

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

Special Purpose Financial Statements  
Years Ended September 30, 2010 and 2009

**BROWARD COUNTY, FLORIDA WATER AND WASTEWATER SERVICES**  
**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
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**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying special purpose financial statements of the Broward County, Florida Water and Wastewater Services (the "Water and Wastewater Services"), an enterprise fund of Broward County, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Water and Wastewater Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Water and Wastewater Services and do not purport to, and do not, present the financial position of Broward County, Florida, as of September 30, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Water and Wastewater Services as of September 30, 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the special purpose financial statements referred to above. The supplementary information listed in the table of contents is presented for additional analysis and is not a required part of the financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011, on our consideration of the Water and Wastewater Services' 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The accompanying statement of net assets of the Water and Wastewater Services as of September 30, 2009, and the related statement of revenues, expenses and changes in net assets, and cash flows for the year then ended were not audited by us and, accordingly, we do not express an opinion on them.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Orlando, Florida  
February 11, 2011

**BROWARD COUNTY, FLORIDA  
WATER & WASTEWATER SERVICES  
STATEMENTS OF NET ASSETS  
SEPTEMBER 30, 2010 AND 2009**

	2010	2009 (unaudited)
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 19,153,888	\$ 17,467,136
Accounts Receivable (Net)	14,778,576	14,903,333
Inventory	7,242,284	6,590,565
Other Current Assets	1,262,565	1,107,662
Total Current Assets	42,437,313	40,068,696
Restricted Assets:		
Cash & Cash Equivalents	63,470,062	96,486,201
Investments	36,008,673	38,497,045
Total Restricted Assets	99,478,735	134,983,246
Property, Plant and Equipment:		
Land	4,896,059	4,896,059
Buildings	209,769,182	199,109,808
Equipment	739,769,678	641,410,769
Utility Plant In Service before Depreciation	954,434,919	845,416,636
Less Accumulated Depreciation	(358,281,688)	(329,407,410)
Utility Plant In Service (Net)	596,153,231	516,009,226
Construction in Progress	65,978,177	115,108,702
Property Plant and Equipment (Net)	662,131,408	631,117,928
Deferred Charges	2,750,043	3,012,561
Total Assets	\$ 806,797,499	\$ 809,182,431
<b>LIABILITIES</b>		
Current Liabilities:		
Vouchers Payable and Accrued Liabilities	\$ 12,375,750	\$ 10,135,356
Due to Other Governments	1,949,153	2,003,168
Total Current Liabilities	14,324,903	12,138,524
Current Liabilities Payable from Restricted Assets:		
Accrued Interest Payable	10,116,680	10,257,680
Current Portion Long-Term Debt	9,765,000	7,810,006
Customer Deposits	8,173,542	7,881,669
Total Current Liabilities Payable from Restricted Assets	28,055,222	25,949,355
Long-Term Liabilities:		
Revenue Bonds Payable	412,674,304	422,418,643
Long-Term OPEB Obligation	346,202	220,187
Other Long-Term Liabilities	2,963,000	2,501,000
Total Long-Term Liabilities	415,983,506	425,139,830
Total Liabilities	458,363,631	463,227,709
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	275,515,952	274,923,504
Restricted For:		
Debt Service	39,764,667	37,809,672
Renewal, Replacement and Improvement	5,600,000	5,000,000
Unrestricted	27,553,249	28,221,546
Total Net Assets	348,433,868	345,954,722
Total Liabilities and Net Assets	\$ 806,797,499	\$ 809,182,431

*The notes to the financial statements are an integral part of this statement.*

**BROWARD COUNTY, FLORIDA  
WATER & WASTEWATER SERVICES  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009 (unaudited)
<b>Operating Revenue:</b>		
Retail Services:		
Water	\$ 41,938,529	\$ 41,228,986
Wastewater	29,925,893	29,668,289
Septic Charges	1,659,400	2,027,870
Other Services	3,889,586	4,140,658
	77,413,408	77,065,803
Wholesale Services:		
Water	832,617	1,076,284
Wastewater	31,360,994	29,943,381
Total Operating Revenue	109,607,019	108,085,468
<b>Operating Expense:</b>		
Personal Services	26,881,760	26,309,820
Utilities Services	14,016,533	14,445,819
Chemicals	2,555,622	2,567,199
County Services	3,583,190	3,255,410
Material and Supplies	4,837,310	4,962,861
Motor Pool	1,279,250	1,226,050
Contractual Services	7,412,282	7,967,224
Other	4,921,007	4,054,301
Total Operating Expense (Excluding Depreciation)	65,486,954	64,788,684
Operating Income Before Depreciation	44,120,065	43,296,784
Depreciation Expense	28,924,359	33,120,285
Operating Income	15,195,706	10,176,499
<b>Non-Operating Income (Expense):</b>		
Interest Income	1,757,549	3,218,290
Interest Expense	(18,014,253)	(15,814,160)
Other Expense	(4,314,509)	-
Other Income	269,204	310,334
Other Debt Service	(33,534)	(121,481)
Gain / (Loss) On Disposal Of Assets	37,628	(2,427,507)
Total Non-Operating Income (Expense)	(20,297,915)	(14,834,524)
Loss Before Contributions and Transfers	(5,102,209)	(4,658,025)
<b>Capital Contributions:</b>		
Capital Recovery Fees	274,641	(304,228)
Capital Contributed From Other Governments	1,742,223	2,178,587
Assets Contributed by Developers	5,564,491	4,210,881
Total Capital Contributions	7,581,355	6,085,240
Change in Net Assets	2,479,146	1,427,215
Total Net Assets - Beginning	345,954,722	344,527,507
<b>Total Net Assets - Ending</b>	\$ 348,433,868	\$ 345,954,722

*The notes to the financial statements are an integral part of this statement.*

**BROWARD COUNTY, FLORIDA  
WATER & WASTEWATER SERVICES  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009 (unaudited)
<b>Cash Flows From Operating Activities:</b>		
Cash Received From Customers	\$ 109,969,634	\$ 104,322,322
Cash Payments To Suppliers For Goods And Services	(39,030,655)	(41,710,796)
Cash Payments To Employees For Services	(26,136,688)	(25,770,910)
Other	(4,045,179)	314,947
	<u>40,757,112</u>	<u>37,155,563</u>
<b>Net Cash Provided By Operating Activities</b>		
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Acquisition And Construction Of Capital Assets	(52,408,654)	(48,488,022)
Proceeds From Sale Of Capital Assets	37,628	-
Proceeds From Revenue Bonds	-	174,088,731
Commercial Paper Debt Retired	-	(58,578,000)
Capital Recovery Fees	421,632	671,802
Capital Recovery Fees Refunded	(146,991)	(976,030)
Capital Surcharges Contributed From Other Governments	1,742,223	2,178,587
Principal Paid On Revenue Bonds	(7,789,345)	(7,821,748)
Interest Paid On Revenue Bonds	(18,155,253)	(9,021,581)
Interest Paid On Commercial Paper	-	(862,702)
Debt Service Cost Paid	(33,534)	(162,818)
	<u>(76,332,294)</u>	<u>51,028,219</u>
<b>Net Cash Provided By (Used For) Capital And Related Financing Activities</b>		
<b>Cash Flows From Investing Activities:</b>		
Purchase Of Investment Securities	(51,448,753)	(64,838,704)
Proceeds From Sale And Maturities Of Investment Securities	53,937,125	30,840,759
Interest On Investments	1,757,423	3,213,677
	<u>4,245,795</u>	<u>(30,784,268)</u>
<b>Net Cash Provided By (Used For) Investing Activities</b>		
Net Increase (Decrease) In Cash & Cash Equivalents	(31,329,387)	57,399,514
Cash & Cash Equivalents, Beginning Of Year	113,953,337	56,553,823
	<u>82,623,950</u>	<u>113,953,337</u>
<b>Cash &amp; Cash Equivalents, End Of Year</b>		
Current Assets	\$ 19,153,888	\$ 17,467,136
Restricted Assets	63,470,062	96,486,201
	<u>82,623,950</u>	<u>113,953,337</u>
<b>Total Cash &amp; Cash Equivalents</b>		
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:</b>		
Operating Income	\$ 15,195,706	\$ 10,176,499
Depreciation	28,924,359	33,120,285
Miscellaneous Non-Operating Income (Expense)	(4,045,179)	314,947
Changes In Assets And Liabilities:		
(Increase) Decrease In Accounts Receivable	124,757	(2,765,732)
(Increase) Decrease In Inventory	(651,719)	(1,152,433)
(Increase) Decrease In Other Current Assets	107,615	(520,495)
Increase (Decrease) In Vouchers Payable	863,715	(1,020,094)
Increase (Decrease) In Due to Other Governments	(54,015)	(1,361,107)
Increase (Decrease) In Customer Deposits	291,873	363,693
	<u>25,561,406</u>	<u>26,979,064</u>
<b>Total Adjustments</b>		
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 40,757,112</u>	<u>\$ 37,155,563</u>
<b>Non-cash Capital and Related Financing Activities:</b>		
Contributions of Capital Assets	\$ 5,564,491	\$ 4,210,881

*The notes to the financial statements are an integral part of this statement.*

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended September 30, 2010 and 2009

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies used in preparation of the accompanying financial statements.

**Reporting Requirement** – The Broward County, Florida Water and Wastewater Services (“WWS”) is a “business-type” enterprise fund of Broward County, Florida (the “County”), and as such WWS’s financial statements do not purport to reflect the financial position, results of operations, or cash flows of the County, taken as a whole. These special purpose financial statements are presented at the request of the County’s management. The financial position, results of operations, and cash flows of WWS are presented in the basic financial statements of the County’s Comprehensive Annual Financial Report (“CAFR”) as a major enterprise fund and consolidated into the business-type activities of the entity-wide financial statements.

**Basis of Accounting and Presentation** – WWS is accounted for on a “flow of economic resources” measurement focus using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of WWS are included on the statements of net assets. Revenues are recognized when earned and expenses are recognized when incurred.

The County has elected not to apply the Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued after November 30, 1989, as permitted by SGAS No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, for its proprietary funds and entity-wide financial statements.

**Cash and Investments** – The County’s Board of County Commissioners (the “Board”), for accounting and investment purposes, maintains a pooled cash and investment account for funds within the County. All of WWS’s cash and investments are maintained in this pooled account. Investments, including restricted investments, consist of repurchase agreements, U.S. government obligations, and funds on deposit with the State Board of Administration (“SBA”). All investments are carried at approximate fair value.

WWS considers all highly liquid investments, including restricted assets, with maturities of three months or less, when purchased, to be cash equivalents. Investments in the County’s investment pool are considered cash equivalents since WWS may withdraw such investments at any time, except for certain investments included in restricted cash, which are required to be separately maintained in accordance with bond covenants.

**Accounts Receivable** – WWS’s operating revenues are generally recognized on the basis of cycle billings rendered monthly. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. Accrued unbilled receivables at September 30, 2010 and 2009 were \$3,489,789 and \$2,951,651, respectively. Accounts Receivable are presented on the Statements of Net Assets at estimated net realizable value utilizing historical aging and trend analysis.

**Inventories** – Inventories held for use in maintaining the system, are stated at average cost.

# BROWARD COUNTY, FLORIDA WATER AND WASTEWATER SERVICES

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Capital Assets** – Capital Assets includes property, plant, and equipment. Property, plant and equipment are capitalized at cost when purchased, except for donated assets, which are capitalized at their estimated fair market value when received. Depreciation is provided using the straight-line method of depreciation, with estimated useful lives of the various depreciable assets of 10-45 years for buildings, improvements and infrastructure, and 3-15 years for machinery and equipment.

**Capitalization of Interest** – In accordance with FASB Statement 34, *Capitalization of Interest Cost*, WWS capitalizes net interest costs on funds borrowed to finance the construction of property and equipment. During the years ended September 30, 2010 and 2009, interest paid was \$20,496,334 and \$18,087,516, of which \$2,482,081 and \$2,270,608 was capitalized, respectively.

**Unamortized Bond Issue Costs** – At September 30, 2010 and 2009, bond insurance, legal fees and other costs associated with the issuance of the revenue bonds are presented net of accumulated amortization and adjustments of \$4,490,525 and \$4,998,963, respectively, and are amortized over the term of the bonds using the effective interest method.

**Unamortized Bond Discount** – Bond discount, at September 30, 2010 and 2009, associated with the issue of revenue bonds is reported net of accumulated amortization and adjustments of \$1,210,924 and \$1,319,964, respectively, and is amortized over the term of the bonds using the effective interest method.

**Unamortized Bond Premium** – Bond premium at September 30, 2010 and 2009, associated with the issue of revenue bonds is reported net of accumulated amortization and adjustments of \$3,440,753 and \$4,037,571, respectively, and is amortized over the term of the bonds using the effective interest method.

**Compensated Absences** – WWS accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met.

**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 amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### 2. CASH AND INVESTMENTS

**Deposits and Investments** – WWS's portion of the County's cash and investment pool is presented on the statements of net assets as "Equity in pooled cash and investments." Interest earned from investments purchased with pooled cash is allocated to WWS based on its percentage of the total average cash balance.

Federal Depository Insurance or the State of Florida collateral pool covered all deposits at September 30, 2010 and 2009. This collateral pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls, if a member institution fails.

The County is legally authorized under Florida Statutes to invest excess funds in securities backed by the United States Government, the Florida State Board of Administration Local Government Surplus



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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

**2. CASH AND INVESTMENTS – CONTINUED**

Funds Trust Fund, collateralized interest-bearing deposits and repurchase agreements. WWS's investments consist of participation in the County Investment Pool and direct investments in U.S. Government Agency Obligations. A summary of the County's Investment Pool, including descriptions of credit risk at September 30, 2010 and 2009, can be found in the County's CAFR.

**3. CAPITAL ASSETS**

WWS's capital assets consist of land, buildings and improvements, containment equipment and facilities, machinery and equipment and intangible assets. Following is a summary of changes related to capital assets during the years ended September 30, 2010 and 2009:

September 30, 2010	Balance 10/1/2009 (unaudited)	*Increases	*Decreases	Balance 10/1/2010
Capital Assets, Not Being Depreciated:				
Land	\$ 4,896,059	\$ -	\$ -	\$ 4,896,059
Construction In Progress	115,108,702	59,063,391	(108,193,916)	65,978,177
Total Capital Assets , Not Being Depreciated	<u>120,004,761</u>	<u>59,063,391</u>	<u>(108,193,916)</u>	<u>70,874,236</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	199,109,808	10,659,374	-	209,769,182
Machinery and Equipment	641,410,769	105,791,675	(7,432,766)	739,769,678
Total Capital Assets Being Depreciated	<u>840,520,577</u>	<u>116,451,049</u>	<u>(7,432,766)</u>	<u>949,538,860</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(118,632,988)	(3,768,829)	4,249,349	(118,152,468)
Machinery and Equipment	(210,774,422)	(25,155,530)	(4,199,268)	(240,129,220)
Total Accumulated Depreciation	<u>(329,407,410)</u>	<u>(28,924,359)</u>	<u>50,081</u>	<u>(358,281,688)</u>
Total Capital Assets Being Depreciated, Net	<u>511,113,167</u>	<u>87,526,690</u>	<u>(7,382,685)</u>	<u>591,257,172</u>
Capital Assets, Net	<u>\$ 631,117,928</u>	<u>\$ 146,590,081</u>	<u>\$ (115,576,601)</u>	<u>\$ 662,131,408</u>

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

**3. CAPITAL ASSETS – CONTINUED**

September 30, 2009	Balance 10/1/2008 (unaudited)	Increases (unaudited)	Decreases (unaudited)	Balance 9/30/2009 (unaudited)
Capital Assets, Not Being Depreciated:				
Land	\$ 4,874,216	\$ 21,843	\$ -	\$ 4,896,059
Construction In Progress	118,800,015	45,992,432	(49,683,745)	115,108,702
Total Capital Assets , Not Being Depreciated	<u>123,674,231</u>	<u>46,014,275</u>	<u>(49,683,745)</u>	<u>120,004,761</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	197,865,989	1,243,819	-	199,109,808
Machinery and Equipment	601,781,596	52,004,591	(12,375,418)	641,410,769
Total Capital Assets Being Depreciated	<u>799,647,585</u>	<u>53,248,410</u>	<u>(12,375,418)</u>	<u>840,520,577</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(108,391,650)	(10,241,338)	-	(118,632,988)
Machinery and Equipment	(197,840,176)	(22,788,105)	9,853,859	(210,774,422)
Total Accumulated Depreciation	<u>(306,231,826)</u>	<u>(33,029,443)</u>	<u>9,853,859</u>	<u>(329,407,410)</u>
Total Capital Assets, Being Depreciated, Net	<u>493,415,759</u>	<u>20,218,967</u>	<u>(2,521,559)</u>	<u>511,113,167</u>
Capital Assets, Net	<u>\$ 617,089,990</u>	<u>\$ 66,233,242</u>	<u>\$ (52,205,304)</u>	<u>\$ 631,117,928</u>

\* Increases & decreases include reclassifications between Buildings & Improvements and Machinery & Equipment from prior year's presentation, including accumulated depreciation.

For the fiscal years ended September 30, 2010 and 2009, depreciation expense reflected in WWS's Statements of Revenues, Expenses and Changes in Net Assets, is \$28,924,359 and \$33,120,285, respectively.

**4. LONG-TERM DEBT**

**2003 Series A** – In 2003, the County issued \$104,375,000 in Water and Sewer Utility Revenue Bonds. These Bonds are comprised of \$84,160,000 in Serial Bonds due October 1, 2008 to October 1, 2025 with interest rates ranging from 2.0% to 5.0%, and \$20,215,000 in Term Bonds due on October 1, 2027 with an interest rate of 4.625%. These Bonds were issued for utility improvements and to refund a portion of the Series 1998A Water and Sewer Utility Revenue Refunding Bonds and all the Series 1991 Water and Sewer Utility Revenue Bonds.

**2003 Series B** – In 2003, the County issued \$76,015,000 in Water and Sewer Utility Revenue Bonds. These Bonds are comprised of Serial Bonds due October 1, 2008 to October 1, 2018 with interest rates ranging from 2.5% to 5.0%. These Bonds were issued to refund a portion of the Series 1993 Water and Sewer Utility Revenue Refunding Bonds.

**2005 Series** – In April 2005, the County issued \$76,740,000 in Water and Sewer Utility Revenue Bonds. These Bonds are comprised of \$23,065,000 in Serial Bonds due October 1, 2006 to October 1, 2026 with an interest rate of 5.0%, and \$53,675,000 in Term Bonds due on October 1, 2030 with an interest rate of 5.0%. These Bonds were issued for utility improvements.

**2009 Series** – In February 2006, the County issued \$175,380,000 in Water and Sewer Utility Revenue Bonds. These Bonds are comprised of \$45,555,000 in Serial Bonds due October 1, 2010 to October 1, 2029 with an interest rate ranging from 2.1% to 5.2%, \$102,120,000 in Term Bonds due October 1, 2034 with an interest rate of 5.25%, and \$9,705,000 in Term Bonds due October 1, 2034 with an interest rate of 5.3%. These Bonds were issued for utility improvements.

## BROWARD COUNTY, FLORIDA WATER AND WASTEWATER SERVICES

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

#### 4. LONG-TERM DEBT- CONTINUED

WWS's long-term liabilities consist of bonds payable, compensated absences and other post employment benefits. The following is a summary of changes during the years ended September 30, 2010 and 2009:

<u>Year ended 9/30/2010</u>	Balance 10/1/2009 (unaudited)	Additions	Reductions	Balance 9/30/10
<b>Bonds Payable:</b>				
Revenue Bonds	\$ 432,510,000	\$ -	\$ (7,810,000)	\$ 424,700,000
Add Premium	4,037,571	-	(596,818)	3,440,753
Less Deferred Amounts	<u>(6,318,927)</u>	-	617,478	<u>(5,701,449)</u>
Total Bonds Payable	430,228,644	-	(7,789,340)	422,439,304
Compensated Absences	2,501,000	462,000	-	2,963,000
Other Post Employment Benefits	<u>220,187</u>	<u>126,015</u>	-	<u>346,202</u>
Long-term Liabilities	\$ 432,949,831	\$ 588,015	\$ (7,789,340)	\$ 425,748,506

<u>Year ended 9/30/2009</u>	Balance 10/1/2008 (unaudited)	Additions (unaudited)	Reductions (unaudited)	Balance 9/30/09 (unaudited)
<b>Bonds Payable:</b>				
Revenue Bonds	\$ 264,735,000	\$ 175,380,000	\$ (7,605,000)	\$ 432,510,000
Add Premium	4,734,063	-	(696,492)	4,037,571
Less Deferred Amounts	<u>(5,507,402)</u>	<u>(1,319,964)</u>	508,439	<u>(6,318,927)</u>
Total Bonds Payable	263,961,661	174,060,036	(7,793,053)	430,228,644
Compensated Absences	2,280,000	221,000	-	2,501,000
Other Post Employment Benefits	<u>105,540</u>	<u>114,647</u>	-	<u>220,187</u>
Long-term Liabilities	\$ 266,347,201	\$ 174,395,683	\$ (7,793,053)	\$ 432,949,831

At September 30, 2010 and 2009, revenue bonds payable were as follows:

At September 30, 2010 and 2009, revenue bonds payable were as follows:	2010	2009 (unaudited)
2003 Series A Water & Sewer Utility Revenue Bonds at interest rates of 2.0% to 5.0%, due April 1 and October 1, maturing on October 1, 2027	\$ 103,505,000	\$ 104,375,000
2003 Series B Water & Sewer Utility Revenue Bonds at interest rates of 2.5% to 5.0%, due April 1 and October 1, maturing on October 1, 2018	69,075,000	76,015,000
2005 Water & Sewer Utility Revenue Bonds at an interest rate of 5.0%, due April 1 and October 1, maturing on October 1, 2030	76,740,000	76,740,000
2009 Water & Sewer Utility Revenue Bonds at interest rates of 2.1% to 5.3%, due April 1 and October 1, maturing on October 1, 2034	<u>175,380,000</u>	<u>175,380,000</u>
	424,700,000	432,510,000
Add: Unamortized bond premium	3,440,753	4,037,571
Less: Current Portion	(9,765,000)	(7,810,000)
Less: Unamortized bond issue costs	(4,490,525)	(4,998,963)
Less: Unamortized bond discount	<u>(1,210,924)</u>	<u>(1,319,964)</u>
Long-term portion	\$ 412,674,304	\$ 422,418,644

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

**4. LONG-TERM DEBT – CONTINUED**

The annual debt service requirements for the Bonds payable at September 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$9,765,000	\$20,061,217	\$29,826,217
2012	10,110,000	19,723,806	29,833,806
2013	10,440,000	19,390,692	29,830,692
2014	10,775,000	19,060,937	29,835,937
2015	11,100,000	18,652,334	29,752,334
2016-2020	63,230,000	85,362,059	148,592,059
2021-2025	79,410,000	68,608,989	148,018,989
2026-2030	100,865,000	46,654,287	147,519,287

**5. NET ASSETS**

The amount reported on the Statements of Net Assets as Investment in Capital Assets, Net of Related Debt consists of the following for the years ended September 30, 2010 and 2009:

Net Assets

	2010	2009 (unaudited)
Net Capital Assets	\$ 662,131,408	\$ 631,117,928
Debt Related to Acquisition of Capital Assets	(422,439,304)	(430,228,649)
Unspent Bond Proceeds	35,823,848	74,034,225
	<u>\$ 275,515,952</u>	<u>\$ 274,923,504</u>

The financial presentation herein for fiscal year 2010 does not include the Water Management Division. The Water Management Division is presented separately as a Non-major Enterprise Fund. The amount reported on the Statement of Net Assets for the Water Management Division in 2010 is \$548,092 and reflects less than 1% of the combined total net assets. Water Management Division's financial data is identified in fund 4610 by its uniquely assigned units and sub-balance sheet accounts.

**6. PENSION PLAN**

Plan Description – WWS's employees participate in the Florida Retirement System ("FRS"), a multiple-employer, cost-sharing, defined-benefit retirement system, administered by the Florida Department of Administration. 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

## BROWARD COUNTY, FLORIDA WATER AND WASTEWATER SERVICES

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

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#### 6. PENSION PLAN – CONTINUED

school board, state university, community college, or participating city or special district within the State of Florida. For a detailed plan description, see the County's CAFR for the fiscal year ended September 30, 2010.

Funding Policy – WWS's contributions to the FRS for the fiscal years ended September 30, 2008 through 2010 were \$2,009,982, \$2,048,722 and \$2,140,215, respectively, which equal the required contribution for each fiscal year.

#### 7. INSURANCE COVERAGE

The County has established an internal service fund to account for insurance claims against the County. All claim reserves and expenses are recorded on the books and records of the County's internal service fund, which is sustained through charges to various County funds. During the years ended September 30, 2010 and 2009, WWS was charged \$2,943,270 and \$2,826,195, respectively, by the County for insurance.

#### 8. RELATED-PARTY TRANSACTIONS

The County charges WWS for administrative costs incurred on behalf of WWS. Total charges for the years ended September 30, 2010 and 2009 amounted to \$3,583,190 and \$3,255,410, respectively, which is included in county services expense in WWS's Statements of Revenues, Expenses and Changes in Net Assets.

#### 9. OTHER POST EMPLOYMENT BENEFITS

The County allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement but does not directly contribute to the cost of such benefits. Retirees and their beneficiaries pay the same group rates as are charged to the County for active employees. This constitutes a single-employer defined benefit healthcare plan, and the benefits conform to Florida statutes, which are the legal authority for the plan. The plan has no assets and does not issue a financial report.

The County makes no direct contribution to the plan. However, the County's actuaries in their actuarial valuation calculate an offset to the cost of these benefits that is called the Employer Contribution. The employer Contribution equals the total age-adjusted costs paid by the County or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

**9. OTHER POST EMPLOYMENT BENEFITS – CONTINUED**

	<u>Broward County</u>	
Required contribution rates:		
Employer		Pay-as-you-go
Active Plan members		N/A
Annual required contribution		\$4,208
Interest on net OPEB obligation		266
Adjustment to annual required contribution		<u>(213)</u>
Annual OPEB cost		4,261
Contributions made		<u>(1,219)</u>
Increase in net OPEB obligation		3,042
Net OPEB obligation – beginning of year		<u>6,657</u>
Net OPEB obligation – end of year		<u>\$9,699</u>

WWS's share of the net other post employment benefits liability for the years ended September 30, 2010 and 2009 was \$346,202 and \$220,187, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and 2009 for each of the plans were as follows (in thousands):

	<u>Broward County</u>	
Fiscal year ended	9/30/2010	9/30/2009
	(in '000s)	(in '000s)
		<u>(unaudited)</u>
Annual OPEB cost	<u>\$4,261</u>	\$5,100
Percentage of OPEB cost contributed	28.96%	32.20%
Net OPEB obligation	\$9,699	\$6,657

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

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**9. OTHER POST EMPLOYMENT BENEFITS – CONTINUED**

**Funded Status and Funding Progress**

The funded status of the plan as of October 1, 2009 was as follows:

Actuarial accrued liability	\$43,581,820
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$43,581,820
Funded Ratio	0.00%
Covered payroll	\$270,611,701
Unfunded actuarial accrued liability as a percentage of covered payroll	16.10%

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

*Actuarial Methods and Assumptions:*

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

	<u>Broward County</u>
Actuarial valuation date	10/1/2009
Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	28 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	4%

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Years Ended September 30, 2010 and 2009

**10. COMMITMENTS**

At September 30, 2010 WWS had in process various uncompleted construction projects with remaining balances totaling approximately \$16.6 million. The following is a summary of the major commitments:

PROJECT	SPENT TO DATE	REMAINING COMMITMENT
36 inch Plug Valve Installation	\$ 174,063	\$ -
Construction of 2MG water storage tank in District 3C	3,747,191	557,609
Construction services for water storage tank at District 3C	2,041,509	-
Consulting services for water storage tank at District 3C	524,475	74,407
Expansion to Regional Wastewater Plant	37,364,305	146,079
Expansion to Water Treatment Plant 1A	160,991	218,493
Fuel Tank Leak Monitoring	2,132,478	197,823
Generator replacement at the Regional Wastewater Treatment Plant	5,569,053	257,878
Improvements in Motor Control Room of Regional Wastewater Plant	3,883,655	4,859,321
Improvements to water supply system	3,593,010	-
Installation of new sewer mains	2,811,355	-
Installation of new water transmission mains at water treatment plant 1A	4,345,291	278,724
Installation of transmission mains in District 1A	3,511,793	-
Neighborhood Improvements in Broward Estates	1,485,071	113,084
Neighborhood improvements in Broward Gardens	1,717,022	10,013
Neighborhood improvements in Central County	1,516,867	282,453
Sewer main replacement	5,359,091	2,204,018
Upgrade of Anion Exchange Treatment facility at water treatment plant 1A	2,667,464	1,464,792
Upgrade to Maximo system	564,735	705,278
Upgrade to SCADA control system at wastewater treatment plant	3,695,426	-
Water main replacement	4,953,473	5,252,469
	<u>\$ 91,818,318</u>	<u>\$ 16,622,441</u>



**SUPPLEMENTARY INFORMATION (Unaudited)**

**BROWARD COUNTY, FLORIDA  
WATER & WASTEWATER SERVICES  
SCHEDULE OF NET REVENUE AND DEBT COVERAGE CALCULATION - UNAUDITED  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009
Revenue:		
Water	\$ 42,771,146	\$ 42,305,270
Wastewater	62,946,287	61,639,540
Other	4,158,790	4,450,992
Interest Income	1,757,549	3,218,290
Total Revenue	111,633,772	111,614,092
Expense:		
Personal Services	26,881,760	26,309,820
Utilities Services	14,016,533	14,445,819
Chemicals	2,555,622	2,567,199
County Services	3,583,190	3,255,410
Material and Supplies	4,837,310	4,962,861
Motor Pool	1,279,250	1,226,050
Contractual Services	7,412,282	7,967,224
Other	4,921,007	4,054,301
Total Expense	65,486,954	64,788,684
Net Revenue Available for Principal & Interest Requirements	46,146,818	46,825,408
Principal and Interest Requirements on Series 1988 Bonds	-	2,380,000
Principal and Interest Requirements on Series 2003 A Bonds	5,867,224	5,061,411
Principal and Interest Requirements on Series 2003 B Bonds	9,970,228	8,290,878
Principal and Interest Requirements on Series 2005 Bonds	3,837,000	3,837,000
Principal and Interest Requirements on Series 2009A Bonds	10,323,908	5,360,615
Debt Coverage Required	1.20	1.20
Actual Debt Coverage All Debt Service By Net Revenue	1.54	1.88
Balance Available For Renewal, Replacement and Capital Expenditures	\$ 16,148,458	\$ 21,895,504

*Revenue recorded on this schedule is based on bond debt agreement.*



**MOORE STEPHENS  
LOVELACE, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the special purpose financial statements of the Broward County, Florida Water and Wastewater Services (the “Water and Wastewater Services”), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2010, and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Water and Wastewater Services’ internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water and Wastewater Services’ internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water and Wastewater Services’ internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

***Compliance and Other Matters***

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

This report is intended solely for the information and use of the Water and Wastewater Services' management and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Orlando, Florida  
February 11, 2011



## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

We have audited the special purpose financial statements of the Broward County, Florida Water and Wastewater Services (the "Water and Wastewater Services"), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2010, and have issued our report thereon dated February 11, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and Compliance and Other Matters. Disclosure in that report, which is dated February 11, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No prior year findings.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Water and Wastewater Services complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or likely to have occurred, that have an effect on the financial statements that is less than material but not more than inconsequential. In connection with our audit, we did not have any such findings.

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

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Water and Wastewater Services' management and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*Moore Stephens Lovelace, P.A.*

Certified Public Accountants

Orlando, Florida  
February 11, 2011