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

Financial Statements
For the Years Ended September 30, 2015 and 2014

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND
FINANCIAL STATEMENTS

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September 30, 2015 and 2014

MOORE STEPHENS LOVELACE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Water and Wastewater Fund (the "Water and Wastewater Fund"), an enterprise fund of Broward County, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Water and Wastewater Fund, an enterprise fund of Broward County as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Enterprise Fund Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the Water and Wastewater Fund and do not purport to, and do not, present the financial position of Broward County, Florida as of September 30, 2015 and 2014, the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, in the fiscal year ended September 30, 2015, Broward County adopted the provisions of Government Accounting Standards Board Statement ("GASBS") Number 68, *Accounting and Financial Reporting for Pensions,* and GASBS 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of GASBS 68 and 71, the Water and Wastewater Fund reported a restatement for the change in accounting principle as of October 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated May 11, 2016, on our consideration of the Water and Wastewater Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water and Wastewater Fund's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 11, 2016

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, 2015 and 2014. This discussion has been prepared by management and we encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follow this section.

Introduction

The Broward County Utilities Division was established on January 31, 1962, with the County's purchase of a small, investor-owned water and wastewater utility. Between 1962 and 1975, the County acquired additional private utilities. In 1972, the County commenced construction of the North Regional Wastewater Treatment Plant (NRWWTP), and in 1975, began providing wholesale wastewater treatment service to large users. The water utility service area is divided into separate geographic districts; District 1 is served by Water Treatment Plant (WTP) 1A, District 2 by WTP 2A and District 3 by purchased water from the City of Hollywood. Subsequent reorganizations created Water and Wastewater Services (WWS).

The Fund operates as a major enterprise fund of the County. It is self-supporting and does not rely on local tax dollars to fund its operations. Operating revenues must therefore be generated from water utility fees, investment income, and other non-operating revenues in order to (1) cover the fund's operating expenses, debt service payments, certain capital outlays, and other requirements, and (2) comply with the rate covenant provided in the Bond Resolution.

Financial Highlights

- Assets plus deferred outflows of resources of the Fund exceeded its liabilities at the close of the fiscal year 2015 by $389.5 million (net position). Of this amount, $98.8 million is unrestricted and thus available for the Fund's ongoing and future obligations.

- In 2015, the Fund's net position increased by $13.7 million, or 3.7%. The increase is due to the positive results of operations.

- The debt service coverage for the fund of 175% is above the 120% required debt service coverage per the bond resolution.

- The Fund's total outstanding debt decreased by $16.4 million, or 3.2% during the current fiscal year as a result of repayments of debt and refunding of 2005A and 2009A bonds.

Overview of the Financial Statements

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

Financial Statements

The financial statements consist of a statement of net position, statement of revenues, expenses and changes in net position and a statement of cash flows. These statements provide information about the activities and performance of the Fund and are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flow takes place These statements are presented on pages 13-16.

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

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

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

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the information provided in the Fund's financial statements. The notes to the financial statements can be found on pages 17-42.

Other Information

In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the progress in funding the obligation to provide other post employment benefits. Required supplementary information can be found on pages 44-49.

A schedule of net revenue and debt coverage calculation is presented immediately following the required supplementary information and can be found on page 51.

Financial Analysis

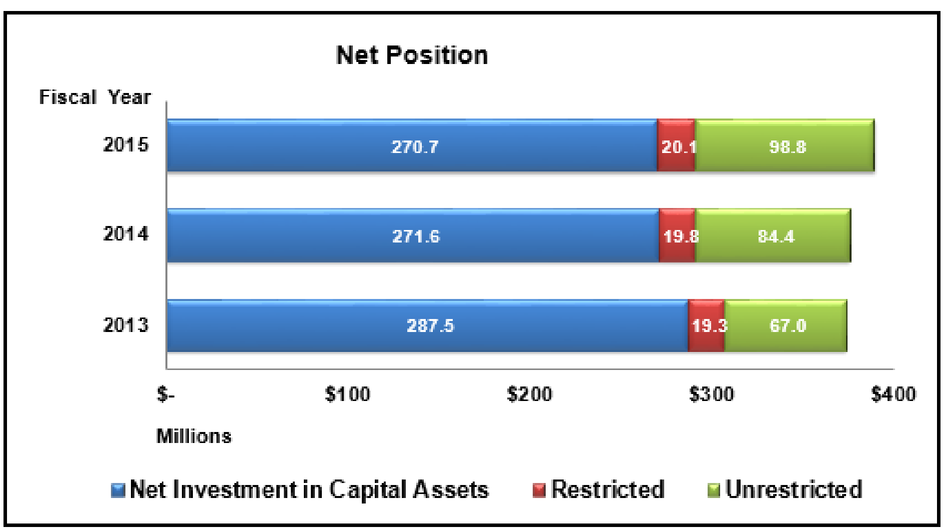
The statements of net position serve as a useful indicator of the Fund's financial position. They distinguish assets, deferred outflows of resources and liabilities with respect to their expected use for current operations or internally designated use for capital projects. A condensed comparative summary of the Fund's Statements of Net Position as of September 30, 2015, 2014 and 2013 is shown on the following page:

Net Position
As of September 30, 2015, 2014 and 2013
(In Thousands)

	2015	2014	2013
Current Assets	$ 168,221	$ 155,181	$ 116,869
Noncurrent Assets-Other Than Capital Assets	42,952	81,043	122,932
Capital Assets (Net)	758,057	734,465	722,357
Total Assets	969,230	970,689	962,158
Deferred Outflows of Resources	31,639	13,445	13,311
Current Liabilities	53,320	54,154	47,381
Noncurrent Liabilities	556,017	548,281	554,265
Total Liabilities	609,337	602,435	601,646
Deferred Inflows of Resources	1,988	5,898	-
Net Investment in Capital Assets	270,706	271,569	287,484
Restricted	20,075	19,835	19,290
Unrestricted	98,763	84,397	67,049
Total Net Position	$ 389,544	$ 375,801	$ 373,823

The overall position of the Fund improved in both the 2015 and 2014 fiscal years. Total net position as of September 30, 2015, was $389.5 million, representing an increase of $13.7 million, or 3.7% compared to 2014. Total net position as of September 30, 2014, was $375.8 million, when compared to the restated October 1, 2013 beginning net position of $359.1 million, representing an increase of $16.7 million, or 4.7% during fiscal year 2014. The increase in fiscal years 2015 and 2014 was primarily due to the positive results of operations in the Fund.

At September 30, 2015, 69.5% 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, 5.2% of the Fund's net position, relates to assets that are subject to external restrictions on how they can be used pursuant to covenants of the bond resolution. The remaining unrestricted net position of 25.3% may be used to meet any of the Fund's ongoing obligations.



The following schedule shows the changes in net position for the fiscal years ended September 30, 2015, 2014 and 2013.

Changes in Net Position
For the Years Ended September 30, 2015, 2014 and 2013
(In Thousands)

	2015	2014	2013
Operating Revenues:			
Water Sales	$ 47,796	$ 45,453	$ 43,990
Wastewater Services	76,159	70,385	69,419
Other Services	7,473	6,932	6,807
Total Operating Revenues	131,428	122,770	120,216
Operating Expenses:			
Personal Services	24,405	23,081	23,208
General Operating	42,480	38,721	40,167
Depreciation	34,962	34,730	33,947
Total Operating Expenses	101,847	96,532	97,322
Operating Income	29,581	26,238	22,894
Non-Operating Revenues (Expenses):			
Investment Income	351	394	353
Interest Expense, Net of Capitalized Interest	(16,385)	(16,964)	(17,235)
Bond Issuance Costs	(1,506)	-	-
Other	(822)	446	1,759
Total Non-Operating Expenses	(18,362)	(16,124)	(15,123)
Income Before Capital Contributions and Transfers	11,219	10,114	7,771
Capital Contributions	8,046	6,600	6,037
Transfer out	(5,522)	-	-
Change in Net Position	13,743	16,714	13,808
Total Net Position - Beginning, as Restated	375,801	359,087 *	360,015 **
Total Net Position - Ending	$ 389,544	$ 375,801	$ 373,823

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

** The October 1, 2012 beginning balance in the table above was restated due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

The Fund's current year activities increased net position by $13.7 million, a 3.7% increase from the 2014 balance of $375.8 million. The increase is primarily due to the positive result of operations. Some of the significant changes are

- Operating revenues increased $8.7 million, or 7.1% over the prior year. The increase was primarily due to a $3.3 million increase in retail water sales as a result of an increase of 6.87% in retail water usage. Compared to the prior fiscal year, sewage flows decreased 4.25%. The decrease was a result of the drought during the fiscal year which reduced the inflow and infiltration sewage flows from our Large Users by 5.21%. Retail sewage flows increased 3.45% during the fiscal year. Retail Sewer revenue increased $2.8 million and Large User Sewer increased $2.2 million in the fiscal year.

- Operating expenses increased $5.3 million, or 5.5% from the prior year. The increase is the result of an increase in general operating expenses of $3.8 million and $1.3 million increase in personal services and depreciation expense of $0.2 million.

- Non-operating expenses for fiscal year 2015 increased by $2.2 million from the prior year. Primarily due to the $1.5 million bond issuance costs and an increase of $1.3 million in other non-operating expenses which was offset by a decrease of $0.6 million in interest expense.

- Capital contributions increased by $1.4 million, or 21.9% from the prior year. This increase is an indication that development activities are anticipated to grow, as broader economic factors in Broward County and throughout the state, such as unemployment rate, home values, and access to capital, continue to improve.

- The $5.2 million transfers out were primarily to fund the County's Enterprise Resource Planning (ERP) projects.

In fiscal year 2014, net position for the Fund was $375.8 million, $16.7 million, or a 4.7%, increase from the restated October 1, 2013 beginning net position of $359.1 million. Key elements of the increase are as follows:

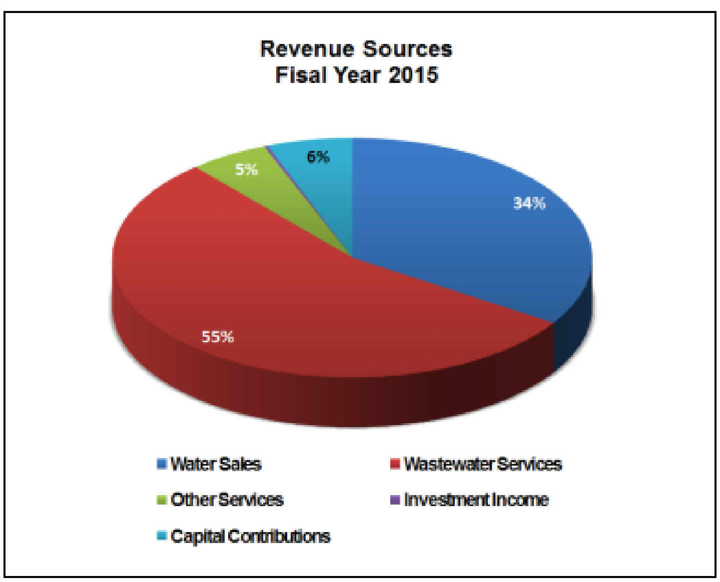
- Operating revenues increased by $2.6 million, or 2.1% from $120.2 million in 2013 to $122.8 million in 2014. The increase was primarily due to a $1.4 million increase in retail water sales as a result of an increase of 2.0% in water usage. Compared to the prior fiscal year, sewage flows rose by 3.0% resulting in an increase of $1.3 million in retail sewer services.

- Operating expenses decreased $0.8 million, or 0.8% over the prior year. The decrease is the result of a decrease in personal services and general operating expenses of $1.6 million, which was offset by an increase in depreciation expense of $0.8 million.

- Non-operating expenses for fiscal year 2014 increased by $1.0 million, or 6.6% from the prior year. Although interest expense decreased by $0.3 million, other non-operating revenues decreased by $1.3 million.

- Capital contributions increased by $0.6 million, or 9.3% to $6.6 million from $6.0 million in fiscal year 2013 due to improving economic conditions.

The following is a chart of the fiscal year 2015 revenues by source and by percentage of total revenues.



Capital Assets and Debt Administration

Capital Assets

As of September 30, 2015, the Fund had $758.1 million invested in a variety of capital assets, as reflected in the following schedule. In 2015, there was a net increase in capital assets (additions less retirements and depreciation) of $23.6 million.

The following is a summary of capital assets of the Fund as of September 30, 2015, 2014 and 2013:

Comparative Summary of Capital Assets
As of September 30, 2015, 2014 and 2013
(In Thousands)

	2015	2014	2013
Land	$ 4,936	$ 4,936	$ 4,904
Construction in Progress	101,079	63,231	40,268
Total Non-depreciable Assets	106,015	68,167	45,172
Utility Plant in Service	1,143,447	1,124,870	1,102,311
Equipment	28,688	27,270	27,089
Less Accumulated Depreciation	(520,093)	(485,842)	(452,215)
Total Depreciable Assets, Net	652,042	666,298	677,185
Total Capital Assets, Net	$ 758,057	$ 734,465	$ 722,357

In fiscal year 2015, capital projects under construction increased by $54.5 million and $15.4 million in projects were completed and put into service. Major capital projects completed include the Neighborhood Improvement Program for $3.2 million and $12.2 million for various water and wastewater improvement projects. The Neighborhood Improvement Program was initiated by the County in 1993 to upgrade the infrastructure in Municipal Services District neighborhoods. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

In fiscal year 2014, the Fund capitalized assets totaling $23.9 million of new and improved capital assets. The major new additions included equipment purchases and capital projects improvements. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

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

Additional information on the Fund's capital assets can be found in Note 4 on page 26.

Debt Administration

As of September 30, 2015, the Fund had $497.8 million in bonded debt outstanding compared to the $514.1 million in 2014, a 3.2% decrease. During fiscal year 2015, the Fund issued Water and Sewer Utility Revenue Refunding Bonds, Series 2015A and Series 2015B with principal amounts of $42,255,000 and $157,555,000, respectively, to refund all of outstanding Series 2005A Bonds and a portion of the Series 2009A Bonds of $49,130,000 and $153,330,000, respectively. The decrease in debt payable was due to principal payments of $13.7 million and the result of refunding decreased the debt by $2.6 million. All debt outstanding as of the end of fiscal year 2015 was secured by system revenues.

In fiscal year 2014, the Fund had $514.1 million in bonded debt outstanding compared to the $527.5 million in 2013, a 2.5% decrease, with the decrease due to principal payments of $13.4 million.

Comparative Summary of Bonded Debt
As of September 30, 2015, 2014 and 2013
(In Thousands)

	2015	2014	2013
Water and Sewer Utility Revenue Bonds	$ 497,785	$514,140	$527,500

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

Additional information on the Fund's long-term liabilities can be found in Note 5 on pages 27-29.

Economic Factors and Next Year's Budget and Rates

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

The management of the fund has established goals which include providing high quality and cost effective services to its customer while operating the facilities and executing programs in a manner that protects the environment. These goals were used as a guide to prepare for the fiscal year 2016 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 2016 budget:

- Water consumption continues to be slightly increased.
- Increase in annual system costs of 3.1% due to increases in 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%.
- 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 2016. The regional rates for wastewater and raw water for fiscal year 2016 decreased by 1.0% and increased 8.6% from fiscal year 2015.

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, 2015 AND 2014
(In Thousands)

	2015	2014
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	$ 13,305	$ 27,881
Investments	85,915	56,591
Receivables		
Accounts, Net of Allowance of $8,042 and $7,419, Respectively	18,227	14,495
Other	8	378
Due from Other Governments	18	-
Inventory	8,694	8,511
Prepaid Items	1,337	1,568
Total Current Unrestricted Assets	127,504	109,424
Restricted Assets:		
Cash and Cash Equivalents	31,694	37,261
Investments	9,023	8,496
Total Current Restricted Assets	40,717	45,757
Total Current Assets	168,221	155,181
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	36,752	48,390
Investments	6,200	32,653
Total Noncurrent Restricted Assets	42,952	81,043
Capital Assets:		
Utility Plant in Service	1,143,447	1,124,870
Land	4,936	4,936
Construction in Progress	101,079	63,231
Equipment	28,688	27,270
Total Capital Assets	1,278,150	1,220,307
Less Accumulated Depreciation	(520,093)	(485,842)
Total Capital Assets, Net	758,057	734,465
Total Noncurrent Assets	801,009	815,508
TOTAL ASSETS	**969,230**	**970,689**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	29,145	11,824
Deferred Outflows on Pensions	2,494	1,621
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 31,639**	**$ 13,445**

(continued)

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2015 AND 2014
(In Thousands)

	2015	2014
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	$ 5,694	$ 2,488
Accrued Liabilities	1,133	1,059
Due to Other Governments	4,032	3,091
Compensated Absences	1,744	1,759
Total Current Liabilities Payable from Unrestricted Assets	12,603	8,397
Payable From Restricted Assets:		
Accounts Payable	9,442	11,257
Accrued Interest Payable	8,352	11,897
Revenue Bonds Payable	13,875	13,705
Customer Deposits	9,048	8,898
Total Current Liabilities Payable from Restricted Assets	40,717	45,757
Total Current Liabilities	53,320	54,154
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	539,373	535,928
Compensated Absences	1,815	1,865
Other Post Employment Benefits	762	690
Net Pension Liability	14,067	9,798
Total Noncurrent Liabilities	556,017	548,281
TOTAL LIABILITIES	609,337	602,435
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Pensions	1,988	5,898
NET POSITION		
Net Investment in Capital Assets	270,706	271,569
Restricted for:		
Debt Service	13,875	13,705
Renewal, Replacement, and Improvement	6,200	6,130
Unrestricted	98,763	84,397
TOTAL NET POSITION	**$ 389,544**	**$ 375,801**

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, 2015 AND 2014
(In Thousands)

	2015	2014
Operating Revenues:		
Retail Services:		
Water	$ 46,947	$ 44,508
Wastewater	38,999	35,740
Septic Charges	2,743	2,232
Other Services	7,473	6,932
	96,162	89,412
Wholesale Services:		
Water	849	945
Wastewater	34,417	32,413
Total Operating Revenues	131,428	122,770
Operating Expenses:		
Personal Services	24,405	23,081
Utilities Services	15,712	14,927
Chemicals	3,225	3,281
County Services	4,052	3,339
Materials and Supplies	5,628	4,923
Motor Pool	1,322	1,245
Contractual Services	10,294	8,423
Other	2,247	2,583
Total Operating Expenses before Depreciation	66,885	61,802
Operating Income before Depreciation	64,543	60,968
Depreciation Expense	34,962	34,730
Operating Income	29,581	26,238
Non-Operating Revenues (Expenses):		
Grants	18	11
Interest Income	351	394
Interest Expense, Net of Capitalized Interest	(16,385)	(16,964)
Other Income	469	941
Bond Issuance Costs	(1,506)	-
Discontinued Project Costs	(1,344)	(499)
Gain on Disposal of Capital Assets	71	25
Other Expenses	(36)	(32)
Total Non-Operating Expenses	(18,362)	(16,124)
Income before Capital Contributions and Transfers	11,219	10,114
Capital Contributions	8,046	6,600
Transfers out	(5,522)	-
Change in Net Position	13,743	16,714
Total Net Position - Beginning, as Restated	375,801	359,087
Total Net Position - Ending	**$ 389,544**	**$ 375,801**

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Thousands)

	2015	2014
Cash Flows From Operating Activities:		
Cash Received from Customers	$ 128,787	$ 121,370
Cash Payments to Suppliers for Goods and Services	(43,305)	(38,988)
Cash Payments to Employees for Services	(24,838)	(23,439)
Other Cash Received	469	941
Net Cash Provided by Operating Activities	61,113	59,884
Cash Flows From Noncapital Financing Activities:		
Transfers out	(5,522)	-
Noncapital Grants	-	11
Net Cash Provided by (Used for) Noncapital Financing Activities	(5,522)	11
Cash Flows From Capital And Related Financing Activities:		
Proceeds from Bond Refunding	653	-
Payment to Refunded Bond Escrow Agent	(748)	-
Payment of Bond Issuance Costs	(546)	-
Acquisition and Construction of Capital Assets	(48,355)	(33,708)
Proceeds from Sale of Capital Assets	71	69
Capital Recovery Fees	3,120	4,093
Capital Surcharges Contributed from Other Governments	1,743	1,662
Principal Paid on Revenue Bonds	(13,705)	(13,360)
Interest Paid on Revenue Bonds	(26,892)	(23,965)
Other Debt Service Costs Paid	(36)	(43)
Net Cash Used for Capital and Related Financing Activities	(84,695)	(65,252)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(235,835)	(166,287)
Proceeds from Sale and Maturities of Investment Securities	232,437	150,090
Interest and Dividends on Investments	721	409
Net Cash Used for Investing Activities	(2,677)	(15,788)
Net Decrease in Cash and Cash Equivalents	(31,781)	(21,145)
Cash and Cash Equivalents, Beginning	113,532	134,677
Cash and Cash Equivalents, Ending	81,751	113,532
Cash and Cash Equivalents - Unrestricted Assets	13,305	27,881
Cash and Cash Equivalents - Restricted Assets	68,446	85,651
Total Cash and Cash Equivalents	81,751	113,532
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	29,581	26,238
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	34,962	34,730
Miscellaneous Non-Operating Revenue	469	941
Decrease (Increase) in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(3,732)	(1,428)
Inventory	(183)	(441)
Prepaid Items	(223)	197
Deferred Outflows on Pensions	(873)	(1,312)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	(419)	(23)
Accrued Liabilities	74	191
Due to Other Governments	941	(167)
Customer Deposits	150	195
Compensated Absences	(65)	39
Other Post Employment Benefits	72	73
Net Pension Liability	4,269	(5,247)
Deferred Inflows on Pensions	(3,910)	5,898
Total Adjustments	31,532	33,646
Net Cash Provided by Operating Activities	$ 61,113	$ 59,884
Noncash Investing, Capital And Related Financing Activities:		
Issuance of Refunding Bonds to Refund Existing Debt	$ 221,328	$ -
Capital Assets Acquired through Current Accounts Payable	13,150	11,257
Capital Contributions	3,183	845
Amortization of Deferred Charge on Refunding	1,679	1,487
Amortization of Bond Discounts and Premiums	(2,438)	(2,193)
Change in Fair Value of Investments	279	(1,077)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Measurement Focus and Basis of Accounting

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

The Fund operates as a major enterprise fund of the County and uses the enterprise fund type to account for all of its operations. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place.

Operating revenues and operating expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operation. The Fund's principal operating revenues are charges to water and wastewater customers. Operating expenses of the Fund include employee wages and benefits, purchases of services, supplies and materials and other expenses related to operating the Fund and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Implementation of Governmental Accounting Standards Board Statements

The Fund adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2015.

1. ***GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68"***

Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of this

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

The adoption of Statement No. 68 and Statement No. 71 resulted in the restatement of the October 1, 2013 net position (see Note 1, section D).

2. GASB Statement No. 69 "Government Combinations and Disposals of Government Operations"

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger, and requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term *operations* for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement had no impact on the Fund's financial statements.

D. Change in Accounting Principle

The implementation of Statement No. 68 and Statement No. 71 resulted in the restatement of the October 1, 2013 beginning net position. The adjustment to restate the beginning net position, which includes deferred outflows for contributions made after the measurement date, was as follows (dollars in thousands):

Net Position, October 1, 2013 as Previously Stated	$	373,823
Restatement		(14,736)
Net Position, October 1, 2013 as Restated	$	359,087

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

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

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

F. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of $8,042,000 and $7,419,000 at September 30, 2015 and 2014, respectively.

G. Due from Other Governments

The amounts due from other governments represent grants receivable from the South Florida Water Management District for their share of reimbursable costs.

H. Inventories and Prepaid Items

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

Prepaid items consist primarily of insurance costs that will benefit future accounting periods.

I. Capital Assets

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

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

J. Capitalized Interest

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Fund during the fiscal years ended September 30, 2015 and 2014, was $22,588,000 and $23,087,000, respectively, and of this $6,203,000 and $6,123,000, respectively, was included as part of the cost of construction-in-progress.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources in the Fund's Statements of Net Position relates to debt refunding and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on pension activities are more fully disclosed in Note 1, Section N and Note 9.

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

L. Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick leave. The cost of earned but unused vacation is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination.

M. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable unamortized premium or discount.

N. Pensions

In the Statement of Net Position, pension liabilities are recognized for the Fund's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans. Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources, depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources, and are amortized as a component of pension expense using a systematic and rational method over a five year period.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Net Position and Net Position Flow Assumption

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

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

P. Capital Contributions

Capital contributions consist mainly of capital recovery fees and contributions from developers and other governments. These capital contributions are recognized when earned.

Q. Reclassifications

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

R. Use of Estimates

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

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NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2015 and 2014, the Fund's deposits and investments consisted of the following (in thousands):

	September 30	
	2015	2014
Cash Deposits	$ 79,366	$ 113,532
Investments:		
U.S. Treasuries	10,723	946
U.S. Agencies	92,307	61,729
Commercial Paper	308	35,065
World Bank	185	-
Total Investments	103,523	97,740
Total Cash and Investments	$ 182,889	$ 211,272

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

	September 30	
	2015	2014
Current Assets		
Unrestricted		
Cash and Cash Equivalents	$ 13,305	$ 27,881
Investments	85,915	56,591
Restricted		
Cash and Cash Equivalents	31,694	37,261
Investments	9,023	8,496
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	36,752	48,390
Investments	6,200	32,653
Total Cash, Cash Equivalents and Investments	$ 182,889	$ 211,272

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 200% depending upon the depositories' financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

At September 30, 2015, $76,930,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the County's name.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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. Treasury, its agencies and instrumentalities, commercial paper, repurchase agreements, World Bank notes, bonds and discount notes, certificates of deposit, certain money market funds, and the Florida Local Government Investment Trust. 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 20%; 3-4 years 15%; 4-5 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2015, the portfolio weighted average maturity was 477 days, and was in accordance with the County's investment policy.

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

The County's investments in U.S. Treasuries and U.S. Agencies, except for investments in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Services. The County's investments in commercial paper and discount notes are rated A-1+ by Standard & Poor's Rating Services and P-1 by Moody's Investors Service. The County's investments in the Money Market Mutual Fund are rated AAAm by Standard & Poor's Ratings Services and Aaa-mf by Moody's Investors Services

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the U. S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all other investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. GASB Statement No. 40, "*Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3"* requires disclosure when 5% or more is invested in any one issuer. The investment in the Federal Home Loan Bank is 17.39%, the Federal Home Loan Mortgage Corporation is 25.50%, the Federal National Mortgage Association is 16.27%, the Federal Farm Credit Bank is 6.78% and the Federal Agricultural Mortgage Corporation is 6.38%.

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2015 and 2014 represent amounts restricted for construction, debt service, maintenance and improvements under the terms of outstanding bond agreements and regulatory requirements. The bond construction funds include bond proceeds available for the design and construction of major capital projects. The bond reserve accounts contain the maximum amount of required principal and interest payments on all outstanding bonds in the next fiscal year. The debt service accounts contain the principal and interest amounts required for payment due on October 1. The other restricted accounts include customer deposits and the renewal, replacement, and improvement fund required by the bond resolution.

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

	September 30, 2015	September 30, 2014
Bond Construction Accounts	$ 9,335	$ 48,671
Bond Reserve Accounts	36,752	37,499
Debt Service Accounts	22,227	25,602
Renewal, Replacement, and Improvement Accounts	6,200	6,130
Other Restricted Accounts	9,155	8,898
	$ 83,669	$ 126,800

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

	September 30, 2015	September 30, 2014
Current Restricted Assets		
Cash and Cash Equivalents	$ 31,694	$ 37,261
Investments	9,023	8,496
Noncurrent Restricted Assets		
Cash and Cash Equivalents	36,752	48,390
Investments	6,200	32,653
	$ 83,669	$ 126,800

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NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2015 and 2014 are as follows (in thousands):

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

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Capital Assets, Not Being Depreciated:				
Land	$ 4,904	$ 32	$ -	$ 4,936
Construction in Progress	40,268	44,891	(21,928)	63,231
Total Capital Assets, Not Being Depreciated	45,172	44,923	(21,928)	68,167
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,102,311	22,565	(6)	1,124,870
Equipment	27,089	1,322	(1,141)	27,270
Total Capital Assets, Being Depreciated	1,129,400	23,887	(1,147)	1,152,140
Less Accumulated Depreciation For:				
Utility Plant in Service	(434,843)	(33,206)	6	(468,043)
Equipment	(17,372)	(1,524)	1,097	(17,799)
Total Accumulated Depreciation	(452,215)	(34,730)	1,103	(485,842)
Total Capital Assets Being Depreciated, Net	677,185	(10,843)	(44)	666,298
Total Capital Assets, Net	$ 722,357	$ 34,080	$ (21,972)	$ 734,465

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NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2015 and 2014 are as follows (in thousands):

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

	Balance October 1, 2013*	Additions	Deductions	Balance September 30, 2014	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	$ 527,500	$ -	$ (13,360)	$ 514,140	$ 13,705	$ 500,435
Unamortized Bond Premiums and Discounts	37,686	-	(2,193)	35,493	-	35,493
Compensated Absences	3,585	1,506	(1,467)	3,624	1,759	1,865
Other Post Employment Benefits	617	139	(66)	690	-	690
Net Pension Liability	15,045	-	(5,247)	9,798	-	9,798
Total	$ 584,433	$ 1,645	$ (22,333)	$ 563,745	$ 15,464	$ 548,281

*The October 1, 2013 beginning balances were restated due to the implementation of GASB Statements No. 68 and No. 71.

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2015 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment Rate %	Interest Payment Date	Redemption Optional (O) or Mandatory (M)	Redemption Year	Final Maturity Date	Original Amount Issued	Retired/ Refunded	Outstanding September 30, 2015
2005 Series A	Improvements	Term	5.0	04/01 10/01	M	2028	10/1/2030	$ 53,675	$ 53,675	$ -
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2021	63,555	50,355	13,200
2009 Series A	Improvements	Term	5.25-5.3	04/01 10/01	M	2031	10/1/2034	111,825	111,825	-
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	2,965	48,330
2012 Series A	Improvements	Term	5.0	04/01 10/01	M	2035	10/1/2037	89,330	-	89,330
2012 Series B	Refunding	Serial	4.0-5.0	04/01 10/01	O	2023	10/1/2027	110,920	-	110,920
2012 Series C	Refunding	Serial	0.44-1.9	04/01 10/01	N/A	N/A	10/1/2018	47,655	11,460	36,195
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
										$ 497,785

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, 2015 and 2014.

The annual debt service requirements for all bonds outstanding as of September 30, 2015 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 13,875	$ 19,352	$ 33,227
2017	14,080	21,869	35,949
2018	14,340	21,591	35,931
2019	14,635	21,157	35,792
2020	15,205	20,512	35,717
2021-2025	89,005	90,546	179,551
2026-2030	109,125	65,827	174,952
2031-2035	141,225	36,959	178,184
2036-2038	86,295	6,612	92,907
	$ 497,785	$ 304,425	$ 802,210

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Water and Sewer Utility Revenue Bonds are issued to finance the construction or improvement of the County's Water and Wastewater Utility and are payable solely from and are secured by a pledge of net revenues, as defined in the Bond Resolution. In accordance with Section 502 of the Bond Resolution, the debt service coverage for the fiscal years ended September 30, 2015 and 2014 are as follows (in thousands):

	September 30, 2015	September 30, 2014
Revenues	$ 132,139	$ 123,983
Expenses	66,885	61,802
Amount Available for Debt Service	$ 65,254	$ 62,181
Debt Service		
Deposit to Principal Account	$ 13,875	$ 13,705
Deposit to Interest Account	23,347	23,794
Total Debt Service	$ 37,222	$ 37,499
Debt Service Coverage Available for Debt Service	175%	166%
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, 2015 and 2014 were as follows (in thousands):

	September 30, 2015	September 30, 2014
Revenue Pledged	$ 64,740	$ 61,520
Debt Service	$ 40,597	$ 37,325
Future Revenues Pledged	$ 802,210	$ 870,625
Percentage of Debt Service to Pledged Revenues	62.7%	60.7%

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

On July 21, 2015, the Fund issued Water and Sewer Utility Revenue Refunding Bonds, Series 2015A (Non Taxable) and Water and Sewer Utility Revenue Refunding Bonds, Series 2015B (Non Taxable) in the principal amounts of $42,255,000 and $157,555,000, respectively, with interest rates 5% (2015A) and 3%-5% (2015B) (the combined true interest rate on the Series 2015A & B Bonds is 3.50%). The proceeds were used to advance refund all of the outstanding Series 2005A Bonds and a portion of the Series 2009A Bonds of $49,130,000 and $153,330,000, respectively, which had interest rates ranging from 4.25% to 5.3%. The net proceeds of $225,259,000 (consisting of the par amount of $199,810,000, plus the original issue premium of $23,024,000, plus released debt service reserve funds of $748,000 and debt service funds of $3,183,000 and after the payment of underwriting fees and other issuance costs of $1,506,000), were deposited in an irrevocable trust with an escrow agent to provide funds for the debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $19,000,000. This amount is deferred and amortized over the remaining life of the refunding bonds using the straight-line method. The Fund completed the refunding to reduce its total debt service payments over the next 20 years by $27,819,000, which represents an economic gain (the difference between the present value of the old and new debt service payments) of $19,857,000.

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Defeased Bonds

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

The following is summary of the Fund's outstanding defeased bonds (in thousands):

Year of Defeasance	Bond Issue Defeased		Principal Outstanding September 30, 2015
2012	Water and Sewer Utility Revenue Bonds Series 2005 A (Partially Refunded)	$	27,610
2015	Water and Sewer Utility Revenue Bonds Series 2005 A (Fully Refunded)		49,130
2015	Water and Sewer Utility Revenue Bonds Series 2009 A (Partially Refunded)		153,330

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NOTE 6 - CAPITAL CONTRIBUTIONS

Contributions and fees used to acquire capital assets are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. Capital contributions consist of the following (in thousands):

	2015	2014
Capital Recovery Fees	$ 3,120	$ 4,093
Capital Contributed from Other Governments	1,743	1,662
Capital Contributed by Developers	3,183	845
	$ 8,046	$ 6,600

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 Self-Insured workers' compensation, general liability and health insurance programs. For its Workers' Compensation exposure, the County purchases excess coverage above a $1,500,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. The County's general liability is entirely self-insured, with the County providing coverage up to the statutory limits of $200,000 per person and $300,000 per occurrence. The County has entered into a contract with Humana to provide for employee health insurance through a self-insurance program with Humana as a third party payer. The County has also purchased stop-loss coverage for the plan with specific deductible of $400,000. The County 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 this commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Program to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for all losses. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2015. 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 claim liabilities for the Self-Insurance Program are reported in the County's Self-Insurance Fund. The Fund is indemnified against losses in a given year in excess of the fees charged.

NOTE 8 - LARGE USER AGREEMENTS

The County has entered into agreements with large (wholesale) users of the North Regional Wastewater System. These agreements provide that the cost of operating the system be charged to each large user on the basis of each user's proportionate share of total gallons processed. In addition, each large user is charged a debt service fee for the principal, interest and debt coverage requirements on debt issued to finance the construction of the North Regional Wastewater facilities. The debt service charge is based on the relative percentage of reserve capacity designated for each user to total reserve capacity.

NOTE 9 - RETIREMENT PLANS

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

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

A. Pension Plan

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

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

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

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age, however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

NOTE 9 - RETIREMENT PLANS (Continued)

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

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

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

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The employer contribution rates by job class for the periods from July 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular - 6.07% and 5.56%, Senior Management Service – 19.84% and 19.73% and DROP participants 11.02% and 11.22%. The employer contribution rates by job class for the period from July 1, 2013 through June 30, 2014 were as follows: Regular – 5.72% Senior Management Service – 17.08% and DROP participants 11.64% These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ending September 30, 2015 and 2014, contributions, including employee contributions of $535,000 and $515,000, to the Pension Plan for the Fund totaled $1,745,000 and $1,690,000, respectively.

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015 and 2014, the Fund reported liabilities of $7,092,000 and $3,376,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2015 and July 1, 2014. The Fund's proportionate share of the net pension liability was based on its share of the County's 2014-2015 and 2013-2014 fiscal year contributions relative to the 2014-2015 and 2013-2014 fiscal year contributions of all participating members. At June 30, 2015, the County's proportionate share was 0.79799% which was a decrease of 0.00620% from its proportionate share measured as of June 30, 2014. At June 30, 2014, the County's proportionate share was 0.80419%, which was an increase of 0.04441% from its proportionate share measured at June 30, 2013.

For the fiscal years ended September 30, 2015 and 2014, the Fund recognized pension expense of $471,000 and $324,000, 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, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 749	$ (168)
Change of Assumptions	471	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(1,694)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	359	(56)
Pension Plan Contributions Subsequent to the Measurement Date	284	-
Total	$ 1,863	$ (1,918)

As of September 30, 2014	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ (209)
Change of Assumptions	585	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(5,632)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	442	-
Pension Plan Contributions Subsequent to the Measurement Date	304	-
Total	$ 1,331	$ (5,841)

NOTE 9 - RETIREMENT PLANS (Continued)

The deferred outflows of resources as of September 30, 2015 related to the Pension Plan 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, 2016. 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 30		
2016	$	(488)
2017		(488)
2018		(488)
2019		909
2020		177
Thereafter		39
Total	**$**	**(339)**

Actuarial Assumptions - The total pension liability in the June 30, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015 and, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. Assumption changes adopted by the FRS Assumptions Conference were incorporated into the July 1, 2014 valuation.

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, 2015 ***Asset Class***	***Target Allocation****	***Annual Arithmetic Return***	***Compound Annual (Geometric) Return***	***Standard Deviation***
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	7.00%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			
Assumed Inflation - Mean		2.60%		1.90%

NOTE 9 - RETIREMENT PLANS (Continued)

As of September 30, 2014

Asset Class	*Target Allocation**	*Annual Arithmetic Return*	*Compound Annual (Geometric) Return*	*Standard Deviation*
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad U.S. Equities	26.50%	8.51%	6.95%	9.00%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	11.00%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

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

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. 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.

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 using the discount rate of 7.65%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate (in thousands):

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

As of September 30, 2014	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Proportional Share of the Net Pension Liability	$ 14,440	$ 3,376	$ (5,827)

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, 2015 and 2014, the Fund reported payables in the amount of $91,000 and $93,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015 and 2014.

NOTE 9 - RETIREMENT PLANS (Continued)

B. HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 were 1.26% and 1.66% respectively. The employer contribution rate for the period from July 1, 2013 through June 30, 2014 was 1.20%. 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, 2015 and 2014, contributions to the HIS Plan for the Fund totaled $225,000 and $206,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015 and 2014, the Fund reported liabilities of $6,975,000 and $6,422,000, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2014. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2015 using a standard actuarial roll-forward technique. . The Fund's proportionate share of the net pension liability was based on its share of the County's 2014-2015 and 2013-2014 fiscal year contributions relative to the 2014-2015 and 2013-2014 fiscal year contributions of all participating members. At June 30, 2015, the County's proportionate share was 0.99405% which was a decrease of 0.00414% from its proportionate share measured as of June 30, 2014. At June 30, 2014, the County's proportionate share was 0.99819%, which was a decrease of 0.01108% from its proportionate share measured at June 30, 2013.

For the fiscal years ended September 30, 2015 and 2014, the Fund recognized pension expense of $450,000 and $395,000, 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):

NOTE 9 - RETIREMENT PLANS (Continued)

As of September 30, 2015		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$	-	$	(70)
Change of Assumptions		549		-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		4		-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions		-		-
Pension Plan Contributions Subsequent to the Measurement Date		78		-
Total	$	631	$	(70)

As of September 30, 2014		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$	-	$	-
Change of Assumptions		228		-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		3		-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions		-		(57)
Pension Plan Contributions Subsequent to the Measurement Date		59		-
Total	$	290	$	(57)

The deferred outflows of resources as of September 30, 2015 related to the HIS Plan 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, 2016. 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 30		
2016	$	83
2017		83
2018		83
2019		82
2020		82
Thereafter		70
Total	**$**	**483**

NOTE 9 - RETIREMENT PLANS (Continued)

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2014 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2015. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2015 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2015 and 2014 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.80% in 2015 and 4.29% in 2014, 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, 2015 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2015 and 2014 was 3.80% and 4.29% 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2014 valuation was updated from 4.29% to 3.80%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2015.

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, 2015 and 2014 using the discount rate of 3.80% and 4.29%, 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 (2.80% and 3.29%) or one percentage point higher (4.80% and 5.29%) than the current rate (in thousands):

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

As of September 30, 2014	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Proportional Share of the Net Pension Liability	$ 7,304	$ 6,422	$ 5,685

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, 2015 and 2014, the Fund reported payables in the amount of $22,000 and $16,000 respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2015 and 2014.

NOTE 9 - RETIREMENT PLANS (Continued)

C. Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Fund.

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

The Investment Plan pension expense for the Fund totaled $194,000 and $170,000 for the fiscal years ended September 30, 2015 and 2014 respectively.

Payables to the Investment Plan - At September 30, 2015 and 2014, the Fund reported payables in the amount of $25,000 and $23,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2015 and 2014.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Fund, as an agency of the County, participates in the County's single employer defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the Fund's plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports.

Funding Policy and Annual OPEB Cost

The Fund makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Fund for active employees. The County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is called the Employer Contribution.

The Fund's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Fund for the 2015 and 2014 fiscal years, and the related information for the plan, is as follows (in thousands):

Required Contributions Rates:	2015	2014
Employer	Pay-as-you-go	Pay-as-you-go
Active Plan Members	N/A	N/A
Annual Required Contribution	$ 149	$ 143
Interest on Net OPEB Obligation	33	31
Adjustment to Annual Required Contribution	(37)	(35)
Annual OPEB Cost	145	139
Contributions Made	(73)	(66)
Increase in Net OPEB Obligation	72	73
Net OPEB Obligation, Beginning of Year	690	617
Net OPEB Obligation, End of Year	$ 762	$ 690

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NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 for the Fund, were as follows (dollars in thousands):

	2015	2014	2013
Annual OPEB Cost	$ 145	$ 139	$ 157
Percentage of OPEB Cost Contributed	49.99%	47.92%	49.61%
Net OPEB Obligation	$ 762	$ 690	$ 617

Funded Status and Funding Progress

The funded status of the County's plan as of October 1, 2013, the date of the latest actuarial valuation, was as follows (dollars in thousands):

Actuarial Accrued Liability	$ 25,389
Actuarial Value of Plan Assets	$ -
Unfunded Actuarial Accrued Liability	$ 25,389
Funded Ratio	0.00%
Covered Payroll	$ 242,246
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	10.48%

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

Actuarial Methods and Assumptions

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

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NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Significant methods and assumptions were as follows:

Actuarial Valuation Date	10/1/2013
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return*	3.75%
Projected Salary Increases*	4.0% - 8.38%
Healthcare Cost Trend Rate	8.5% Initial, 4.5% Ultimate

*Includes 3.0% General Inflation Rate

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2015, the Fund had various uncompleted construction projects in process, with commitments totaling $62,278,000. The retainage payable on these contracts totaled $3,809,000.

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Required Supplementary Information

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
10/1/2009	$0	$40,098	$40,098	0.00%	$245,050	16.36%
10/1/2011	$0	$24,800	$24,800	0.00%	$231,302	10.72%
10/1/2013	$0	$25,389	$25,389	0.00%	$242,246	10.48%

This schedule shows the County's actuarial accrued liability (AAL). An estimated 5% of this liability can be attributed to the Fund.

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

		2015	2014
Fund's Proportion of the Net Pension Liability (Asset)		0.05491%	0.05533%
Fund's Proportionate Share of the Net Pension Liability (Asset)	$	7,092	3,376
Fund's Covered-employee Payroll		17,946	17,363
Fund's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-employee Payroll		39.52%	19.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		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)

	2015	**2014**
Contractually Required Contribution	$ 1,210	$ 1,175
Contributions in Relation to the Contractually Required Contribution	(1,210)	(1,175)
Contribution Deficiency (Excess)	-	-
Fund's Covered-employee Payroll	17,818	17,164
Contributions as a Percentage of Covered-employee Payroll	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)

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

	2015	2014
Contractually Required Contribution	$ 225	$ 206
Contributions in Relation to the Contractually Required Contribution	(225)	(206)
Contribution Deficiency (Excess)	-	-
Fund's Covered-employee Payroll	17,818	17,164
Contributions as a Percentage of Covered-employee Payroll	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.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015 and 2014

NOTE 1 - PENSION INFORMATION

The discount rate used to measure the pension liability of the HIS plan at June 30, 2015 was decreased from 4.29% to 3.80%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2015.

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, 2015 AND 2014
(Dollars In Thousands)

	2015	2014
Revenues:		
Water	$ 47,796	$ 45,453
Wastewater	76,159	70,385
Other	7,893	7,869
Interest Income	291	276
Total Revenues	132,139	123,983
Expenses:		
Personal Services	24,405	23,081
Utilities Services	15,712	14,927
Chemicals	3,225	3,281
County Services	4,052	3,339
Material and Supplies	5,628	4,923
Motor Pool	1,322	1,245
Contractual Services	10,294	8,423
Other	2,247	2,583
Total Expenses	66,885	61,802
Net Revenue Available for Principal and Interest Requirements	65,254	62,181
Principal And Interest Requirements:		
Series 2005 Bonds	1,979	2,457
Series 2009A Bonds	8,773	10,326
Series 2012A Bonds	8,252	8,252
Series 2012B Bonds	5,523	5,523
Series 2012C Bonds	10,945	10,941
Series 2015A Bonds	411	-
Series 2015B Bonds	1,339	-
Total Principal and Interest Requirements	37,222	37,499
Debt Coverage Required	1.20	1.20
Actual Debt Coverage All Debt Service by Net Revenue	**1.75**	**1.66**
Balance Available for Renewal, Replacement and Capital Expenditures	**$ 28,032**	**$ 24,682**

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, as listed in the table of contents, of the Broward County Water and Wastewater Fund (the "Water and Wastewater Fund"), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2015, and have issued our report thereon dated May 11, 2016.

Internal Control over Financial Reporting

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

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

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

Honorable Board of County Commissioners
Broward County Water and Wastewater Fund

Compliance and Other Matters

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

We noted certain other matters that we reported to management in a separate letter dated May 11, 2016.

Purpose of this Report

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

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
May 11, 2016