



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

**Financial Statements
For the Years Ended September 30, 2021 and 2020**

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Water and Wastewater Fund (the Fund) of Broward County, Florida (the County), an enterprise fund of the County as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of September 30, 2021 and 2020, and the changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund, and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 21, 2022

**Management's Discussion and Analysis
(Unaudited)**

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

The management of the Water and Wastewater Fund (the Fund) of Broward County, Florida (County) offers this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended September 30, 2021 and 2020. This discussion has been prepared by management and we encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follow this section.

Introduction

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

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

Financial Highlights

- Assets plus deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2021 by \$515.3 million (net position).
- In fiscal 2021, the Fund's net position increased by \$18.9 million, or 3.8% compared to prior fiscal year. The increase is due to the positive results of operations.
- The fiscal year 2021 debt service coverage for the Fund of 159% is above the 120% required debt service coverage per the bond resolution.
- The Fund's total outstanding debt decreased by \$15.93 million, or 2.3% during the current fiscal year as a result of debt repayments.

Overview of the Financial Statements

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

Financial Statements

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

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

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

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

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

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the information provided in the Fund's financial statements.

Other Information

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

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

Financial Analysis

The statements of net position serve as a useful indicator of the Fund's financial position. They distinguish assets, deferred outflows of resources, liabilities and deferred inflows of resources, with respect to their expected use for current operations or internally designated use for capital projects. A condensed comparative summary of the Fund's Statements of Net Position as of September 30, 2021, 2020 and 2019 is shown on the following page:

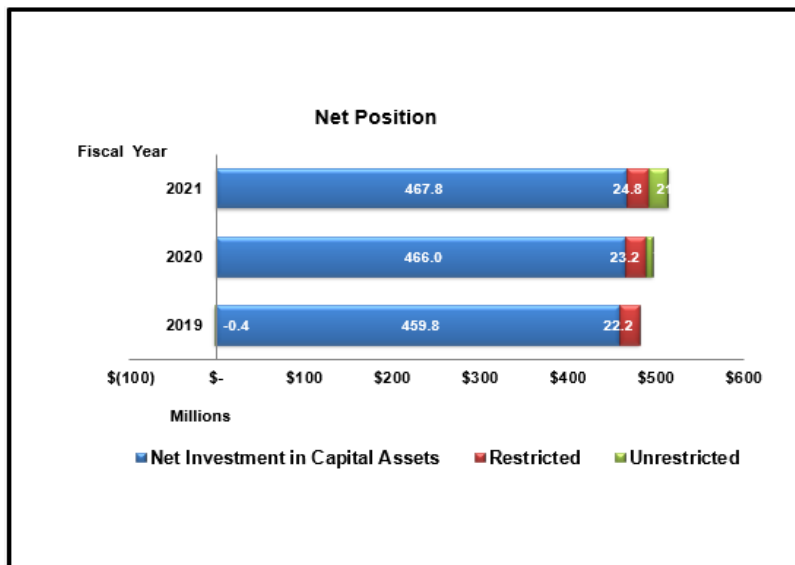
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

**Net Position
As of September 30, 2021, 2020 and 2019
(In Thousands)**

	2021	2020	2019
Current Assets	\$ 131,384	\$ 118,469	\$ 118,140
Noncurrent Assets-Other Than Capital Assets	78,104	172,205	43,776
Capital Assets (Net)	1,109,888	1,032,203	927,426
Total Assets	<u>1,319,376</u>	<u>1,322,877</u>	<u>1,089,342</u>
Deferred Outflows of Resources	<u>23,502</u>	<u>27,193</u>	<u>28,188</u>
Current Liabilities	81,388	82,700	136,050
Noncurrent Liabilities	731,258	770,303	497,941
Total Liabilities	<u>812,646</u>	<u>853,003</u>	<u>633,991</u>
Deferred Inflows of Resources	<u>14,890</u>	<u>621</u>	<u>1,832</u>
Net Investment in Capital Assets	467,816	465,965	459,845
Restricted	24,837	23,212	22,229
Unrestricted	22,689	7,269	(367)
Total Net Position	<u>\$ 515,342</u>	<u>\$ 496,446</u>	<u>\$ 481,707</u>

The overall position of the Fund improved in both the 2021 and 2020 fiscal years. Total net position as of September 30, 2021, was \$515.3 million, representing an increase of \$18.9 million, or 3.8% compared to 2020. Total net position as of September 30, 2020, was \$496.4 million, as compared to the 2019 net position of \$481.7 million, representing an increase of \$14.7 million, or 3.1% during fiscal year 2020. The increase in fiscal years 2021 and 2020 was primarily due to the positive results of operations in the Fund.

At September 30, 2021, 90.8% of the Fund's net position is represented by its net investment in capital assets. These capital assets are used to provide services to the Water and Wastewater Utility customers. The restricted portion, 4.8% 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 4.5% may be used to meet any of the Fund's ongoing obligations.



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

The following schedule shows the changes in net position for the fiscal years ended September 30, 2021, 2020 and 2019.

**Changes in Net Position
For the Years Ended September 30, 2021, 2020 and 2019
(In Thousands)**

	2021	2020	2019
Operating Revenues:			
Water Sales	\$ 53,618	\$ 54,872	\$ 54,856
Wastewater Services	92,306	91,727	83,942
Other Services	5,188	5,594	4,150
Total Operating Revenues	<u>151,112</u>	<u>152,193</u>	<u>142,948</u>
Operating Expenses:			
Personal Services	31,767	35,065	34,001
General Operating	47,874	47,661	45,615
Depreciation	36,661	34,782	34,355
Total Operating Expenses	<u>116,302</u>	<u>117,508</u>	<u>113,971</u>
Operating Income	<u>34,810</u>	<u>34,685</u>	<u>28,977</u>
Non-Operating Revenues (Expenses):			
Grants	3,008	-	-
Investment Income	321	2,269	3,467
Interest Expense	(25,681)	(25,559)	(19,293)
Bond Issuance Costs	-	(2,351)	-
Other	1,118	1,102	87
Total Non-Operating Revenues (Expenses)	<u>(21,234)</u>	<u>(24,539)</u>	<u>(15,739)</u>
Income Before Capital Contributions and Transfers	13,576	10,146	13,238
Capital Contributions	5,320	7,793	8,209
Transfer out	<u>-</u>	<u>(3,200)</u>	<u>-</u>
Change in Net Position	18,896	14,739	21,447
Total Net Position - Beginning	<u>496,446</u>	<u>481,707</u>	<u>460,260</u>
Total Net Position - Ending	<u>\$ 515,342</u>	<u>\$ 496,446</u>	<u>\$ 481,707</u>

The Fund's current year activities increased net position by \$18.9 million, a 3.8% increase from the 2020 balance of \$496.4 million. The increase is primarily due to the positive result of operations. Some of the significant changes are as follows:

- Operating revenues decreased \$1.1 million, or 0.7% over the prior year. The decrease was the result of several factors. Retail water revenue decreased \$1.2 million due to decline in retail water demand from the commercial class customers. Retail sewer revenue decreased \$0.2 million due to decrease in retail water consumption. Retail water and sewer rates did not change in FY21. Large User revenue increased \$0.5 million compared to FY20.

Operating expenses decreased \$1.2 million, or 0.1% from the prior year. General operating expenses increased \$0.2 million, personal services decreased by \$ 3.3 million while depreciation expense increased by \$1.9 million.

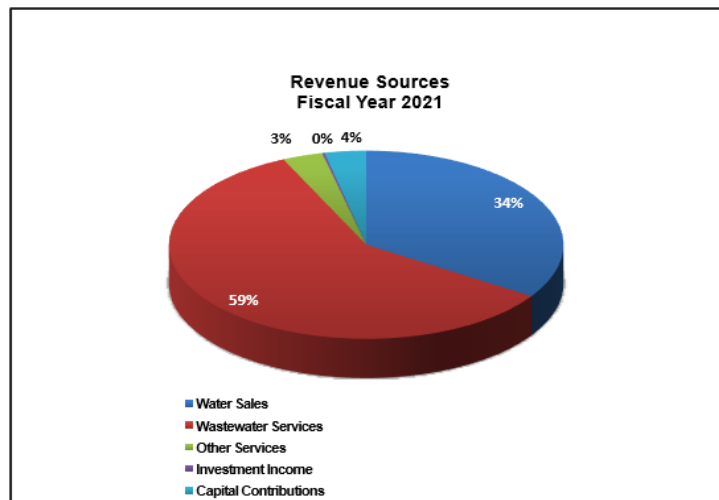
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

- Non-operating expenses for fiscal year 2021 decreased by \$3.3 million from the prior year. This decrease is primarily due to \$3.0 million increase in grant revenue for the expansion of the sewer reuse system, \$2 million decrease in investment income, and \$2.3 million decrease in bond issuance costs.
- Capital contributions decreased by \$2.5 million, or 31.7% from the prior year. These assets are site specific to the developer's project and are required to provide service to the specific project. Capital recovery fees paid remained strong at \$2.1 million during the fiscal year. Development activities are anticipated to slow down in the coming year as the impact of Covid-19 on broader economic factors in Broward County and throughout the State, such as unemployment rate, property values, and access to capital are unknown at this time.

In fiscal year 2020, net position for the Fund was \$496.4 million, \$14.7 million, or a 3.1%, increase from the October 1, 2019 beginning net position of \$481.7 million. Key elements of the increase are as follows:

- Operating revenues increased \$9.2 million, or 6.5% over the prior year. The increase was the result of several factors. Retail water revenue increased \$0.2 million due to a 2.58% increase in retailwater rates. Retail Sewer revenue increased \$0.9 million largely due to a retail sewer rate increase of 3.59%. Large User revenue increased \$6.6 million compared to FY19.
- Operating expenses increased \$3.5 million, or 3.1% from the prior year. The increase is due to a \$0.4 million increase in depreciation expense, a \$1.1 million increase in personal services and a \$2.0 million increase in general operating expenses.
- Non-operating expenses for fiscal year 2020 increased by \$8.8 million from the prior year. This increase is primarily due to \$1.2 million decrease in investment income, \$1.0 million increase in other income, \$6.3 million increase in interest expenses and \$2.3 million increase in bond issuance cost.
- Capital contributions decreased by \$0.4 million, or 5.1% from the prior year. These assets are site specific to the developer's project and are required to provide service to the specified project. Capital recovery fees paid remained strong at \$2.0 million during the fiscal year. Development activities are anticipated to slow down in the coming year as the impact of Covid-19 on broader economic factors in Broward County and throughout the State, such as unemployment rate, property values, and access to capital are unknown at this time.

The following is a chart of the fiscal year 2021 revenues by source and by percentage of total revenues.



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

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2021, the Fund had \$1,109.9 million, net of accumulated depreciation, invested in a variety of capital assets, as reflected in the following schedule. In 2021, there was a net increase in capital assets (additions less retirements and depreciation) of \$77.7 million.

The following is a summary of capital assets of the Fund as of September 30, 2021, 2020 and 2019:

**Comparative Summary of Capital Assets
As of September 30, 2021, 2020 and 2019
(In Thousands)**

	2021	2020	2019
Land	\$ 4,936	\$ 4,936	\$ 4,936
Construction in Progress	377,893	329,534	285,447
Total Non-depreciable Assets	<u>382,829</u>	<u>334,470</u>	<u>290,383</u>
Utility Plant in Service	1,410,565	1,347,353	1,255,670
Equipment	42,454	40,742	37,028
Less Accumulated Depreciation	<u>(725,960)</u>	<u>(690,362)</u>	<u>(655,655)</u>
Total Depreciable Assets, Net	<u>727,059</u>	<u>697,733</u>	<u>637,043</u>
Total Capital Assets, Net	<u>\$ 1,109,888</u>	<u>\$ 1,032,203</u>	<u>\$ 927,426</u>

In fiscal year 2021, capital projects under construction increased by \$112.6 million and \$64.2 million in projects were completed and put into service. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

In fiscal year 2020, capital projects under construction increased by \$132.7 million and \$88.6 million in projects were completed and put into service. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

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

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

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

Debt Administration

As of September 30, 2021, the Fund had \$669.1 million in bonded debt outstanding compared to the \$685.0 million in 2020, a 2.3 % decrease. The debt payable decreased by the principal payments of \$15.9 million. All debt outstanding as of the end of fiscal year 2021 was secured by system revenues.

In fiscal year 2020, the Fund had \$685.0 million in bonded debt outstanding compared to the \$440.9 million in 2019, a 55.4% increase. During the fiscal year 2020, the Water and Sewer System issued Revenue Bonds, Series 2019A in the principal amount of \$249.110 million with a premium of \$36.318 million. The system also issued Water and Sewer Utility Revenue Refunding Bonds, Series 2019B (taxable) in the principal amount of \$111.375 million at par to refund a large portion of the 2012A Water and Sewer Revenue Bonds. The debt payable decreased by the principal payments of \$15.2 million. All debt outstanding as of the end of fiscal year 2020 was secured by system revenues.

**Comparative Summary of Bonded Debt
As of September 30, 2021, 2020 and 2019
(In Thousands)**

	2021	2020	2019
Water and Sewer Utility Revenue Bonds	\$ 669,095	\$ 685,020	\$ 440,855

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

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

Economic Factors and Next Year's Budget and Rates

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

The management of the Fund has established goals which include providing high quality and cost-effective services to its customer while operating the facilities and executing programs in a manner that protects the environment. These goals were used as a guide to prepare for the fiscal year 2022 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 2022 budget:

- Water consumption is projected not to change significantly from prior years.
- Increase in annual system costs of 1% which includes increases to labor cost, sludge hauling/disposal and purchased water from the City of Hollywood.
- Maintain competitive retail rates among local utilities.

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

- Maintain conservation-based water rates to reward customers with the lowest rates of consumption.
- The regional rates for wastewater and raw water were recalculated in conformance with large user agreements and recommended rates were approved by the Board for fiscal year 2022. The regional rates for wastewater increased 2.62% and raw water for fiscal year 2022 decreased 1.46% from fiscal year 2021.

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

Requests for Information

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

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

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020
(In Thousands)**

	2021	2020
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 12,973	\$ 5,874
Investments	18,480	16,503
Receivables		
Accounts, Net of Allowance of \$7,424 and \$7,424, respectively	17,457	11,822
Other	27	145
Due from Other County Funds	475	245
Due from Other Governments	8	-
Inventory	9,735	10,002
Prepaid Items	529	737
Total Current Unrestricted Assets	59,684	45,328
Restricted Assets:		
Cash and Cash Equivalents	71,700	63,592
Investments	-	9,549
Total Current Restricted Assets	71,700	73,141
Total Current Assets	131,384	118,469
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	24,800	164,918
Investments	53,304	7,287
Total Noncurrent Restricted Assets	78,104	172,205
Capital Assets:		
Utility Plant in Service	1,410,565	1,347,353
Land	4,936	4,936
Construction in Progress	377,893	329,534
Equipment	42,454	40,742
Total Capital Assets	1,835,848	1,722,565
Less Accumulated Depreciation	(725,960)	(690,362)
Total Capital Assets, Net	1,109,888	1,032,203
Total Noncurrent Assets	1,187,992	1,204,408
TOTAL ASSETS	1,319,376	1,322,877
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	16,120	17,682
Deferred Outflows on Other Post Employment Benefit	394	450
Deferred Outflows on Pensions	6,988	9,061
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 23,502	\$ 27,193

(continued)

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2021 AND 2020
(In Thousands)**

	2021	2020
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 2,987	\$ 2,556
Accrued Liabilities	1,141	1,059
Due to Other Governments	3,591	3,964
Compensated Absences	1,969	1,980
Total Current Liabilities Payable from Unrestricted Assets	9,688	9,559
Payable From Restricted Assets:		
Accounts Payable	30,644	32,975
Accrued Interest Payable	14,267	14,656
Revenue Bonds Payable	17,035	15,925
Customer Deposits	9,754	9,585
Total Current Liabilities Payable from Restricted Assets	71,700	73,141
Total Current Liabilities	81,388	82,700
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	711,463	732,913
Compensated Absences	2,533	2,426
Total Other Post Employment Benefits Liability	1,914	1,919
Net Pension Liability	15,348	33,045
Total Noncurrent Liabilities	731,258	770,303
TOTAL LIABILITIES	812,646	853,003
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Other Post Employment Benefits	126	46
Deferred Inflows on Pensions	14,764	575
TOTAL DEFERRED INFLOWS OF RESOURCES	14,890	621
NET POSITION		
Net Investment in Capital Assets	467,816	465,965
Restricted for:		
Debt Service	17,035	15,925
Renewal, Replacement, and Improvement	7,802	7,287
Unrestricted	22,689	7,269
TOTAL NET POSITION	\$ 515,342	\$ 496,446

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, 2021 AND 2020
(In Thousands)

	2021	2020
Operating Revenues:		
Retail Services:		
Water	\$ 52,760	\$ 53,964
Wastewater	45,622	45,826
Septic Charges	3,322	3,140
Other Services	5,188	5,594
	106,892	108,524
Wholesale Services:		
Water	858	908
Wastewater	43,362	42,761
Total Operating Revenues	151,112	152,193
Operating Expenses:		
Personal Services	31,767	35,065
Utilities Services	16,664	17,196
Chemicals	3,733	3,839
County Services	4,732	4,889
Materials and Supplies	6,582	6,489
Motor Pool	1,756	1,473
Contractual Services	8,769	8,113
Other	5,638	5,662
Total Operating Expenses before Depreciation	79,641	82,726
Operating Income before Depreciation	71,471	69,467
Depreciation Expense	36,661	34,782
Operating Income	34,810	34,685
Non-Operating Revenues (Expenses):		
Grants	3,008	-
Investment and Interest Income	321	2,269
Interest Expense	(25,681)	(25,559)
Other Income	948	1,729
Bond Issuance Costs	-	(2,351)
Discontinued Project Costs	(19)	(660)
Gain on Disposal of Capital Assets	193	34
Other Expenses	(4)	(1)
Total Non-Operating Revenues (Expenses)	(21,234)	(24,539)
Income before Capital Contributions and Transfers	13,576	10,146
Capital Contributions	5,320	7,793
Transfers out	-	(3,200)
Change in Net Position	18,896	14,739
Total Net Position - Beginning	496,446	481,707
Total Net Position - Ending	\$ 515,342	\$ 496,446

See accompanying notes to financial statements.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Thousands)**

	2021	2020
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 146,891	\$ 151,340
Cash Payments to Suppliers for Goods and Services	(45,816)	(49,410)
Cash Payments to Employees for Services	(32,893)	(30,539)
Other Cash Payments	-	(1)
Other Cash Received	948	1,730
Net Cash Provided by Operating Activities	69,130	73,120
Cash Flows From Noncapital Financing Activities:		
Transfer Out	-	(3,200)
Net Cash Used for Noncapital Financing Activities	-	(3,200)
Cash Flows From Capital And Related Financing Activities:		
Payment to Refunded Bond Escrow Agent	-	(885)
Payment on Bond Issuance Costs	-	(983)
Acquisition and Construction of Capital Assets	(115,658)	(134,493)
Proceeds from Sale of Capital Assets	193	34
Payments on Internal Loan	-	(60,000)
Interest Paid on Internal Loan	-	(318)
Proceeds from Revenue Bonds	-	284,892
Capital Recovery Fees	2,114	1,859
Capital Surcharges Contributed from Other Governments	2,168	2,115
Principal Paid on Revenue Bonds	(15,925)	(15,205)
Interest Paid on Revenue Bonds	(28,923)	(22,604)
Other Debt Service Costs Paid	(3)	(1)
Net Cash (Used for) Provided by Capital and Related Financing Activities	(156,034)	54,411
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(208,399)	(95,793)
Proceeds from Sale and Maturities of Investment Securities	169,953	127,308
Interest and Dividends on Investments	439	2,285
Net Cash (Used for) Provided by Investing Activities	(38,007)	33,800
Net Change in Cash and Cash Equivalents	(124,911)	158,131
Cash and Cash Equivalents, Beginning	234,384	76,253
Cash and Cash Equivalents, Ending	109,473	234,384
Cash and Cash Equivalents - Unrestricted Assets	12,973	5,874
Cash and Cash Equivalents - Restricted Assets	96,500	228,510
Total Cash and Cash Equivalents	109,473	234,384

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(In Thousands)**

	2021	2020
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	\$ 34,810	\$ 34,685
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	36,661	34,782
Miscellaneous Non-Operating Revenue	948	1,729
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(2,635)	(1,270)
Due from Other County Funds	(230)	48
Inventory	267	(884)
Prepaid Items	208	(52)
Deferred Outflows on Other Post-Employment Benefits	56	(322)
Deferred Outflows on Pensions	2,073	(948)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	431	(830)
Accrued Liabilities	82	304
Due to Other County Funds	-	34
Due to Other Governments	(373)	281
Customer Deposits	169	71
Compensated Absences	96	527
Total Other Post Employment Benefits Liability	(5)	550
Net Pension Liability	(17,697)	5,626
Deferred Inflows on Other Post-Employment Benefits	80	(3)
Deferred Inflows on Pensions	14,189	(1,208)
Total Adjustments	34,320	38,435
Net Cash Provided by Operating Activities	\$ 69,130	\$ 73,120
Noncash Investing, Capital And Related Financing Activities:		
Issuance of Refunding Bonds to Refund Existing Debt	-	111,910
Capital Asset Acquired through Grant	3,000	-
Capital Assets Acquired through Current Accounts Payable	30,644	32,975
Capital Contributions	1,038	3,819
Amortization of Deferred Charge on Refunding	1,562	1,780
Amortization of Bond Discounts and Premiums	(4,415)	(4,248)
Change in Fair Value of Investments	107	137

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Measurement Focus and Basis of Accounting

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

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

C. Implementation of Governmental Accounting Standards Board Statements

The Fund adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2021.

1. GASB Statement No. 84, *Fiduciary Activities*

Statement No.84 improves guidance regarding the identification of fiduciary activities and how those activities should be reported. Statement No. 84 focuses on whether a government is controlling assets of a fiduciary activity and the beneficiaries with whom the fiduciary relationship exists. Fiduciary Fund statements include pension trusts, investment trusts, private purpose trusts, and a new fund-type called custodial funds. The Fund is not legally separate from the County and is not in separate control of custodial assets which it holds and expends for the benefits of others in the normal course of business and therefore the adoption of Statement No. 84 did not have an impact on the Fund's financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GASB Statement No. 90, *Majority Equity Interests- An Amendment of GASB Statements No.14 and No. 61*

Statement No.90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Both the County and the Fund are not holding a majority equity interest in a legally separate organization as an investment and the adoption of Statement No. 90 did not have an impact on the Fund's financial statements.

3. GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- An Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances which the potential component unit does not have a governing board, mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements. The requirements of this statement also enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The adoption of Statement No. 97 did not have an impact on the Fund's financial statements.

4. GASB Statement No. 98, *The Annual Comprehensive Financial Report*

Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

D. Deposits and Investments

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

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

E. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of \$7,424,000 for both fiscal years ending September 30, 2021 and 2020.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Due from or to Other County Funds

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

G. Inventories and Prepaid Items

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

H. Capital Assets

Capital assets, which include utility plant in service and equipment, are recorded at cost or, if donated, at acquisition value at the date of donation. The capitalization levels are \$5,000 for equipment and \$50,000 for utility plant in service and land.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Utility Plant in Service	10 - 45 years
Equipment	3 - 30 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources in the Fund's Statements of Net Position relates to debt refunding, OPEB and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Deferred outflows on OPEB activities are more fully disclosed in Note 1, Section L and Note 9. Deferred outflows on pension activities are more fully disclosed in Note 1, Section M and Note 10.

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

K. Long-term Obligations

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

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

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

M. Pensions

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

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

N. Net Position and Net Position Flow Assumption

Net position represents the residual interest in the Fund's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire,

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

construct or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of other two components.

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

O. Capital Contributions

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

P. Use of Estimates

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2021 and 2020, the Fund's deposits and investments consisted of the following (in thousands):

	September 30	
	2021	2020
Cash Deposits	\$ 109,473	\$ 74,952
Investments:		
U.S. Treasuries	56,449	33,344
U.S. Agencies	15,018	-
Sovereign Bonds	29	-
World Bank	288	-
Money Market Mutual	-	159,427
Total Investments	71,784	192,771
Total Cash, Cash Equivalents and Investments	\$ 181,257	\$ 267,723

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

	September 30	
	2021	2020
Current Assets		
Unrestricted		
Cash and Cash Equivalents	\$ 12,973	\$ 5,874
Investments	18,480	16,503
Restricted		
Cash and Cash Equivalents	71,700	63,592
Investments	-	9,549
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	24,800	164,918
Investments	53,304	7,287
Total Cash, Cash Equivalents and Investments	\$ 181,257	\$ 267,723

A. Deposits

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2021 and 2020, \$25,768,000 and \$70,506,000, respectively was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the County's name.

B. Investments

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

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

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 25%; 3-4 years 20%; 4-5 years 15%; 5-7 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2021 and 2020, the portfolio weighted average maturity was 637 and 410 days, respectively, and was in accordance with the County's investment policy.

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

As of September 30, 2021 and 2020, the Fund's investments in U.S. Treasury and U.S. Agencies are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Services; except the investments in Farmer Mac which were not rated. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Rating Services, P-1 by Moody's Investors Service and F1 and

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

F1+ by Fitch. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and by Fitch and Aaa by Moody's Investors Service. The County's investments in Sovereign Bonds are currently rated AA- by Standard & Poor's Rating Services, A1 by Moody's Investors Service, and A+ by Fitch. The County's investments in the Money Market Mutual Funds are rated AAAm by Standard & Poor's Ratings Services and Aaammf by Moody's Investors Services. At September 30, 2021, the County's investments were held in the County's name.

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the U.S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer at the time of purchase. GASB Statement No. 40, "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3" requires disclosure when 5% or more is invested in any one issuer. The County's investment in the Federal Agricultural Mortgage Coporation was 29.19%, Federal Farm Credit Bank was 12.67%, Federal Home Loan Bank was 13.29%, and the Federal National Mortgage Association was 5.12% as of September 30, 2021. The County's investment in the Federal Agricultural Mortgage Corporation was 9.87%, Federal Farm Credit Bank was 6.32%, Federal Home Loan Bank was 21.09%, the Federal Home Loan Mortgage Corporation was 15.02%, and the Federal National Mortgage Association was 5.22% as of September 30, 2020.

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

The Fund has the following recurring fair value measurements as of September 30, 2021 and 2020 (in thousands):

Investments by Fair Value Level	Total	Quoted Prices in	Significant Other
		Active Markets (Level 1) September 30,	Observable Inputs (Level 2) September 30,
		2021	2021
Debt Securities:			
U.S. Treasuries	\$ 56,449	-	\$ 56,449
U.S. Agencies	15,018	-	15,018
Sovereign Bonds	29	-	29
World Bank	288	-	288
Total Debt Securities	\$ 71,784	-	71,784
Total Investments at Fair Value	\$ 71,784	\$ -	\$ 71,784

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments by Fair Value Level	Total	Quoted Prices in	Significant Other
		Active Markets (Level 1) September 30, 2020	Observable Inputs (Level 2) September 30, 2020
Debt Securities:			
U.S. Treasuries	\$ 33,344	-	\$ 33,344
U.S. Agencies	-	-	-
Sovereign Bonds	-	-	-
World Bank	-	-	-
Total Debt Securities	\$ 33,344	-	\$ 33,344
Money Market Mutual	159,427	159,427	-
Total Investments at Fair Value	\$ 192,771	\$ 159,427	\$ 33,344

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

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2021 and 2020 represent amounts restricted for debt service, maintenance and improvements under the terms of outstanding bond agreements. The bond reserve accounts contain the maximum amount of principal and interest requirements pursuant to the bond resolutions. The debt service accounts contain the principal and interest amounts required for payment due on October 1. The deposit account represents customer deposits and the renewal, replacement, and improvement fund is required by the bond resolution.

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

	September 30,	
	2021	2020
Bond Reserve Accounts	\$ 45,569	\$ 45,569
Debt Service Accounts	31,302	30,581
Renewal, Replacement, and Improvement Accounts	7,802	7,287
Deposit Account	9,754	9,585
Construction Projects Account	55,377	152,324
	\$ 149,804	\$ 245,346

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 3- RESTRICTED ASSETS (Continued)

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

	September 30,	
	2021	2020
Current Restricted Assets		
Cash and Cash Equivalents	\$ 71,700	\$ 63,592
Investments	-	9,549
Noncurrent Restricted Assets		
Cash and Cash Equivalents	24,800	164,918
Investments	53,304	7,287
	<u>\$ 149,804</u>	<u>\$ 245,346</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2021 and 2020 are as follows (in thousands):

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	329,534	112,600	(64,241)	377,893
Total Capital Assets, Not Being Depreciated	<u>334,470</u>	<u>112,600</u>	<u>(64,241)</u>	<u>382,829</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,347,353	63,212	-	1,410,565
Equipment	40,742	2,886	(1,174)	42,454
Total Capital Assets, Being Depreciated	<u>1,388,095</u>	<u>66,098</u>	<u>(1,174)</u>	<u>1,453,019</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(652,616)	(34,013)	-	(686,629)
Equipment	(37,746)	(2,648)	1,063	(39,331)
Total Accumulated Depreciation	<u>(690,362)</u>	<u>(36,661)</u>	<u>1,063</u>	<u>(725,960)</u>
Total Capital Assets Being Depreciated, Net	<u>697,733</u>	<u>29,437</u>	<u>(111)</u>	<u>727,059</u>
Total Capital Assets, Net	<u>\$ 1,032,203</u>	<u>\$ 142,037</u>	<u>\$ (64,352)</u>	<u>\$ 1,109,888</u>

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 4,936	\$ -	\$ -	\$ 4,936
Construction in Progress	285,447	132,658	(88,571)	329,534
Total Capital Assets, Not Being Depreciated	<u>290,383</u>	<u>132,658</u>	<u>(88,571)</u>	<u>334,470</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,255,670	91,730	(47)	1,347,353
Equipment	37,028	3,789	(75)	40,742
Total Capital Assets, Being Depreciated	<u>1,292,698</u>	<u>95,519</u>	<u>(122)</u>	<u>1,388,095</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(631,758)	(20,858)	-	(652,616)
Equipment	(23,897)	(13,924)	75	(37,746)
Total Accumulated Depreciation	<u>(655,655)</u>	<u>(34,782)</u>	<u>75</u>	<u>(690,362)</u>
Total Capital Assets Being Depreciated, Net	<u>637,043</u>	<u>60,737</u>	<u>(47)</u>	<u>697,733</u>
Total Capital Assets, Net	<u>\$ 927,426</u>	<u>\$ 193,395</u>	<u>\$ (88,618)</u>	<u>\$ 1,032,203</u>

Utility Plant in Service in the amount of \$46,961 was reclassified to equipment during fiscal year 2020.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2021 and 2020 are as follows (in thousands):

	Balance October 1, 2020	Additions	Deductions	Balance September 30, 2021	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 685,020	\$ -	\$ (15,925)	\$ 669,095	\$ 17,035	\$ 652,060
Unamortized Bond Premiums and Discounts	63,818	-	(4,415)	59,403	-	59,403
Compensated Absences	4,406	2,784	(2,688)	4,502	1,969	2,533
Other Post Employment Benefits	1,919	-	(5)	1,914	-	1,914
Net Pension Liability	33,045	-	(17,697)	15,348	-	15,348
Total	\$ 788,208	\$ 2,784	\$ (40,730)	\$ 750,262	\$ 19,004	\$ 731,258

	Balance October 1, 2020	Additions	Deductions	Balance September 30, 2020	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 440,855	\$ 360,485	\$ (116,320)	\$ 685,020	\$ 15,925	\$ 669,095
Unamortized Bond Premiums and Discounts	41,661	36,318	(14,161)	63,818	-	63,818
Compensated Absences	3,879	2,660	(2,133)	4,406	1,980	2,426
Other Post Employment Benefits	1,369	550	-	1,919	-	1,919
Net Pension Liability	27,419	5,626	-	33,045	-	33,045
Total	\$ 515,183	\$ 405,639	\$ (132,614)	\$ 788,208	\$ 17,905	\$ 770,303

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2021 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption		Final Maturity Date	Original Amount Issued	Retired/Refunded	Outstanding September 30, 2021
			Rate %	Date	Optional (O) or Mandatory (M)	Year				
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2021	\$ 63,555	\$ 61,920	\$ 1,635
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	26,710	24,585
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	28,340	82,580
2012 Series C	Refunding	Serial	0.44-1.9	04/01 10/01	N/A	N/A	10/1/2018	47,655	47,655	-
2015 Series A	Refunding	Serial	5.0	04/01 10/01	O	2025	10/1/2030	42,255	-	42,255
2015 Series B	Refunding	Serial	3.0-5.0	04/01 10/01	O	2025	10/1/2034	157,555	-	157,555
2019 Series A	Improvements	Serial	3.0-5.0	04/01 10/01	O	2029	10/1/2044	249,110	-	249,110
2019 Series B	Refunding	Serial	2.558-3.088	04/01 10/01	O	2029	1/1/2037	96,440	-	96,440
2019 Series B	Refunding	Term	3.3	04/01 10/01	M	2037	1/1/2034	14,935	-	14,935
										\$ 669,095

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, 2021 and 2020.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The debt service maturity requirements for all bonds outstanding as of September 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	\$ 17,035	\$ 28,154	\$ 45,189
2023	17,790	27,336	45,126
2024	18,670	26,440	45,110
2025	19,585	25,494	45,079
2026	20,565	24,490	45,055
2027-2031	116,985	106,039	223,024
2032-2036	144,010	77,687	221,697
2037-2041	163,120	47,941	211,061
2042-2044	151,335	12,203	163,538
	<u>\$ 669,095</u>	<u>\$ 375,784</u>	<u>\$ 1,044,879</u>

On December 4, 2019, pursuant to Resolution No. 2019-462 adopted by the Board of County Commissioners of the County on October 15, 2019, the County issued: (i) \$249.110 million in Water and Sewer Utility Revenue Bond, Series 2019A (the "Series 2019A Bonds") with interest rates ranging from 3.00% to 5.00% with a premium of \$36.318 million resulting in a true interest rate of 3.31%; and (ii) \$111.375 million in Water and Sewer Utility Revenue Bonds, Series 2019B (the "Series 2019B Bonds") with interest rates ranging from 2.56% to 3.34% at par.

The Series 2019A Bonds were issued for the purposes of providing funds, together with other legally available funds, if any, to: (i) pay all or a portion of the Costs of acquiring and constructing the 2019 Projects and refinance certain interim indebtedness of the County relating to financing a portion of the Costs of the 2019 Project; (ii) fund the increase in the Reserve Account Requirement; and (iii) pay the costs of issuance of the Series 2019A Bonds.

The Series 2019B Bonds were issued, on a taxable basis, for the purpose of providing funds, together with other legally available funds, to (i) defease and refund, on an advance basis, \$101.115 million of the outstanding Water and Sewer Utility Revenue Series 2012A Bonds; and (ii) pay certain costs of issuance relating to the Series 2019B Bonds. The net proceeds and other moneys of the County which totaled \$111.428 million (consisting of the par amount of \$111.375 million, plus \$885,000 accumulated in the Debt Service Fund relating to the refunded bonds, after the payment of underwriting fees and other issuance costs of \$832,000) 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 net carrying amount of the old debt exceeded the reacquisition price by \$485,000 for the Series 2019B Bonds. The amount was reported in the accompanying financial statements as deferred inflows of resources and are being recognized as revenues through the fiscal year 2038 using the straight-line method of amortization. The County completed the advance refunding of the Series 2019B Bonds to reduce its total debt service payments over the next 18 years by \$12.715 million. The County also obtained an economic gain (difference between the present value of the old and the new debt service payments) of \$11.649 million.

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Water and Sewer Utility Revenue Bonds are issued to finance the construction or improvement of the County's Water and Wastewater Utility and are payable solely from and are secured by a pledge of net revenues of the Fund, as defined in the Bond Resolution. In accordance with Section 502 of the Bond Resolution, the debt service coverage for the fiscal years ended September 30, 2021 and 2020 are as follows (in thousands):

	September 30,	
	2021	2020
Revenues	\$ 152,144	\$ 156,042
Expenses	79,641	82,726
Amount Available for Debt Service	<u>\$ 72,503</u>	<u>\$ 73,316</u>
Debt Service		
Deposit to Principal Account	\$ 17,035	\$ 15,925
Deposit to Interest Account	28,535	26,825
Total Debt Service	<u>\$ 45,570</u>	<u>\$ 42,750</u>
Debt Service Coverage Available for Debt Service	159%	171%
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, 2021 and 2020 were as follows (in thousands):

	September 30,	
	2021	2020
Revenue Pledged	\$ 72,503	\$ 73,316
Debt Service	\$ 44,848	\$ 37,809
Future Revenues Pledged	\$ 1,044,879	\$ 1,089,727
Percentage of Debt Service to Pledged Revenues	61.9%	51.6%

Total future pledged revenues must be sufficient to repay principal and interest on a cash basis through fiscal year 2045.

Defeased Bonds

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

The Fund had an outstanding defeased bond balance of \$101.115 million for Water and Sewer Utility Revenue Bonds Series 2012A (Partially Refunded) as of September 30, 2021.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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):

	2021	2020
Capital Recovery Fees	\$ 2,114	\$ 1,859
Capital Contributed from Other Governments	2,168	2,115
Capital Contributed by Developers	1,038	3,819
	<u>\$ 5,320</u>	<u>\$ 7,793</u>

NOTE 7 - RISK MANAGEMENT

The Fund is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates in the County's workers' compensation, general liability and health insurance programs. For its self-insured workers' compensation exposure, the County purchases excess coverage above a \$2,000,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. Mass transit liability, auto liability, medical malpractice, and general liability. The County's general liability is entirely self-insured, with the County providing coverage up to the statutory limits of \$200,000 per person and \$300,000 per occurrence. The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a \$250,000 per occurrence deductible for workers' compensation and general liability claims and a \$25,000 deductible for environmental claims. The Fund participated in the OCIP program and made contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects. The OCIP program expired in December 2019. However, there are incurred but not reported (IBNR) responsibilities for all projects that were enrolled. There is a 10 year statute of repose and a 4 year statutory liability limit. The County is self-insured for employee health insurance and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of \$500,000 per individual. The County (through the Self-Insurance Fund) also purchases commercial insurance for property coverage, and numerous smaller policies that are required by lease agreements, union contracts, state statutes, etc. Settled claims have not exceeded commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. Participating funds are indemnified against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred in all funds. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2021. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The claims liability estimates also include amounts for incremental adjustment expenses as well as estimated recoveries from salvage or subrogation. The claims liability is based on an estimate, and the ultimate settlement of the claims may differ from the amounts recorded.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 8 - LARGE USER AGREEMENTS AND MAJOR CUSTOMERS

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

The debt service charge is based on the relative percentage of reserve capacity designated for each user to total reserve capacity. As of September 30, 2021 and 2020, the top ten customers revenues accounted for approximately 37% of total operating revenue, respectively, and the Large User revenues, which excludes Major Retail customers, accounted for 29% of total operating revenue, respectively.

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

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

Customer:	2021			% of Total Operating Revenue
	Wastewater	Water	Total	
Coconut Creek ³	\$ 4,062	\$ 7,605	\$ 11,667	7.72%
Pompano Beach	9,933	-	9,933	6.57%
Coral Springs	6,961	-	6,961	4.61%
Tamarac	6,187	-	6,187	4.09%
Deerfield Beach	5,542	-	5,542	3.67%
Lauderhill	5,470	-	5,470	3.62%
Broward County Agencies ²	1,168	1,708	2,876	1.90%
North Lauderdale	3,129	-	3,129	2.07%
NSID ¹	3,075	-	3,075	2.03%
Broward County School Board ²	537	702	1,239	0.82%
	<u>\$ 46,064</u>	<u>\$ 10,015</u>	<u>\$ 56,079</u>	<u>37.11%</u>

¹ North Springs Improvement District

² Retail Customer for Wastewater and Water

³ Retail Customer for Water

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

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

Customer:	2020			% of Total Operating Revenue
	Wastewater	Water	Total	
Coconut Creek ³	\$ 3,883	\$ 8,372	\$ 12,255	8.05%
Pompano Beach	10,294	-	10,294	6.76%
Coral Springs	5,504	-	5,504	3.62%
Tamarac	4,795	-	4,795	3.15%
Deerfield Beach	4,390	-	4,390	2.88%
Lauderhill	4,374	-	4,374	2.87%
Broward County Agencies ²	1,210	1,933	3,143	2.07%
North Lauderdale	3,039	-	3,039	2.00%
NSID ¹	2,877	-	2,877	1.89%
Broward County School Board ²	557	783	1,340	0.88%
	<u>\$ 40,923</u>	<u>\$ 11,088</u>	<u>\$ 52,011</u>	<u>34.17%</u>

¹ North Springs Improvement District

² Retail Customer for Wastewater and Water

³ Retail Customer for Water

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Fund, as an agency of the County, participates in the County's single employer defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the Fund's plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue financial reports. At September 30, 2021 and 2020, the OPEB Plan covered 319 and 334 active department's benefit eligible employees, respectively. In addition, the total retirees covered under this plan for the County is 217 and 235 (excluding BSO) at September 30, 2021 and 2020, respectively, whereas individual totals of retirees by department is not available.

Funding Policy and Annual OPEB Cost

The Fund is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund of the County and other funds where personnel are located. The Fund makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Fund for active employees. The County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is called the Employer Contribution and represents the implicit subsidy provided by the Fund to its retirees.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date/Measurement Date	9/30/2021	9/30/2020
Actuarial Cost Method	Entry Age	Entry Age
Discount Rate	2.43%	2.41%
Projected Cash Flows	Pay-as-you-go	Pay-as-you-go
Municipal Bond Rate	20-Year Tax Exempt General Obligation	20-Year Tax Exempt General Obligation
Bond Rate Basis	Average Rating of AA/Aa or Higher	Average Rating of AA/Aa or Higher
Projected Salary Increases*	3.25%	3.25%
Healthcare Cost Trend Rate	7.50% initial; 4.50% ultimate	8.00% initial; 4.50% ultimate

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

Various PUB-2010 Generational Tables projected generationally using Scale MP-2019 and various RP-2000 Generational Tables projected generationally using Scale BB for the OPEB mortality assumption for FY2021 & FY2020, respectfully.

Changes in Total OPEB Liability and Related Ratios

Below are details regarding the total OPEB liability for the year ended September 30, 2021 and 2020.

	2021	2020
Total OPEB Liability recognized at 10/1	\$ 1,919	\$ 1,369
Changes for the Fiscal Year:		
Service Cost	132	91
Interest	52	64
Difference between Actual and Expected Experience	(88)	188
Assumption Changes	(6)	284
Benefits Payments	(95)	(77)
Net Change in total OPEB	(5)	550
Total OPEB Liability at September 30th	\$ 1,914	\$ 1,919
Covered-Employee Payroll	21,058	20,986
Total OPEB Liability as a percent of Covered-Employee Payroll	9.09%	9.14%

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2021 and 2020 using the discount rate of 2.43% and 2.41%, respectively, as well as what the proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.43% and 1.41%, respectively) or one percentage point higher (3.43% and 3.41%, respectively) than the current rate (in thousands):

As of September 30, 2021	1% Decrease 1.43%	Current Discount Rate 2.43%	1% Increase 3.43%
Total OPEB Liability	\$ 2,395	\$ 1,914	\$ 1,794

As of September 30, 2020	1% Decrease 1.41%	Current Discount Rate 2.41%	1% Increase 3.41%
Total OPEB Liability	\$ 2,441	\$ 1,919	\$ 1,825

Sensitivity of the Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trends - The following represents the Fund's proportionate share of the total OPEB liability calculated as of September 30, 2021 and 2020 using health care cost trend of 7.50% - 4.50% and 8.0% - 4.50%, as well as what the proportionate share of the OPEB liability would be if it were calculated using a healthcare cost rate trend that is one percentage point lower (6.50% -3.50% ; 7.00%- 3.50%) or one percentage point higher (8.50%- 5.50%; (9.00% - 5.50%), respectively than the current rate (in thousands):

As of September 30, 2021	1% Decrease 6.50% to 3.50%	Current Discount Rate 7.50% to 4.50%	1% Increase 8.50% to 5.50%
Total OPEB Liability	\$ 1,703	\$ 1,914	\$ 2,544

As of September 30, 2020	1% Decrease 7.00% to 3.50%	Current Discount Rate 8.00% to 4.50%	1% Increase 9.00% to 5.50%
Total OPEB Liability	\$ 1,755	\$ 1,919	\$ 2,563

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

For the year ended September 30, 2021 and 2020, the Fund recognized OPEB expenses of \$130,000 and \$199,000, respectively. At September 30, 2021 and 2020, the Fund reported deferred outflows and deferred inflows of resources related to OPEB for the following sources:

As of September 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resource
Difference between Expected and Actual Experience	215	\$ (105)
Changes in Assumptions or Other Inputs	179	(21)
Total	\$ 394	\$ (126)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

As of September 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resource
Difference between Expected and Actual Experience	\$ 247	\$ (28)
Changes in Assumptions or Other Inputs	203	(18)
Total	<u>\$ 450</u>	<u>(46)</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB as of September 30, 2021, will be recognized in the OPEB expense as follows:

Years Ending September 30th	
2022	\$ 35
2023	35
2024	35
2025	35
2026	35
Thereafter	93
Total	<u>\$ 268</u>

NOTE 10 - RETIREMENT PLANS

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

The plan administrator for FRS prepares and publishes its own stand-alone 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.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

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

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

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

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30% on the preceding months DROP accumulation until DROP participation ends.

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

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

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

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, 2012 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular - 8.28% and 9.10%, Senior Management Service - 25.57% and 27.29%; and DROP participants - 15.32% and 16.68%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment. For the fiscal years ending September 30, 2021 and 2020, contributions, including employee contributions of \$499,000 and \$505,000, to the Pension Plan for the Fund totaled \$2,314,000 and \$2,078,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021 and 2020, the Fund reported liabilities of \$6,023,000 and \$23,702,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2021 and June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2021 and July 1, 2020, respectively. The Fund's proportionate share of the net pension liability was based on its share of the County's 2020-2021 and 2019-2020 fiscal year contributions relative to the 2020-2021 and 2019-2020 fiscal year contributions of all participating members. At June 30, 2021, the Fund's proportionate share was 0.05446% which was an increase of 0.00359% from its proportionate share measured as of June 30, 2020. At June 30, 2020, the Fund's proportionate share was 0.05087%, which was a decrease of 0.00065% from its proportionate share measured at June 30, 2019.

For the fiscal years ended September 30, 2021 and 2020, the Fund recognized pension expense of \$299,000 and \$4,718,000, 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, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 705	\$ -
Change of Assumptions	2,815	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(14,352)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	1,402	(19)
Pension Plan Contributions Subsequent to the Measurement Date	603	-
Total	\$ 5,525	\$ (14,371)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

As of September 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 844	\$ -
Change of Assumptions	3,992	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,313	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	449	(69)
Pension Plan Contributions Subsequent to the Measurement Date	553	-
Total	\$ 7,151	\$ (69)

The deferred outflows of resources related to the Pension Plan, totaling \$603,000 for the Fund, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022.

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

<i>Years Ending September 30th</i>	
2022	\$ (1,577)
2023	(1,888)
2024	(2,651)
2025	(3,517)
2026	184
Total	\$ (9,449)

Actuarial Assumptions - The total pension liability in the July 1, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.40%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	6.80% in 2021 and in 2020, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2021 valuation were unchanged from those used in the prior valuation as of July 1, 2020.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

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

As of September 30, 2021

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.10%	2.10%	1.10%
Fixed Income	20.00%	3.80%	3.70%	3.30%
Global Equity	54.20%	8.20%	6.70%	17.80%
Real Estate (Property)	10.30%	7.10%	6.20%	13.80%
Private Equity	10.80%	11.70%	8.50%	26.40%
Strategic Investments	3.70%	5.70%	5.40%	8.40%
Total	100.00%			
Assumed Inflation - Mean			2.40%	1.20%

As of September 30, 2020

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.20%	2.20%	1.20%
Fixed Income	19.00%	3.00%	2.90%	3.50%
Global Equity	54.20%	8.00%	6.70%	17.10%
Real Estate (Property)	10.30%	6.40%	5.80%	11.70%
Private Equity	11.10%	10.80%	8.10%	25.70%
Strategic Investments	4.40%	5.50%	5.30%	6.90%
Total	100.00%			
Assumed Inflation - Mean			2.40%	1.70%

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2021 and 2020 was 6.80%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.80% rate of return assumption used in the June 30, 2021 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2021 and 2020 using the discount rate of 6.80%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate (in thousands):

As of September 30, 2021	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Proportional Share of the Net Pension Liability	\$ 26,937	\$ 6,023	\$ (11,458)

As of September 30, 2020	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Proportional Share of the Net Pension Liability	\$ 37,848	\$ 23,702	\$ 11,887

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, 2021 and 2020, the Fund reported payables in the amount of \$133,000 and \$135,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2021 and 2020.

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, 2021 and 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rate for the period from July 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 were 1.66% and 1.66% respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

For the fiscal year ending September 30, 2021 and 2020, contributions to the HIS Plan for the Fund totaled \$401,000 and \$404,000, respectively.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021 and 2020, the Fund reported liabilities of \$9,325,000 and \$9,343,000, respectively, for its proportionate share of the HIS Plan's net pension liability.

The net pension liabilities were measured as of June 30, 2021 and June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2021 and July 1, 2020.

The Fund's proportionate share of the net pension liability was based on its share of the County's 2020-2021 and 2019-2020 fiscal year contributions relative to the 2020-2021 and 2019-2020 fiscal year contributions of all participating members. At June 30, 2021, the Fund's proportionate share was 0.06823% which was a decrease of 0.00128% from its proportionate share measured as of June 30, 2020. At June 30, 2020, the Fund's proportionate share was 0.06951%, which was an increase of 0.000140% from its proportionate share measured at June 30, 2019.

For the fiscal years ended September 30, 2021 and 2020, the Fund recognized pension expense of \$700,000 and \$808,000, 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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of September 30, 2021		
Differences Between Expected and Actual Experience	\$ 280	\$ (3)
Change in Assumptions	658	(345)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	411	(45)
Pension Plan Contributions Subsequent to the Measurement Date	105	-
Total	\$ 1,463	\$ (393)

	Deferred Outflows of Resources	Deferred Inflows of Resources
As of September 30, 2020		
Differences Between Expected and Actual Experience	\$ 347	\$ (8)
Change in Assumptions	913	(493)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	536	(5)
Pension Plan Contributions Subsequent to the Measurement Date	107	-
Total	\$ 1,910	\$ (506)

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$105,000 for the Fund, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows (in thousands):

<i>Years Ending September 30th</i>	
2022	\$ 275
2023	153
2024	191
2025	192
2026	130
Thereafter	23
Total	\$ 964

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2020 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2021 and 2020. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of June 30, 2020 using a standard actuarial roll-forward technique. The total pension liabilities as of June 30, 2021 and 2020 were determined using the following actuarial assumptions:

Inflation 2.40%
Salary Increases 3.25% average, including inflation
Investment Rate of Return 2.16% in 2021 and 2.21% in 2020, net of pension plan investment expense, including inflation
2021 and 2020 Mortality Rates were based on the Generational PUB-2010 with Projection Scale BB-2018 tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2021 and 2020 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2021 and 2020 was 2.16% and 2.21% respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Fund's proportionate share of the net pension liability calculated as of September 30, 2021 and 2020 using the discount rate of 2.16% and 2.21%, 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 (1.16% and 1.21%, respectively) or one percentage point higher (3.16% and 3.21%, respectively) than the current rate (in thousands):

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

As of September 30, 2021	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Proportional Share of the Net Pension Liability	\$ 10,780	\$ 9,325	\$ 8,132

As of September 30, 2020	1% Decrease 1.21%	Current Discount Rates 2.21%	1% Increase 3.21%
Proportional Share of the Net Pension Liability	\$ 10,800	\$ 9,343	\$ 8,151

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, 2021 and 2020, the Fund reported payables in the amount of \$30,000 and \$31,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2021 and 2020.

C. Investment Plan

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

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal years ended September 30, 2021 and 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Fund.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 10 - RETIREMENT PLANS (Continued)

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

The Investment Plan pension expense for the Fund totaled \$443,000 and \$448,000 for the fiscal years ended September 30, 2021 and 2020 respectively.

Payables to the Investment Plan - At September 30, 2021 and 2020, the Fund reported payables in the amount of \$39,700 and \$40,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2021 and 2020.

The Fund's proportionate share of the Plans' net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2021 and 2020, and pension expense/adjustments for the fiscal year ended September 30, 2021 and 2020, were allocated to the Fund's funds based on contributions. Amounts are as follows (in thousands):

September 30, 2021	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Adjustment
Fund's Activities				
Pension Plan	\$ (6,023)	\$ 5,525	\$ (14,371)	\$ (1,750)
HIS Plan	(9,325)	1,463	(393)	316
Total Fund's Activities	\$ (15,348)	\$ 6,988	\$ (14,764)	\$ (1,434)

September 30, 2020	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Adjustment
Fund's Activities				
Pension Plan	\$ (23,702)	\$ 7,151	\$ (69)	\$ 3,044
HIS Plan	(9,343)	1,910	(506)	426
Total Fund's Activities	\$ (33,045)	\$ 9,061	\$ (575)	\$ 3,470

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2021, the Fund had various uncompleted construction projects in process, with commitments totaling \$108,129,000. The retainage payable on these contracts totaled \$15,106,000.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 12 - TRANSACTIONS WITH OTHER COUNTY DEPARTMENTS

The Fund reimburses the General Fund of the County for an allocated portion of certain support department costs, which include such services as management, administrative, fiscal, internal audit, legal, personnel, purchasing, computer services and information systems, and communication costs. Furthermore, the Fund is charged for the cost of services provided by the Fleet Services and Print Shop Funds. The total cost for the above services was approximately \$2,036,000 and \$1,746,000 for the years ended September 30, 2021 and 2020, respectively.

For the year ending September 30, 2020, the Fund paid the General Fund \$3.2 million for its proportionate share of the County's Enterprise Resource Planning system, there was no payment to general fund for year ending September 30, 2021.

The Fund also bills other County departments for water and sewer services provided. The total amount billed for the years ended September 30, 2021 and 2020 was approximately \$2,876,000 and \$3,143,000, respectively.

At September 30, 2021 and 2020, \$475,000 and \$245,000, respectively, was due from other County funds.

NOTE 13 - SUBSEQUENT EVENTS

On February 2, 2022, the Water and Sewer System issued Revenue Bonds, Series 2022A in the principal amount of \$199,265,000 with a premium of \$31,049,000 for the purpose of acquisition and construction of major capital facilities and equipment in addition to funding the cost of issuance and the increase to the debt service reserve. The True Interest Cost (TIC) for the series 2022A Bonds is 3.080527%.

**Required Supplementary Information
(Unaudited)**

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

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

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

See accompanying notes to the Required Supplementary Information

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

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

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

See accompanying notes to the Required Supplementary Information

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

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

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

See accompanying notes to the Required Supplementary Information

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

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

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

See accompanying notes to the Required Supplementary Information

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

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

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.

See accompanying notes to the Required Supplementary Information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021 and 2020

NOTE 1 - OTHER POSTEMPLOYMENT BENEFITS INFORMATION

The Fund did not have assets accumulated in a trust. For the measurement date of September, 30, 2021 and 2020, the actuarial valuation used a discount rate of 2.43% and 2.41%, respectively. The discount rate will be updated annually to reflect market conditions as of the measurement date.

NOTE 2 - PENSION INFORMATION

The discount rate used to measure the pension liability of the Pension Plan at June 30, 2021 was 6.80%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.80% rate of return assumption used in the June 30, 2021 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates for the Plan.

Supplementary Financial Information

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULES OF NET REVENUE AND DEBT COVERAGE CALCULATION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Dollars In Thousands)**

	2021	2020
Revenues:		
Water	\$ 53,618	\$ 54,872
Wastewater	92,306	91,727
Other	6,006	7,311
Interest Income	214	2,132
Total Revenues	152,144	156,042
Expenses:		
Personal Services	31,767	35,065
Utilities Services	16,664	17,196
Chemicals	3,733	3,839
County Services	4,732	4,889
Material and Supplies	6,582	6,489
Motor Pool	1,756	1,473
Contractual Services	8,769	8,113
Other	5,638	5,662
Total Expenses	79,641	82,726
Net Revenue Available for Principal and Interest Requirements	72,503	73,316
Principal And Interest Requirements:		
Series 2009A Bonds	1,700	1,984
Series 2012A Bonds	3,755	3,670
Series 2012B Bonds	14,271	16,370
Series 2012C Bonds	-	-
Series 2015A Bonds	2,113	2,113
Series 2015B Bonds	9,515	6,885
Series 2019A Bonds	10,583	8,731
Series 2019B Bonds	3,633	2,997
Total Principal and Interest Requirements	45,570	42,750
Debt Coverage Required	1.20	1.20
Actual Debt Coverage All Debt Service by Net Revenue	1.59	1.71
Balance Available for Renewal, Replacement and Capital Expenditures	\$ 26,933	\$ 30,566

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water and Wastewater Fund (the Fund) of Broward County, Florida (the County), an enterprise fund of the County, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 21, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Fort Lauderdale, Florida
March 21, 2022