

Palm Beach County, Florida Water Utilities Department

Comprehensive Annual Financial Report
Fiscal Years Ended September 30, 2018 and 2017



*Great Blue Heron,
Wakodahatchee Wetlands*



**Palm Beach County
Water Utilities**

**PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

An Enterprise Fund Department of the Palm Beach County, Florida
Board of County Commissioners

Finance and Accounting Section of the
Water Utilities Department of Palm Beach County

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2018 and 2017

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2018 and 2017

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Water Treatment Plant No. 11, Belle Glade



Contract Management, Central Region Operations Center



**Water Utilities Department
Administration**

P. O. Box 16097
West Palm Beach, FL 33416-6097
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Fax: (561) 493-6008
www.pbcwater.com



**Palm Beach County
Board of County
Commissioners**

Mack Bernard, Mayor
Dave Kerner, Vice Mayor
Hal R Valeche
Gregg K. Weiss
Robert S. Weinroth
Mary Lou Berger
Melissa McKinlay

County Administrator

Verdenia C. Baker

*“An Equal Opportunity
Affirmative Action Employer”*

March 29, 2019

Honorable Mack Bernard, Mayor, and Members of the
Palm Beach County Board of County Commissioners
Verdenia C. Baker, County Administrator
West Palm Beach, Florida

Dear Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Palm Beach County Water Utilities Department (the Department) for the fiscal years ended September 30, 2018 and September 30, 2017, is hereby submitted. The Department is an enterprise fund of the Palm Beach County Board of County Commissioners (BCC). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department’s financial activities have been included.

INDEPENDENT AUDITOR’S REPORT

RSM US LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Department’s financial statements for the fiscal years ended September 30, 2018 and September 30, 2017. The independent auditor’s report is located at the front of the financial section of this report.

PROFILE

The Water Utilities Department is an enterprise fund operation of the BCC. The Department provides potable water, wastewater, and reclaimed water services to approximately 587,000 people located within approximately 1,300 square miles of the primarily unincorporated area of the County. In addition to serving unincorporated areas, the Department provides services directly to the residents and businesses of the Village of Royal Palm Beach, the City of Greenacres, and the Town of Haverhill. Through interlocal agreements, the Department also provides services directly to the Village of Palm Springs, the Town of Lake Clarke Shores, the Cities of Lake Worth, Boynton Beach, and Atlantis. The Cities of Belle Glade, Pahokee and South Bay are now directly served as well, since the Department's May 1, 2013 absorption of the Glades Utility Authority (GUA).

Palm Beach County is a political subdivision of the State of Florida and is governed by the State Constitution, general laws of the State of Florida, and the

County's Charter. The legislative and governing body of the County is the seven-member BCC. In accordance with the County's Charter, the Clerk & Comptroller is the Clerk of the BCC and is the official custodian of County funds and the accounting records of and for the Department. As an operating unit of the BCC, the Department reports directly to County Administration. An eleven-member Citizens' Advisory Board provides guidance to the Department and to the BCC on rate and policy issues.

The Department applies the provisions of the Governmental Accounting Standards Board (GASB) Statement 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." GASB 34 requires that management's discussion and analysis of the Department's financial performance be included as an integral part of the financial statements. Your attention is directed to page 15 for this information.

FINANCIAL CONDITION

Palm Beach County is the third most populous county in the State of Florida. The real estate and construction industries comprise the mainstays of the County's economic base. The Department's service area continues to reflect primarily residential customers, plus some commercial and light industrial services. The education and health sector, construction industry and financial services have all contributed to the decrease in the unemployment rate of 3.5% from 4.2% for 2018 and 2017, respectively, below the ten-year averages of 7.1% and 7.4%. This also contributed to an increased growth rate in dwelling units for the Department's service area to a rate of 1.1% and 0.8% for 2018 and 2017, respectively - slightly above the five-year averages of 0.91% and 0.79%. These factors, accompanied by inflation and water restrictions imposed by the South Florida Water Management District, have impacted the Department financially.

To offset the impact of these factors, the Department has implemented several cost-cutting measures. Through these efforts and the implementation of rate indexing, cash reserves as of September 30, 2018 and 2017, were 168% and 136%, respectively, of annual operating expenses

net of depreciation and amortization and exceeded the minimum benchmark of 25%. The Department's aggressive turn-off policy continues to yield positive results as bad debt expense for 2018 and 2017 was 0.36% and 0.2%, respectively, compared with the five-year averages of 0.17% and 0.2% for 2018 and 2017 respectively. These numbers are well within industry standards. Expenses are expected to continue to be subject to upward pressure from increased fuel and electricity costs, and growth is expected to remain at current levels. These factors were considered when preparing the Department's budget for fiscal year 2019. The budget forecasts that revenues will continue to be sufficient to fund operating expenses, debt service, a portion of the Department's capital projects expenditures, and sufficient reserves.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

For Fiscal Year 2018 - 2019: The Department continued its commitment to becoming a *Best in Class Utility* through the continued implementation of five narrowly focused Strategic Objectives: Safety, CIP Program Management, Asset Management, Communication and Strategic Planning.

Safety

WUD continues to improve the operating culture that highlights the importance of safety for all employees and stakeholders through all tiers of the organization. Specifically, WUD has added experienced and licensed professionals to the division of Environmental Health & Safety and is working diligently to raise the standard, knowledge, and responsibility of safety for all WUD Employees. WUD is driving home the idea, "If it is not Safe, don't do it!"

Current program highlights include:

- Implemented a structured program to incorporate annual safety inspections of all WUD facilities to reduce hazards in the working environment.
- Marked reduction of total safety related incidents from the previous years.

- Restructured safety training program that incorporates comprehensive tracking of all safety training with mandatory curriculum requirements for new employees and specific for job descriptions.
- Implementation of improved communication on safety related information through incident postings and distribution of WUD circulated documents. Provided to all WUD employees.
- Rolled out a Behavior Based Safety (BBS) program with the goal of making safety a habit for all employees.

Program Management

WUD continues to implement Program Management to successfully deliver larger, contractor-based projects as the implementation of the \$400 million WUD Capital Improvement Plan (CIP) moves forward. Program Management allows WUD to direct groups of related projects in a coordinated way to obtain control and benefits that are not always available when managing projects on an individual basis. WUD is successfully increasing its annual capital expenditures, has seen marked improvement in the consistency and transparency of project delivery and is promoting staff development within the program. WUD staff, in cooperation with the consultants that have been brought on to assist in the implementation of Program Management have successfully implemented project packages.

Future actions to implement this Objective include:

- Expansion of program staff training and education to improve efficiency in the implementation of the CIP, such as the achievement of Project Management Professional certification by team members.
- Improvement in the functionality of the CIP to allow information to be exported

to SharePoint for project and reporting purposes.

- Selection of a consultant for an Integrated Utility Master Plan to evaluate and determine expansion and improvement needs for the water, wastewater and reclaimed water systems by examining each system's requirements as an integrated system which will help guide utility decisions, budget appropriations and project delivery schedules.
- Preparation for procurement of a new program manager to continue implementation of the CIP.
- Review and update of construction administration processes and procedures, as well as the technical specification library.
- Successful completion of project packages on time and within budget.

Asset Management

WUD continues to work toward the establishment of an effective asset management program to operate and maintain these assets, but more importantly, to prioritize our investment and resources to repair and replace aging infrastructure over the coming decades. Using many of the systems that we have implemented such as Maximo Computerized Maintenance Management System (CMMS), Geographical Information System (GIS), Supervisory Control Alarming Data Acquisition (SCADA), Payroll Data (HRIS), and Business Intelligence software (Tableau), WUD can streamline maintenance using data driven decision processes. WUD has additionally started implementing ISO 55001 (Asset Management) standards to provide alignment of processes, resources, and functional contributions creating an integrated, effective management system for asset management.

Future actions to implement this Objective include:

- Continuous growth with utilization of the Maximo Computer Maintenance Management System (CMMS) while implementing ISO 55001 standards to fine tune WUD's Enterprise Asset Management Process.
- Development of additional Key Performance Indicators to enable data driven decision making to optimize and define our strategic maintenance program.
- Enhance WUD's SCADA system to enhance the ability to have operators in command and control of WUD's system assets. Allowing systems to be operated to maximum performance while protecting our assets from failure.

Communication

WUD is committed to keeping all employees and stakeholders informed about all the developments and opportunities within the organization through various resources and scheduled events. The Public Information (PI) Services section is tasked with both internal and external communications. This includes building a robust social media campaign to enhance employee and community outreach. The PI team utilizes a number of tools in keeping constituents informed, including the *WUD Journal*, an employee magazine published quarterly, press releases and a variety of educational and promotional videos. WUD's SharePoint site has been developed to be a one-stop resource for information, events and document-sharing, while employee engagement events, such as "HarvestFest" and the "WUD Olympics" are held on a semi-annual basis.

Future actions to implement this Objective include:

- Enhanced document and content management through the SharePoint site to allow for ease in information access and exchange, as well as providing for

increased efficiency in the production of work product, as errors will be minimized and there will not be a need to "reinvent the wheel" in the production of a variety of core WUD documents and forms.

- Expanded employee education and training will provide for increased employee engagement, as well as cross training that will result in a more highly skilled and flexible workforce, resulting in the Department having the ability to more effectively respond to future needs and challenges.

Strategic Planning

WUD continues to strive to achieve its overarching Mission to provide the *Best Water, Best Service and Best Environmental Stewardship* through the further implementation of the latest five (5) year Strategic Sustainability Plan (SSP). The SSP identifies general overarching goals for WUD, which will be realized by implementing the "Circles of Excellence" Initiatives. The Initiatives include: Workforce, Community, Environment, Infrastructure, Financial Responsibility, and Operational Excellence. Strategies and Key Performance Indicators (KPI) were subsequently assigned to the applicable Goals and Initiatives to enable WUD to make the necessary adjustments to map and measure progress and to develop an organizational culture that is focused on continuous improvement.

Future actions to implement this Objective include:

- The development of individual performance plans to incorporate into the larger scale strategic planning process.
- Implementation of the KPIs throughout WUD to further achieve the Strategic Objectives of the Department.
- Annual assessment of the achievement of the strategic plans and necessary

adjustments to adaptively manage the Department in the face of changing circumstances.

OTHER INFORMATION

Internal Control: In conformity with the internal control procedures established by the County, the Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Department are protected from loss, theft, or misuse. Additionally, the Department's internal controls ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

Budgetary Control: The Department's budget is included in the County's annual budget, which is prepared pursuant to Chapter 129, Florida Statutes, and represents the legal authority to levy taxes and expend funds for all County purposes. The Department's budget is balanced, as required by Florida Statutes, with the inclusion of reappropriated beginning fund balances. Encumbrance accounting is applied during the year. Budgetary control is maintained in the County's accounting system at the appropriation unit level. As part of the budget process, open encumbrances lapse at year-end and must be reappropriated in the following year and are, therefore, not reported as reserved fund balance at year-end. Activities of the operating accounts (Revenue; Operations and Maintenance; Sinking Fund Accounts, including Bond Interest, Bond Principal, Bond Redemption, and Debt Service Reserve; Renewal and Replacement; Capital Improvement; and Connection Fee) required by covenants securing the Department's indebtedness are included in the annual budget.

Award: The Government Finance Officers Association of the United States and Canada

(GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Palm Beach County, Florida, Water Utilities Department for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. This was the twenty-first consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment: The preparation of the CAFR was made possible by the dedicated services of the entire staff of the Finance and Accounting Section of the Finance and Administration Division. Each member of the Finance and Accounting Section has our sincere appreciation for the contributions made in the preparation of this report.

Very truly yours,



Jim Stiles
Department Director



Kenny Rampersad
Finance & Administration Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Palm Beach County, Florida
Water Utilities Department**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT PRINCIPAL OFFICIALS

Board of County Commissioners
As of September 30, 2018



Melissa McKinlay
Mayor
District 6



Mack Bernard
Vice Mayor
District 7



Hal R. Valeche
Commissioner
District 1



Paulette Burdick
Commissioner
District 2



Dave Kerner
Commissioner
District 3



Steven L. Abrams
Commissioner
District 4



Mary Lou Berger
Commissioner
District 5

County Administration

Verdenia C. Baker, County Administrator
Todd J. Bonlarron, Assistant County Administrator

Water Utilities Department

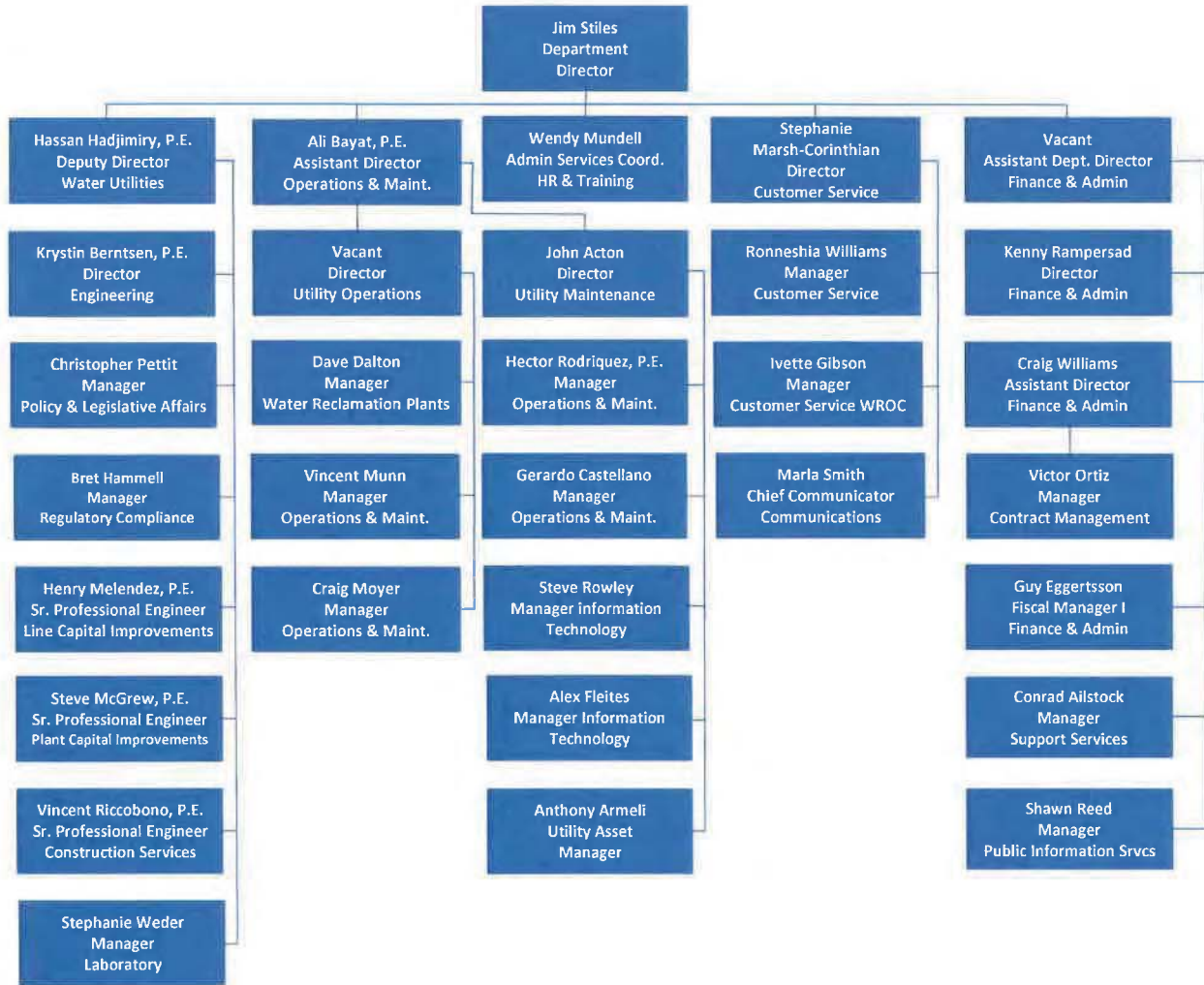
Jim Stiles, Director

Water Utilities Advisory Board

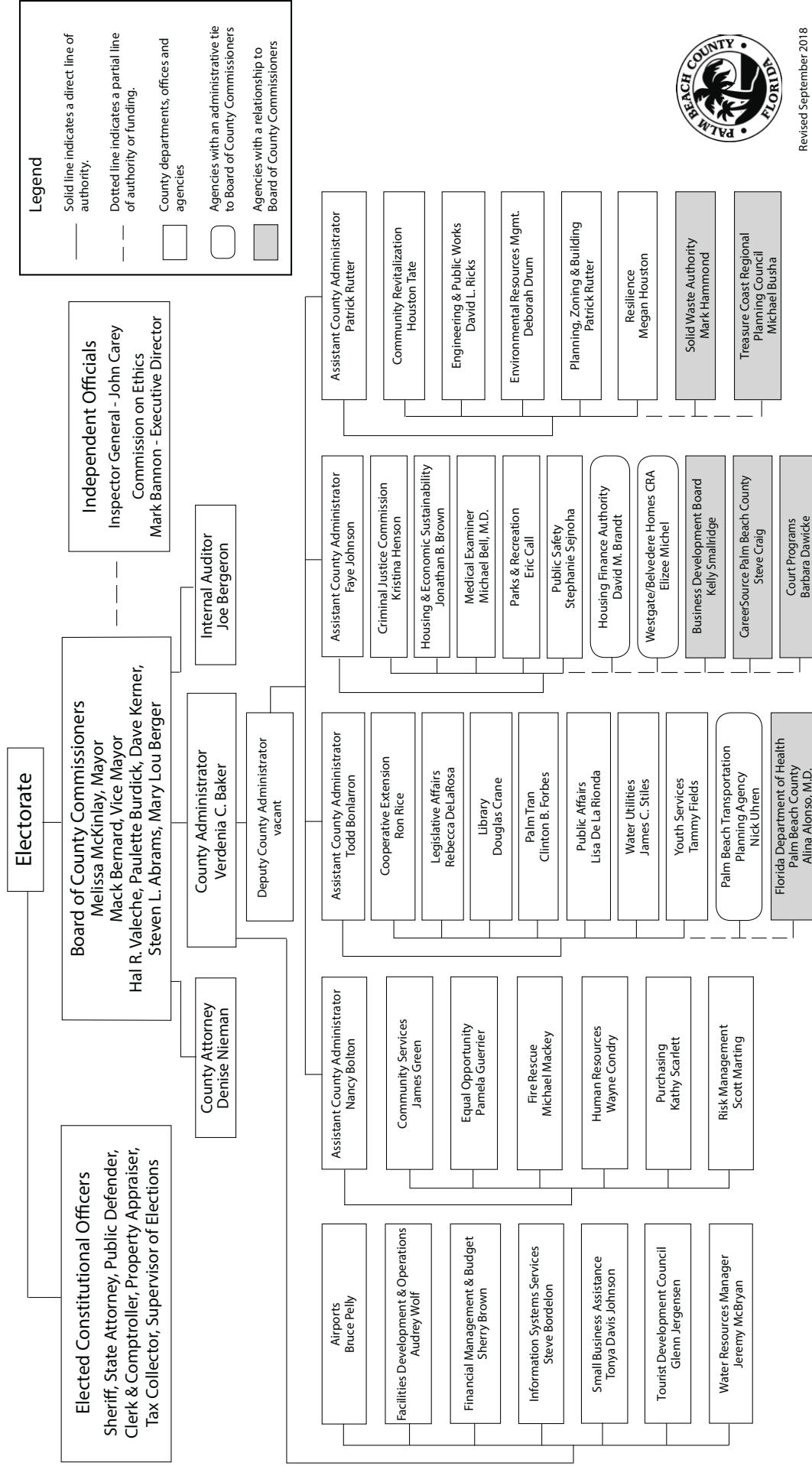


*(l-r) William Nuss, Rob A. Hawkins, Carolyn Pomeranz,
Bernard Castleman, Arnold E. Katz, Beverly J. Scott.
Not pictured: Myrna Rosoff, Ted Cott, Frank Matthews, Edwin Wechsler.*

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
ORGANIZATIONAL STRUCTURE
As of September 30, 2018



Palm Beach County Board of County Commissioners Organizational Structure

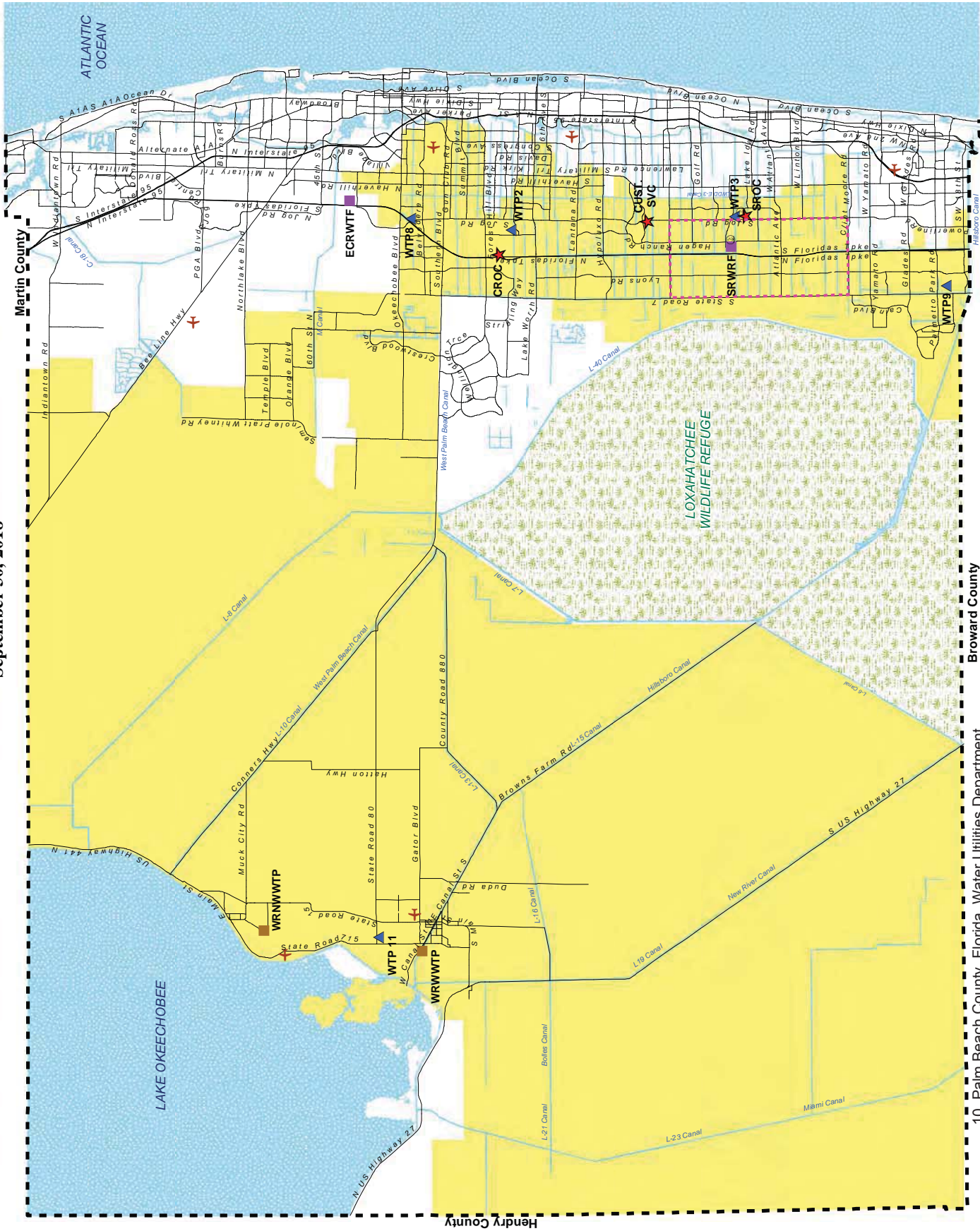


Legend

- Solid line indicates a direct line of authority.
- Dotted line indicates a partial line of authority or funding.
- County departments, offices and agencies
- Agencies with an administrative tie to Board of County Commissioners
- Agencies with a relationship to Board of County Commissioners



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SERVICE AREA (SA) AND MAJOR FACILITIES
 September 30, 2018



- Legend**
- Wastewater Treatment Plant
 - Water Reclamation Plant
 - ▲ Water Treatment Plant
 - ★ Administration
 - ⊙ Wetlands
 - Palm Beach County Limits
 - Mandatory Reclaimed SA
 - P.B.C.W.U.D. Service Area



NOT TO SCALE



Water Treatment Plant No. 2, Lake Worth



Wakodahatchee Wetlands, Delray Beach



RSM US LLP

Independent Auditor's Report

To the Honorable Board of County Commissioners
Palm Beach County, Florida Water Utilities Department
Palm Beach County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Palm Beach County, Florida Water Utilities Department (the Department) as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Department'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 Department as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of Palm Beach County, Florida, as of September 30, 2018 and 2017, and the changes in its financial position and where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Department adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. The net position of the Department as of October 1, 2017, has been restated. Our opinion was not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the proportionate share of net pension liability, schedules of contributions, schedule of changes in the Department's total other postemployment benefits liability and related ratios, 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 audits 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 evidence sufficient 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 collectively comprise the Department's basic financial statements. The introductory section, supplementary information contained in the financial section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information contained in the financial section 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 supplementary information contained in the financial section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 Department'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 Department's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
March 29, 2019



WATER UTILITIES DEPARTMENT OF PALM BEACH COUNTY, FLORIDA Management's Discussion and Analysis (unaudited)

This section of the Department's annual financial report presents our discussion and analysis of the Department's financial performance during the fiscal years ended September 30, 2018 (FY 2018) and September 30, 2017 (FY 2017). Please read it in conjunction with the preceding transmittal letter and the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The Department's net position increased by \$56.0 million, or 4.3%, during FY 2018 and increased by \$42.4 million, or 3.7%, during FY 2017.
- Long-term debt (net of the current portion) decreased by \$6.6 million, or 3.7%, in FY 2018 compared to a decrease of \$10.8 million, or 5.4%, in FY 2017.
- Operating revenues in FY 2018 totaled \$197.2 million, an increase of \$4.2 million or 2.2%, compared with \$193.0 million in FY 2017, an increase of \$6.8 million or 3.7% from the previous year. FY 2018 included the effect of rate indexing and a 1.1% increase in the customer base. FY 2017 included the effect of rate indexing and a 0.31% increase in the customer base.
- Operating expenses before depreciation and amortization and equity interest in net loss of joint venture, totaled \$127.0 million, a decrease of \$6.4 million, or 4.8%, in FY 2018 compared with \$133.4 million, for an increase of \$9.1 million, or 7.3%, for FY 2017.
- Non-operating income increased by \$1.8 million, or 32.8%, in FY 2018 compared to a FY 2017 decrease of \$1.5 million, or 21.4%.
- The Department showed net income before contributions, transfers and special items of \$30.3 million for FY 2018, an increase of \$10.7 million, or 54.6%, and showed net income before contributions of \$19.6 million for FY 2017, a decrease of \$5.8 million, or 22.8%.

FINANCIAL STATEMENTS OVERVIEW

Financial Reporting Entity - The Water Utilities Department is an enterprise fund operation of the

Palm Beach County Board of County Commissioners (BCC). As such, the Department's financial operations are maintained on the full accrual basis of accounting: revenues are recognized when earned, and expenses are recognized when incurred. The Department provides potable water, wastewater, and reclaimed water services to approximately 587,000 people located within approximately 1,300 square miles of the primarily unincorporated area of the County. In addition to serving unincorporated areas, the Department provides services directly to the residents and businesses of the Village of Royal Palm Beach, the City of Greenacres, and the Town of Haverhill. Through inter-local agreements, the Department also provides services to the Village of Palm Springs and the Cities of Boynton Beach, and Atlantis. The Cities of Belle Glade, Pahokee and South Bay are now directly served as well, since the Department's May 1, 2013 absorption of the Glades Utility Authority.

Palm Beach County is a political subdivision of the State of Florida and is governed by the State Constitution, general laws of the State of Florida, and the County's Charter. The legislative and governing body of the County is the seven-member BCC. In accordance with the County's Charter, the Clerk & Comptroller is the Clerk of the BCC and is the official custodian of County funds and the accounting records of and for the Department. As an operating unit of the BCC, the Department reports directly to County Administration. An eleven-member Citizens' Advisory Board provides guidance to the Department and to the BCC on rate and policy issues.

Financial Statement Structure - In addition to the preceding report of the County's independent certified public accountants, the annual financial statements consist of three segments:

Management's Discussion and Analysis, which provides explanations for and analyses of the Department's financial activities based upon currently known facts, conditions, and decisions of the Department's management. While primarily focused on current year results compared with prior years, this discussion also addresses certain long-term issues, which may, in management's opinion, impact the Department's financial performance.

Basic Financial Statements, which depict the Department's financial position as of September 30, 2018 and 2017, along with earnings performance and cash flow information. The accompanying notes explain some of the financial statement data and provide more detailed information.

Supplementary Information, presents the following:

- The Department's share of the Florida Retirement System Pension Plan liability and schedule of contributions to said plan.
- The Department's share of the Health Insurance Subsidy Pension Plan liability and schedule of contributions to said plan.
- Schedule of Changes in the Total Other Post-Employment Benefits Liability and Related Ratios which compares the Department's results of operations with the original and final budgetary goals.

FINANCIAL OPERATIONS OF THE DEPARTMENT

Net Position: The Department's net position increased by \$56.0 million, or 4.3%, for the fiscal year ended September 30, 2018, compared to a 3.7%, or \$42.4 million increase in the prior year. An increase in capital assets of \$23.2 million was the major component of the increase in FY 2018. An increase of capital assets of \$41.5 million was the major component of the increase in FY 2017.

Table 1 presents the Department's net position (dollars in millions) for the fiscal years ended

September 30, 2018, 2017, and 2016.

Completed projects of \$52.1 million, plus an increase in construction in progress of \$2.8 million and, less depreciation and amortization of \$47.0 million were the major components of the increase in net capital assets in FY 2018. Completed projects of \$66.5 million less a decrease in construction in progress of \$3.9 million and, less depreciation and amortization of \$45.5 million were the major components of the increase in net capital assets in FY 2017. Construction projects totaling \$52.1 million were completed in FY 2018 which represented a 21.7% decrease from the FY 2017 total of \$66.5 million.

Long-term debt (net of the current portion) decreased by \$6.6 million, or 3.8% in FY 2018 compared to a \$10.8 million, or 5.9% decrease in the previous year. The decrease in both years was attributable to principal repayments.

The Department's operating revenues totaled \$197.2 million in FY 2018 and \$193.0 million in FY 2017, which represented increases of 2.2% and 3.7%, respectively, for the periods. FY 2018 included the effect of rate indexing and a 1.1% increase in the customer base. FY 2017 included the effect of rate indexing and a 0.31% increase in the customer base.

Operating expenses before depreciation and amortization and equity interest in net gain of joint venture were \$127.0 million and \$133.4 million for the years ended FY 2018 and FY 2017, respectively. These represented a decrease of 4.8% in FY 2018 and an increase of 7.3% in FY 2017. The primary reasons for the increase are shown in Table 2.

Table 1 – Summary of Net Position – (dollars in millions)

	2018	2017	% Change	2016	% Change
Current and other assets	\$360.1	\$343.2	4.9	\$342.5	0.2
Capital assets, net	<u>1,103.5</u>	<u>1,080.3</u>	2.1	<u>1,043.3</u>	3.5
Total assets	<u>1,463.6</u>	<u>1,423.5</u>	2.8	<u>1,385.8</u>	2.7
Deferred outflows of resources	<u>22.5</u>	<u>24.6</u>	-8.6	<u>22.2</u>	10.8
Long-term net revenue bonds outstanding	162.3	169.9	-4.5	180.7	-6.0
Current portion of revenue bonds	6.3	9.6	-34.4	8.7	10.3
Other liabilities	<u>58.0</u>	<u>66.6</u>	-12.9	<u>55.7</u>	21.4
Total liabilities	<u>226.6</u>	<u>246.1</u>	-7.9	<u>245.1</u>	0.8
Deferred inflows of resources	<u>3.7</u>	<u>2.2</u>	68.2	<u>5.5</u>	-60.0
Net position:					
Net investment in capital assets	949.2	914.7	3.8	867.5	5.4
Restricted	6.3	9.5	-33.7	8.7	9.2
Unrestricted	<u>300.3</u>	<u>275.6</u>	9.0	<u>281.2</u>	-2.4
Total net position	<u>\$1,255.8</u>	<u>\$1,199.8</u>	4.7	<u>\$1,157.4</u>	3.7

*Restatement due to implementation of GASB Nos. 68, 71 & 75.

Table 2 – Operating Expense Changes (dollars in millions)

FY 2018 Changes:	
Maintenance of buildings, plants and pipelines due to decreased replacement of assets	\$-7.8
Purchase sewage treatment due to increased flows	2.2
All other accounts net decrease	<u>-0.8</u>
Total operating expense change for FY 2018	<u>\$-6.4</u>
FY 2017 Changes:	
Meter installation materials	\$4.1
Maintenance of buildings, plants and pipelines due to increased replacement of assets	2.2
All other accounts net increase	<u>2.8</u>
Total operating expense change for FY 2017	<u>\$9.1</u>

A comparative summary of changes in net position for the years ended September 30, 2018, 2017, and 2016 (dollars in millions) is presented in Table 3.

Table 3 – Change in Net Position (dollars in millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>% Change</u>
Operating revenues					
Charges for utility service	\$191.7	\$187.6	2.2	\$180.8	3.8
Other operating revenues	<u>5.5</u>	<u>5.4</u>	1.9	<u>5.4</u>	0.0
Total operating revenues	<u>197.2</u>	<u>193.0</u>	2.2	<u>186.2</u>	3.7
Operating expenses before depreciation and amortization and equity interest in net loss of joint venture	127.0	133.4	-4.8	124.3	7.3
Depreciation and amortization and equity interest in net loss of joint venture	<u>47.1</u>	<u>45.5</u>	3.5	<u>43.5</u>	4.6
Total operating expenses	<u>174.1</u>	<u>178.9</u>	-2.7	<u>167.8</u>	6.6
Net operating income	<u>23.1</u>	<u>14.1</u>	63.8	<u>18.4</u>	-23.4
Nonoperating revenues (expenses)					
Guaranteed revenue	6.1	5.1	19.6	7.5	-32.0
Investment income	5.3	4.7	12.8	3.9	20.5
Interest expense	-4.8	-5.4	-11.1	-5.3	1.9
Engineering fees	0.9	1.1	-18.2	0.9	22.2
Engineering expenses	-0.9	-0.5	60.0	-0.7	-28.6
Other	<u>0.6</u>	<u>0.5</u>	20.0	<u>0.7</u>	-28.6
Total non-operating revenues (expenses)	<u>7.2</u>	<u>5.5</u>	30.9	<u>7.0</u>	-21.4
Income before capital contributions, transfers from County	30.3	19.6	54.6	25.4	-22.8
Capital contributions	26.9	22.9	17.5	24.0	-4.6
Transfers to primary government	-0.1	-0.1	0.0	-0.1	0.0
Change in net position	57.1	42.4	34.7	49.3	-14.0
Beginning net position as previously reported	1,199.8	1,157.4	3.7	1,108.1	4.4
Restatement for GASB Statement #75 Implementation	<u>-1.1</u>	<u>0.0</u>	-100.0	<u>0.0</u>	0.0
Beginning net position as restated	<u>1,198.7</u>	<u>1,157.4</u>	3.6	<u>1,108.1</u>	4.4
Net position, ending	<u>\$1,255.8</u>	<u>\$1,199.8</u>	4.7	<u>\$1,157.4</u>	3.7

*Restatement due to implementation of GASB Nos. 68, 71 & 75.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At September 30, 2018 and September 30, 2017, the Department had \$1,103.5 million and \$1,080.3 million, respectively, invested in a wide range of capital assets, including water treatment plants, water reclamation facilities, pipelines, and two regional operations centers to serve the 1,300 square mile service area. As Table 4 shows, FY 2018 represents a \$23.2 million, or 2.1%, increase over the prior year (dollars are in millions, net of accumulated depreciation and amortization). FY 2017 amounts increased by \$41.7 million, or 4.0%, from the previous year. Major capital asset additions for the two years are shown in Table 5. For more detailed information on capital assets, please see Note 5.

The Department’s fiscal year 2019 capital budget anticipates spending \$203.1 million, an increase of \$1.1 million, or 0.5%, from the previous year’s budget of \$202.0 million. Major projects include:

- Lift station rehabilitations (\$30.4 million);
- Improvements to Southern Region Water Reclamation Facility (\$20.5 million);
- Water Distribution System Rehabilitations (\$18.8 million)

These projects will be financed using existing funds, cash generated by operations, and connection fees received from developers.

Table 4 – Change in Capital Assets Net of Accumulated Depreciation and Amortization (dollars in millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>% Change</u>
Utility plants and pipelines	\$912.5	\$888.9	2.7	\$867.6	2.5
Buildings	87.0	90.0	-3.3	78.3	14.9
Equipment and vehicles	31.7	32.0	-1.0	27.3	17.2
Land	15.6	15.5	0.6	15.5	0.0
Easements	1.7	1.7	0.0	1.7	0.0
Construction in progress	<u>55.0</u>	<u>52.2</u>	5.4	<u>48.2</u>	8.3
Total	<u>\$1,103.5</u>	<u>\$1,080.3</u>	2.1	<u>\$1,038.6</u>	4.0

*Restatement due to implementation of GASB Nos. 68, 71 & 75.

Table 5 – Major Capital Asset Additions and Deletions (dollars in millions)

<u>FY 2018 Additions:</u>	
Improvements to Water Treatment Plant No. 8	\$ 18.5
Rehabilitation of the Western Region Water Distribution System	\$7.0
<u>FY 2018 Deletions:</u>	
None	\$0.0
<u>FY 2017 Additions:</u>	
Western Region Operations Center	\$ 21.7
Rehabilitation of the Western Region Water Distribution System	\$6.2
<u>FY 2017 Deletions:</u>	
None	\$0.0

Debt Administration: As shown in Table 6, the Department's long-term debt (net of the current portion) was \$166.4 million on September 30, 2018, a decrease of \$6.6 million, or 3.8%. The balance was \$173.0 million on September 30, 2017, a decrease of \$10.8 million, or 5.9%

from the previous year's figure of \$183.8 million.

More detailed information on the Department's revenue bonds payable is presented in Note 6 to the financial statements. The notes payable are explained in Note 4.

Table 6 – Change in Long-Term Debt (dollars in millions)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2016</u>	<u>% Change</u>
Revenue bonds (backed by net revenues)	\$149.8	\$158.8	-5.7	\$166.9	-4.9
Notes payable	7.5	8.1	-7.4	8.6	-5.8
Plus unamortized bond premium	<u>11.4</u>	<u>12.6</u>	-9.6	<u>13.9</u>	-9.4
Net revenue bonds	168.7	179.5	-6.0	189.4	-5.2
Compensated absences	<u>3.3</u>	<u>3.4</u>	-2.9	<u>3.3</u>	3.0
Total long-term debt	172.0	182.9	-6.0	192.7	-5.1
Current portion of long-term debt:					
Revenue bonds	5.7	9.0	-36.7	8.1	11.1
Notes payable	0.6	0.6	0.0	0.6	0.0
Compensated absences	<u>0.3</u>	<u>0.3</u>	0.0	<u>0.2</u>	50.0
Total current portion of long-term debt	<u>6.6</u>	<u>9.9</u>	-33.3	<u>8.9</u>	11.2
Total Other post-employment benefits	1.0	0.0	100.0	0.0	100.0
Long-term debt (net of current portion)	<u>\$166.4</u>	<u>\$173.0</u>	-3.8	<u>\$183.8</u>	-5.9

Since inception of the utility system in 1969, the Department has issued revenue bonds to finance capital improvements. The revenue bonds have interest rates ranging from 3.125% to 5.25% and are payable through FY 2040. All issues are on parity as to their lien on net revenues and connection fees of the utility system.

be sufficient to make all payments required by the bond resolution. This requirement was exceeded by the 6.72x and 4.51x calculations for FY 2018 and FY 2017, respectively.

In conjunction with the issuance of the Series 2014 Water and Sewer Revenue Refunding Bonds, Series 2009 Water and Sewer Revenue Bonds and the Series 2008 Water and Sewer Refunding Bonds, Fitch Ratings, Standard & Poor's, and Moody's Investors Service rated these issues and all outstanding bonds of the Department as AAA, AAA, and Aaa, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Department is obligated by a rate covenant to establish and maintain rates that are sufficient to cover debt service requirements. The rate covenant requires that rates and fees must always provide net revenues that, together with a specified percentage of connection fees, are adequate to pay at least one hundred twenty-five percent (1.25x) of the annual debt service requirement for the bonds. Additionally, the net revenues together with the connection fees must

Palm Beach County is the third most populous county in the State of Florida. Growth in dwelling units for the Department's service area over the last five years has averaged 0.74. The real estate and construction industries comprise the mainstays of the County's economic base. The Department's service area continues to reflect primarily residential customers, plus some commercial and light industrial services. A continued increase in population is projected through "build-out," which is expected to occur by approximately 2025. By 2025, the Department will operate at least six regional water plants with an estimated 130 million gallons per day (mgd) capacity. For wastewater services, the Department will own a projected 24 mgd capacity in the East Central Regional Wastewater Treatment Plant and will operate the 35 mgd capacity in the Southern Region Water Reclamation Facility, which will be able

to provide approximately 22 mgd of reclaimed water.

These factors, along with inflation, water restrictions imposed by the South Florida Water Management District and the current state of the real estate market, were considered when preparing the Department's budget for fiscal 2019. The budget forecasts operating revenues of \$196.0 million, or 0.2%, above the final 2018 budget of \$196.0 million. Net revenues will be used to fund debt service and a portion of the Department's capital projects expenditures. Expenses will continue to be subjected to upward pressure from increased operating costs and the expansion of facilities. Amounts anticipated in fiscal 2019 for operating expenses,

excluding depreciation and amortization and equity interest in net loss of joint venture, are \$157.9 million, a 2.9% increase from the final 2018 budget of \$153.4 million.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with an overview of the Department's finances and to demonstrate the Department's accountability for the monies it receives. If you have questions about this report or require additional financial information, please contact us at the address on the preceding transmittal letter.

COMPARATIVE FINANCIAL STATEMENTS

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET POSITION
September 30, 2018 and 2017

ASSETS AND DEFERRED OUTFLOWS

	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 239,788,835	\$ 222,400,750
Restricted cash and cash equivalents	14,693,360	20,700,152
Accounts receivable (less allowance for doubtful accounts of \$4,805,200 and \$5,027,000 for 2018 and 2017, respectively)	20,500,828	21,802,766
Accrued interest receivable	415,616	464,084
Special assessments and notes receivable, current portion	954,472	944,461
Due from other County funds	10,006	11,398
Due from other governments	286,000	286,000
Prepaid expenses	377,634	343,713
Inventories	7,879,760	6,543,309
Total current assets	284,906,511	273,496,633
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	10,243,740	8,244,579
Special assessments and notes receivable	10,176,157	11,920,816
Net other post-employment benefits asset	-	31,678
Investment in joint ventures	54,794,207	49,514,749
Capital assets:		
Utility plants and pipelines in service	1,552,013,578	1,489,640,048
Buildings	139,152,866	138,469,858
Equipment	92,689,311	91,609,902
Land	15,626,971	15,477,158
Easements	1,660,856	1,660,856
Total capital assets	1,801,143,582	1,736,857,822
Less accumulated depreciation and amortization	(752,688,466)	(708,816,906)
Subtotal	1,048,455,116	1,028,040,916
Construction in progress	55,003,026	52,241,399
Capital assets, net	1,103,458,142	1,080,282,315
Total noncurrent assets	1,178,672,246	1,149,994,137
TOTAL ASSETS	1,463,578,757	1,423,490,770
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge on bond refunding	6,745,005	7,486,511
Goodwill	4,300,961	4,517,916
Pensions	11,514,399	12,594,751
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,560,365	24,599,178
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,486,139,122	\$ 1,448,089,948

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET POSITION
September 30, 2018 and 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2018	2017
CURRENT LIABILITIES:		
Vouchers payable and accrued liabilities	\$ 13,184,244	\$ 20,016,854
Due to other governments	815,173	967,625
Due to other County funds	1,151,938	671,063
Compensated absences	263,000	255,000
Due to other component units	84,109	92,259
Other current liabilities	48,183	-
Subtotal current liabilities	15,546,647	22,002,801
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Customer deposits	5,877,955	7,472,643
Accrued interest payable	3,496,198	3,674,412
Revenue bonds payable, current portion	6,255,453	9,553,097
Construction contracts & vouchers payable	16,800	-
Subtotal current liabilities payable from restricted assets	15,646,406	20,700,152
Total current liabilities	31,193,053	42,702,953
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of unamortized discount and premium	162,347,079	169,854,979
Compensated absences	3,015,429	3,173,426
Total other post-employment benefits	988,208	-
Total noncurrent liabilities	166,350,716	173,028,405
NET PENSION LIABILITY	29,029,415	30,348,002
TOTAL LIABILITIES	226,573,184	246,079,360
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,527,230	2,057,863
Other post-employment benefits	28,501	-
Other	183,875	183,875
Total deferred inflows of resources	3,739,606	2,241,738
NET POSITION:		
Net investment in capital assets	949,168,017	914,689,740
Restricted for debt service	5,302,406	8,503,391
Restricted for other purposes	1,000,000	1,000,000
Unrestricted	300,355,909	275,575,719
TOTAL NET POSITION	1,255,826,332	1,199,768,850
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,486,139,122	\$ 1,448,089,948

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Charges for services	\$ 191,700,391	\$ 187,624,148
Other operating revenue	5,507,896	5,416,013
Total operating revenues	197,208,287	193,040,161
OPERATING EXPENSES:		
Depreciation and amortization	50,034,603	47,246,579
Personal services	42,958,235	43,619,147
Maintenance	24,869,268	32,057,410
Supplies	19,405,825	18,925,141
Contractual services	18,029,508	18,850,986
Purchased water and wastewater treatment	11,257,470	9,172,871
Utilities	8,279,370	8,631,796
Equity interest in net loss of joint venture	(2,996,073)	(1,768,268)
Miscellaneous	2,230,184	2,182,954
Total operating expenses	174,068,390	178,918,616
OPERATING INCOME	23,139,897	14,121,545
NONOPERATING REVENUES (EXPENSES):		
Guaranteed revenue	6,129,004	5,061,561
Investment income	5,263,063	4,730,482
Interest expense	(4,804,303)	(5,441,288)
Engineering fees	885,059	1,075,694
Engineering expenses	(847,612)	(448,108)
Other	614,942	473,392
Total nonoperating revenues	7,240,153	5,451,733
INCOME BEFORE CAPITAL CONTRIBUTIONS, AND TRANSFERS	30,380,050	19,573,278
Transfers to other County Funds	(144,144)	(111,380)
Capital contributions received	26,917,550	22,938,646
CHANGE IN NET POSITION	57,153,456	42,400,544
BEGINNING NET POSITION AS PREVIOUSLY REPORTED	1,199,768,850	1,157,368,306
Restatement for GASB 7 Statement #75 implementation	(1,095,974)	-
BEGINNING NET POSITION AS RESTATED	1,198,672,876	1,157,368,306
NET POSITION, END OF PERIOD	\$ 1,255,826,332	\$ 1,199,768,850

The accompanying notes to the financial statements are an integral part of these statements.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts:		
Cash received from customers	\$ 193,031,083	\$ 186,337,413
Other operating receipts	4,362,246	4,852,853
Total cash receipts	197,393,329	191,190,266
Cash disbursements:		
Payments to employees	(34,599,409)	(33,455,065)
Payments to other County funds	(26,043,489)	(24,458,597)
Payments to suppliers of goods and services	(68,038,198)	(69,847,817)
Total cash disbursements	(128,681,096)	(127,761,479)
Net cash provided by operating activities	68,712,233	63,428,787
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other County Funds	(144,144)	(111,380)
Net cash used in non-capital financing activities	(144,144)	(111,380)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction and acquisition of capital assets	(63,208,333)	(70,206,659)
Capital contributed by developers and customers	20,427,979	15,088,861
Principal paid on revenue bond maturities	(9,556,576)	(8,707,947)
Interest paid on revenue bonds	(7,355,608)	(7,756,041)
Cash contributed to joint ventures for capital outlay and debt service	(2,125,375)	(1,602,848)
Cash contributed by other governments	824,310	1,220,000
Proceeds on sale of surplus capital assets	497,037	362,178
Bond paying agent fees paid	(2,600)	(4,475)
Net cash used in capital and related financing activities	(60,499,166)	(71,606,931)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and gains or losses on investments	5,311,531	4,776,530
Net cash provided by investing activities	5,311,531	4,776,530
Net increase (decrease) in cash and cash equivalents	13,380,454	(3,512,994)
Cash and cash equivalents at beginning of period	251,345,481	254,858,475
Cash and cash equivalents at end of period	\$ 264,725,935	\$ 251,345,481
 Displayed on statements of net position as:		
Cash and cash equivalents	\$ 239,788,835	\$ 222,400,750
Restricted cash and cash equivalents	24,937,100	28,944,731
Total per statements of net position	\$ 264,725,935	\$ 251,345,481

(continued)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2018 and 2017

(continued)

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 23,139,897	\$ 14,121,545
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	50,034,603	47,246,579
Equity interest in net loss of joint venture	(2,996,073)	(1,768,268)
Provision for doubtful accounts receivable	(221,800)	(203,900)
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Customer accounts receivable	1,553,462	(1,411,657)
Due from other County funds	1,392	4,774
Prepaid expenses	(33,921)	(215)
Inventories	(1,336,451)	(138,730)
Compensated absences	(149,997)	79,255
Vouchers payable and accrued liabilities	(1,185,357)	4,007,328
Due to other County funds	172,511	181,906
Due to other governments	145,110	(311,263)
Customer deposits	(1,594,688)	(81,854)
Net pension liability	(1,318,587)	3,558,710
Deferred outflows of resources related to pensions	1,080,352	1,374,332
Deferred inflows of resources related to pensions	1,469,367	(3,222,317)
Net other post-employment benefits liability	(76,088)	-
Deferred outflows of resources related to other post-employment benefits	-	(7,438)
Deferred inflows of resources related to other post-employment benefits	28,501	-
Total adjustments	45,572,336	49,307,242
Net cash provided by operating activities	\$ 68,712,233	\$ 63,428,787

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

Utility plant contributed by developers and customers	\$ 12,428,450	\$ 12,171,169
Payables related to capital asset acquisition	\$ 6,937,511	\$ 12,298,664
Capitalized interest	\$ 1,865,629	\$ 1,656,618
Amortization of bond premium	\$ 1,248,968	\$ 1,258,529
Amortization of deferred advance bond refunding loss	\$ 741,506	\$ 759,087
Disposal of fully depreciated capital assets	\$ 4,218,512	\$ 2,998,342

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2018 and 2017

1. GENERAL

Description – Palm Beach County, Florida (County) is a chartered political subdivision of the State of Florida and is authorized by the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (BCC) is the legislative and governing body of the County. Pursuant to the general laws of Florida, the County owns the Water Utilities Department of Palm Beach County (Department). The financial statements only present the Department and are not intended to present fairly the financial position of Palm Beach County, Florida, and the changes in its financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation – The Department operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Department:

Basis of Accounting – The Department utilizes the accrual basis of accounting in accordance with GAAP. The financial statements are presented using the economic resources measurement focus.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Budget Approval – The BCC approves the Department’s annual budget as part of the formal budget adoption process pursuant to Chapter 129, Florida Statutes. The budget is adopted on a basis consistent with GAAP, and budgetary controls for appropriations are established at the appropriation unit level. Activities for the operating accounts required by bond covenants securing the Department’s indebtedness are included in the annual budget.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Revenues and Expenses - Operating revenues and expenses are those which result from providing water and wastewater services. Nonoperating revenues and expenses include financing, investing, and other activities not directly related to the provision of water and wastewater services.

Revenue Recognition - All water and wastewater revenues are recognized when the related services are provided. Special assessment contributed capital is recognized when the project has final acceptance by the BCC’s Contract Review Committee and, for projects whose final assessed amount is less than the original assessed amount, BCC approval of the amended amount. Grants from other governmental agencies for the acquisition of capital assets are recorded as capital contributions when all applicable eligibility requirements have been met. Connection fees are charged to new service customers and are required to be used for capital acquisition purposes; these fees are accounted for as capital contributions when service is provided.

Cash and Cash Equivalents – The Department considers all highly liquid investments with maturities of three months or less when purchased as well as its proportionate share of the County’s investment pool to be cash equivalents for purposes of the statements of net position and the statements of cash flows.

Accounts Receivable – Billings to the Department’s customers are based on metered consumption, which is determined at various dates during each month. Estimated unbilled consumption at month-end is recognized as revenue and recorded as accounts receivable. The allowance for doubtful accounts is determined by multiplying the accounts receivable balance at fiscal year-end by the average bad debt rate for the last five years and adjusting for current economic conditions. This results in adjusting the receivables to their net realizable value.

Special Assessments Receivable – A non-current special assessment receivable is recorded for contributed capital resulting from special assessment projects. Recognition of the contributed capital is described in the revenue recognition section of Note 2. A portion of the balance is reclassified as a current special assessment receivable. This current portion is estimated based on the actual tax billing determined by the Clerk & Comptroller and billed by the Tax Collector. No allowance is recorded because liens are recorded against the assessed property.

Inventories – Inventories consist primarily of material and supplies and are stated at the lower of cost or market determined on a first-in, first-out basis.

Restricted Assets and Restricted Net Position – Assets are restricted in accordance with provisions of the bond resolutions of the BCC authorizing the issuance of the Series 2015, 2013 and 2009 Revenue Bonds, along with other applicable obligations. The restricted component of net position represents restricted assets reduced by liabilities related to those assets.

Capital Assets – Capital assets are stated at cost less accumulated depreciation and amortization, except contributed assets which are recorded at acquisition value on the date of contribution. Expenditures of \$25,000 or more for additions and improvements and \$1,000 for equipment are capitalized. Expenditures for maintenance, repairs, and minor improvements are charged to expense as incurred.

Depreciation of tangible capital assets is computed on the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings	15-40 years
Utility plants in service	7-50 years
Equipment	3-25 years

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources, which represents a consumption of net position applicable to a future period and will not be recognized as an outflow (expense) until that time. Deferred outflows relate primarily to 1) the difference in the carrying value of refunded debt and its reacquisition price, which amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, 2) pension and other post-employment related items including differences between expected and actual investment earnings and experience, changes in the Department’s proportionate share of contributions and contributions subsequent to the measurement date, and 3) goodwill, which represents the difference between the acquisition price and the fair value of utility systems purchased.

The Department has two items of goodwill which are amortized as follows:

- The goodwill resulting from the acquisition of the Village of Royal Palm Beach’s Utility System is amortized over 30 years, which represents the period the bonds issued to fund the acquisition will be outstanding.
- The goodwill resulting from the acquisition of the Indian Trail Improvement District Utility System is amortized over 40 years.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources, which represents an acquisition of net position applicable to a future period and other post-employment benefits (OPEB) will not be recognized as an inflow (revenue) until that time. Deferred inflows relate primarily to pension related items including differences between expected and actual investment earnings and experience and changes in the Department’s proportionate share of contributions.

Compensated Absences – Accumulated unpaid vacation and sick leave benefits are accrued as a liability and charged to expense at the time the employees perform the services which give rise to the benefits.

Interest – Interest costs are expensed or capitalized as required by GASB No. 62. The amount of interest cost to be capitalized for qualifying assets is intended to be the portion of the interest costs incurred during the asset’s acquisition periods which theoretically could have been avoided if the outlays for the assets had not been made.

Net Position – The financial statements utilized a net position presentation. Net position is categorized as: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt attributable to the acquisition, construction or improvement of those assets. Restricted net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position which does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

Use of Restricted Resources – When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as they are needed.

Restatement – The Department implemented GASB Statement No. 75, “Financial Reporting for Postemployment Benefits Other Than Pension” during the fiscal year ended September 30, 2018. As a result of the implementation of this statement, the Department was required to restate Net Position in the financial statements to report the Department’s net Other Postemployment Benefits (OPEB) liability. Accordingly, beginning net position has been restated as follows:

Net position as originally reported, October 1, 2017	\$1,199,768,850
Cumulative effect of GASB Statement No. 75 implementation	<u>(1,095,974)</u>
Net position, as restated October 1, 2017	\$1,198,672,876

The implementation of GASB Statement No. 75 resulted in the Department eliminating the net OPEB asset of \$31,678 related to the superseded GASB Statement No. 45 and establishing the net OPEB liability of \$1,064,296 under the new standard as of October 1, 2017 related to the OPEB plan.

Since the effect of the restatement was not significant, management did not obtain the information necessary to present the restatement as of the earliest period presented in these financials which was October 1, 2016. As a result, it is presented as a cumulative effect change as described above.

3. CASH AND INVESTMENTS

Cash and investments consist of the following at September 30, 2018 and 2017:

<u>September 30, 2018</u>	
County Internal Investment Pool	\$256,676,044
Cash with Fiscal Agent	8,040,591
Petty cash	<u>9,300</u>
Total	\$264,725,935

<u>September 30, 2017</u>	
County Internal Investment Pool	\$240,540,959
Cash with fiscal agent	10,794,722
Petty cash	9,800
Total	\$251,345,481

The Department participates in the County’s pooled cash system so as to maximize earnings and facilitate cash management. The County’s pooled cash fund is a highly liquid investment pool of approximately \$1.73 billion and \$1.6 billion as of September 30, 2018 and 2017, respectively, of which approximately 10% and 5%, respectively, are invested in U. S. Government and Agency obligations. The County’s investment policy for this pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County-owned securities. Almost all remaining amounts at September 30, 2018 and 2017 were invested in money markets and certificates of deposit. The equity in the County pooled cash system is available to the Department on a demand basis. See the County’s Comprehensive Annual Financial Report (CAFR) for disclosures relating to its investment policy interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

The County’s CAFR may be viewed on-line at:

www.mypalmbeachclerk.com/cafr.aspx

or may be ordered from: Palm Beach County Clerk & Comptroller
 Attn: Financial Reporting
 301 North Olive Avenue
 West Palm Beach, Florida 33401
 (561) 355-2912

4. INVESTMENT IN JOINT VENTURES

East Central Regional Wastewater Facilities

The County, on behalf of the Department, participates in a joint interlocal agreement (Agreement) with four municipalities whereby they consolidated separate agreements into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Facilities (ECR). ECR became a separate legal entity created for the purpose of providing wastewater treatment and disposal services to the five participating entities (Entities). The Agreement establishes the duties and responsibilities among the Entities for the operation of ECR. Key provisions of the Agreement include:

- The initial term of the Agreement is thirty years with an option to renew for an additional thirty years based upon mutual consent of the Entities.
- The Agreement can be terminated only with unanimous mutual consent of the Entities.
- An Entity may withdraw from participation in the Agreement; however, the Entity will forfeit its interest and allocation in ECR and will still be required to meet its obligations under the Agreement.
- In the event the ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on the reserve capacity allocation in effect as of the date of sale or disposition. As of September 30, 2018 and 2017, the Department had a 34.29% interest in ECR for both fiscal years.
- The Agreement provides for the establishment of a Board (Board) to administer ECR. The Board is comprised of one representative from each participating Entity.

- The City of West Palm Beach (City) is designated to administer and operate ECR efficiently and economically for the benefit of the Entities. To that end, the City retains legal title to ECR property, provides all personnel resources required for operation and administration of ECR, and assumes responsibility for all employee benefits, risk management, and other costs. In exchange for such services, ECR pays the City an administrative fee.
- A budget is adopted annually by the Board. Annual expenditures are covered by the wastewater flow charge, which is charged to each Entity based on usage.

Under accounting principles generally accepted in the United States of America, the Department is required to account for this investment using the equity method. Accordingly, the Department recorded its initial investment at cost and annually records its proportionate share of ECR's income or loss, contributions made, and distributions received.

The financial obligations of the Entities include the following:

- ECR allocates to the Entities the costs associated with the operation and maintenance of the treatment plant based on each Entity's proportionate share of total wastewater flow into the plant. The Department's totals of such costs charged to expense were approximately \$8,880,000 and \$7,041,900 for the fiscal years ended September 30, 2018 and 2017, respectively.
- The Entities are required to make annual deposits to a Renewal and Replacement Fund to finance improvements to ECR. The annual deposits of approximately \$1.9 million will continue until the amount on deposit equals 10% of the Department's proportionate share of ECR's replacement value which was estimated to be \$269 million as of September 30, 2017. The total of such costs was \$1,897,765 and \$1,381,867 for the fiscal years ended September 30, 2018 and 2017, respectively. The amounts on deposit were \$9,977,192 and \$9,105,059 for the fiscal years ended September 30, 2017 and 2016, respectively.
- Florida Power and Light (FPL), ECR and the Department entered into agreements to construct a 27 million gallons per day reclaimed water facility (Reclaimed Water Project). The Reclaimed Water Project was financed with debt issued by the Department (see Note 6) while a portion of the assets are located on ECR property, who operates the reclaimed water facility. The Department maintains and operates the distribution system and FPL reimburses the Department for all costs associated with operating and maintaining the distribution system in addition to administrative costs. The total reclaimed water facility operating costs for the fiscal years ended September 30, 2018 and 2017, respectively, were \$2,254,100 and \$2,017,300.
- In fiscal year 2014 the Department was required to make annual deposits to a Renewal and Replacement Fund to finance improvements to the Reclaimed Water Project. The annual deposits of approximately \$0.2 million will continue until the amount on deposit equals 10% of the facility's replacement value. As of September 30, 2018 and 2017, respectively, the Department's investment in the Reclaimed Water Project was \$14.6 million and \$13.9 million.
- For the fiscal years ended September 30, 2018 and 2017, respectively, the Department's total payments to ECR for all the transactions described above were \$13.0 million and \$10.5 million respectively.

The following table is a brief summary of the financial position of ECR as of September 30, 2017:

Total assets	\$275,377,576
Total net position	\$128,361,049
Invested in capital, net of related debt	\$88,810,774
Unrestricted net position	\$4,646,002
Increase in net position	\$10,281,780

September 30, 2018 amounts are expected to approximate the above figures.

As of September 30, 2018 and 2017, respectively, the Department's investment in the ECR was \$51.3 million and \$45.7 million, respectively.

Separate financial statements for ECR may be obtained at the following address:

East Central Regional Wastewater Facilities
City of West Palm Beach
P.O. Box 3506
West Palm Beach, FL 33402

Biosolids Processing and Recycling Facility

On September 23, 2003, the Board of County Commissioners, on behalf of the Water Utilities Department, entered into an interlocal agreement (Agreement) with the Solid Waste Authority (SWA) to fund a portion of the cost to design, build, and operate a Biosolids Processing and Recycling Facility (BPF). Amendments to the agreement were approved May 3, 2005, July 11, 2006 and July 16, 2013.

The BPF processes certain wastewater treatment residuals (biosolids) and is necessary to comply with increasingly stringent environmental regulations that have significantly decreased the number of land application sites available. Bulk land application was the previous method of disposing of the biosolids.

The Agreement is for a period of twenty years ending on August 1, 2029. Upon the conclusion of the term of the agreement, the BPF will remain the property of SWA with each participating entity owning its share of the BPF, in perpetuity, for the life of the plant. Under accounting principles generally accepted in the United States of America, the Department is required to account for this arrangement as a joint venture. Therefore, an asset is reported on Department's financial statements under the caption "Investment in joint ventures."

Since the BPF agreement does not state that the participants are to share in the profit and losses of the joint venture, the investment in joint venture account will not be adjusted to reflect the joint venture's results of operations. Rather the investment in joint venture will be amortized using the straight-line method over the twenty-year life of the agreement. The amortization started on August 1, 2009. The Department's 27.5% share resulted in pro rata obligations of \$9.2 million for construction costs and \$580,000 annually for operating expenses for the twenty-year period. On July 16, 2013, the Department sold excess capacity shares in the BPF to the ECR for \$2,817,749, leaving the Department with a 17.82% pro-rata share in the BPF's capacity. The Department's total operating costs were \$935,600 and \$1,140,100 for the fiscal years ended September 30, 2018 and 2017, respectively.

As of September 30, 2018 and 2017, respectively, the Department's investment in the BPF is \$3.5 million and \$3.9 million.

No separate financial statements are prepared for the BPF which is reported as part of SWA operations. Financial statements for the SWA may be obtained at the following address:

Solid Waste Authority
7501 North Jog Road
West Palm Beach, Florida 33412

5. INFORMATION ON CAPITAL ASSETS

Capital assets activity for the fiscal years ended September 30, 2018 and 2017 is depicted in the following two tables:

<u>September 30, 2018</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$15,477,158	\$ 149,813	\$ -	\$15,626,971
Easements	1,660,856	-	-	1,660,856
Construction in progress	52,241,399	56,595,674	(53,834,047)	55,003,026
Total capital assets not being depreciated or amortized	69,379,413	56,745,487	(53,834,047)	72,290,853
Capital assets being depreciated or amortized:				
Buildings	138,469,858	683,008	-	139,152,866
Utility plants and pipelines	1,489,640,048	62,373,530	-	1,552,013,578
Equipment	91,609,902	5,572,889	(4,493,480)	92,689,311
Total capital assets being depreciated or amortized	1,719,719,808	68,629,427	(4,493,480)	1,783,855,755
Less accumulated depreciation or amortization for:				
Buildings	(48,510,734)	(3,628,050)	-	(52,138,784)
Utility plants and pipelines	(600,758,763)	(38,796,629)	-	(639,555,392)
Equipment	(59,547,409)	(5,822,949)	4,376,068	(60,994,290)
Total accumulated depreciation and amortization	(708,816,906)	(48,247,628)	4,376,068	(752,688,466)
Total capital assets being depreciated or amortized, net	1,010,902,902	20,381,799	(117,412)	1,031,167,289
Capital assets, net	<u>\$1,080,282,315</u>	<u>\$ 77,127,286</u>	<u>(\$53,951,459)</u>	<u>\$1,103,458,142</u>

<u>September 30, 2017</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$15,477,158	\$ -	\$ -	\$15,477,158
Easements	1,660,856	-	-	1,660,856
Construction in progress	48,347,757	71,599,188	(67,705,546)	52,241,399
Total capital assets not being depreciated or amortized	65,485,771	71,599,188	(67,705,546)	69,379,413
Capital assets being depreciated or amortized:				
Buildings	123,459,655	15,010,203	-	138,469,858
Utility plants and pipelines	1,430,985,707	58,654,341	-	1,489,640,048
Equipment	84,816,933	9,867,943	(3,074,974)	91,609,902
Total capital assets being depreciated or amortized	1,639,262,295	83,532,487	(3,074,974)	1,719,719,808
Less accumulated depreciation or amortization for:				
Buildings	(45,208,368)	(3,302,366)	-	(48,510,734)
Utility plants and pipelines	(563,426,892)	(37,331,871)	-	(600,758,763)
Equipment	(57,494,548)	(5,093,668)	3,040,807	(59,547,409)
Total accumulated depreciation and amortization	(666,129,808)	(45,727,905)	3,040,807	(708,816,906)
Total capital assets being depreciated or amortized, net	973,132,487	37,804,582	(34,167)	1,010,902,902
Capital assets, net	<u>\$1,038,618,258</u>	<u>\$109,403,770</u>	<u>(\$67,739,713)</u>	<u>\$1,080,282,315</u>

6. REVENUE BONDS PAYABLE AND LONG-TERM DEBT

Long-term obligations activity for the fiscal years ended September 30, 2018 and 2017 are depicted in the following two tables:

<u>September 30, 2018</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in Fiscal Year 2019</u>
Revenue bonds	\$158,738,644	\$ -	(\$8,983,973)	\$149,754,671	\$5,675,520
Notes	8,030,608	-	(572,603)	7,458,005	579,933
Unamortized premiums	12,638,824	-	(1,248,968)	11,389,856	-
Net revenue bonds payable	179,408,076	-	(10,805,544)	168,602,532	6,255,453
Compensated absences	3,428,426	149,455	(299,452)	3,278,429	263,000
Total long-term obligations	<u>\$182,836,502</u>	<u>\$149,455</u>	<u>(\$11,104,996)</u>	<u>\$171,880,961</u>	<u>\$6,518,453</u>

<u>September 30, 2017</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in Fiscal Year 2018</u>
Revenue bonds	\$166,888,067	\$ -	(\$8,149,423)	\$158,738,644	\$8,983,974
Notes	8,589,132	-	(558,524)	8,030,608	569,123
Unamortized premiums	13,897,353	-	(1,258,529)	12,638,824	-
Net revenue bonds payable	189,374,552	-	(9,966,476)	179,408,076	9,553,097
Compensated absences	3,349,170	282,762	(203,506)	3,428,426	255,000
Total long-term obligations	<u>\$192,723,722</u>	<u>\$282,762</u>	<u>(\$10,169,982)</u>	<u>\$182,836,502</u>	<u>\$9,808,097</u>

The Series 2015, 2013 and, 2009 Water and Sewer Revenue Bonds, along with other long-term debt obligations, are repayable in future years as follows:

	<u>Year (s) Ending September 30</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$6,255,453	\$7,049,191
2020	6,520,109	6,772,342
2021	5,637,201	6,462,644
2022	5,883,669	6,211,550
2023	6,120,366	5,976,206
2024-2028	34,809,573	25,475,560
2029-2033	41,466,305	16,240,942
2034-2038	46,295,000	5,421,795
2039-2041	4,225,000	528,125
Total	<u>\$157,212,676</u>	<u>\$80,138,355</u>

The bond issues enable the Department to call various maturities of the debt at specified premiums of up to 2% of the principal balance.

The Water and Sewer Revenue Bonds are collateralized by a first lien on the Department's net revenues and connection fees as defined in the bonds' resolutions (Resolutions). The Department is required to establish rates and fees sufficient to provide net revenues and connection fees which are at least 125% of the annual debt service requirements.

The Water and Sewer Revenue Bond Resolutions established certain accounts and determined the order in which revenue is to be deposited into these accounts. The purpose of the accounts, in order of priority of monthly revenue transfers, is as follows:

Revenue: deposit all revenue.

Operations & Maintenance: pay operating expenses.

Sinking Fund Accounts:

- **Bond Interest Account:** fund the next semi-annual interest payment on all outstanding serial and term bonds.
- **Bond Principal Account:** fund the next annual principal payment on all outstanding serial bonds.
- **Bond Redemption Account:** fund the next annual principal payment on all outstanding term bonds.
- **Debt Service Reserve Account:** deposit one-twelfth of the amount equal to the maximum annual debt service requirement on the bonds in any succeeding year, but insurance may be used, up to the maximum annual debt service amount, for transfer to the bond interest, bond principal, or bond redemption accounts, if necessary.

Renewal and Replacement: deposit one-twelfth of 5% of the preceding year's gross revenue for extensions, improvements, additions, or the replacement of capital assets until the amount on deposit equals \$1,000,000.

Capital Improvement: deposit remaining revenue for use in any manner provided by law.

Connection Fee: deposit all connection fees received, fund any deficiency in the sinking fund accounts or subordinated indebtedness, pay costs of constructing extensions to the Water and Sewer System, or use for any other lawful purpose.

The Department's long-term revenue bonds payable as of September 30, 2018 and 2017 as illustrated in the following table:

<u>REVENUE BONDS AND NOTES</u>	September 30	
	2018	2017
\$8,515,000 Series 2004 Pahokee Arcadia Pool Revenue Bonds due in annual installment of \$765,000 on December 1, 2017, with interest of 4.25% paid on December 1 2017.	-	\$765,000
\$12,485,000 Series 2006B Water & Sewer Revenue Refunding Bonds due in annual installment of \$2,245,000 on October 1, 2017, with interest of 4.25% paid on October 1, 2017.	-	2,245,000
\$68,115,000 Series 2009 Water & Sewer Revenue Bonds due in annual installments of \$1,450,000 to \$4,225,000 through October 1, 2040, with interest from 4.00% to 5.25% payable semiannually on October 1 and April 1.	\$51,720,000	53,110,000
\$9,385,488 Wells Fargo Loan due in annual installments of \$1,085,520 to \$1,134,151 through April 1, 2020, with interest of 4.55% payable semiannually on October 1 and April 1.	2,219,671	3,258,644
\$72,430,000 Series 2013 Water & Sewer Revenue Refunding Bonds due in annual installments of \$3,140,000 to \$6,330,000 through October 1, 2033, with interest from 4.00% to 5.00% payable semiannually on October 1 and April 1.	72,430,000	72,430,000
\$26,930,000 Series 2015 Water & Sewer Revenue Refunding Bonds due in annual installments of \$7,535,000 to \$8,080,000 through October 1, 2036, with interest from 3.125% to 5.00% payable semiannually on October 1 and April 1.	23,385,000	26,930,000
Various State Revolving Fund notes payable	7,458,005	8,030,608
Total debt	<u>157,212,676</u>	<u>166,769,252</u>
Less current portion of long-term debt	(6,255,453)	(9,553,097)
Plus unamortized premium	11,389,856	12,638,824
Total noncurrent portion	<u>\$162,347,079</u>	<u>\$169,854,979</u>

7. PLEDGED REVENUES

The Department has pledged future water and wastewater system revenues, net of specified operating expenses, to repay \$157 million in water and sewer system revenue bonds issued between July 22, 2009 and March 11, 2015 and notes assumed with the absorption of the GUA on May 1, 2013. Proceeds from the bonds provided financing for the addition, improvement, and expansion of the utility system facilities, infrastructure, and equipment. The bonds and notes are payable solely from the utility system net revenues and are payable through October 1, 2040.

Net revenues are defined as gross revenues remaining after deducting operating expenses, with operating revenues including all income except the following excluded items: third party reimbursements, connection fees (see next paragraph), special assessments, gain on disposal of capital assets, and grants. Operating expenses exclude interest expense, depreciation and amortization, equity interest in net loss of joint venture, and loss on disposal of capital assets.

Connection fees included are the lesser of total connection fees collected during the fiscal year or the percentage of debt service for the fiscal year attributable to expansion of the utility system.

Total principal and interest remaining to be paid on the bonds and notes is \$237.4 million with annual requirements ranging from \$0.2 million in fiscal years 2039 and 2040 to \$13.3 million in fiscal years 2019 and 2020. Annual principal and interest payments on these debts are expected to require less than 20% of projected future net revenues and connection fees. Principal and interest paid for the current year and utility system net revenues and connection fees were \$13.5 million and \$91.0 million, respectively.

8. COMMITMENTS

The Department has entered into construction contracts with remaining commitments totaling approximately \$63,304,000 and \$62,744,000 as of September 30, 2018 and 2017, respectively.

9. RETIREMENT PLANS

The Department provides retirement benefits to its employees through the Florida Retirement System (System), a contributory, cost-sharing, multiple-employer, public employee retirement system. All employees are covered by the System. There are three plans, as described below, within the System. All of the Department's employees are eligible to participate in the System, and substantially all are covered by the System.

Plan Descriptions:

Florida Retirement System (FRS) Pension Plan and Retiree Health Insurance Subsidy (HIS) Program are cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement. The FRS Pension Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. These benefits are established by Chapter 121, Florida Statutes, and may only be amended by the Florida Legislature.

The HIS Program benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs. The HIS Program was established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time.

A comprehensive annual financial report including financial information and required supplementary information on both plans is publicly available on the Florida Department of Management Services website (<http://www.dms.myflorida.com>)

Florida Retirement System Investment Plan (Investment Plan) is a defined contribution plan the Department contributes to for its eligible employees who elect to participate in the Investment Plan in lieu of the FRS Pension Plan. As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate

in the Investment Plan in lieu of the FRS defined-benefit plan. Department employees participating in the DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual members' accounts, are defined by law, but the ultimate benefit depends in part on the performance of the 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 which are based on salary and membership class (Regular Class, Elected County Officers, etc.) as the FRS Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The Investment Plan is administered by the State Board of Administration (SBA), and is reported in the SBA's annual financial statements and in the State of Florida's comprehensive annual financial report. Financial information on this plan is available on the web at <http://www.sbafla.com/>.

Pension Expense/Expenditures:

The Department's aggregate pension expense/expenditures for all plans amounted to \$1,231,132 for the fiscal year ended September 30, 2018. The Department's aggregate net pension liability for all plans was \$29,029,415, with balances of deferred outflows of resources related to pensions of \$11,514,399 and deferred inflows of resources related to pensions of \$3,527,230 as of September 30, 2018.

Florida Retirement System (FRS) Pension Plan Benefits Provided

The Florida Retirement System was created on December 1, 1970. Members enrolled in the FRS and actively employed on July 1, 2001, or first enrolled between July 1, 2001 and June 30, 2011, will be vested, or eligible to receive future benefits after 6 years of creditable service. Participants first enrolled on or after July 1, 2011 will be vested, or eligible to receive future benefits after 8 years of creditable service. Retirement, disability, and death benefits are based on age, average final compensation and years-of-service credit. For members initially enrolled in the FRS before July 1, 2011, average final compensation is the average of the five highest fiscal years of salary earned during covered employment. For members initially enrolled in the FRS on or after July 1, 2011, average final compensation is the average of the eight highest fiscal years of salary earned during covered employment. Members are eligible for normal retirement when they have met the minimum requirements established by their membership class. For members initially enrolled in the FRS before July 1, 2011, Regular Class members are eligible for normal retirement if they are vested and age 62 or if they have 30 years of creditable service regardless of age. For members initially enrolled in the FRS on or after July 1, 2011, Regular Class members are eligible for normal retirement if they are vested and age 65 or if they have 33 years of creditable service regardless of age. Early retirement may be taken any time after vesting. However, there is a 5% reduction of benefits for each year prior to normal retirement age or date. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Beginning July 1, 1998, the FRS implemented the Deferred Retirement Option Program (DROP), which is a program within the FRS Pension Plan that allows members to retire without terminating their employment for up to five years while their retirement benefits accumulate and earn interest compounded monthly at a stated effective annual rate. For members who entered DROP prior to July 1, 2011, the rate is 6.5%. For members who enter DROP on or after July 1, 2011, the rate is 1.3%. Members may participate in DROP when they are vested and have reached their normal retirement date. When the DROP period ends, members must terminate employment, whereupon members will receive their accumulated DROP benefits and begin receiving their monthly retirement benefit.

The FRS was amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is known as the FRS Investment Plan, which is described later in this note.

Contributions

The following membership classes and contribution rates, which apply to both the FRS Pension Plan and the FRS Investment Plan, were in effect at September 30, 2018:

<u>Membership Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>
Regular	3.00%	8.26%
Special Risk	3.00%	24.50%
State Attorney/Public Defender	3.00%	56.75%
County, City, Special District Elected Officers	3.00%	48.70%
Special Risk Administrative Support	3.00%	34.98%
Senior Management	3.00%	24.06%
Deferred Retirement Option Program	N/A	14.03%

*Employer contribution rates in the above table include a 1.66% contribution for the Retiree Health Insurance Subsidy Program.

The Department’s employer contributions to the FRS Pension Plan totaled \$2.6 million and employee contributions totaled \$0.9 million for the fiscal year ended September 30, 2018. The Department contributed 100 percent of its statutorily required contributions for the current and preceding two years.

Net Pension Liability, Deferrals, and Pension Expenses

At September 30, 2018 the Department reported a liability of \$22.9 million for its proportionate share of the FRS Pension Plan’s net pension liability, which was measured as of June 30, 2018. The total pension liability used to calculate the net liability was determined by an actuarial valuation as of July 1, 2018. The Department’s proportionate share of the net pension liability was based on the Department’s 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018 the Department’s proportionate share was 0.076% which was a decrease of 0.005 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018 the Department recognized pension expense of \$1,101,152 related to the FRS Pension Plan. In addition, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$70,459	\$1,941,266
Change of assumptions	-	7,487,589
Net difference between projected and actual earnings on Pension Plan investments	1,770,482	-
Changes in proportion and differences between Department Pension Plan contributions and proportionate share of contributions	842,334	537,561
Department Pension Plan contributions subsequent to the measurement date	-	<u>543,552</u>
Total	<u>\$2,683,275</u>	<u>\$10,509,968</u>

The Department’s contributions to the FRS Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2019	\$2,739,492
2020	1,941,630
2021	313,719
2022	1,350,784
2023	838,695
Thereafter	\$98,821

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

- **Inflation:** 2.6 percent
- **Investment Rate of Return:** 7.0 percent, net of plan investment expense
- **Salary Increases:** 3.25% average, including inflation
- **Mortality:** was calculated using the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation - mean			2.6%	1.9%
Note 1: As outlined in the Pension Plan’s investment policy				

Discount Rate – The discount rate used to measure the total pension liability was 7.0% The Pension Plan’s fiduciary net position was projected to be available to make all the projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity to Changes in the Discount Rate – The following represents the Department’s proportionate share of the net pension liability calculated using the 7.0% discount rate as well as what the Department’s proportionate share would be if it were calculated using a discount rate one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	Discount Rates		
	1% decrease (6.0%)	Current 7.0% Discount Rate	1% increase (8.0%)
Department’s proportionate share of the net pension liability	\$41,821,289	\$22,915,248	\$7,212,664

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.

Retiree Health Insurance Subsidy (HIS) Program:

Benefits Provided – For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly 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 an HIS Plan benefit, a retiree under State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Program is funded by required contributions from participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active Pension Plan members. For the fiscal year ended September 30, 2017 the contribution rate was 1.66% of payroll. The Department contributed 100% of its statutorily required contributions for the current and preceding three years. The HIS Program contributions are deposited in a separate trust fund from which payments are authorized. The HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Department’s employer contributions to the HIS Program totaled \$43,807 for the fiscal year ended September 30, 2018. The Department contributed 100 percent of its statutorily required contributions for the current and preceding two years.

Net Pension Liability, Deferrals and Pension Expense

At September 30, 2018 the Department reported a liability of \$6.1 million for its proportionate share of the HIS Program’s net pension liability, which was measured as of June 30, 2018. The total pension liability used to calculate the net liability was determined by an actuarial valuation as of July 1, 2018. The Department’s proportionate share of the net pension liability was based on the Department’s fiscal year 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members for the same period. At June 30, 2018 the Department’s proportionate share was 0.058%, which was a decrease of 0.002 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Department recognized pension expense of \$129,980 related to the HIS Program. In addition, the Department reported deferred outflows of resources and deferred inflows of resources related to the HIS Program from the following sources:

Description	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$10,388	\$93,605
Change of assumptions	646,441	679,971
Changes in proportion and differences between Department Pension Plan contributions and proportionate share of contributions	187,128	154,240
Net difference between projected and actual Earnings on Pension Plan investments	-	3,691
Department Pension Plan contributions subsequent to the measurement date	-	<u>72,924</u>
Total	<u>\$843,957</u>	<u>\$1,004,431</u>

The Department's contributions to the HIS Program subsequent to the measurement date, and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the HIS Program will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2019	\$69,420
2020	69,108
2021	50,853
2022	19,797
2023	(69,712)
Thereafter	(\$51,916)

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

- **Inflation:** 2.60 percent.
- **Municipal Bond Rate:** 3.87 percent.
- **Salary Increases:** 3.25 percent, average, including inflation.
- **Mortality:** was calculated using the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent of discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Program sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity to Changes in the Discount Rate - The following table represents the Department's proportionate share of the net pension liability calculated using the 3.87% discount rate as well as what the Department's

proportionate share would be if it were calculated using a discount rate one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	Discount Rates		
	1% decrease (2.87%)	Current 3.87% Discount Rate	1% increase (4.87%)
Department's proportionate share of the net pension liability	\$6,963,679	\$6,114,168	\$5,406,051

Florida Retirement System Investment Plan

Vesting Provisions: 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 FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS 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. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll, which is included in the FRS contribution rates, and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Department. 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 FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Department's employer contributions to the Investment Plan totaled \$0.2 million for the fiscal year ended September 30, 2018.

10. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plans, the Department provides a defined benefit health care OPEB plan, which provides medical benefits to all eligible retired employees and their dependents.

OPEB Expense/Expenditures: The Department's share of OPEB expense/expenditures was (\$47,587) for the fiscal year ended September 30, 2018. The Department's total OPEB liability was \$988,208, with deferred outflows of resources related to OPEB of \$0 and deferred inflows of resources related to OPEB of \$28,501 as of September 30, 2018.

Plan Description - The plan is a single-employer plan administered by the County. The authority to establish and amend the benefit terms and financing requirements is granted to the County Board. The Department, as an entity of the County, is required by Florida Statute 112.0801 to allow its retirees (and eligible dependents) to continue participation in the group insurance plan. No assets are accumulated in a trust which meets the criteria in Paragraph 4 of GASB Statement No. 75. Additionally, there are no legal documents referencing a trust. The healthcare benefits OPEB plan does not issue a separate stand-alone financial report.

Benefits Provided - Retirees of the healthcare benefit OPEB plan must be offered the same coverage as is offered to active employees at a premium cost no more than the premium cost applicable for active employees, resulting in an implicit subsidy.

Employees Covered by Benefit Terms - As of September 30, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries	10
Inactive, non-retired members	-
Active members	<u>507</u>
Total	<u>517</u>

Total OPEB Liability - The total healthcare OPEB liability of \$988,208 was measured as of September 30, 2018. The liability measured in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	9/30/2018
Inflation rate	3.5%
Projected annual salary increase	3.5%
Discount rate	4.24%
Initial healthcare inflation rate	7.0%
Ultimate healthcare inflation rate (5 years out)	4.5%

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality rates were based on the RP-2014 generational table using MP-18 and applied on a gender-specific basis.

No formal experience study was performed; however, the actuarial assumptions used in the valuation were consistent with the Florida Retirement System.

Changes in Total OPEB Liability - The following table illustrates changes in the Department's portion of the forgoing for the fiscal year ended September 30, 2018:

Balance at September 30, 2017	\$1,064,296
Changes for the year:	
Service cost	46,378
Interest cost	59,065
Changes of benefit terms	0
Changes in assumptions or other inputs	(41,803)
Benefit payments	(139,728)
Net changes	<u>(76,088)</u>
Balance at September 30, 2018	<u>\$988,208</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following table presents the Department's share of the total OPEB liability as well as what that liability would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	Discount Rates		
	1% decrease (3.24%)	Current 4.24% Discount Rate	1% increase (5.24%)
Net OPEB liability	\$1,042,468	\$988,208	\$943,058

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates - The following table presents the Department's share of the total OPEB liability as well as what that liability would be if it were calculated using healthcare cost trend rates 1 percent lower or 1 percent higher than the assumed trend rate:

	Healthcare Cost Trend Rates		
	1% decrease 6% decreasing to 3.5% over 10 years	Current Rate 7% decreasing to 4.5% over 10 years	1% increase 8% decreasing to 5.5% over 10 years
Net OPEB Liability	\$880,389	\$988,208	\$1,126,530

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

For the fiscal year ended September 30, 2018 the healthcare OPEB plan recognized OPEB expense of \$(47,587). At September 30, 2018 the plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Change of assumptions	<u>0</u>	<u>(28,501)</u>
Total	<u>\$0</u>	<u>(\$28,501)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the healthcare OPEB plan will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30	Amount
2019	(\$2,317)
2020	(2,317)
2021	(2,317)
2022	(2,317)
2023	(2,317)
Thereafter	(\$16,916)

11. INTEREST COSTS

Total interest costs incurred by the Department were \$7,177,394 and \$7,597,348, of which \$1,865,629 and \$1,656,618 were capitalized as part of capital assets, for the fiscal years ended September 30, 2018 and 2017, respectively.

12. RELATED PARTY TRANSACTIONS

The County allocated to the Department certain support department costs which include legal, administrative, fiscal, purchasing, personnel, internal audit, data processing, and communication costs. The Department is also charged for the costs of services provided by the County's Fleet Management, Casualty Self-Insurance, Employee Health Insurance, and Workers' Compensation Internal Service Funds. The total of such costs charged to expense for the fiscal years ended September 30, 2018 and 2017, was approximately \$26,449,000 and \$24,867,000, respectively.

The Department covers risk of loss from fire, theft, natural disasters, and damage to assets, in excess of \$200,000 per person or \$300,000 per occurrence, with commercial insurance purchased through the County's Risk Management Fund, with the coverage specifically designated for the Department's facilities. In none of the last three fiscal years have settlements pertaining to the Department's property exceeded insurance coverage.

Liability claims risk from torts, errors of omission, negligence, and the aforementioned causes (below the specified limits) is covered by the Department's participation in the County's Casualty Self-Insurance Fund (a public entity risk pool in which all County departments, excluding the Sheriff, participate). Premiums are based on estimates of the amounts needed to pay prior year claims, current year claims, and claims incurred but not reported. Settlements pertaining to the Department have not exceeded coverage limits in any of the past three years.

The Department's risk for injuries to employees is covered 100% under the County's self-insured Workers' Compensation Fund. Premiums and participation are the same as for the Casualty Self-Insurance Fund.

The Department provides health insurance to its employees through the County's self-insured policy. All County departments participate, with premiums determined on the same premise as above. Settled claims have not exceeded coverage in any of the last three years.

13. CONTINGENCIES

The Federal Emergency Management Agency (FEMA) reimbursed the Department certain costs related to Hurricanes Frances and Wilma in fiscal years 2005 and 2006, respectively. Subsequent audits of these reimbursements determined up to \$2,626,448 of the reimbursement was for costs FEMA disallowed. The County is appealing the decision and, due to uncertainty regarding the amount, if any, which will be actually repaid, has not recognized a liability in the financial statements.

The Department is also involved in various lawsuits arising from the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of Department management, based on consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the Department.

14. DEFERRED COMPENSATION

The Department participates in the County's Deferred Compensation Plan. The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred

compensation is not available to employees until termination, retirement, death, or certain unforeseen emergencies.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the plan participants and their beneficiaries.

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
FLORIDA RETIREMENT SYSTEM PENSION PLAN (FRS)
For the Last Ten Fiscal Years*
(REQUIRED SUPPLEMENTARY INFORMATION)
(unaudited)

Schedule of Proportionate Share of Net Pensions Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion of the FRS net pension liability	0.076%	0.081%	0.079%	0.078%	0.079%
Department's proportionate share of the FRS net pension liability	\$ 22,915,248	\$ 23,906,665	\$ 19,919,085	\$ 10,030,459	\$ 4,847,927
Department's covered payroll	\$ 31,009,120	\$ 31,394,359	\$ 31,953,486	\$ 29,503,880	\$ 28,927,640
Department's proportionate share of the FRS net pension liability as a percentage of its covered payroll	77.1%	76.1%	62.3%	34.0%	16.8%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

NOTE: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years 2014 through 2018 is available.

Schedule of Contributions to Florida Retirement System Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 2,595,181	\$ 2,479,881	\$ 2,383,065	\$ 2,260,802	\$ 2,159,631
FRS contributions in relation to the contractually required contribution	2,595,181	2,479,881	2,383,065	2,260,802	2,159,631
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered payroll	\$ 30,579,222	\$ 30,596,525	\$ 30,413,366	\$ 29,254,317	\$ 28,934,668
FRS contributions as a percentage of covered payroll	8.5%	8.1%	7.8%	7.7%	7.5%

NOTE: The schedule is presented to illustrate the requirements of GASB Statement No. 68 as of September 30th. Currently only data for 2014 through 2018 is available.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
HEALTH INSURANCE SUBSIDY PENSION PLAN (HIS)
For the Last Ten Fiscal Years
(REQUIRED SUPPLEMENTARY INFORMATION)
(unaudited)

Schedule of Proportionate Share of Net Pensions Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion of the HIS net pension liability	0.058%	0.058%	0.060%	0.061%	0.061%
Department's proportionate share of the HIS net pension liability	\$ 6,114,168	\$ 6,441,337	\$ 6,870,208	\$ 6,165,853	\$ 5,730,171
Department's covered payroll	\$ 31,009,120	\$ 31,394,359	\$ 31,953,486	\$ 29,503,880	\$ 28,927,640
Department's proportionate share of the HIS net pension liability as a percentage of its covered payroll	20.8%	20.5%	21.5%	20.9%	19.8%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.99%	0.99%

NOTE: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years 2014 through 2018 is available.

Schedule of Contributions to Health Insurance Subsidy Pension Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 43,807	\$ 41,861	\$ 40,227	\$ 28,850	\$ 27,559
HIS contributions in relation to the contractually required contribution	<u>43,807</u>	<u>41,861</u>	<u>40,227</u>	<u>28,850</u>	<u>27,559</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered payroll	\$ 30,579,222	\$ 30,596,525	\$ 30,413,366	\$ 29,254,317	\$ 28,934,668
HIS contributions as a percentage of covered payroll	0.14%	0.14%	0.13%	0.10%	0.10%

NOTE: The schedule is presented to illustrate the requirements of GASB Statement No. 68 as of September 30th. Currently only data for 2014 through 2018 is available.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
COUNTY HEALTH-CARE OPEB PLAN
Last Ten Fiscal Years

(REQUIRED SUPPLEMENTARY INFORMATION)
(unaudited)

	2018
Total OPEB liability - beginning	\$ 1,064,296
Service cost	46,378
Interest cost	59,065
Changes of benefit terms	-
Differences between expected and actual experience	-
Change of assumptions	(41,803)
Benefit payments, including refunds of member contributions	(139,728)
Net change in total OPEB liability	(76,088)
Total OPEB liability - ending	988,208
Covered payroll	\$ 30,579,222
Total OPEB liability as a percentage of covered employee payroll	3.2%

Notes to Schedule:

- (1) GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was implemented in fiscal year 2018 requiring ten-year trend data. Additional years will be displayed as the data becomes available.
- (2) Amounts are as of September 30 of each year.

SUPPLEMENTARY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (natural classification), AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018
(Supplementary Information)

	<u>Original Budget</u>	<u>Current Budget</u>	<u>Actual Results</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:					
Charges for services	\$ 192,180,000	\$ 191,930,000	\$ 191,700,391	\$ (229,609)	0%
Other operating revenue	4,083,000	4,083,000	5,507,896	1,424,896	35%
Total operating revenues	196,263,000	196,013,000	197,208,287	1,195,287	1%
OPERATING EXPENSES:					
Depreciation and amortization	51,018,500	51,018,500	50,034,603	983,897	2%
Personal services	46,996,897	46,996,897	42,958,235	4,038,662	9%
Maintenance	33,876,200	36,336,200	24,869,268	11,466,932	32%
Supplies	28,947,085	26,486,635	19,405,825	7,080,810	27%
Contractual services	21,293,875	21,293,875	18,029,508	3,264,367	15%
Purchased water and wastewater treatment	10,750,000	10,750,000	11,257,470	(507,470)	-5%
Utilities	9,164,300	9,164,300	8,279,370	884,930	10%
Equity interest in net loss of joint venture	(750,000)	(750,000)	(2,996,073)	2,246,073	-299%
Miscellaneous	2,315,963	2,316,413	2,230,184	86,229	4%
Total operating expenses	203,612,820	203,612,820	174,068,390	29,544,430	15%
OPERATING INCOME (LOSS)	(7,349,820)	(7,599,820)	23,139,897	30,739,717	404%
NONOPERATING REVENUES (EXPENSES):					
Guaranteed revenue	8,916,000	8,916,000	6,129,004	(2,786,996)	-31%
Investment income	1,488,000	1,488,000	5,263,063	3,775,063	254%
Interest expense	(4,915,771)	(4,915,771)	(4,804,303)	111,468	2%
Engineering fees	804,000	804,000	885,059	81,059	10%
Engineering expenses	(965,016)	(965,016)	(847,612)	117,404	12%
Other	190,600	190,600	614,942	424,342	223%
Total nonoperating revenues (expenses)	5,517,813	5,517,813	7,240,153	1,722,340	31%
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,832,007)	(2,082,007)	30,380,050	32,462,057	1559%
Transfers to other County Funds	(144,144)	(144,144)	(144,144)	-	0%
Capital contributions received, net	25,490,000	25,490,000	26,917,550	1,427,550	6%
CHANGE IN NET POSITION	\$ 23,513,849	\$ 23,263,849	\$ 57,153,456	\$ 33,889,607	146%

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (functional classification), AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018
(Supplementary Information)

	<u>Current Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:				
Water - base facility	\$ 45,717,000	\$ 46,773,649	\$ 1,056,649	2%
Water - commodity	46,955,000	45,023,278	(1,931,722)	-4%
Water - contractual	2,227,000	2,022,081	(204,919)	-9%
Wastewater - base facility	50,865,000	51,257,552	392,552	1%
Wastewater - commodity	34,397,000	34,644,921	247,921	1%
Wastewater - contractual	996,000	1,429,829	433,829	44%
Reclaimed water - retail	1,886,000	1,802,769	(83,231)	-4%
Reclaimed water - bulk	7,906,000	7,789,538	(116,462)	-1%
Customer account charge	981,000	956,774	(24,226)	-2%
Other operating revenue	4,083,000	5,507,896	1,424,896	35%
Total operating revenues	<u>196,013,000</u>	<u>197,208,287</u>	<u>1,195,287</u>	<u>1%</u>
OPERATING EXPENSES:				
Water treatment	40,497,449	30,828,137	9,669,312	24%
Water distribution	17,127,283	14,306,746	2,820,537	16%
Wastewater treatment	20,433,075	15,699,233	4,733,842	23%
Wastewater collection	20,972,385	18,189,190	2,783,195	13%
Purchased water and wastewater treatment	9,972,400	10,641,107	(668,707)	-7%
Customer accounts	15,694,514	10,930,139	4,764,375	30%
Administrative and general	29,211,034	26,435,308	2,775,726	10%
Total operating expenses	<u>153,908,140</u>	<u>127,029,860</u>	<u>26,878,280</u>	<u>17%</u>
Operating income before depreciation, amortization and equity interest in net gain of joint venture				
	42,104,860	70,178,427	28,073,567	67%
Depreciation and amortization	51,018,500	50,034,603	983,897	2%
Equity interest in net gain of joint venture	(750,000)	(2,996,073)	2,246,073	-299%
OPERATING INCOME (LOSS)	<u>(8,163,640)</u>	<u>23,139,897</u>	<u>31,303,537</u>	<u>383%</u>
NONOPERATING REVENUES (EXPENSES):				
Guaranteed revenue	8,916,000	6,129,004	(2,786,996)	-31%
Investment income	1,488,000	5,263,063	3,775,063	254%
Interest expense	(4,915,771)	(4,804,303)	111,468	2%
Engineering fees	804,000	885,059	81,059	10%
Engineering expenses	(965,016)	(847,612)	117,404	12%
Other	190,600	614,942	424,342	223%
Total nonoperating revenues	<u>5,517,813</u>	<u>7,240,153</u>	<u>1,722,340</u>	<u>31%</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	(2,645,827)	30,380,050	33,025,877	1248%
Transfers to other County Funds	(144,144)	(144,144)	-	0%
Capital contributions received, net	25,490,000	26,917,550	1,427,550	6%
CHANGE IN NET POSITION	<u>\$ 22,700,029</u>	<u>\$ 57,153,456</u>	<u>\$ 34,453,427</u>	<u>152%</u>
CONNECTION FEES INCLUDED IN CAPITAL CONTRIBUTIONS				
	<u>\$ 8,295,000</u>	<u>\$ 12,289,867</u>	<u>\$ 3,994,867</u>	<u>48%</u>





Southern Region Water Reclamation Facility, Boynton Beach



*Mike Wisniewski, Utility Plant Mechanic
in Lift Station*

STATISTICAL SECTION

This part of the Palm Beach County Water Utility Department's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Department's overall financial health.

Contents

	PAGE
Financial Trends	57
These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.	
Revenue Capacity	65
These schedules contain information to help the reader assess the factors affecting the Department's ability to generate water and wastewater revenues.	
Debt Capacity	87
These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.	
Demographic and Economic Information	91
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place and to help make comparisons over time.	
Operating Information	95
These schedules contain information about the Department's operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year or other Department records



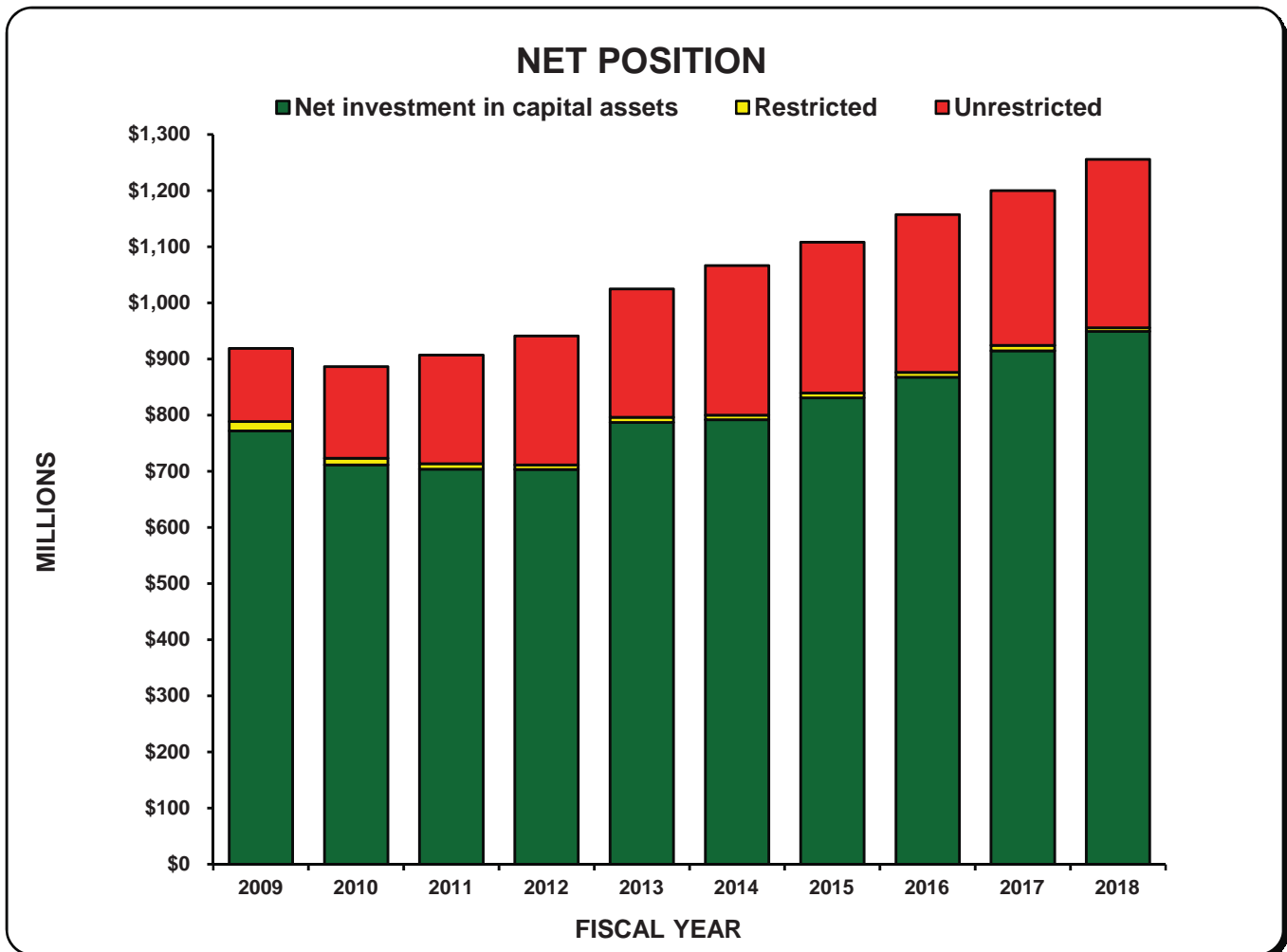
FINANCIAL TRENDS INFORMATION



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SCHEDULE OF NET POSITION BY COMPONENT
 Last Ten Fiscal Years

(in thousands)	2018	2017	2016	2015	2014*	2013*	2012	2011	2010	2009
Net investment										
in capital assets	\$949,168	\$914,690	\$867,526	\$831,039	\$791,649	\$786,867	\$703,494	\$703,855	\$711,227	\$771,926
Restricted	6,302	9,503	8,693	8,353	8,568	9,230	7,965	9,543	11,910	16,860
Unrestricted	300,356	275,576	281,149	268,684	266,513	228,713	229,394	193,519	163,530	130,368
TOTAL NET POSITION	\$1,255,826	\$1,199,769	\$1,157,368	\$1,108,076	\$1,066,730	\$1,024,810	\$940,853	\$906,917	\$886,667	\$919,154

* Amounts restated per GASB 68 & 71.



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (000's)
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:			
Charges for services	\$191,700	\$187,624	\$180,796
Other operating revenue	5,508	5,416	5,418
Total operating revenues	<u>197,208</u>	<u>193,040</u>	<u>186,214</u>
OPERATING EXPENSES:			
Depreciation and amortization	50,035	47,247	44,676
Personal services	42,958	43,619	41,774
Maintenance	24,869	32,057	29,659
Supplies	19,406	18,925	15,398
Contractual services	18,030	18,851	17,728
Purchased water and wastewater treatment	11,257	9,173	9,295
Utilities	8,279	8,632	8,029
Equity interest in net (income) loss of joint venture	(2,996)	(1,768)	(1,127)
Miscellaneous	2,230	2,183	2,391
Total operating expenses	<u>174,068</u>	<u>178,919</u>	<u>167,823</u>
OPERATING INCOME (LOSS)	<u>23,140</u>	<u>14,121</u>	<u>18,391</u>
NONOPERATING REVENUES (EXPENSES):			
Guaranteed revenue	6,129	5,062	7,532
Investment income	5,263	4,730	3,850
Interest expense	(4,804)	(5,441)	(5,337)
Engineering fees	885	1,076	950
Engineering expenses	(848)	(448)	(660)
Other	615	473	727
Total nonoperating revenues (expenses)	<u>7,240</u>	<u>5,452</u>	<u>7,062</u>
Income (loss) before capital contributions, transfers, special item and prior period adjustment	<u>30,380</u>	<u>19,573</u>	<u>25,453</u>
Capital contributions received	26,917	22,939	23,950
Transfers to other County funds	(144)	(111)	(111)
Transfers from other County funds	-	-	-
Contributions to other governments	-	-	-
Special item - Contribution from Absorption of Glades Utility Authority	-	-	-
Special item - Contribution of cash and capital assets to Glades Utility Authority	-	-	-
Prior period adjustment: Implementation of GASB Statements 68 & 71	-	-	-
CHANGE IN NET POSITION	<u>57,153</u>	<u>42,401</u>	<u>49,292</u>
BEGINNING NET POSITION AS PREVIOUSLY REPORTED	<u>1,199,769</u>	<u>1,157,368</u>	<u>1,108,076</u>
Restatement for GASB Statement #75 implementation	(1,096)	-	-
BEGINNING NET POSITION AS RESTATED	<u>1,198,673</u>	<u>1,157,368</u>	<u>1,108,076</u>
NET POSITION, END OF PERIOD	<u>1,255,826</u>	<u>\$1,199,769</u>	<u>\$1,157,368</u>

* Amounts restated per GASB 68 & 71.

<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$170,471	\$164,001	\$156,772	\$148,391	\$146,523	\$136,263	\$125,653
6,332	5,939	5,625	5,379	5,039	5,353	4,573
<u>176,803</u>	<u>169,940</u>	<u>162,397</u>	<u>153,770</u>	<u>151,562</u>	<u>141,616</u>	<u>130,226</u>
42,385	41,244	40,723	39,717	40,213	38,977	41,335
37,543	36,692	37,178	35,491	36,276	37,213	34,357
24,990	26,440	22,769	18,550	20,081	16,675	14,848
15,067	14,507	13,332	14,237	13,807	12,110	14,086
16,679	15,132	15,199	16,979	13,775	11,367	10,140
10,317	6,989	6,514	5,696	5,032	2,792	3,828
8,155	8,180	8,071	8,613	9,366	9,257	10,337
(193)	925	2,449	1,008	1,077	1,223	1,718
2,445	2,371	1,684	981	1,254	1,475	1,646
<u>157,388</u>	<u>152,480</u>	<u>147,919</u>	<u>141,272</u>	<u>140,881</u>	<u>131,089</u>	<u>132,295</u>
<u>19,415</u>	<u>17,460</u>	<u>14,478</u>	<u>12,498</u>	<u>10,681</u>	<u>10,527</u>	<u>(2,069)</u>
7,603	4,422	4,109	4,010	2,529	2,485	2,922
3,682	3,518	507	5,398	6,179	5,068	6,564
(6,075)	(7,029)	(7,787)	(8,457)	(6,859)	(6,696)	(7,011)
952	634	643	482	270	327	454
(578)	(628)	(589)	(583)	(613)	(625)	(666)
2,736	3,180	(90)	3,508	1,094	11	(510)
<u>8,320</u>	<u>4,097</u>	<u>(3,207)</u>	<u>4,358</u>	<u>2,600</u>	<u>570</u>	<u>1,753</u>
<u>27,735</u>	<u>21,557</u>	<u>11,271</u>	<u>16,856</u>	<u>13,281</u>	<u>11,097</u>	<u>(316)</u>
26,223	19,084	28,385	18,251	11,158	12,156	17,979
(12,612)	(71)	-	-	-	-	-
-	1,383	1,789	2,521	72	792	-
-	(34)	-	-	-	-	-
-	1	63,928	-	-	-	-
-	-	-	(3,572)	(4,046)	(56,381)	-
-	-	(19,874)	-	-	-	-
<u>41,346</u>	<u>41,920</u>	<u>85,499</u>	<u>34,056</u>	<u>20,465</u>	<u>(32,336)</u>	<u>17,663</u>
1,066,730	1,024,810	939,311	905,255	884,790	917,126	899,463
-	-	-	-	-	-	-
<u>1,066,730</u>	<u>1,024,810</u>	<u>939,311</u>	<u>905,255</u>	<u>884,790</u>	<u>917,126</u>	<u>899,463</u>
<u>1,108,076</u>	<u>1,066,730</u>	<u>1,024,810</u>	<u>939,311</u>	<u>905,255</u>	<u>884,790</u>	<u>917,126</u>

PALM BEACH COUNTY, FLORIDA

WATER UTILITIES DEPARTMENT

OPERATING REVENUES BY SOURCE AND OPERATING EXPENSES BY FUNCTION (000's)

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUES BY SOURCE:			
Charges for services:			
Water - base facility	\$46,774	\$44,954	\$43,722
Water - commodity	45,023	45,529	43,302
Water - contractual	2,022	1,523	2,268
Wastewater - base facility	51,257	49,301	47,954
Wastewater - commodity	34,645	34,177	32,137
Wastewater - contractual	1,430	972	1,012
Reclaimed water - retail	1,803	2,121	1,863
Reclaimed water - bulk	7,789	8,112	7,598
Customer account charge (1)	957	935	940
Water and wastewater - public authorities	-	-	-
Water restrictions surcharge (2)	-	-	-
	<u>191,700</u>	<u>187,624</u>	<u>180,796</u>
Other operating revenue:			
Meter sales	774	599	727
Service charges	1,232	1,232	1,272
Industrial pretreatment	1,063	1,007	950
Miscellaneous	2,439	2,578	2,469
Other operating revenue	<u>5,508</u>	<u>5,416</u>	<u>5,418</u>
Total operating revenues	<u><u>\$197,208</u></u>	<u><u>\$193,040</u></u>	<u><u>\$186,214</u></u>
OPERATING EXPENSES BY FUNCTION:			
Water treatment	\$30,828	\$37,443	\$34,589
Water distribution	14,307	13,314	11,168
Wastewater treatment	15,699	16,875	17,553
Wastewater collection	18,189	18,606	18,049
Purchased water and wastewater treatment	10,641	9,059	8,864
Purchased reclaimed water	-	-	-
Water and wastewater - public authorities	-	-	-
Customer accounts	10,930	10,757	8,649
Administrative and general	26,435	27,386	25,402
Operating expenses before depreciation and amortization and equity interest in net (income) loss of joint venture	<u>127,029</u>	<u>133,440</u>	<u>124,274</u>
Depreciation and amortization	50,035	47,247	44,676
Equity interest in net (income) loss of joint venture	(2,996)	(1,768)	(1,127)
Total operating expenses	<u><u>\$174,068</u></u>	<u><u>\$178,919</u></u>	<u><u>\$167,823</u></u>

Notes:

- (1) Customer account charge billed separately only to multi-family customers beginning May 1, 2009.
- (2) Water Restriction Surcharge, effective May 1, 2008 through April 30, 2009, is calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$41,876	\$40,462	\$36,987	\$33,627	\$32,033	\$30,388	\$25,448
42,321	39,681	35,868	33,023	34,595	32,714	30,748
1,811	2,772	3,767	3,423	4,255	2,757	5,005
46,019	44,573	41,015	37,782	35,988	34,126	30,603
31,266	29,788	27,271	25,151	24,567	23,615	21,177
877	748	726	708	874	680	694
1,823	1,589	1,583	1,546	-	1,267	1,347
3,546	3,457	3,379	2,901	-	-	-
932	931	923	931	917	928	3,066
-	-	5,253	9,299	9,795	9,788	-
-	-	-	-	-	-	7,565
<u>170,471</u>	<u>164,001</u>	<u>156,772</u>	<u>148,391</u>	<u>143,024</u>	<u>136,263</u>	<u>125,653</u>
602	660	566	491	414	427	560
1,324	1,466	1,520	1,558	1,492	1,494	1,470
1,031	1,077	1,118	1,044	1,053	991	1,104
3,375	2,736	2,421	2,286	5,579	2,441	1,439
<u>6,332</u>	<u>5,939</u>	<u>5,625</u>	<u>5,379</u>	<u>8,538</u>	<u>5,353</u>	<u>4,573</u>
<u>\$176,803</u>	<u>\$169,940</u>	<u>\$162,397</u>	<u>\$153,770</u>	<u>\$151,562</u>	<u>\$141,616</u>	<u>\$130,226</u>
\$31,395	\$33,332	\$28,000	\$26,870	\$28,214	\$26,368	\$27,551
10,131	9,393	8,531	8,080	7,540	8,043	9,825
16,087	15,863	11,689	12,158	13,118	10,836	10,968
16,304	16,077	13,932	12,369	11,882	10,975	11,793
9,882	6,556	6,514	5,721	3,367	2,745	3,828
-	-	-	-	1,203	-	-
-	-	10,561	9,311	9,795	9,788	-
8,844	7,424	5,825	6,279	6,095	5,750	7,409
22,553	21,666	19,695	19,760	18,377	16,384	17,867
<u>115,196</u>	<u>110,311</u>	<u>104,747</u>	<u>100,548</u>	<u>99,591</u>	<u>90,889</u>	<u>89,241</u>
42,385	41,244	40,723	39,717	40,213	38,977	41,335
(193)	925	2,449	1,008	1,077	1,223	1,719
<u>\$157,388</u>	<u>\$152,480</u>	<u>\$147,919</u>	<u>\$141,273</u>	<u>\$140,881</u>	<u>\$131,089</u>	<u>\$132,295</u>



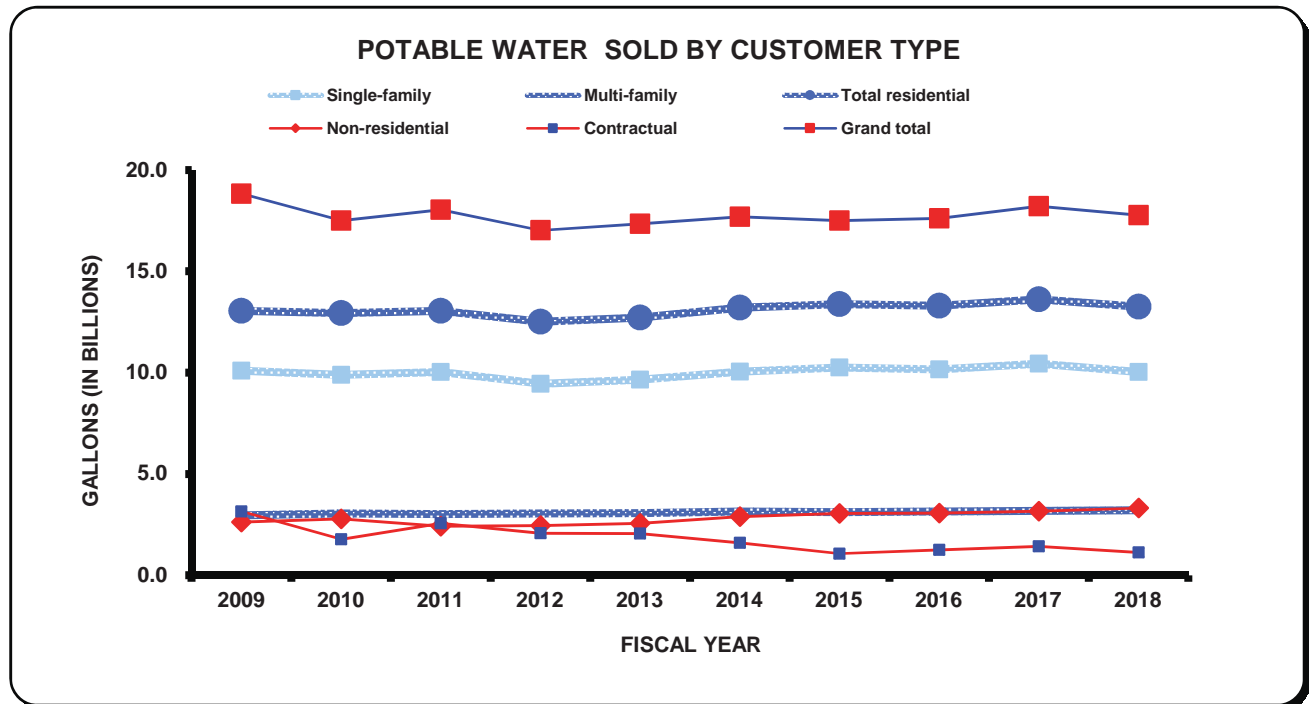
REVENUE CAPACITY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER SOLD BY CUSTOMER TYPE
 Last Ten Fiscal Years

(in millions of gallons)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Residential:										
Single-family	10,035	10,444	10,165	10,256	10,053	9,653	9,454	10,031	9,887	10,101
Multi-family	3,214	3,180	3,137	3,119	3,152	3,068	3,051	3,024	3,050	2,952
Total residential	13,249	13,624	13,302	13,375	13,205	12,721	12,505	13,055	12,937	13,053
Non-residential	3,311	3,161	3,059	3,057	2,889	2,562	2,444	2,418	2,779	2,629
Contractual	1,127	1,423	1,247	1,063	1,597	2,059	2,069	2,565	1,775	3,145
Other	87	3	5	5	4	4	4	2	5	5
Grand total	17,774	18,211	17,613	17,500	17,695	17,346	17,022	18,040	17,496	18,832
Charges for Services (in thousands)	\$197,208	\$193,040	\$186,214	\$176,803	\$169,940	\$156,772	\$148,391	\$146,523	\$136,263	\$125,653
Calculated Total Direct Rate per Thousand Gallons	\$11.10	\$10.60	\$10.57	\$10.10	\$9.60	\$9.04	\$8.72	\$8.12	\$7.79	\$6.67

Notes:

The Department has a complex rate structure. Charges are based on a combination of factors: customer type, meter size, number of units, and level of consumption. With the exception of wastewater only customers whose total revenue is approximately 1% of the Department's charges for services, both potable water and wastewater charges are calculated based on water sold. Therefore, the calculated total direct rate per thousand gallons is the total charges for services divided by water sold in thousands of gallons. For detail of the Department's rate structure, see pages 74 - 83.



PALM BEACH COUNTY, FLORIDA

WATER UTILITIES DEPARTMENT

TEN LARGEST CUSTOMERS

Fiscal Years Ended September 30, 2018 and 2009 (Nine Years Ago)

CUSTOMER	2018			2009		
	Operating Revenues (in thousands)	Rank	%	Operating Revenues (in thousands)	Rank	%
Florida Power & Light Company	\$4,463	1	2.26	\$ -	-	-
School District of Palm Beach County	2,408	2	1.22	1,182	3	0.91
Century Village West Condominiums	2,144	3	1.09	1,830	2	1.41
GEO Group, Inc.	1,208	4	0.61	-	-	-
Palm Beach County Sheriff's Office	676	5	0.34	687	5	0.53
MHC Lake Worth Village LLC	643	6	0.33	-	-	-
Casa Del Monte LLC	527	7	0.27	400	10	0.31
Fountains Condo Oper Inc.	527	8	0.27	-	-	-
Golden Lakes Village Condos	486	9	0.25	-	-	-
PBC Parks & Rec Dept.	474	10	0.24	-	-	-
City of Belle Glade	-	-	-	2,735	1	2.10
City of Boynton Beach Interconnect	-	-	-	695	4	0.53
City of Pahokee	-	-	-	684	6	0.53
City of South Bay	-	-	-	511	7	0.39
Hometown Lake Worth LLC	-	-	-	431	8	0.33
Village of Palm Springs	-	-	-	427	9	0.33
Subtotal (10 largest)	13,556		6.88	9,582		7.37
Balance from other customers	183,652		93.12	120,644		92.63
Grand totals	<u>\$197,208</u>		<u>100.00</u>	<u>\$130,226</u>		<u>100.00</u>

Source: Department's records

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
AVERAGE RESIDENTIAL CUSTOMER'S MONTHLY BILLING
Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>CUSTOMER FEE</u>	<u>BASE FACILITY FEE</u>	<u>COMMODITY FEE</u>	<u>WATER RESTRICTIONS SURCHARGE</u>	<u>TOTAL FEE</u>	<u>% CHANGE</u>
2018	-	\$29.89	\$36.31	-	\$66.20	2.9%
2017	-	29.05	35.29	-	64.34	3.1%
2016	-	28.18	34.23	-	62.41	3.9%
2015	-	27.10	32.94	-	60.04	2.9%
2014	-	26.36	32.01	-	58.37	3.8%
2013	-	25.40	30.82	-	56.22	4.9%
2012	-	24.23	29.36	-	53.59	4.2%
2011	-	23.24	28.17	-	51.41	5.7%
2010	-	21.99	26.65	-	48.64	5.4%
2009 **	-	20.85	25.30	-	46.15	-2.7%
2009 **	2.50	16.42	22.66	5.85	47.43	3.7%

Notes:

An average customer is defined as single-family with 5/8 x 3/4" meter, having combined potable water and wastewater service, and using 7,500 gallons each month. Since the Department calculates the portion of the bill based on usage (commodity fee) in increments of thousands of gallons of water, the commodity fee is calculated for 7,000 gallons.

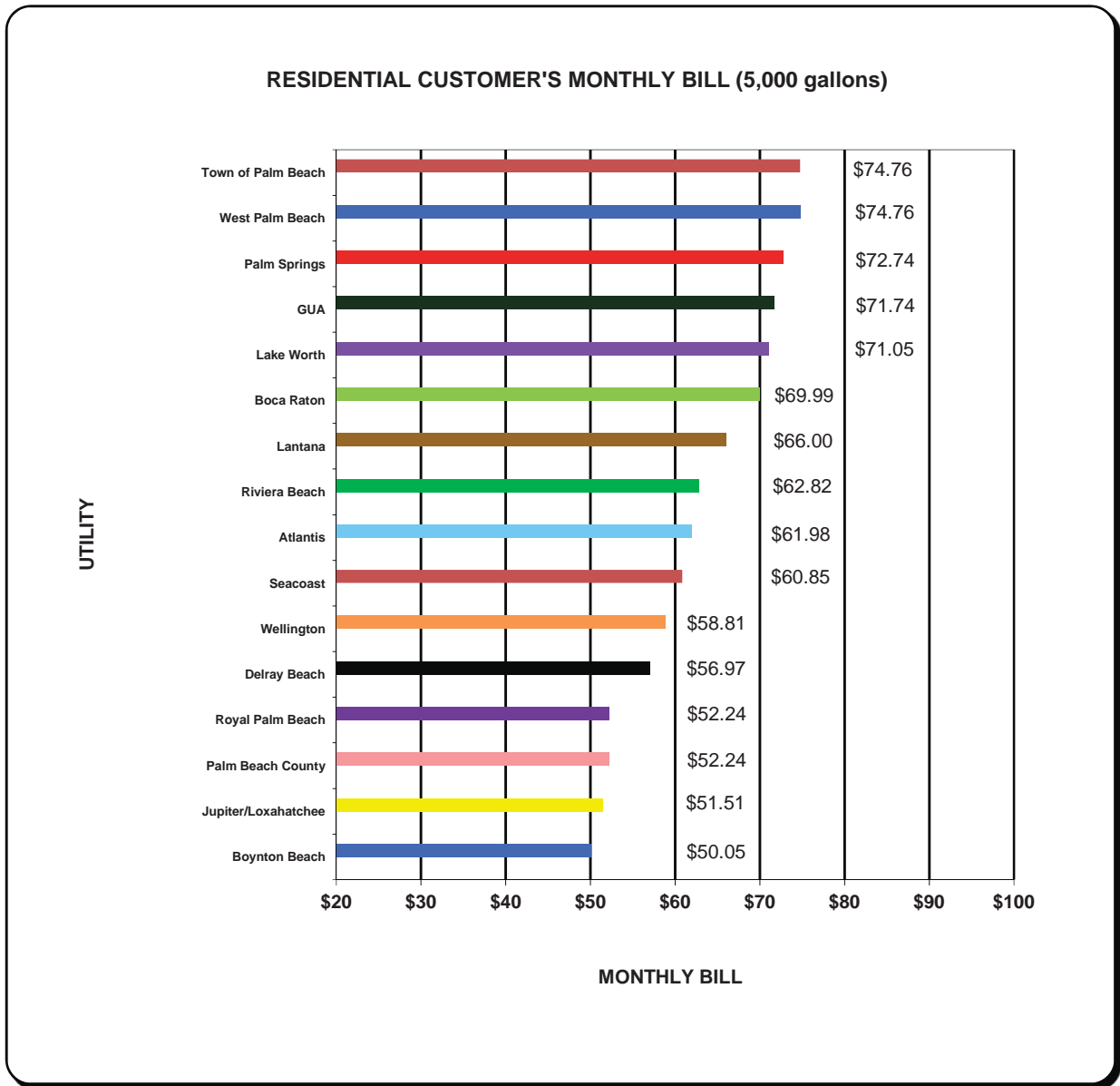
Water restrictions surcharge is calculated as 15% of base facility fee and 15% of commodity fee. The surcharge was instituted with the May 2008 billing and was not to be charged for more than one year.

**In fiscal year 2009, there were two rate changes:

The first, effective October 1, 2008, increased the base facility and commodity rates by 3.946% equal to 75% of the prior year's Consumer Price Index (Water and Sewerage Maintenance) change measured July to July.

The second, effective April 1, 2009, was based on a comprehensive rate study which modified the rate structure and resulted in a reduction in the monthly bill for an average customer from the October 1, 2008 rates.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RESIDENTIAL CUSTOMER'S MONTHLY BILL COMPARISON
For Selected Utilities in Palm Beach County at September 30, 2018



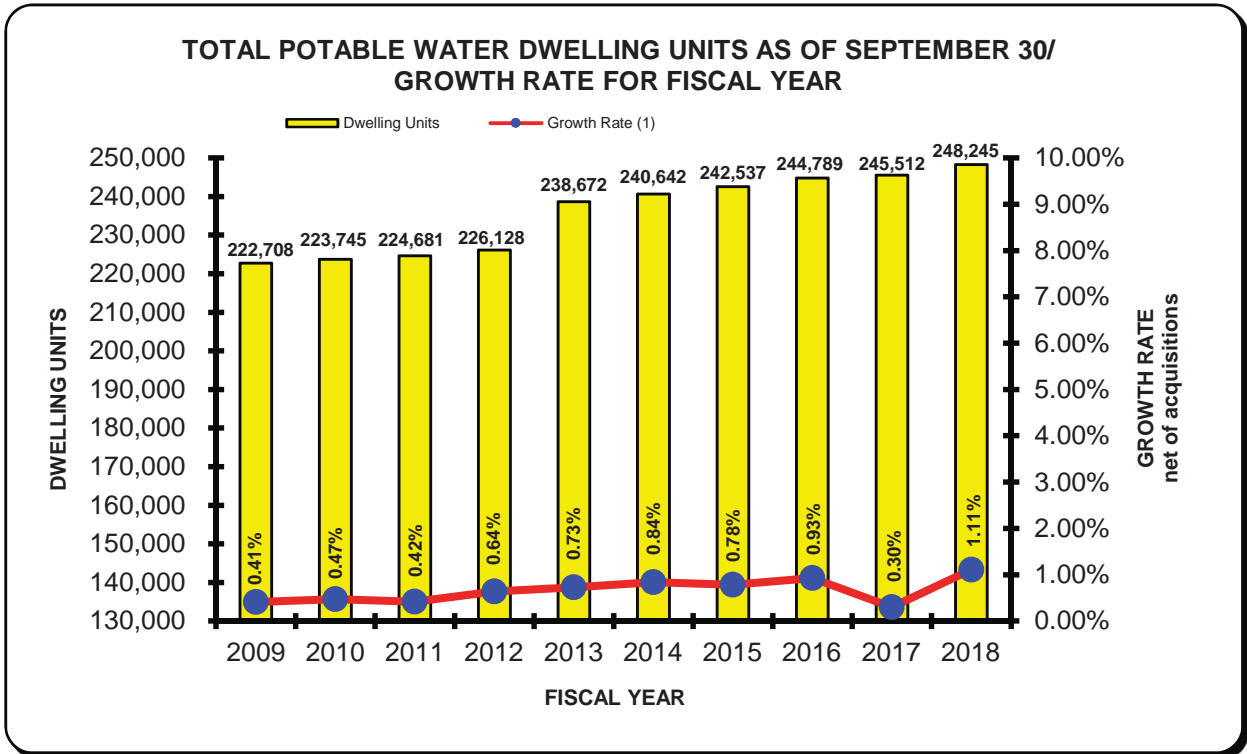
Source: Utility survey

Notes:

Customer's monthly billed includes all fees charged monthly with commodity fee based on usage of 5,000 gallons.

Glades Utility Authority (GUA): On May 1, 2013 the Department absorbed the GUA which comprised the Cities of Belle Glade, Pahokee and South Bay.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER DWELLING UNITS DATA
 Last Ten Fiscal Years



OF DWELLING UNITS BY DWELLING TYPE

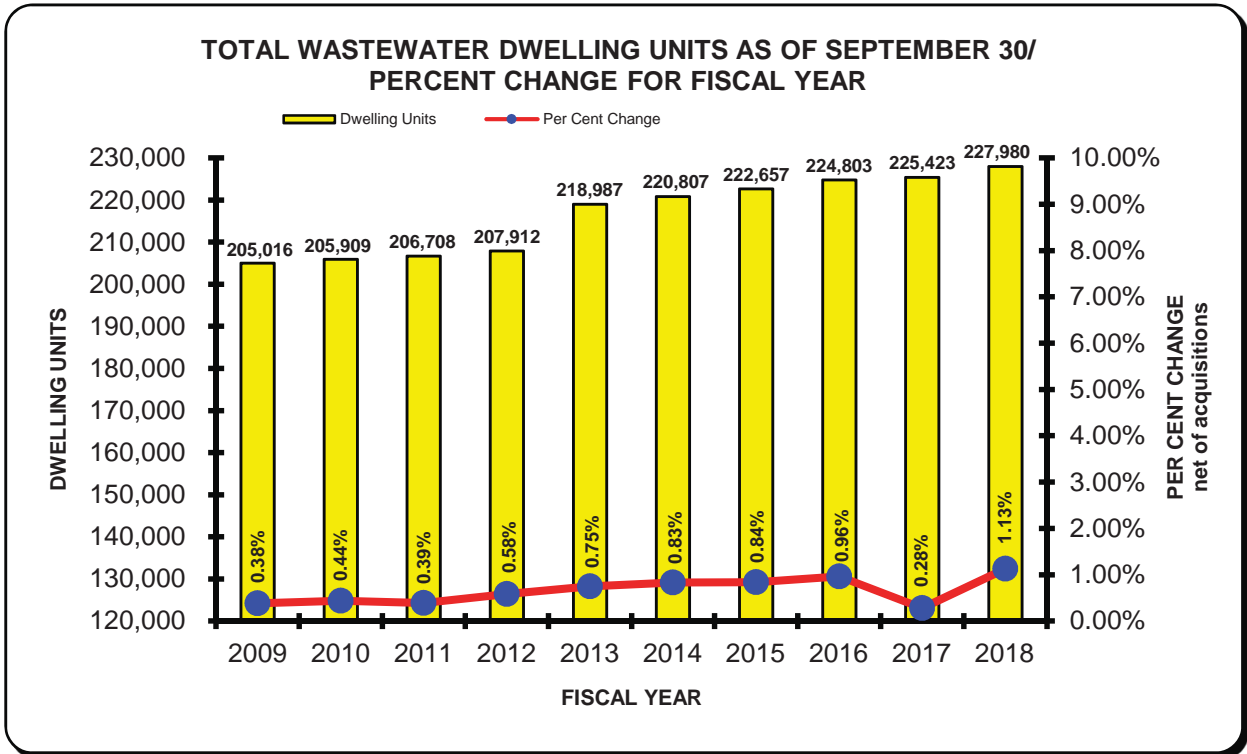
Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽²⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2018	152,909	61.60%	87,599	35.29%	7,737	3.11%	248,245
2017	151,452	61.69%	86,457	35.21%	7,603	3.10%	245,512
2016	150,442	61.46%	86,837	35.47%	7,510	3.07%	244,789
2015	149,080	61.47%	85,971	35.45%	7,486	3.08%	242,537
2014	147,915	61.47%	85,369	35.48%	7,358	3.05%	240,642
2013 ⁽³⁾	146,410	61.34%	84,927	35.58%	7,335	3.08%	238,672
2012	137,131	60.64%	82,748	36.59%	6,249	2.77%	226,128
2011	136,019	60.54%	82,492	36.72%	6,170	2.74%	224,681
2010	135,126	60.39%	82,470	36.86%	6,149	2.75%	223,745
2009	134,376	60.34%	82,207	36.91%	6,125	2.75%	222,708

Notes:

- ⁽¹⁾ The Department measures growth as the change in the number of potable water units served.
- ⁽²⁾ Non-residential does not include contractual/wholesale.
- ⁽³⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority. The 10,900 potable water units acquired are not included in the fiscal year growth rate %.

Source: Department's Records

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
WASTEWATER DWELLING UNITS DATA
 Last Ten Fiscal Years



OF DWELLING UNITS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2018	136,547	59.89%	85,072	37.32%	6,361	2.79%	227,980
2017	135,193	59.97%	83,937	37.24%	6,293	2.79%	225,423
2016	134,228	59.71%	84,337	37.52%	6,238	2.77%	224,803
2015	132,981	59.73%	83,485	37.49%	6,191	2.78%	222,657
2014	131,820	59.70%	82,860	37.53%	6,127	2.77%	220,807
2013 ⁽²⁾	130,419	59.56%	82,430	37.64%	6,138	2.80%	218,987
2012	122,268	58.81%	80,450	38.69%	5,194	2.50%	207,912
2011	121,327	58.69%	80,204	38.80%	5,177	2.51%	206,708
2010	120,564	58.55%	80,205	38.95%	5,140	2.50%	205,909
2009	119,873	58.47%	80,029	39.04%	5,114	2.49%	205,016

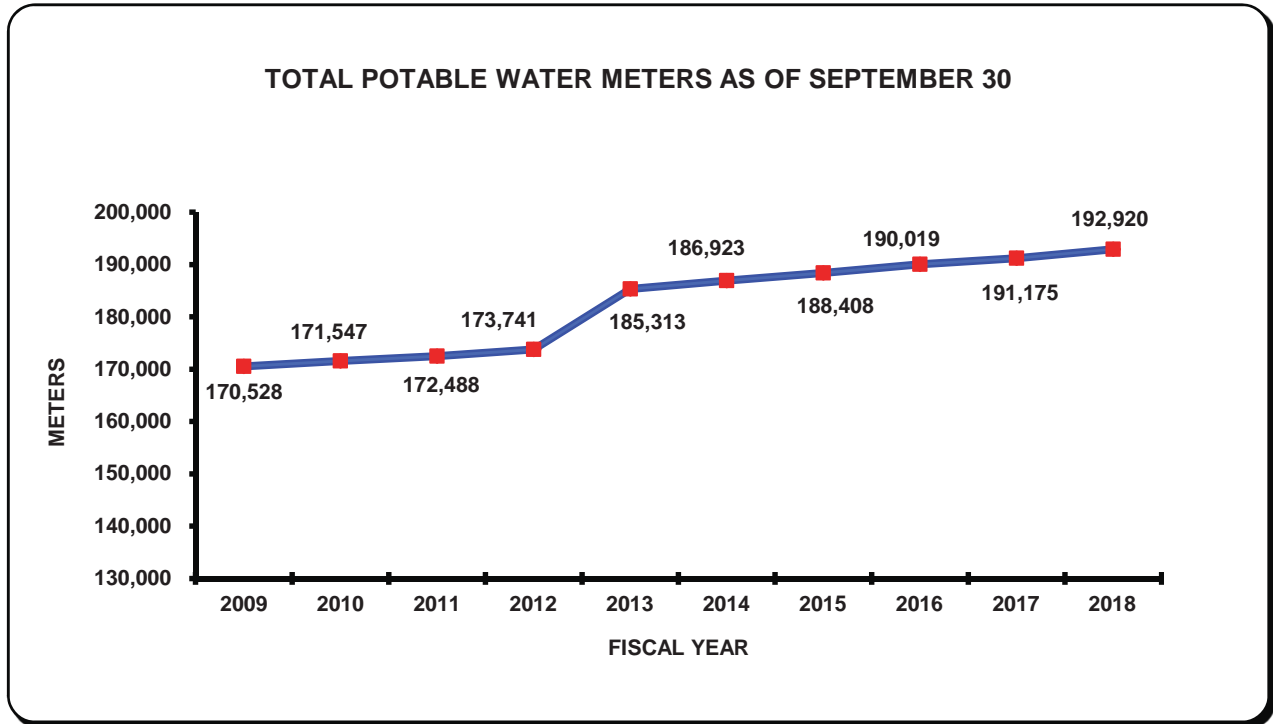
Notes:

⁽¹⁾ Non-residential does not include contractual/wholesale.

⁽²⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority. The 9,515 units acquired are not included in the fiscal year growth rate %.

Source: Department's Records

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER METER DATA
 Last Ten Fiscal Years



OF METERS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Contractual/ Wholesale ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2018	152,852	79.23%	32,336	16.76%	7,708	4.00%	24	0.01%	192,920
2017	151,395	79.19%	32,174	16.83%	7,582	3.97%	24	0.01%	191,175
2016	150,385	79.14%	32,118	16.90%	7,491	3.94%	25	0.02%	190,019
2015	149,023	79.10%	31,893	16.93%	7,464	3.96%	28	0.01%	188,408
2014	147,858	79.10%	31,677	16.94%	7,358	3.94%	30	0.02%	186,923
2013 ⁽²⁾	146,384	78.99%	31,546	17.02%	7,355	3.97%	28	0.02%	185,313
2012	137,131	78.93%	30,335	17.46%	6,249	3.60%	26	0.01%	173,741
2011	136,019	78.86%	30,273	17.54%	6,170	3.58%	26	0.02%	172,488
2010	135,126	78.77%	30,252	17.64%	6,149	3.58%	20	0.01%	171,547
2009	134,376	78.80%	30,006	17.60%	6,125	3.59%	21	0.01%	170,528

Notes:

⁽¹⁾ Non-residential does not include contractual/wholesale.

⁽²⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority. The 10,900 potable water meters acquired are included in these figures.

Source: Department's Records

CUSTOMER RATE SCHEDULES

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including the Western Region Service Area)
Last Ten Fiscal Years

	2018	2017	2016
CUSTOMER ACCOUNT FEE (per meter)			
Multi-Family accounts only	\$ 2.50	\$ 2.50	\$ 2.50
All accounts	n/a	n/a	n/a
POTABLE WATER RATES			
Base Facility Fee			
Single-Family (per meter)			
5/8" x 3/4"	\$ 14.09	\$ 13.69	\$ 13.28
1"	\$ 34.40	\$ 33.43	\$ 32.44
1 1/2 "	\$ 51.44	\$ 49.99	\$ 48.51
2"	\$ 107.25	\$ 104.23	\$ 101.14
Multi-Family (per dwelling unit)	\$ 10.50	\$ 10.20	\$ 9.90
Commodity Fee per thousand gallons			
Single-Family per meter; Multi-Family per dwelling unit			
0-4	\$ 1.42	\$ 1.38	\$ 1.34
5-10	\$ 3.14	\$ 3.05	\$ 2.96
11-25	\$ 7.91	\$ 7.69	\$ 7.46
Over 25	\$ 9.84	\$ 9.56	\$ 9.28
WASTEWATER RATES			
Base Facility Fee			
Single-Family (per meter)			
5/8" x 3/4"	\$ 15.80	\$ 15.36	\$ 14.90
1"	\$ 46.63	\$ 45.32	\$ 43.97
1 1/2 "	\$ 71.60	\$ 69.59	\$ 67.52
2"	\$ 156.57	\$ 152.17	\$ 147.65
Multi-Family (per dwelling unit)			
Commodity Fee per thousand gallons water			
Single-Family per meter; Multi-Family per dwelling unit			
0-4	\$ 1.92	\$ 1.87	\$ 1.81
5-10	\$ 4.51	\$ 4.38	\$ 4.25

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with May 1, 2009 billings.
- (2) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾
\$ 2.50 n/a	\$ 2.50 n/a	\$ 2.50 n/a	\$ 2.50 n/a	\$ 2.50 n/a	\$ 2.50 n/a	\$ 2.50 n/a	n/a \$ 2.50
\$ 12.77	\$ 12.42	\$ 11.97	\$ 11.42	\$ 10.95	\$ 10.36	\$ 9.82	\$ 6.55
\$ 31.20	\$ 30.34	\$ 29.23	\$ 27.88	\$ 26.74	\$ 25.30	\$ 23.99	\$ 19.23
\$ 46.66	\$ 45.38	\$ 43.72	\$ 41.70	\$ 40.00	\$ 37.85	\$ 35.89	\$ 29.88
\$ 97.29	\$ 94.61	\$ 91.15	\$ 86.94	\$ 83.39	\$ 78.91	\$ 74.81	\$ 64.71
\$ 9.52	\$ 9.26	\$ 8.92	\$ 8.51	\$ 8.16	\$ 7.72	\$ 7.32	\$ 6.55
\$ 1.29	\$ 1.25	\$ 1.20	\$ 1.14	\$ 1.09	\$ 1.03	\$ 0.98	\$ 0.88
\$ 2.85	\$ 2.77	\$ 2.67	\$ 2.55	\$ 2.45	\$ 2.32	\$ 2.20	\$ 1.97
\$ 7.18	\$ 6.98	\$ 6.72	\$ 6.41	\$ 6.15	\$ 5.82	\$ 5.52	\$ 4.94
\$ 8.93	\$ 8.68	\$ 8.36	\$ 7.97	\$ 7.64	\$ 7.23	\$ 6.85	\$ 6.13
\$ 14.33	\$ 13.94	\$ 13.43	\$ 12.81	\$ 12.29	\$ 11.63	\$ 11.03	\$ 9.87
\$ 42.29	\$ 41.13	\$ 39.62	\$ 37.79	\$ 36.25	\$ 34.30	\$ 32.52	\$ 29.10
\$ 64.95	\$ 63.16	\$ 60.85	\$ 58.04	\$ 55.67	\$ 52.68	\$ 49.95	\$ 44.70
\$ 142.02	\$ 138.11	\$ 133.05	\$ 126.90	\$ 121.71	\$ 115.17	\$ 109.19	\$ 97.71
	\$ 13.94	\$ 13.43	\$ 12.81	\$ 12.29	\$ 11.63	\$ 11.03	\$ 9.87
\$ 1.74	\$ 1.69	\$ 1.63	\$ 1.55	\$ 1.49	\$ 1.41	\$ 1.34	\$ 1.20
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including the Western Region Service Area)

Last Ten Fiscal Years

	2018	2017	2016
CUSTOMER ACCOUNT FEE (per meter)			
Multi-Family accounts only	n/a	n/a	n/a
All accounts	n/a	n/a	n/a
FIRE LINE RATES			
Base Facility Fee per size of backflow device			
2"	\$ 15.66	\$ 15.22	\$ 14.77
3"	\$ 29.49	\$ 28.66	\$ 27.81
4"	\$ 49.14	\$ 47.76	\$ 46.34
6"	\$ 98.26	\$ 95.50	\$ 92.66
8" and above	\$ 157.24	\$ 152.82	\$ 148.28
RECLAIMED WATER RATES			
Base Facility Fee			
Single-Family (per meter)			
5/8" x 3/4"	\$ 6.88	\$ 6.69	\$ 6.49
5/8" x 3/4" (connection fee paid)	\$ 3.37	\$ 3.28	\$ 3.18
1"	n/a	n/a	n/a
1 1/2 "	n/a	n/a	n/a
2"	n/a	n/a	n/a
Multi-Family (per dwelling unit)	n/a	n/a	n/a
Commodity Fee per thousand gallons	\$ 0.29	\$ 0.28	\$ 0.27
Fixed Commodity Fee (meter size)			

All others see non-residential rates

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with May 1, 2009 billings.
- (2) A 20% discount applies to these rates for lake delivery services.
- (3) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges: fire line base facility fee and potable water commodity fee for fire lines.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽³⁾
n/a	n/a	n/a	n/a	\$ 2.50	\$ 2.50	\$ 2.50	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50
\$ 14.21	\$ 13.82	\$ 13.31	\$ 12.69	\$ 12.17	\$ 11.52	\$ 10.92	\$ 9.77
\$ 26.75	\$ 26.01	\$ 25.06	\$ 23.90	\$ 22.92	\$ 21.69	\$ 20.56	\$ 18.40
\$ 44.57	\$ 43.34	\$ 41.75	\$ 39.82	\$ 38.19	\$ 36.14	\$ 34.26	\$ 30.66
\$ 89.13	\$ 86.68	\$ 83.51	\$ 79.65	\$ 76.39	\$ 72.29	\$ 68.54	\$ 61.33
\$ 142.63	\$ 138.70	\$ 133.62	\$ 127.44	\$ 122.23	\$ 115.66	\$ 109.66	\$ 98.13
\$ 6.24	\$ 6.07	\$ 6.26	\$ 5.97	\$5.35 (3)	\$5.06 (3)	\$4.80 (3)	\$ 2.60
\$ 3.06	\$ 2.98	\$ 3.08	\$ 2.94	\$2.63 (3)	\$2.49 (3)	\$2.36 (3)	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
\$0.26 (2)	\$0.25 (2)	\$0.24 (2)	\$0.23 (2)	\$0.22 (2)	\$0.21 (2)	\$0.20 (2)	\$ 0.16

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including the Western Region Service Area)

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
CUSTOMER ACCOUNT FEE			
(per meter)	n/a	n/a	n/a
POTABLE WATER RATES			
Base Facility Fee			
5/8" x 3/4"	\$ 26.48	\$ 25.74	\$ 24.98
1"	\$ 90.18	\$ 87.64	\$ 85.04
1 1/2 "	\$ 143.47	\$ 139.44	\$ 135.30
2"	\$ 243.40	\$ 236.56	\$ 229.54
3"	\$ 644.78	\$ 626.65	\$ 608.05
4"	\$ 994.55	\$ 966.58	\$ 937.88
6" and larger based on projected water usage			
Commodity Fee per thousand gallons			
5/8" x 3/4"			
0-14	\$ 1.65	\$ 1.60	\$ 1.55
Over 14	\$ 4.51	\$ 4.38	\$ 4.25
1"			
0-57	\$ 1.65	\$ 1.60	\$ 1.55
Over 57	\$ 4.51	\$ 4.38	\$ 4.25
1 1/2 "			
0-94	\$ 1.65	\$ 1.60	\$ 1.55
Over 94	\$ 4.51	\$ 4.38	\$ 4.25
2"			
0-138	\$ 1.65	\$ 1.60	\$ 1.55
Over 138	\$ 4.51	\$ 4.38	\$ 4.25
3"			
0-557	\$ 1.65	\$ 1.60	\$ 1.55
Over 557	\$ 4.51	\$ 4.38	\$ 4.25
4"			
0-675	\$ 1.65	\$ 1.60	\$ 1.55
Over 675	\$ 4.51	\$ 4.38	\$ 4.25
6" and above			
All usage	\$ 1.65	\$ 1.60	\$ 1.55
0-675	n/a	n/a	n/a
Over 675	n/a	n/a	n/a

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with May 1, 2009 billings.
- (2) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50
\$ 24.03	\$ 23.37	\$ 22.51	\$ 21.47	\$ 20.59	\$ 19.48	\$ 18.47	\$ 14.29
\$ 81.80	\$ 79.55	\$ 76.64	\$ 73.10	\$ 70.11	\$ 66.34	\$ 62.90	\$ 54.05
\$ 130.14	\$ 126.56	\$ 121.93	\$ 116.29	\$ 111.54	\$ 105.55	\$ 100.07	\$ 87.31
\$ 220.79	\$ 214.71	\$ 206.85	\$ 197.29	\$ 189.23	\$ 179.06	\$ 169.77	\$ 149.68
\$ 584.88	\$ 568.78	\$ 547.96	\$ 522.62	\$ 501.26	\$ 474.33	\$ 449.71	\$ 400.19
\$ 902.14	\$ 877.31	\$ 845.19	\$ 806.11	\$ 773.16	\$ 731.63	\$ 693.65	\$ 618.48
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ 1.04
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ 1.04
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ 1.04
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ 1.04
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ 1.04
\$ 4.09	\$ 3.98	\$ 3.83	\$ 3.65	\$ 3.50	\$ 3.31	\$ 3.14	\$ 2.81
\$ 1.49	\$ 1.45	\$ 1.40	\$ 1.34	\$ 1.29	\$ 1.22	\$ 1.16	\$ -
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 1.04
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.81

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including the Western Region Service Area)

Last Ten Fiscal Years

	2018	2017	2016
WASTEWATER RATES			
Base Facility Fee			
5/8" x 3/4"	\$ 33.31	\$ 32.37	\$ 31.41
1"	\$ 127.41	\$ 123.83	\$ 120.15
1 1/2 "	\$ 208.18	\$ 202.33	\$ 196.32
2"	\$ 373.07	\$ 362.58	\$ 351.82
3"	\$ 957.66	\$ 930.73	\$ 903.10
4"	\$ 1,465.63	\$ 1,424.41	\$ 1,382.12
6" and larger based on projected water usage			
Commodity Fee per thousand gallons			
water - all metered usage	\$ 2.23	\$ 2.17	\$ 2.11

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with May 1, 2009 billings.
- (2) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾
\$ 30.21	\$ 29.38	\$ 28.30	\$ 26.99	\$ 25.89	\$ 24.50	\$ 23.23	\$ 20.79
\$ 115.57	\$ 112.39	\$ 108.28	\$ 103.27	\$ 99.05	\$ 93.73	\$ 88.86	\$ 79.52
\$ 188.84	\$ 183.64	\$ 176.92	\$ 168.74	\$ 161.84	\$ 153.15	\$ 145.20	\$ 129.93
\$ 338.41	\$ 329.10	\$ 317.05	\$ 302.39	\$ 290.03	\$ 274.45	\$ 260.20	\$ 232.84
\$ 868.68	\$ 844.77	\$ 813.84	\$ 776.21	\$ 744.48	\$ 704.49	\$ 667.92	\$ 597.69
\$ 1,329.45	\$ 1,292.86	\$ 1,245.53	\$ 1,187.94	\$ 1,139.38	\$ 1,078.17	\$ 1,022.20	\$ 914.72
\$ 2.03	\$ 1.97	\$ 1.90	\$ 1.81	\$ 1.74	\$ 1.65	\$ 1.56	\$ 1.40

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including the Western Region Service Area)

Last Ten Fiscal Years

	2018	2017	2016
CUSTOMER ACCOUNT FEE			
(per meter)	n/a	n/a	n/a
 FIRE LINE RATES			
Base Facility Fee per size of backflow device			
2"	\$ 15.66	\$ 15.22	\$ 14.77
3"	\$ 29.49	\$ 28.66	\$ 27.81
4"	\$ 49.14	\$ 47.76	\$ 46.34
6"	\$ 98.26	\$ 95.50	\$ 92.66
8"	\$ 157.24	\$ 152.82	\$ 148.28

Commodity Fee per thousand gallons:
see non-residential commodity rates on page 78.

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with May 1, 2009 billings.
- (2) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges: fire line base facility fee and potable water commodity fee for fire lines.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009 ⁽¹⁾</u>	<u>2009 ⁽²⁾</u>
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50
\$ 14.21	\$ 13.82	\$ 13.31	\$ 12.69	\$ 12.17	\$ 11.52	\$ 10.92	\$ 9.77
\$ 26.25	\$ 26.01	\$ 25.06	\$ 23.90	\$ 22.92	\$ 21.69	\$ 20.56	\$ 18.40
\$ 44.57	\$ 43.34	\$ 41.75	\$ 39.82	\$ 38.19	\$ 36.14	\$ 34.26	\$ 30.66
\$ 89.13	\$ 86.68	\$ 83.51	\$ 79.65	\$ 76.39	\$ 72.29	\$ 68.54	\$ 61.33
\$ 142.63	\$ 138.70	\$ 133.62	\$ 127.44	\$ 122.23	\$ 115.66	\$ 109.66	\$ 98.13

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including the Western Region Service Area)

	Last Ten Fiscal Years		
	2018 ⁽³⁾	2017 ⁽³⁾	2016 ⁽³⁾
CUSTOMER ACCOUNT FEE			
(per meter)	n/a	n/a	n/a
RECLAIMED WATER RATES			
Base Facility Fee			
5/8" x 3/4"	\$ 7.36	\$ 7.15	\$ 6.94
5/8" x 3/4" (connection fee paid)	\$ 3.62	\$ 3.52	\$ 3.42
1"	\$ 39.28	\$ 38.18	\$ 37.05
1" (connection fee paid)	\$ 19.33	\$ 18.79	\$ 18.23
1 1/2 "	\$ 98.26	\$ 95.50	\$ 92.66
1 1/2 " (connection fee paid)	\$ 48.36	\$ 47.00	\$ 45.60
2"	\$ 211.25	\$ 205.31	\$ 199.21
2" (connection fee paid)	\$ 103.96	\$ 101.04	\$ 98.04
3"	\$ 461.84	\$ 448.85	\$ 435.52
3" (connection fee paid)	\$ 227.27	\$ 220.88	\$ 214.32
4"	\$ 1,262.68	\$ 1,227.17	\$ 1,190.74
4" (connection fee paid)	\$ 621.36	\$ 603.89	\$ 585.96
6"	\$ 2,697.32	\$ 2,621.47	\$ 2,543.64
6" (connection fee paid)	\$ 1,327.34	\$ 1,290.01	\$ 1,251.71
8"	\$ 4,795.22	\$ 4,660.37	\$ 4,522.01
8" (connection fee paid)	\$ 2,359.70	\$ 2,293.34	\$ 2,225.26
10"	\$ 7,467.95	\$ 7,257.94	\$ 7,042.47
10" (connection fee paid)	\$ 3,674.94	\$ 3,571.60	\$ 3,465.57
Commodity Fee per thousand gallons	\$ 0.29	\$ 0.28	\$ 0.27

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 10% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System (for FYs 2007 to FY 2016) and the absorption of the Glades Utility Authority (GUA). Effective October 1, 2016, the FY 2017 rates apply to the customers in the Royal Palm Beach service area.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated:

- (1) Effective with November 1, 2009 billings, different rates were in effect for October 2009 billings. When the rates changed in November, customers were credited to make November rates effective retroactive to billings beginning May 1, 2009:
- (2) Effective with May 1, 2009 billings.
- (3) A 20% discount applies to these rates for lake delivery services.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

2015 ⁽³⁾	2014 ⁽³⁾	2013 ⁽³⁾	2012 ⁽³⁾	2011 ⁽³⁾	2010 ^{(1) (3)}	2009 ^{(2) (3)}	2009
n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$ 2.50
\$ 6.68	\$ 6.50	\$ 6.26	\$ 5.97	\$ 5.73	\$ 5.42	\$ 7.20	\$ 4.16
\$ 3.29	\$ 3.20	\$ 3.08	\$ 2.94	\$ 2.82	\$ 2.67	\$ 3.54	n/a
\$ 35.64	\$ 34.66	\$ 33.39	\$ 31.85	\$ 30.55	\$ 28.91	\$ 38.40	\$ 20.79
\$ 17.54	\$ 17.06	\$ 16.44	\$ 15.68	\$ 15.04	\$ 14.23	\$ 18.88	n/a
\$ 89.13	\$ 86.68	\$ 83.51	\$ 79.65	\$ 76.39	\$ 72.29	\$ 96.00	\$ 51.97
\$ 43.86	\$ 42.65	\$ 41.09	\$ 39.19	\$ 37.59	\$ 35.57	\$ 47.20	n/a
\$ 191.62	\$ 186.35	\$ 179.53	\$ 171.23	\$ 164.23	\$ 155.41	\$ 206.40	\$ 112.26
\$ 94.30	\$ 91.70	\$ 88.34	\$ 84.26	\$ 80.82	\$ 76.48	\$ 101.48	n/a
\$ 418.92	\$ 407.39	\$ 392.48	\$ 374.33	\$ 359.03	\$ 339.74	\$ 451.20	\$ 244.27
\$ 206.15	\$ 200.48	\$ 193.14	\$ 184.21	\$ 176.68	\$ 167.19	\$ 221.84	n/a
\$ 1,145.36	\$ 1,113.84	\$ 1,073.06	\$ 1,023.44	\$ 981.60	\$ 928.87	\$ 1,233.60	\$ 668.37
\$ 563.63	\$ 548.12	\$ 528.05	\$ 503.63	\$ 483.04	\$ 457.09	\$ 606.52	n/a
\$ 2,446.70	\$ 2,379.36	\$ 2,292.25	\$ 2,186.26	\$ 2,096.89	\$ 1,984.24	\$ 2,635.20	\$ 1,427.18
\$ 1,204.01	\$ 1,170.87	\$ 1,128.01	\$ 1,075.85	\$ 1,031.87	\$ 946.44	\$ 1,295.64	n/a
\$ 4,349.67	\$ 4,229.96	\$ 4,075.11	\$ 3,886.68	\$ 3,727.80	\$ 3,527.54	\$ 4,684.80	\$ 2,536.28
\$ 2,140.45	\$ 2,081.54	\$ 2,005.34	\$ 1,912.62	\$ 1,834.44	\$ 1,735.89	\$ 2,303.36	n/a
\$ 6,774.07	\$ 6,587.64	\$ 6,346.47	\$ 6,053.02	\$ 5,805.59	\$ 5,493.71	\$ 7,296.00	\$ 3,949.59
\$ 3,333.49	\$ 3,241.75	\$ 3,123.07	\$ 2,978.66	\$ 2,856.90	\$ 2,703.43	\$ 3,587.20	n/a
\$ 0.26	\$ 0.25	\$ 0.24	\$ 0.23	\$ 0.22	\$ 0.21	\$ 0.20	\$ 0.16

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL & NON-RESIDENTIAL RATES
Western Region Service Area
Next Four Fiscal Years

RESIDENTIAL

2019 - 2022

POTABLE WATER RATES

Base Facility Fee	
Single-Family (per meter)	\$18.64
Commodity Fee per 1,000 Gallons	
Single-Family (per meter)	
0-3,000 gallons	\$1.50
4,000-6,000	\$4.67
7,000-12,000	\$5.80
13,000-15,000	\$5.80
Over 15,000	\$7.50

WASTEWATER RATES

Base Facility Fee	
Single-Family (per meter)	\$19.26
Commodity Fee per 1,000 Gallons	
Single-Family (per meter)	
0-10	\$4.00
greater than 10	n/a

NON-RESIDENTIAL

POTABLE WATER RATES

Base Facility Fee	
5/8"	\$18.64
1"	\$59.06
1 1/2"	\$96.71
2"	\$227.75
3"	\$757.07
4"	\$2,317.17
>4"	Case by Case
Commodity Fee per 1,000 Gallons	\$4.67

WASTEWATER RATES

Base Facility Fee	
5/8"	\$19.26
1"	\$61.00
1 1/2"	\$99.88
2"	\$235.23
3"	\$781.94
4"	\$2,393.29
>4"	Case by Case
Commodity Fee per 1,000 Gallons	\$4.00

FIRELINE

Base Facility Fee	
2"	\$8.00
3"	\$15.00
4"	\$25.00
6"	\$50.00
>8"	\$80.00

The Glades Utility Authority's (GUA), now known as the Western Region, was absorbed on May 1, 2013. For customers in the service area that had been served by the GUA, rates will remain the same for 8 years. At which time, the rates will be raised or lowered to equal the County's rates plus 7%.

At September 30, 2018, the Department had the following numbers of customers to whom this rate schedule applies:

Potable Water: 11,331 Wastewater: 9,943

DEBT CAPACITY INFORMATION

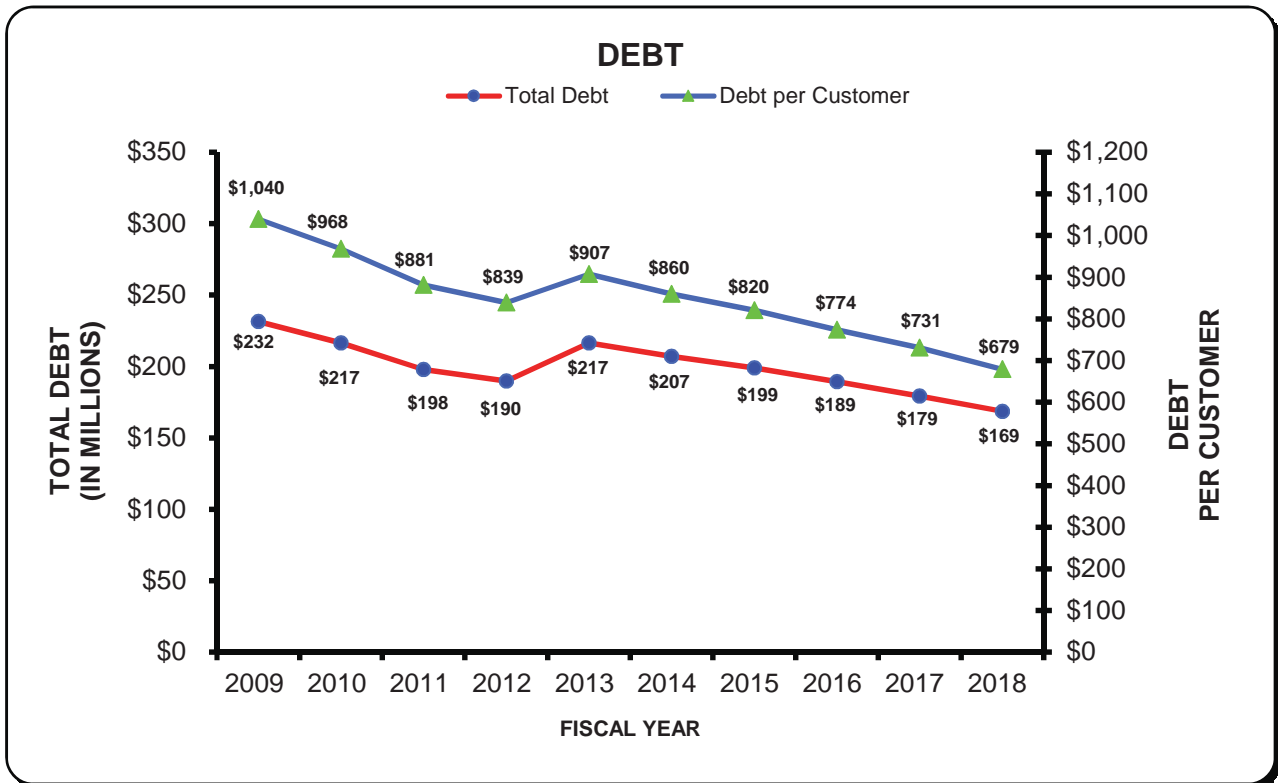
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

	Water & Sewer Revenue Bonds	Pro Rata Share of Joint Venture Debt	Total Debt	Debt per Customer
2018	\$168,602,532	\$ - (1)	\$168,602,532	\$679
2017	179,408,076	- (1)	179,408,076	731
2016	189,374,522	- (1)	189,374,522	774
2015	198,976,869	- (1)	198,976,869	820
2014	206,986,215	- (1)	206,986,215	860
2013	216,573,017	- (1)	216,573,017	907
2012	188,550,000	1,261,946 (1)	189,811,946	839
2011	196,593,000	1,405,216	197,998,216	881
2010	214,858,000	1,686,883	216,544,883	968
2009	229,548,000	1,958,970	231,506,970	1,040

Notes:

Although neither the State of Florida nor Palm Beach County set a legal debt limit, the bond covenants stipulate that the Department may issue debt as long as certain conditions are met. The major criterion is that the Department establishes rates and fees sufficient to provide net revenues and connection fees that are at least 1.25 times the annual debt service requirements. Number of customers is defined as the number of potable water dwelling units served. See page 70 for customer data.

(1) On September 14, 2012, the ECR paid in full the remaining balance of the 20 year revolving loans.



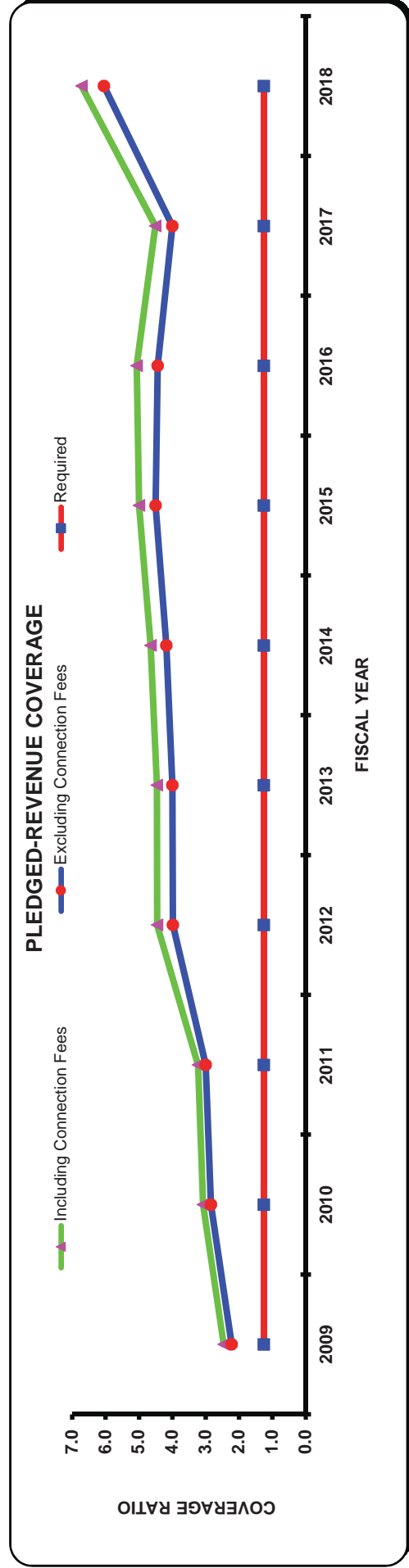
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

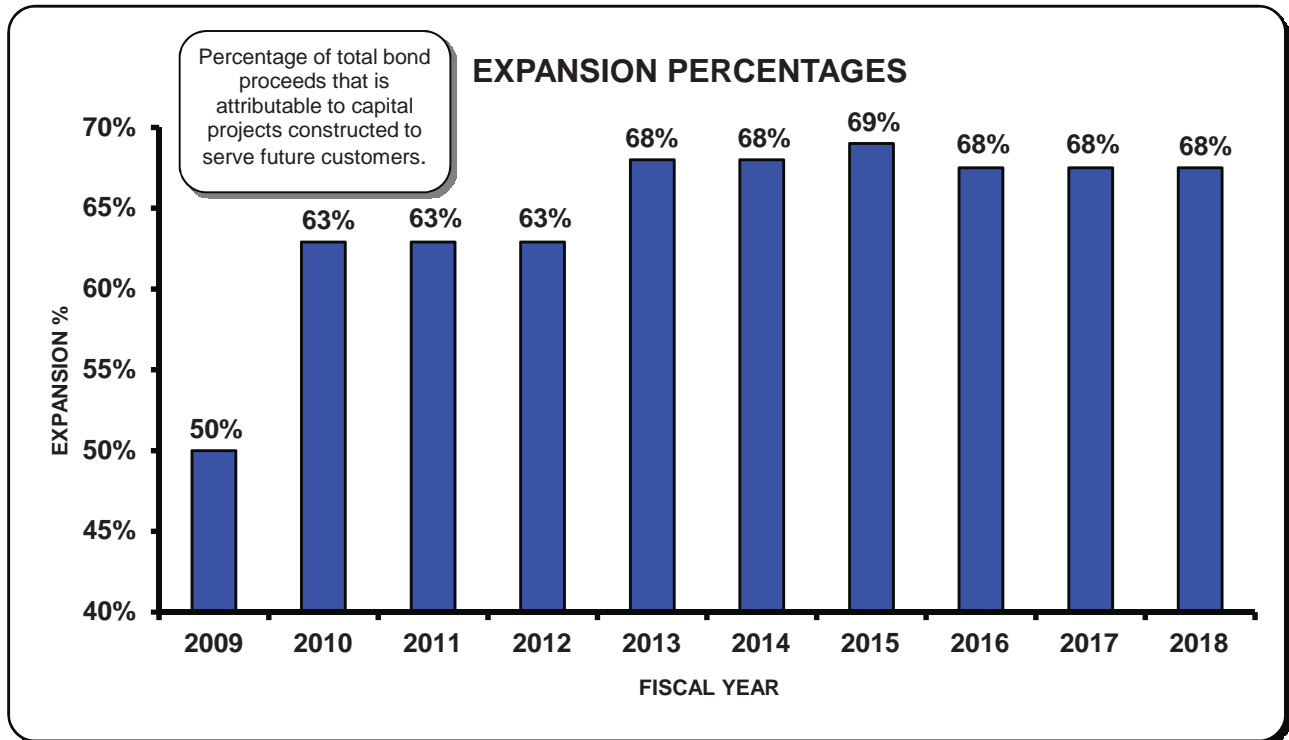
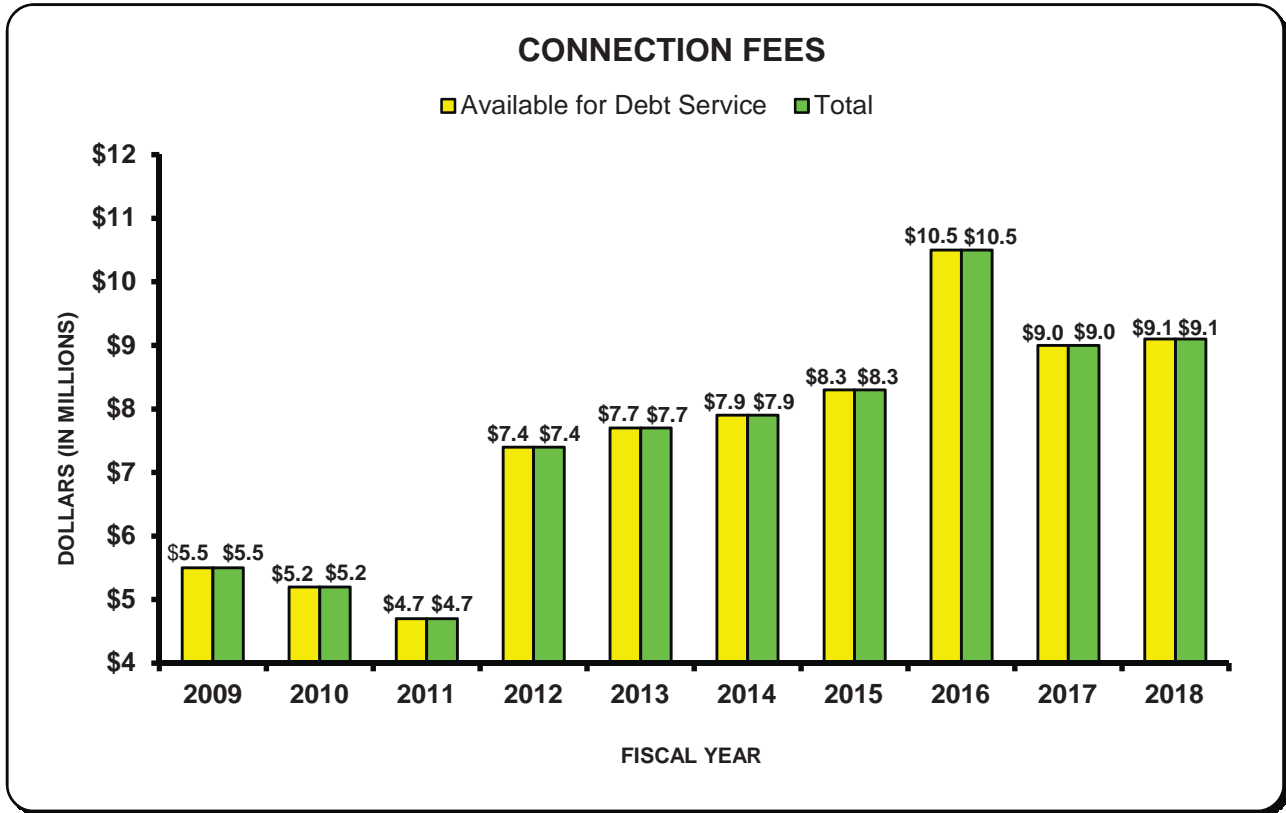
Fiscal Year Ended Sept 30	Operating			Nonoperating		Available for Debt Service			Debt Service Requirements				Coverage Ratio	
	Revenues	Expenses ⁽¹⁾	Expenses ⁽²⁾	Revenues	(Expenses) ⁽²⁾	Net Revenues	Connection Fees ⁽³⁾	Revenues & Connection Fees	Principal	Interest	Total Debt Service	Excluding Connection Fees	Including Connection Fees	
2018	\$197,208,287	\$127,029,860	\$11,664,831	\$81,843,258	\$9,132,437	\$90,975,695	\$6,352,142	\$7,177,394	\$13,529,536	6.05x	6.72x			
2017	193,040,161	133,440,305	10,565,010	70,164,866	8,970,138	79,135,004	9,938,514	7,597,348	17,535,862	4.00	4.51			
2016	186,213,992	124,274,303	11,936,492	73,876,181	10,530,256	84,406,437	8,675,180	7,972,045	16,647,225	4.44	5.07			
2015	176,803,449	116,443,238	14,514,826	74,875,037	8,271,112	83,146,149	8,166,052	8,464,578	16,630,630	4.50	5.00			
2014	169,940,052	111,815,585	11,053,141	69,177,608	7,902,936	77,080,544	7,630,891	8,938,050	16,568,941	4.18	4.65			
2013	162,397,200	104,747,391	8,132,428	65,782,237	7,659,599	73,441,836	7,386,929	9,071,030	16,457,959	4.00	4.46			
2012	153,770,117	100,798,052	9,598,962	62,571,027	7,394,115	69,965,142	6,465,000	9,263,137	15,728,137	3.98	4.45			
2011	151,561,873	99,590,580	7,659,951	59,631,244	4,667,389	64,298,633	10,035,500	9,863,098	19,898,598	3.00	3.23			
2010	141,616,613	90,888,979	10,539,274	61,266,908	5,224,365	66,491,273	11,052,500	10,517,302	21,569,802	2.84	3.08			
2009	130,226,088	89,241,296	9,891,983	50,876,775	5,516,661	56,393,436	14,567,500	8,377,125	22,944,625	2.22	2.46			

Notes:

- (1) Operating expenses exclude depreciation and amortization and equity interest in net (income) loss of joint venture.
- (2) Nonoperating revenues (expenses) exclude interest on debt, gain or loss on disposal of fixed assets, and grants.
- (3) Represents the lesser of the expansion percentage (see page 83) times the debt service in a given fiscal year or the connection fees in that year.



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
CONNECTION FEES & EXPANSION PERCENTAGES
 Last Ten Fiscal Years



Notes:

The Expansion Percentage for 2009 is a blend of rates in effect before (47%) and after (62.9%) the July 2009 bond issue.

DEMOGRAPHIC AND ECONOMIC INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR PALM BEACH COUNTY
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (000)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
2018	1,433,417	N/A	N/A	729,972	3.5%
2017	1,414,144	\$109,973,732	\$74,754	726,467	4.2
2016	1,391,741	103,876,015	71,946	701,993	4.8
2015	1,378,417	97,806,900	68,743	685,491	5.3
2014	1,360,248	93,526,272	66,914	669,252	6.0
2013	1,345,652	79,564,774	57,985	640,219	7.1
2012	1,335,415	75,461,490	55,628	622,775	9.2
2011	1,325,758	72,053,351	53,871	621,616	10.9
2010*	1,320,134	69,488,201	52,526	623,320	12.4
2009	1,287,344	67,866,247	51,910	626,400	11.7

N/A = not available

Sources:

Florida Legislature, Office of Economic and Demographic Research
Florida Agency for Workforce Innovation, Labor Market Statistics Center,
Local Area Unemployment Statistics Program, In cooperation
with the U.S. Department of Labor, Bureau of Labor Statistics.

Notes:

Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, demographic and economic statistics are presented for the entire County.

Population and income data are per calendar year.

Income data for 2018 is not available.

Personal Income data and Per Capita Income data are revised annually.

Labor Force data and Unemployment data are for September of each year.

* Population data has been restated to reflect the 2010 Census.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
PRINCIPAL EMPLOYERS IN PALM BEACH COUNTY
Current Year and Nine Years Ago

EMPLOYER	2018			2009		
	Employees	Rank	%	Employees	Rank	%
Palm Beach County School Board	21,466	1	2.94	21,718	1	3.47
Palm Beach County Government	11,849	2	1.62	11,381	2	1.82
Tenet Healthcare Corp	5,939	3	0.81	5,127	5	0.82
NextEra Energy (Florida Power & Light)	4,404	4	0.60	3,658	7	0.58
Hospital Corporation of America (HCA)	3,550	5	0.49	4,150	6	0.66
Boca Raton Regional Hospital	2,800	6	0.38	-	-	-
Florida Atlantic University	2,644	7	0.36	2,776	9	0.44
Veterans Health Administration	2,535	8	0.35	-	-	-
Bethesda Memorial Hospital	2,282	9	0.31	2,300	10	0.37
Office Depot	2,034	10	0.28	-	-	-
Wackenhut Corporation	-	-	-	3,000	8	0.48
State Government	-	-	-	9,300	3	1.48
Federal Government	-	-	-	6,300	4	1.01
Total	59,503		8.14	69,710		11.13
Balance from other employers	<u>671,492</u>		<u>91.86</u>	<u>556,615</u>		<u>88.87</u>
Grand totals	<u>730,995</u>		<u>100.00</u>	<u>626,325</u>		<u>100.00</u>

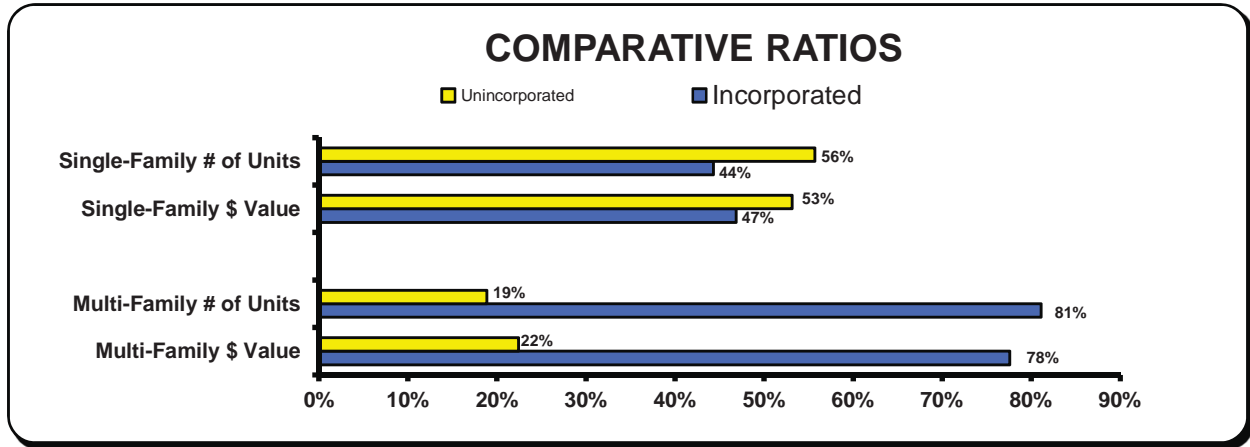
Source: Business Development Board of Palm Beach County

Notes:

Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, demographic and economic statistics are presented for the entire County.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RESIDENTIAL BUILDING PERMIT DATA FOR PALM BEACH COUNTY
 Unincorporated and Incorporated Areas
 Last Ten Years



NUMBER OF UNITS:

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
2018	1,720	112	1,284	1,784	3,004	1,896
2017	1,733	391	946	1,610	2,679	2,001
2016	1,258	733	1,102	2,026	2,360	2,759
2015	1,756	260	1,033	1,306	2,789	1,566
2014	1,299	443	1,134	1,084	2,433	1,527
2013	1,241	497	1,354	1,959	2,595	2,456
2012	1,022	252	966	1,940	1,988	2,192
2011	609	2	663	39	1,272	41
2010	568	93	417	172	985	265
2009	572	47	469	234	1,041	281
Totals	11,778	2,830	9,368	12,154	21,146	14,984

VALUE (in millions):

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
2018	\$589	\$21	\$519	\$174	\$1,108	\$195
2017	588	60	458	281	1,046	341
2016	430	132	440	278	870	410
2015	564	38	349	170	913	208
2014	477	57	433	178	910	235
2013	480	63	448	179	928	242
2012	385	36	319	168	704	204
2011	201	0	269	7	470	7
2010	184	9	156	13	340	22
2009	148	6	175	13	323	19
Totals	\$4,046	\$422	\$3,566	\$1,461	\$7,612	\$1,883

Source: Palm Beach County Planning, Zoning and Building Department

Notes:

Data for calendar year.

Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, residential building permit data is presented for the entire County.

OPERATING INFORMATION



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NUMBER OF POSITIONS BY FUNCTION
 Last Ten Fiscal Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010⁽¹⁾	2009
Water:										
Treatment	120	120	103	103	100	101	100	101	98	110
Distribution	88	88	88	84	88	89	89	89	92	93
Wastewater:										
Treatment	56	57	41	41	38	39	39	39	39	40
Collection	113	113	89	84	92	88	89	90	91	90
Customer accounts	75	75	55	58	56	55	55	56	57	57
Administration	108	107	106	106	96	91	86	87	82	85
Western Region ⁽¹⁾	-	-	65	65	62	67	71	68	70	-
Engineering	31	31	28	27	29	29	29	29	29	30
Total positions	<u>591</u>	<u>591</u>	<u>575</u>	<u>568</u>	<u>561</u>	<u>559</u>	<u>558</u>	<u>559</u>	<u>558</u>	<u>505</u>

Notes:

(1) Glades Utility Authority (GUA) includes Department employees in many functional areas whose jobs are related to provision of water and wastewater services only to GUA customers and not to non-GUA customers. On May 1, 2013 the Department absorbed the GUA. It is now called the Western Region. In 2017 the Department went through a reorganization of positions to better delineate employee functions.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OPERATING AND CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>
INCREASE IN SERVICES:			
Potable water meters	1,745	1,157	1,614
Potable water dwelling units	2,733	723	2,252
Wastewater dwelling units	2,557	620	2,146
WATER SUPPLY, TREATMENT, AND DISTRIBUTION SYSTEMS:			
RAW WATER WELLS:			
Total Well Capacity (MGD)	151.06	151.06	151.06
Combined permitted Yearly Withdrawal (MG)	35,194	35,194	35,194
Combined permitted Maximum Daily Withdrawal (MGD)	140.33	140.33	140.33
TREATMENT PLANTS:			
Average finished water (MGD)	60.00	60.39	61.32
Primary plants	5	5	5
Combined permitted treatment capacity (MGD)	113.28	113.28	113.28
Plant 2 (West Lake Worth)	16.40	16.40	16.40
Plant 3 (West Delray)	30.00	30.00	30.00
Plant 8 (West Palm Beach)	30.00	30.00	30.00
Plant 9 (West Boca Raton)	26.88	26.88	26.88
Plant 10 (Royal Palm Beach)	-	-	-
Plant 11 (Western Region)	10.00	10.00	10.00
DISTRIBUTION SYSTEM:			
Miles of pipe	2,520	2,437	2,417
Storage tanks and repump stations	18	18	19
Interconnects	26	26	26
Fire hydrants	19,119	18,635	18,287
Valves	37,909	36,320	35,569
Air relief valves	795	677	659

N/A = not available

Notes:

When the Glades Utility Authority (GUA) was absorbed on May 1, 2013, Plant 11 was reactivated, which was previously contributed to the GUA on October 1, 2009.

The miles of pipe and valves reported for 2009 were fewer than 2008 as a result of feature review process conducted in 2009.

The 2013 increase in services includes the following from the GUA absorption:

10,224 potable water meters; 10,900 potable water dwelling units; and 9,515 wastewater dwelling units. Plant 10 was contributed to Royal Palm Beach on July 16, 2013 and is no longer owned by the Department. See pages 70 - 72 and 102 - 103 for additional operating statistics.

* Amounts restated due to reorganization of reporting categories.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
1,487	1,610	11,572	1,253	935	1,020	878
1,868	1,970	12,544	1,447	936	1,037	903
1,850	1,820	11,075	1,204	799	893	784
113.28	107.00	103.00	109.00	102.00	102.00	109.00
35,194	35,194	35,194	38,792	33,284	33,284	38,792
140.33	140.33	139.02	106.28	137.39	137.39	144.45
59.32	58.82	52.04	53.01	53.78	51.94	57.59
5	5	5	5	5	5	6
113.28	113.28	113.28	104.28	104.38	104.38	114.38
16.40	16.40	16.40	14.40	14.50	14.50	14.50
30.00	30.00	30.00	30.00	30.00	30.00	30.00
30.00	30.00	30.00	30.00	30.00	30.00	30.00
26.88	26.88	26.88	26.88	26.88	26.88	26.88
-	-	-	3.00	3.00	3.00	3.00
10.00	10.00	10.00	-	-	-	10.00
2,407	2,385	2,364	2,152	2,141	2,121	2,126
16	17	17	17	17	17	17
26	26	24	21	20	14	15
18,155	17,839	17,593	16,582	16,353	16,235	16,066
35,304	34,554	34,048	32,584	32,234	32,026	31,213
654	646	637	617	616	611	620

(continued)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OPERATING AND CAPITAL ASSET STATISTICS
 Last Ten Fiscal Years

(continued) 2018* 2017* 2016*

WASTEWATER COLLECTION AND TREATMENT SYSTEMS:

TREATMENT PLANTS:

Combined maximum 3-month average (MGD)	37.56	36.04	36.04
Combined annual average wastewater treated (MGD)	35.14	36.09	36.09
Primary wastewater plants	4	4	4
Combined permitted treatment capacity mgd	67.20	67.20	67.20
Southern Region Water Reclamation Facility	35.00	35.00	35.00
Department's share @ East Central Regional Wastewater Facilities	24.50	24.50	24.50
Western Region WWTP, Belle Glade	6.50	6.50	6.50
Western Region North WWTP, Pahokee	1.20	1.20	1.20

COLLECTION SYSTEM:

Miles of gravity wastewater line	1,290	1,273	1,262
Pump stations	1,020	1,006	987
Miles of force main	604	598	594
Valves	4,120	4,007	3,847
Air relief valves	795	780	766
Manholes	32,996	32,558	31,877

EFFLUENT DISPOSAL:

Deep injection wells	8	8	7
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RECLAIMED WATER:

Combined annual average reclaimed water (MGD)	22.97	28.11	30.29
Combined permitted for reclaimed water (MGD)	52.00	52.00	52.00
Wetlands combined permitted capacity (MGD)	5.00	5.00	5.00
Combined wetlands (MGD)	1.74	2.42	2.50
Green Cay Wetlands (MGD)	0.64	0.67	0.94
Wakodahatchee Wetlands (MGD)	1.10	0.83	0.96
Central Region Reclamation Facility Capacity (MGD)	3.00	3.00	3.00
Central Region Reclamation Facility (MGD)	0.19	0.92	0.60
Miles of pipe	66	63	62
Flush hydrants	111	109	109
Valves	555	537	522
Air relief valves	112	111	108
Vacuum relief valves	24	24	24

N/A = not available

Notes:

The miles of force main reported for 2009 were fewer than 2008 as a result of feature review process conducted in 2009.

The Glades Utility Authority was absorbed on May 1, 2013.

See pages 70 - 72 and 102 - 103 for additional operating statistics.

* Amounts restated due to reorganization of reporting categories.

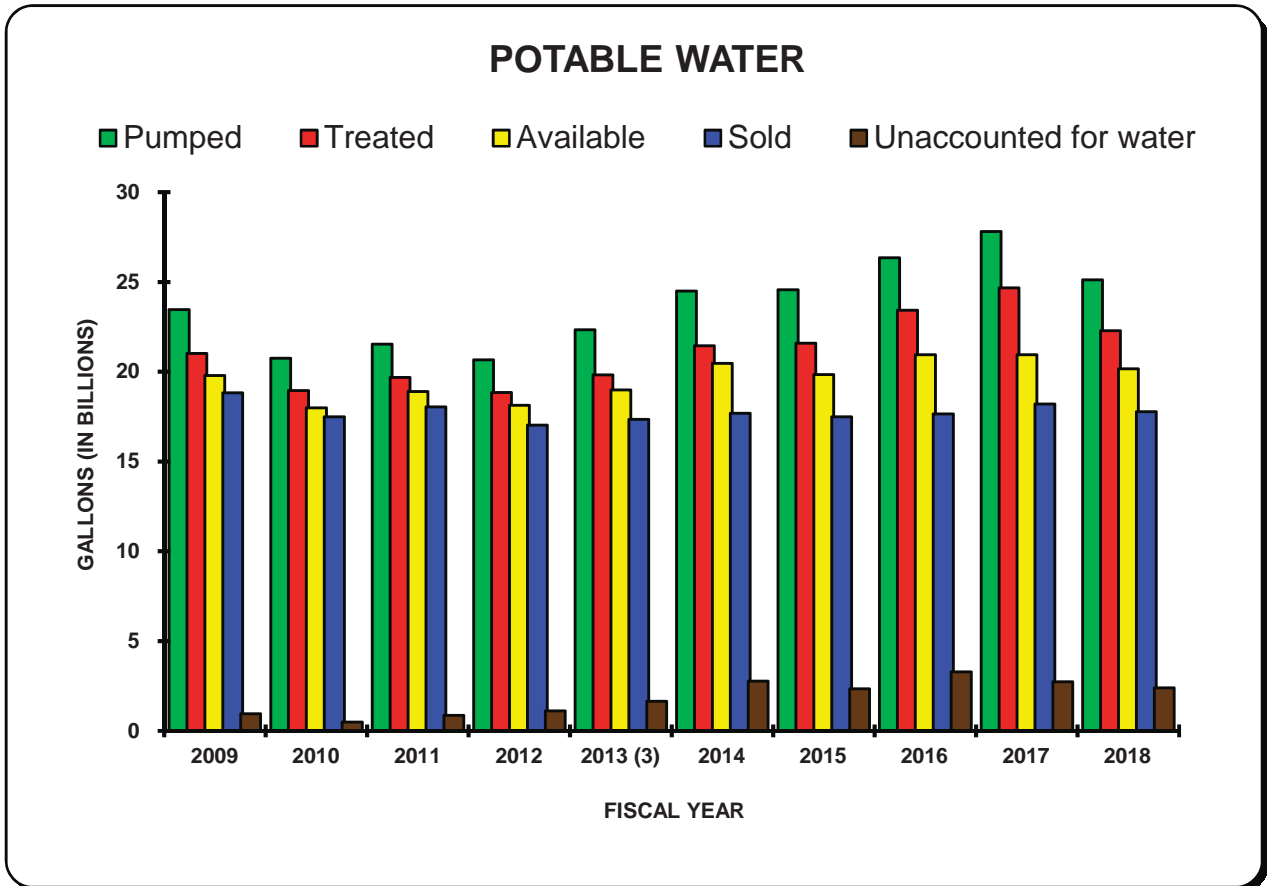
<u>2015*</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
45.30	46.98	42.30	43.87	45.45	39.60	38.00
39.59	41.41	38.46	38.81	42.77	37.90	37.10
4	4	3	2	2	2	2
67.20	66.70	66.70	59.00	58.50	58.50	58.50
35.00	35.00	35.00	35.00	35.00	35.00	35.00
24.50	24.00	24.00	24.00	23.50	23.50	23.50
6.50	6.50	6.50	-	-	-	-
1.20	1.20	1.20	-	-	-	-
1,256	1,248	1,238	1,165	1,157	1,152	1,145
899	893	886	803	768	764	767
595	589	588	532	530	524	518
3,805	3,608	3,541	3,383	3,335	3,288	3,190
763	752	746	726	721	711	705
31,714	31,443	31,132	29,457	29,246	29,117	29,033
7	7	7	6	5	5	6
28.13	28.75	8.90	9.71	14.22	12.40	12.78
52.00	52.00	60.00	22.00	22.00	22.00	22.00
3.53	3.18	2.72	1.92	2.63	2.05	1.86
-	-	-	-	-	-	-
0.94	0.82	0.66	0.67	0.93	0.73	0.51
0.96	0.79	0.83	0.63	0.90	0.82	0.75
1.63	1.57	1.23	0.62	0.80	0.50	0.60
61	60	57	55	55	36	33
107	101	101	99	99	97	92
511	482	477	471	467	336	353
106	100	100	98	99	48	44
24	24	24	-	-	-	-

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER VARIANCE ANALYSIS
 Last Ten Fiscal Years

(in million gallons)	2018	2017	2016	2015	2014	2013 ⁽³⁾	2012	2011	2010	2009
Pumped	25,125	27,814	26,349	24,563	24,495	22,340	20,672	21,538	20,758	23,463
Treated ⁽¹⁾	22,290	24,673	23,434	21,586	21,447	19,824	18,845	19,690	18,960	21,021
Available ⁽²⁾	20,173	20,953	20,943	19,843	20,476	18,991	18,139	18,909	17,987	19,787
Sold	17,774	18,211	17,654	17,500	17,695	17,346	17,022	18,040	17,496	18,832
Unaccounted for water	2,399	2,742	3,289	2,343	2,781	1,645	1,117	869	491	955
"Unaccounted for water" as a percentage of treated water	10.8%	11.1%	14.0%	10.9%	13.0%	8.3%	5.9%	4.4%	2.6%	4.5%

Notes:

- ⁽¹⁾ The variance between Pumped and Treated is accounted for by water used within the water plants.
- ⁽²⁾ The variance between Treated and Available is accounted for by water used system-wide for purposes such as hydrant flushing and lift station and wastewater plant use.
- ⁽³⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority (GUA). The percentage includes the GUA data.



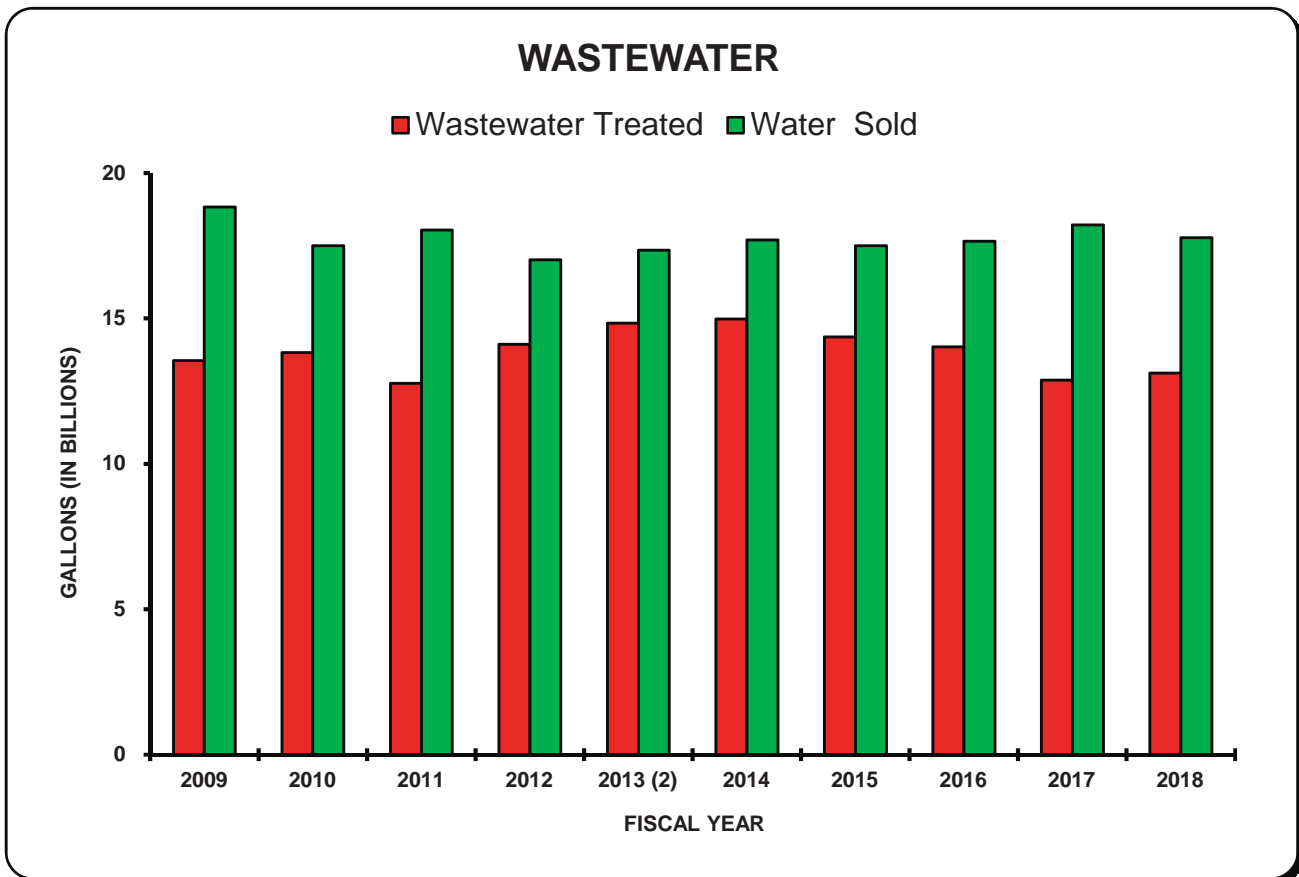
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
WASTEWATER TREATED
 Last Ten Fiscal Years

(in million gallons)	2018	2017	2016	2015	2014	2013 ⁽²⁾	2012	2011	2010	2009
Department plants	7,954	7,910	8,860	9,702	9,807	9,180	8,615	7,820	8,359	7,981
ECR ⁽¹⁾	5,163	4,968	5,161	4,666	5,175	5,653	5,499	4,949	5,463	5,567
Total Treated	13,117	12,878	14,021	14,368	14,982	14,833	14,114	12,769	13,822	13,548
Daily Average	35.9	35.3	38.3	39.4	41.0	40.6	38.6	35.0	37.9	37.1

Notes:

⁽¹⁾ Per an Interlocal Agreement, at September 30, 2010 Palm Beach County owns 34.29% of the capacity at the East Central Regional Wastewater Facilities (ECR) operated by the City of West Palm Beach.

⁽²⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority (GUA). The amount treated includes GUA data.







Northern Region Operations Center Line Crew, Royal Palm Beach



Wakodahatchee Wetlands, Delray Beach



RSM US LLP

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

The Honorable Board of County Commissioners
Palm Beach County, Florida Water Utilities Department
Palm Beach 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 accompanying statement of net position of the Palm Beach County, Florida Water Utilities Department (the Department) as of September 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and have issued our report thereon dated March 29, 2019, which contained unmodified opinions on those financial statements. Our report included an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

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

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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
March 29, 2019



Palm Beach County Water Utilities Department

A Department of the Palm Beach County Board of County Commissioners



**8100 Forest Hill Boulevard
West Palm Beach, FL 33413**

**561-493-6000
pbcwater.com**



Best Water, Best Service, Best Environmental Stewardship