 2018 and 2017:

Comparative Summary of Capital Assets
As of September 30, 2019, 2018 and 2017
(In Thousands)

	2019	2018	2017
Land	$ 4,936	$ 4,936	$ 4,936
Construction in Progress	285,447	192,845	147,017
Total Non-depreciable Assets	290,383	197,781	151,953
Utility Plant in Service	1,255,670	1,227,900	1,217,919
Equipment	37,028	33,577	32,273
Less Accumulated Depreciation	(655,655)	(621,612)	(588,807)
Total Depreciable Assets, Net	637,043	639,865	661,385
Total Capital Assets, Net	$ 927,426	$ 837,646	$ 813,338

In fiscal year 2019, capital projects under construction increased by $116.2 million and $23.5 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.

In fiscal year 2018, the Fund capitalized assets totaling $12.6 million of new and improved capital assets. The major new additions included equipment purchases and capital projects improvements. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

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

Additional information on the Fund's capital assets can be found in Note 4 on page 28.

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

Debt Administration

As of September 30, 2019, the Fund had $440.9 million in bonded debt outstanding compared to the $455.5 million in 2018, a 3.2% decrease. The decrease in debt payable was due to principal payments of $14.6 million. All debt outstanding as of the end of fiscal year 2019 was secured by system revenues.

In fiscal year 2018, the Fund had $455.5 million in bonded debt outstanding compared to the $469.8 million in 2017, a 3.1% decrease, with the decrease due to principal payments of $14.3 million.

Comparative Summary of Bonded Debt
As of September 30, 2019, 2018 and 2017
(In Thousands)

	2019	2018	2017
Water and Sewer Utility Revenue Bonds	$ 440,855	$ 455,490	$ 469,830

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

Additional information on the Fund's long-term liabilities can be found in Note 5 on pages 29-31.

Economic Factors and Next Year's Budget and Rates

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

The management of the Fund has established goals which include providing high quality and cost-effective services to its customer while operating the facilities and executing programs in a manner that protects the environment. These goals were used as a guide to prepare for the fiscal year 2020 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 2020 budget:

- Water consumption is projected to not significantly change from prior years.
- Increase in annual system costs of .01% 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 average residential retail rate will increase by 3.04%.

- 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 2020. The regional rates for wastewater increased 4.23% and raw water for fiscal year 2020 increased 6.49% from fiscal year 2019.

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

Requests for Information

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

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

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018
(In Thousands)

	2019	2018
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 13,860	$ 9,013
Investments	48,316	52,182
Receivables		
Accounts, Net of Allowance of $7,424 and $7,450, Respectively	10,552	18,565
Other	161	275
Due from Other County Funds	293	194
Inventory	9,118	9,364
Prepaid Items	685	551
Total Current Unrestricted Assets	82,985	90,144
Restricted Assets:		
Cash and Cash Equivalents	25,641	25,356
Investments	9,514	9,434
Total Current Restricted Assets	35,155	34,790
Total Current Assets	118,140	124,934
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	36,752	7,032
Investments	7,024	36,647
Total Noncurrent Restricted Assets	43,776	43,679
Capital Assets:		
Utility Plant in Service	1,255,670	1,227,900
Land	4,936	4,936
Construction in Progress	285,447	192,845
Equipment	37,028	33,577
Total Capital Assets	1,583,081	1,459,258
Less Accumulated Depreciation	(655,655)	(621,612)
Total Capital Assets, Net	927,426	837,646
Total Noncurrent Assets	971,202	881,325
TOTAL ASSETS	**1,089,342**	**1,006,259**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	19,947	21,759
Deferred Outflows on Other Post Employment Benefit	128	40
Deferred Outflows on Pensions	8,113	8,510
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 28,188**	**$ 30,309**

(continued)

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2019 AND 2018
(In Thousands)

	2019	2018
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	$ 34,326	$ 19,667
Accrued Liabilities	755	528
Due to Other County Funds	60,094	20
Due to Other Governments	3,683	3,766
Compensated Absences	2,037	1,922
Total Current Liabilities Payable from Unrestricted Assets	100,895	25,903
Payable From Restricted Assets:		
Accrued Interest Payable	10,436	10,721
Revenue Bonds Payable	15,205	14,635
Customer Deposits	9,514	9,434
Total Current Liabilities Payable from Restricted Assets	35,155	34,790
Total Current Liabilities	136,050	60,693
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	467,311	485,967
Compensated Absences	1,842	1,835
Total Other Post Employment Benefits Liability	1,369	1,229
Net Pension Liability	27,419	24,382
Total Noncurrent Liabilities	497,941	513,413
TOTAL LIABILITIES	633,991	574,106
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Other Post Employment Benefits	49	17
Deferred Inflows on Pensions	1,783	2,185
TOTAL DEFERRED INFLOWS OF RESOURCES	1,832	2,202
NET POSITION		
Net Investment in Capital Assets	459,845	380,096
Restricted for:		
Debt Service	15,205	14,635
Renewal, Replacement, and Improvement	7,024	6,927
Unrestricted	(367)	58,602
TOTAL NET POSITION	**$ 481,707**	**$ 460,260**

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Thousands)

	2019	2018
Operating Revenues:		
Retail Services:		
Water	$ 53,794	$ 50,922
Wastewater	44,973	43,242
Septic Charges	2,953	2,961
Other Services	4,150	5,237
	105,870	102,362
Wholesale Services:		
Water	1,062	866
Wastewater	36,016	34,773
Total Operating Revenues	142,948	138,001
Operating Expenses:		
Personal Services	34,001	30,741
Utilities Services	15,896	16,451
Chemicals	3,409	3,147
County Services	4,351	4,219
Materials and Supplies	6,591	5,632
Motor Pool	1,482	1,352
Contractual Services	7,968	7,865
Other	5,918	5,448
Total Operating Expenses before Depreciation	79,616	74,855
Operating Income before Depreciation	63,332	63,146
Depreciation Expense	34,355	34,079
Operating Income	28,977	29,067
Non-Operating Revenues (Expenses):		
Grants	-	9
Interest Income	3,467	1,055
Interest Expense	(19,293)	(13,581)
Other Income	367	491
Discontinued Project Costs	(359)	(547)
Gain on Disposal of Capital Assets	82	122
Other Expenses	(3)	(27)
Total Non-Operating Revenues (Expenses)	(15,739)	(12,478)
Income before Capital Contributions and Transfers	13,238	16,589
Capital Contributions	8,209	6,045
Change in Net Position	21,447	22,634
Total Net Position - Beginning	460,260	437,892
Cumulative effect of adoption of GASB statement No. 75	-	(266)
Total Net Position - Ending	**$ 481,707**	**$ 460,260**

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Thousands)

	2019	2018
Cash Flows From Operating Activities:		
Cash Received from Customers	$ 150,877	$ 140,946
Cash Payments to Suppliers for Goods and Services	(46,329)	(44,621)
Cash Payments to Employees for Services	(30,536)	(28,817)
Other Cash Received	367	491
Net Cash Provided by Operating Activities	74,379	67,999
Cash Flows From Noncapital Financing Activities:		
Noncapital Grants	-	26
Net Cash Provided by Noncapital Financing Activities	-	26
Cash Flows From Capital And Related Financing Activities:		
Acquisition and Construction of Capital Assets	(105,006)	(42,639)
Proceeds from Sale of Capital Assets	83	104
Proceeds from Internal Loan	60,000	
Capital Recovery Fees	2,086	2,146
Capital Surcharges Contributed from Other Governments	2,115	1,877
Principal Paid on Revenue Bonds	(14,635)	(14,340)
Interest Paid on Revenue Bonds	(21,157)	(21,590)
Other Debt Service Costs Paid	(3)	(27)
Net Cash Used for Capital and Related Financing Activities	(76,517)	(74,469)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(108,071)	(167,059)
Proceeds from Sale and Maturities of Investment Securities	141,480	173,042
Interest and Dividends on Investments	3,581	916
Net Cash Provided by Investing Activities	36,990	6,899
Net Change in Cash and Cash Equivalents	34,852	455
Cash and Cash Equivalents, Beginning	41,401	40,946
Cash and Cash Equivalents, Ending	76,253	41,401
Cash and Cash Equivalents - Unrestricted Assets	13,860	9,013
Cash and Cash Equivalents - Restricted Assets	62,393	32,388
Total Cash and Cash Equivalents	76,253	41,401
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	28,977	29,067
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	34,355	34,079
Miscellaneous Non-Operating Revenue	367	491
Decrease (Increase) in Assets and Deferred Outflows of Resources:		
Accounts Receivable	8,013	1,460
Due from Other County Funds	(99)	265
Inventory	246	(320)
Prepaid Items	(134)	(156)
Deferred Outflows on Other Post-Employment Benefits	(88)	(40)
Deferred Outflows on Pensions	397	41
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(822)	538
Accrued Liabilities	227	18
Due to Other County Funds	14	-
Due to Other Governments	(83)	545
Customer Deposits	80	105
Compensated Absences	122	(25)
Total Other Post Employment Benefits Liability	140	72
Net Pension Liability	3,037	1,068
Deferred Inflows on Other Post-Employment Benefits	32	17
Deferred Inflows on Pensions	(402)	774
Total Adjustments	45,402	38,932
Net Cash Provided by Operating Activities	$ 74,379	$ 67,999
Noncash Investing, Capital And Related Financing Activities:		
Capital Assets Acquired through Current Accounts Payable	$ 30,940	$ 15,459
Capital Contributions	4,008	2,022
Amortization of Deferred Charge on Refunding	1,812	2,442
Amortization of Bond Discounts and Premiums	(3,451)	(3,450)
Change in Fair Value of Investments	1,025	(1,003)

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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 it's 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, 2019.

1. GASB Statement No. 83 *“Certain Asset Retirement Obligations”*

Statement No. 83 establishes guidance for governments to recognize and measure legally enforeceable liabilities associated with the retirement of certain tangible capital assets and determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Fund adopted this Statement for fiscal year 2019. The adoption of Statement No. 83 did not impact the Fund's financial position or results in operations.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 88 *"Certain disclosures related to debt, including direct borrowings and direct placements"*

Statement No.88 establishes improved information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Fund implemented this Statement for fiscal year 2019. The adoption of Statement No. 88 required the Fund to disclose in Note 5 significant finance related consequences relating to events of default.

3. GASB Statement No. 89 *"Accounting for Interest Cost Incurred before the End of a Construction Period"*

Statement No. 89 is effective beginning with its fiscal year ending September 30, 2021, but the Fund adopted it in 2019. The primary objective of this Statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The effect of adoption of Statement No. 89 during fiscal year 2019 was to expense interest cost incurred on funds used to finance construction before the end of a construction period, where previously it was capitalized and included in the cost of capital assets. Statement No. 89 was applied prospectively and had no impact on previously reported financial position or results of operations.

4. GASB Statement No. 91 *"Conduit Debt Obligations"*

Statement No. 91 is effective beginning with its fiscal year ending September 30, 2022, but the Fund adopted it in 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligation, and (3) related note disclosures. Statement No. 91 clarifies the existing definition of a conduit debt obligations; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Fund did not have any conduit debt obligations and the adoption of Statement No. 91 did not impact the Fund's financial position or results of operations.

Management evaluated the following issued and unadopted Governmental Accounting Standards Board (GASB) Statements during fiscal year ended September 30, 2019:

5. GASB Statement No. 84 *“Fiduciary Activities”*

Statement No. 84 will be effective for the Fund beginning with its fiscal year ending September 30, 2020. This Statement establishes improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should and establishes criteria for identifying fiduciary activities of all state and local governments. Management is currently evaluating the impact of the adoption of this statement on the Fund's financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. GASB Statement No. 87 *"Leases"*

Statement No. 87 will be effective for the Fund beginning with its fiscal year ending September 30, 2021. The Statement requires recognition of certain lease assets and liabilities for lease that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. Statement No. 87 requires note disclosure only for certain leases subject to regulation and establishes a single model for lease accounting based on the foundational principle that leases are financing of the right-to-use an underlying asset. Under Statement No. 87, the Fund, as lessee, is required to recognize a lease liabillity and an intangible right-to-use lease asset, and, as a lessor, is required to recognize a lease receivable and a deferred inflow of resources. Management is currently evaluating the impact of the adoption of this statement on the Fund's financial statements but does not expect it to have a significant effect.

7. GASB Statement No. 90 "*Majority equity interests - An amendment of GASB Statements No. 14 and No. 61"*

Statement No. 90 will be effective for the Fund beginning with its fiscal year ending September 30, 2021. The primary objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Management is currently evaluating the impact of the adoption of this statement on the Fund's financial statements.

8. GASB Statement No. 92 *"Omnibus 2020"*

Statement No. 92 addresses various accounting issues including: the modification of the effective date of Statement No. 87; reporting of intra-entity transfers of assets between a primary government and a component unit defined benefit pension plan or defined benefit Other Post Employment Benefit (OPEB) plan; the applicability of certain GASB statements to reporting assets accumulated for pension and OPEB; the applicability of certain requirements of Statements No. 84; and measurements of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The change in the effective date for GASB Statement No. 87 was immediate and the other provisions are effective for the Fund beginning with its fiscal year ending September 30, 2022. Management is currently evaluating the impact of the adoption of this statement on the County’s financial statements.

D. Deposits and Investments

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

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of $7,424,000 and $7,450,000 at September 30, 2019 and 2018, respectively.

F. Due from or to Other County Funds

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

G. Inventories and Prepaid Items

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

H. Capital Assets

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

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

I. Capitalized Interest

Interest incurred only in 2018 during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Fund during the fiscal years ended September 30, 2019 and 2018, was $19,293,000 and $20,433,000, respectively. There was no capitalized interest expense recorded for 2019 due to the implementation of GASB Statement No. 89 and $6,852,000 was included as part of the cost of construction-in-progress for 2018.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources in the Fund's Statements of Net Position relates to debt refunding, 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 M and Note 9. Deferred outflows on pension activities are more fully disclosed in Note 1, Section N and Note 10.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the Fund that relate to OPEB activities are more fully disclosed in Note 1, Section M and Note 9. Deferred inflows of resources reported by the Fund that relate to pension activities are more fully disclosed in Note 1, Section N and Note 10.

K. 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.

L. 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.

M. Post-Employment Benefits Other Than Pensions (OPEB)

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

N. 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.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Net Position and Net Position Flow Assumption

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

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

P. Capital Contributions

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

Q. Reclassifications

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

R. Use of Estimates

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2019 and 2018, the Fund's deposits and investments consisted of the following (in thousands):

	September 30	
	2019	2018
Cash Deposits	$ 76,253	$ 39,199
Investments:		
U.S. Treasuries	12,211	36,164
U.S. Agencies	51,613	60,519
Commercial Paper	-	1,973
Sovereign Bonds	128	114
World Bank	902	1,695
Total Investments	64,854	100,465
Total Cash, Cash Equivalents and Investments	**$ 141,107**	**$ 139,664**

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

	September 30	
	2019	2018
Current Assets		
Unrestricted		
Cash and Cash Equivalents	$ 13,860	$ 9,013
Investments	48,316	52,182
Restricted		
Cash and Cash Equivalents	25,641	25,356
Investments	9,514	9,434
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	36,752	7,032
Investments	7,024	36,647
Total Cash, Cash Equivalents and Investments	**$ 141,107**	**$ 139,664**

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2019 and 2018, $63,531,000 and $32,610,000, respectively was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the County's name.

B. Investments

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

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

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2019 and 2018, the portfolio weighted average maturity was 566 and 509 days, respectively, and was in accordance with the County's investment policy.

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2019 and 2018, the Fund's investments in U.S. Treasuries and U.S. Agencies, except for investments of $2,251,000 and 12,069,000, respectively, in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Services. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Rating Services, P-1 by Moody's Investors Service F1 and F1+ by Fitch. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in Sovereign (State of Israel) Bonds are currently rated AA- by Standard & Poor's Rating Services, A-1 by Moody's Investors Service, and A+ by Fitch. The County's investments in the Money Market Mutual Funds are rated AAAm by Standard & Poor's Ratings Services and Aaa-mf by Moody's Investors Services. At September 30, 2019, the County's investments were held in the County's name.

Concentration of Credit Risk - 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. The County investment policy also limits investments in any one money market or mutual fund to no more than 10% of the total investment portfolio, whereas, 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 purchased shares of Goldman Sachs Financial Square Governmental Fund on September 26, 2019, which represented 12.24% of the County's investment portfolio. The County cured the over-allocation within five business days of discovery. 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. In addition to the investment in Goldman Sachs Financial Square Governmental Fund as described above, the investment in the Federal Farm Credit Bank was 11.93%, Federal Home Loan Bank was 20.39%, the Federal Home Loan Mortgage Corporation was 14.97%, and the Federal National Mortgage Association was 16.16% as of September 30, 2019.

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

The Fund has the following recurring fair value measurements as of September 30, 2019 and 2018 (in thousands):

	September 30	
	2019	2018
Investments by Fair Value Level	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 2)
Debt Securities:		
U.S. Treasuries	$ 12,211	$ 36,164
U.S. Agencies	51,613	60,519
Commercial Paper	-	1,973
Sovereign Bonds	128	114
World Bank	902	1,695
Total Investments at Fair Value	**$ 64,854**	**$ 100,465**

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2019 and 2018 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 is required by the bond resolution.

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

	September 30, 2019	September 30, 2018
Bond Reserve Accounts	$ 36,752	$ 36,752
Debt Service Accounts	25,641	25,356
Renewal, Replacement, and Improvement Accounts	7,024	6,927
Deposit Account	9,514	9,434
	$ 78,931	**$ 78,469**

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

	September 30, 2019	September 30, 2018
Current Restricted Assets		
Cash and Cash Equivalents	$ 25,641	$ 25,356
Investments	9,514	9,434
Noncurrent Restricted Assets		
Cash and Cash Equivalents	36,752	7,032
Investments	7,024	36,647
	$ 78,931	**$ 78,469**

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2019 and 2018 are as follows (in thousands):

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 4,936	$ -	$ -	$ 4,936
Construction in Progress	192,845	116,154	(23,552)	285,447
Total Capital Assets, Not Being Depreciated	197,781	116,154	(23,552)	290,383
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,227,900	27,770	-	1,255,670
Equipment	33,577	3,764	(313)	37,028
Total Capital Assets, Being Depreciated	1,261,477	31,534	(313)	1,292,698
Less Accumulated Depreciation For:				
Utility Plant in Service	(599,763)	(31,995)	-	(631,758)
Equipment	(21,849)	(2,360)	312	(23,897)
Total Accumulated Depreciation	(621,612)	(34,355)	312	(655,655)
Total Capital Assets Being Depreciated, Net	639,865	(2,821)	(1)	637,043
Total Capital Assets, Net	$ 837,646	$ 113,333	$ (23,553)	$ 927,426

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Capital Assets, Not Being Depreciated:				
Land	$ 4,936	$ -	$ -	$ 4,936
Construction in Progress	147,017	53,191	(7,363)	192,845
Total Capital Assets, Not Being Depreciated	151,953	53,191	(7,363)	197,781
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,217,919	9,999	(18)	1,227,900
Equipment	32,273	2,562	(1,258)	33,577
Total Capital Assets, Being Depreciated	1,250,192	12,561	(1,276)	1,261,477
Less Accumulated Depreciation For:				
Utility Plant in Service	(568,026)	(31,755)	18	(599,763)
Equipment	(20,781)	(2,324)	1,256	(21,849)
Total Accumulated Depreciation	(588,807)	(34,079)	1,274	(621,612)
Total Capital Assets Being Depreciated, Net	661,385	(21,518)	(2)	639,865
Total Capital Assets, Net	$ 813,338	$ 31,673	$ (7,365)	$ 837,646

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2019 and 2018 are as follows (in thousands):

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	$ 455,490	$ -	$ (14,635)	$ 440,855	$ 15,205	$ 425,650
Unamortized Bond Premiums and Discounts	45,112	-	(3,451)	41,661	-	41,661
Compensated Absences	3,757	2,494	(2,372)	3,879	2,037	1,842
Other Post Employment Benefits	1,229	140	-	1,369	-	1,369
Net Pension Liability	24,382	3,037	-	27,419	-	27,419
Total	$ 529,970	$ 5,671	$ (20,458)	$ 515,183	$ 17,242	$ 497,941

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	$ 469,830	$ -	$ (14,340)	$ 455,490	$ 14,635	$ 440,855
Unamortized Bond Premiums and Discounts	48,562	-	(3,450)	45,112	-	45,112
Compensated Absences	3,782	2,468	(2,493)	3,757	1,922	1,835
Other Post Employment Benefits	1,157	72	-	1,229	-	1,229
Net Pension Liability	23,314	1,068	-	24,382	-	24,382
Total	$ 546,645	$ 3,608	$ (20,283)	$ 529,970	$ 16,557	$ 513,413

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2019 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment Rate %	Interest Payment Date	Redemption Optional (O) or Mandatory (M)	Year	Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2019
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2021	$ 63,555	$ 58,300	$ 5,255
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	10,220	41,075
2012 Series A	Improvements	Term	5.0	04/01 10/01	M	2035	10/1/2037	89,330	-	89,330
2012 Series B	Refunding	Serial	4.0-5.0	04/01 10/01	O	2023	10/1/2027	110,920	5,535	105,385
2012 Series C	Refunding	Serial	0.44-1.9	04/01 10/01	N/A	N/A	10/1/2018	47,655	47,655	-
2015 Series A	Refunding	Serial	5.0	04/01 10/01	O	2025	10/1/2030	42,255	-	42,255
2015 Series B	Refunding	Serial	3.0-5.0	04/01 10/01	O	2025	10/1/2034	157,555	-	157,555
										$ 440,855

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, 2019 and 2018.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The debt service maturity requirements for all bonds outstanding as of September 30, 2019 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2020	15,205	20,512	$ 35,717
2021	15,925	19,763	35,688
2022	17,035	18,994	36,029
2023	17,790	18,175	35,965
2024	18,670	17,280	35,950
2025-2029	106,020	71,192	177,212
2030-2034	132,755	42,974	175,729
2035-2038	117,455	11,566	129,021
	$ 440,855	$ 220,456	$ 661,311

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 principle 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 years ended September 30, 2019 and 2018 are as follows (in thousands):

	September 30, 2019	September 30, 2018
Revenues	$ 145,746	$ 140,483
Expenses	79,616	74,855
Amount Available for Debt Service	$ 66,130	$ 65,628
Debt Service		
Deposit to Principal Account	$ 15,205	$ 14,635
Deposit to Interest Account	20,872	21,442
Total Debt Service	$ 36,077	$ 36,077
Debt Service Coverage Available for Debt Service	183%	182%
Required Debt Service Coverage	120%	120%

Total pledged revenues to repay the principal and interest of the Water and Sewer Utility Revenue Bonds as of September 30, 2019 and 2018 were as follows (in thousands):

	September 30, 2019	September 30, 2018
Revenue Pledged	$ 66,130	$ 65,628
Debt Service	$ 35,792	$ 35,930
Future Revenues Pledged	$ 661,311	$ 697,103
Percentage of Debt Service to Pledged Revenues	54.1%	54.7%

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Defeased Bonds

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

The Fund had an outstanding defeased bond balance of $153,330,000 as of September 30, 2018, and the balance was fully redeemed on October 1, 2018.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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):

	2019	2018
Capital Recovery Fees	$ 2,086	$ 2,146
Capital Contributed from Other Governments	2,115	1,877
Capital Contributed by Developers	4,008	2,022
	$ 8,209	$ 6,045

NOTE 7 - RISK MANAGEMENT

The Fund is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates in the County's workers' compensation, general liability and health insurance programs. For its self-insured workers' compensation exposure, the County purchases excess coverage above a $2,000,000 retention limit and pays any claims below the retention from its Self-Insurance Fund Mass transit liability, auto liability, medical malpractice, and general liability. The County's general liability is entirely self-insured, with the County providing coverage up to the statutory limits of $200,000 per person and $300,000 per occurrence. The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a $250,000 per occurrence deductible for workers' compensation and general liability claims and a $25,000 deductible for environmental claims. The Fund participates in the OCIP program and makes contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects. The County is self-insured for employee health insurance and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of $400,000 per individual. The County (through the Self-Insurance Fund) also purchases commercial insurance for property coverage, and numerous smaller policies that are required by lease agreements, union contracts, state statutes, etc. Settled claims have not exceeded commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. Participating funds are indemnified against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred in all funds. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2019. 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, 2019 and 2018

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, 2019 and 2018, the top ten customers revenues accounted for 34% of total operating revenue, respectively, and the Large User revenues, which excludes Major Retail customers, accounted for 26% of total operating revenue, respectively.

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:

	2019			
Customer:	**Wastewater**	**Water**	**Total**	**% of Total Operating Revenue**
Coconut Creek[3]	$ 3,229	$ 6,830	$ 10,059	7.04%
Pompano Beach	8,460	-	8,460	5.92%
Coral Springs	5,904	-	5,904	4.13%
Tamarac	5,071	-	5,071	3.55%
Deerfield Beach	4,584	55	4,639	3.25%
Lauderhill	4,538	-	4,538	3.17%
Broward County Agencies[2]	1,182	1,990	3,172	2.22%
North Lauderdale	2,855	-	2,855	2.00%
NSID[1]	2,435	-	2,435	1.70%
Broward County School Board[2]	618	903	1,521	1.06%
	$ 38,876	$ 9,778	$ 48,654	34.04%

[1] North Springs Improvement District
[2] Retail Customer for Wastewater and Water
[3] Retail Customer for Water

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 8 - LARGE USER AGREEMENTS AND MAJOR CUSTOMERS (Continued)

	2018			
Customer:	**Wastewater**	**Water**	**Total**	**% of Total Operating Revenue**
Coconut Creek[3]	$ 3,077	$ 6,975	$ 10,052	7.29%
Pompano Beach	8,341	-	8,341	6.04%
Coral Springs	5,840	-	5,840	4.23%
Tamarac	5,110	-	5,110	3.70%
Deerfield Beach	4,441	39	4,480	3.25%
Lauderhill	4,397	-	4,397	3.19%
Broward County Agencies[2]	1,068	1,543	2,611	1.89%
North Lauderdale	2,695	-	2,695	1.95%
NSID[1]	2,236	-	2,236	1.62%
Broward County School Board[2]	594	868	1,462	1.06%
	$ 37,799	$ 9,425	$ 47,224	34.22%

[1] North Springs Improvement District
[2] Retail Customer for Wastewater and Water
[3] Retail Customer for Water

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, 2019 and 2018, the OPEB Plan covered 340 and 322 active department's benefit eligible employees, respectively. In addition, the total retirees covered under this plan for the County is 237 at September 30, 2019, 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 it's 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.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Significant methods and assumptions were as follows:

Actuarial Valuation Date/Measurement Date	9/30/2019	9/30/2018
Actuarial Cost Method	Entry Age	Entry Age
Discount Rate	3.58%	4.15%
Projected Cash Flows	Pay-as-you-go	Pay-as-you-go
Municipal Bond Rate	20-Year Tax Exempt General Obligation	20-Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or Higher	Average Rating of AA/Aa or Higher
Projected Salary Increases*	3.25%	3.25%
Healthcare Cost Trend Rate	8.00% initial; 4.50% ultimate	8.50% initial; 4.50% ultimate

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

Changes in Total OPEB Liability and Related Ratios

Below are details regarding the total OPEB liability for the year ended September 30, 2019 and 2018.

	2019	2018
Total OPEB Liability recognized at 10/1	$ 1,229	$ 1,157
Changes for the Fiscal Year:		
Service Cost	75	67
Interest	64	50
Difference between Actual and Expected Experience	118	(19)
Assumption Changes	(43)	45
Benefits Payments	(74)	(71)
Net Change in total OPEB	140	72
Total OPEB Liability at September 30th	$ 1,369	$ 1,229
Covered-Employee Payroll	18,151	18,610
Total OPEB Liability as a percent of Covered-Employee Payroll	7.54%	6.61%

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, 2019 and 2018 using the discount rate of 3.58% and 4.15%, respectively, 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 (2.58% and 3.15%, respectively) or one percentage point higher (4.58% and 5.15%, respectively) than the current rate (in thousands):

As of September 30, 2019	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	$ 1,573	$ 1,369	$ 1,202

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

As of September 30, 2018	1% Decrease 3.15%	Current Discount Rate 4.15%	1% Increase 5.15%
Total OPEB Liability	$ 1,401	$ 1,229	$ 1,082

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, 2019 and 2018 using health care cost trend of 8.0% - 4.50% and 8.50% - 4.50%, respectively, 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 (7.00% - 3.50% and 7.50% -3.50%, respectively) or one percentage point higher (9.00% - 5.50% and 9.50% - 5.50%, respectively) than the current rate (in thousands):

As of September 30, 2019	1% Decrease 7.00% to 3.50%	Current Discount Rate 8.00% to 4.50%	1% Increase 9.00% to 5.50%
Total OPEB Liability	$ 1,154	$ 1,369	$ 1,648

As of September 30, 2018	1% Decrease 7.50% to 3.50%	Current Discount Rate 8.50% to 4.50%	1% Increase 9.50% to 5.50%
Total OPEB Liability	$ 1,057	$ 1,229	$ 1,451

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

For the year ended September 30, 2019 and 2018, the Fund recognized OPEB expenses of $148,000 and 121,000, respectively. At September 30, 2019 and 2018, the Fund reported deferred outflows and deferred inflows of resources related to OPEB for the following sources:

As of September 30, 2019	**Deferred Outflows of Resources**	**Deferred Inflows of Resource**
Difference between Expected and Actual Experience	$ 128	
Changes in Assumptions or Other Inputs		$ (49)
Total	$ 128	$ (49)

As of September 30, 2018	**Deferred Outflows of Resources**	**Deferred Inflows of Resource**
Difference between Expected and Actual Experience	$ 40	
Changes in Assumptions or Other Inputs		$ (17)
Total	$ 40	$ (17)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2019, will be recognized in the OPEB expense as follows:

Years Ending September 30th		
2020	$	9
2021		9
2022		9
2023		9
2024		9
Thereafter		34
Total	**$**	**79**

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

A. Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

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

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

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

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.

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

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

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

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, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular - 6.54% and 6.75%, Senior Management Service - 22.34% and 23.69%; and DROP participants - 12.37%

and 12.94%. The employer contribution rates by job class for the period from July 1, 2017 through June 30, 2018 were as follows: Regular - 6.20%, Senior Management Service - 20.99% and DROP participants 11.60%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ending September 30, 2019 and 2018, contributions, including employee contributions of $475,000 and $468,000, to the Pension Plan for the Fund totaled $1,934,000 and $1,785,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019 and 2018, the Fund reported liabilities of $18,982,000 and $16,541,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2019 and July 1, 2018. The Fund's proportionate share of the net pension liability was based on its share of the County's 2018-2019 and 2017-2018 fiscal year contributions relative to the 2018-2019 and 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the Fund's proportionate share was 0.05152% which was an decrease of 0.00141% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Fund's proportionate share was 0.05011%, which was a decrease of 0.00293% from its proportionate share measured at June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, the Fund recognized pension expense of $4,462,000 and $2,683,000, respectively. In addition, the Fund reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources (in thousands):

As of September 30, 2019	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 1,052	$ (11)
Change of Assumptions	4,557	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(982)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	464	(129)
Pension Plan Contributions Subsequent to the Measurement Date	455	-
Total	**$ 6,528**	**$ (1,122)**

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

As of September 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,279	$ (46)
Change of Assumptions	4,931	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(1,166)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	490	(185)
Pension Plan Contributions Subsequent to the Measurement Date	415	-
Total	**$ 7,115**	**$ (1,397)**

The deferred outflows of resources related to the Pension Plan, totaling $455,000 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, 2020.

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

Years Ending September 30th	
2020	$ 1,674
2021	505
2022	1,220
2023	921
2024	238
Thereafter	393
Total	**$ 4,951**

Actuarial Assumptions - The total pension liability in the July 1, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.90% in 2019 and 7.00% in 2018, net of pension plan investment expense, including inflation

Mortality rates used in the July 1, 2019 valuation were based on the PUB-2010 base table, projected generationally with Scale MP-2018, whereas mortality rates used in the July 1, 2018 valuation were based on the Generational RP-2000 with Projection Scale BB Tables.

The actuarial assumptions used in the July 1, 2019 and, 2018 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, 2019 valuation were unchanged from those used in the prior valuation as of July 1, 2018 except for the investment return assumption which was decreased from 7.00% to 6.90%.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

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

As of September 30, 2019		***Annual***		
Asset Class	***Target Allocation****	***Arithmetic Return***	***Compound Annual (Geometric) Return***	***Standard Deviation***
Cash	1.00%	3.30%	3.30%	1.20%
Fixed Income	18.00%	4.10%	4.10%	3.50%
Global Equity	54.00%	8.00%	6.80%	16.50%
Real Estate (Property)	10.00%	6.70%	6.10%	11.70%
Private Equity	11.00%	11.20%	8.40%	25.80%
Strategic Investments	6.00%	5.90%	5.70%	6.70%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.70%

As of September 30, 2018		***Annual***		
Asset Class	***Target Allocation****	***Arithmetic Return***	***Compound Annual (Geometric) Return***	***Standard Deviation***
Cash	1.00%	2.90%	2.90%	1.80%
Fixed Income	18.00%	4.40%	4.30%	4.00%
Global Equity	54.00%	7.60%	6.30%	17.00%
Real Estate (Property)	11.00%	6.60%	6.00%	11.30%
Private Equity	10.00%	10.70%	7.80%	26.50%
Strategic Investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed Inflation - Mean			2.60%	1.90%

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 6.90% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.90% rate of return assumption used in the June 30, 2019 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.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

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, 2019 and 2018 using the discount rate of 6.90% and 7.00%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90% and 6.00%, respectively) or one percentage point higher (7.90% and 8.00%, respectively) than the current rate (in thousands):

As of September 30, 2019	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Proportional Share of the Net Pension Liability	$ 30,672	$ 18,982	$ 6,945

As of September 30, 2018	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportional Share of the Net Pension Liability	$ 27,545	$ 16,541	$ 4,750

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

Payables to the Pension Plan - At September 30, 2019 and 2018, the Fund reported payables in the amount of $117,000 and $107,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2019 and 2018.

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, 2019 and 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rate for the period from July 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2019 were 1.66% and 1.66% respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not 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, 2019 and 2018, contributions to the HIS Plan for the Fund totaled $308,000 and $291,000, respectively.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019 and 2018, the Fund reported liabilities of $8,437,000 and $7,841,000, respectively, for its proportionate share of the HIS Plan's net pension liability.

The net pension liabilities were measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2019 using a standard actuarial roll-forward technique.

The Fund's proportionate share of the net pension liability was based on its share of the County's 2018-2019 and 2017-2018 fiscal year contributions relative to the 2018-2019 and 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the Fund's proportionate share was 0.06937% which was an increase of 0.0026% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Fund's proportionate share was 0.06677%, which was a decrease of 0.0045% from its proportionate share measured at June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, the Fund recognized pension expense of $680,000 and $586,000, respectively.

In addition, the Fund reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (in thousands):

As of September 30, 2019	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 94	$ (10)
Change in Assumptions	899	(634)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5	
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	480	(17)
Pension Plan Contributions Subsequent to the Measurement Date	107	-
Total	**$ 1,585**	**$ (661)**

As of September 30, 2018	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ -	$ (12)
Change in Assumptions	894	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4	(747)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	399	(29)
Pension Plan Contributions Subsequent to the Measurement Date	98	-
Total	**$ 1,395**	**$ (788)**

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the HIS Plan, totaling $107,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows (in thousands):

Years Ending September 30th		
2020	$	151
2021		121
2022		66
2023		(48)
2024		9
Thereafter		518
Total	**$**	**817**

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2018 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2019 and 2018. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2019 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2019 and 2018 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.50% in 2019 and 3.87% in 2018, net of pension plan investment expense, including inflation

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

The actuarial assumptions that determined the total pension liability as of June 30, 2019 and June 30, 2018 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, 2019 and 2018 was 3.50% and 3.87% respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Fund’s proportionate share of the net pension liability calculated as of September 30, 2019 and 2018 using the discount rate of 3.50% and 3.87%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50% and 2.87%, respectively) or one percentage point higher (4.50% and 4.87%, respectively) than the current rate (in thousands):

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE 10 - RETIREMENT PLANS (Continued)

As of September 30, 2019	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Proportional Share of the Net Pension Liability	$ 8,861	$ 8,437	$ 6,847

As of September 30, 2018	1% Decrease 2.87%	Current Discount Rates 3.87%	1% Increase 4.87%
Proportional Share of the Net Pension Liability	$ 8,049	$ 7,841	$ 6,249

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

Payables to the HIS Plan - At September 30, 2019 and 2018, the Fund reported payables in the amount of $24,000 and $23,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2019 and 2018.

C. Investment Plan

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

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

Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal years ended September 30, 2019 and 2018, 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, 2019 and 2018

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 $458,000 and $393,000 for the fiscal years ended September 30, 2019 and 2018 respectively.

Payables to the Investment Plan - At September 30, 2019 and 2018, the Fund reported payables in the amount of $39,000 and $31,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2019 and 2018.

The Fund's proportionate share of the Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2019 and 2018, and pension expense/adjustments for the fiscal year ended September 30, 2019 and 2018, were allocated to the Fund's funds based on contributions. Amounts are as follows (in thousands):

September 30, 2019	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Adjustment
Fund's Activities				
Pension Plan	$ (18,982)	$ 6,528	$ (1,122)	$ 2,753
HIS Plan	(8,437)	1,585	(661)	279
Total Fund's Activities	**$ (27,419)**	**$ 8,113**	**$ (1,783)**	**$ 3,032**

September 30, 2018	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Adjustment
Fund's Activities				
Pension Plan	$ (16,541)	$ 7,115	$ (1,397)	$ 1,624
HIS Plan	(7,841)	1,395	(788)	264
Total Fund's Activities	**$ (24,382)**	**$ 8,510**	**$ (2,185)**	**$ 1,888**

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2019, the Fund had various uncompleted construction projects in process, with commitments totaling $237,842,000. The retainage payable on these contracts totaled $9,511,000.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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 $1,733,000 and $1,372,000 for the years ended September 30, 2019 and 2018, respectively.

The Fund also bills other County departments for water and sewer services provided. The total amount billed for the years ended September 30, 2019 and 2018 was approximately $3,172,000 and $2,840,000, respectively.

At September 30, 2019 and 2018, $293,000 and $194,000, respectively, was due from other County funds and $60,094,000 and $20,000, respectively, was payable to other County funds, which includes an outstanding interfund loan principal balance of $60,000,000 and interest of $60,000 as part of the total payable to other County funds as of September 30, 2019. The interfund loan was used to fund in advance the costs associated with acquitision and construction of capital assets which was subsequently repaid with bond proceeds issued after the fiscal year-end.

NOTE 13 - SUBSEQUENT EVENTS

On December 4, 2019, the Water and Sewer System issued Revenue Bonds, Series 2019A in the principal amount of $249,110,000 with a premium of $36,318,000 for the purpose of acquisition and construction of major capital facilities and equipment in addition to funding the cost of issuance and the increase to the debt service reserve. On the same day, the System also issued Water and Sewer Utility Revenue Refunding Bonds, Series 2019B (Taxable) in the principal amount of $111,375,000 at par to refund a large portion of the 2012A Water and Sewer Revenue Bonds. The True Interest Cost (TIC) for the Series 2019A Bonds and the Series 2019B Bonds are 3.307196% and 3.313487%, respectively.

As of December 4, 2019, the Fund had incurred expenses totaling $28,466,000 for the purpose described above and withdrew from the aforementioned bond proceeds. This withdrawal along with cash generated from the Fund’s operating activities were used to pay off the $60,000,000 internal loan including accumulated interest during the subsequent year.

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Fund could be significantly adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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)

	2019	2018
Service Cost	75	67
Interest	64	50
Difference between Actual and Expected Experience	118	45
Assumption Changes	(43)	(19)
Benefits Payments	(74)	(71)
Net Change in Total OPEB	140	72
Total OPEB Liability beginning	1,229	1,157
Total OPEB Laibility Ending	**$ 1,369**	**$ 1,229**
Fund's Covered Employee Payroll	$ 18,151	$ 18,610
Total OPEB liability as a Percentage of Covered Employee Payroll	7.54%	6.61%

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

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)

	2019	2018	2017	2016	2015	2014
Fund's Proportion of the Net Pension Liability (Asset)	0.05152%	0.05011%	0.05304%	0.05234%	0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset)	$ 18,982	$ 15,093	$ 15,689	$ 13,217	$ 7,092	$ 3,376
Fund's Covered-employee Payroll	$ 18,364	$ 17,444	$ 18,397	$ 18,158	$ 17,946	$ 17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	103.37%	86.52%	85.28%	72.79%	39.52%	19.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.00%

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

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

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

	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,459	$ 1,317	$ 1,261	$ 1,168	$ 1,210	$ 1,175
Contributions in Relation to the Contractually Required Contribution	$ (1,459)	$ (1,317)	$ (1,261)	$ (1,168)	$ (1,210)	$ (1,175)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Fund's Covered-employee Payroll	$ 18,555	$ 17,566	$ 19,276	$ 18,942	$ 17,818	$ 17,164
Contributions as a Percentage of Covered-employee Payroll	7.86%	7.50%	6.54%	6.17%	6.79%	6.85%

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

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

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

	2019	2018	2017	2016	2015	2014
Fund's Proportion of the Net Pension Liability (Asset)	0.06937%	0.06677%	0.07127%	0.06948%	0.06840%	0.06868%
Fund's Proportionate Share of the Net Pension Liability (Asset)	$ 8,437	$ 7,841	$ 7,620	$ 8,098	$ 6,975	$ 6,422
Fund's Covered-employee Payroll	$ 18,364	$ 17,444	$ 18,397	$ 18,158	$ 17,946	$ 17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll	45.94%	44.95%	41.42%	44.60%	38.87%	36.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

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

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

	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 308	$ 291	$ 320	$ 314	$ 225	$ 206
Contributions in Relation to the Contractually Required Contribution	$ (308)	$ (291)	$ (320)	$ (314)	$ (225)	$ (206)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Fund's Covered-employee Payroll	$ 18,555	$ 17,566	$ 19,276	$ 18,942	$ 17,818	$ 17,164
Contributions as a Percentage of Covered-employee Payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

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

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

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2019 and 2018

NOTE 1 - OTHER POSTEMPLOYMENT BENEFITS INFORMATION

The Fund did not have assets accumulated in a trust. For the measurement date of September, 30, 2019 and 2018, the actuarial valuation used a discount rate of 3.58% and 4.15%, respectively. 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, 2019 was decreased from 7.00% to 6.90%. 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 6.90% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Plan.

Supplementary Financial Information

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF NET REVENUE AND DEBT COVERAGE CALCULATION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(Dollars In Thousands)

	2019	2018
Revenues:		
Water	$ 54,856	$ 51,788
Wastewater	83,942	80,976
Other	4,506	5,661
Interest Income	2,442	2,058
Total Revenues	145,746	140,483
Expenses:		
Personal Services	34,001	30,741
Utilities Services	15,896	16,451
Chemicals	3,409	3,147
County Services	4,351	4,219
Material and Supplies	6,591	5,632
Motor Pool	1,482	1,352
Contractual Services	7,968	7,865
Other	5,918	5,448
Total Expenses	79,616	74,855
Net Revenue Available for Principal and Interest Requirements	66,130	65,628
Principal And Interest Requirements:		
Series 2009A Bonds	1,985	2,363
Series 2012A Bonds	8,723	9,037
Series 2012B Bonds	16,371	11,057
Series 2012C Bonds	-	4,622
Series 2015A Bonds	2,113	2,113
Series 2015B Bonds	6,885	6,885
Total Principal and Interest Requirements	36,077	36,077
Debt Coverage Required	1.20	1.20
Actual Debt Coverage All Debt Service by Net Revenue	**1.83**	**1.82**
Balance Available for Renewal, Replacement and Capital Expenditures	**$ 30,053**	**$ 29,551**

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward County Water and Wastewater Fund (the Fund), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

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

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

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

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

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

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020