



**SCHEDULE OF LARGE USER
WASTEWATER TREATMENT
RATE COMPUTATION**

**City of Fort Lauderdale, Florida
For the Year Ended September 30, 2012
With Report of Independent Auditors**

City of Fort Lauderdale, Florida
Schedule of Large User
Wastewater Treatment Rate Computation

For the Year Ended September 30, 2012

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor,
City Commission and City Manager
City of Fort Lauderdale, Florida

We have audited the accompanying schedule of large user wastewater treatment rate computation of the City of Fort Lauderdale, Florida (the City) for the year ended September 30, 2012. This schedule is the responsibility of the City's management. Our responsibility is to express an opinion on this schedule based on our audit.

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

As discussed in Note 1, the accompanying schedule was prepared for the purpose of complying with Article 5 of agreements for the provision of wastewater transmission, treatment and disposal services between the City and the City of Tamarac, the City of Wilton Manors, Broward County, the Town of Davie and the City of Oakland Park (collectively, the Customers), and is not intended to be a presentation in conformity with generally accepted accounting principles.

The accompanying schedule was prepared assuming that operation and maintenance costs include the costs of acquiring equipment for use in the provision of wastewater transmission, treatment and disposal services to the Customers.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cost of providing wastewater transmission, treatment and disposal services to the Customers for the year ended September 30, 2012, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Honorable Mayor, City Commission, City Manager and management of the City, and the Customers and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Fort Lauderdale, Florida
May 1, 2013

City of Fort Lauderdale, Florida
Schedule of Large User
Wastewater Treatment Rate Computation

For the Year Ended September 30, 2012

Operation and maintenance costs	\$ 15,065,966
Debt service and bond covenant requirements, net	1,672,556
Replacement costs	<u>3,321,993</u>
Total user costs	20,060,515
Less interest earnings	<u>57,392</u>
Total user charges	<u><u>\$ 20,003,123</u></u>
Gallons treated (in 1,000's)	15,619,592
User charge per 1,000 gallons treated	<u><u>\$ 1.2806431</u></u>

See accompanying notes.

City of Fort Lauderdale, Florida
Notes to Schedule of Large User
Wastewater Treatment Rate Computation

1. Background

The accompanying schedule of large user wastewater treatment rate computation presents the wastewater transmission, treatment and disposal charges allocated to the central regional wastewater treatment plant operated by the City of Fort Lauderdale, Florida (the City). In addition to the City, the plant provides wastewater treatment services to the cities of Oakland Park, Tamarac, Wilton Manors, and the Port Everglades Authority, succeeded by Broward County effective October 1, 1994, and the Town of Davie. The basis for calculation of the costs to operate the plant is defined in Article 5 of the large user agreements with each of the respective governmental units listed above. The accompanying schedule was prepared on a basis of accounting other than generally accepted accounting principles to comply with Article 5 of the agreements.

2. Operation and Maintenance Costs

Operation and maintenance costs include labor, materials, equipment (including equipment acquisition costs), fuel, utilities, chemicals, transportation, travel, administrative expenses, billing expenses, supplies, rent, insurance, employee benefits, liability insurance costs, workers' compensation insurance costs, outside services, and any other costs of operation and maintenance of the central regional wastewater transmission, treatment, and disposal facilities. Under generally accepted accounting principles, equipment acquisition costs generally are capitalized and depreciated over their estimated useful lives.

3. Debt Service and Bond Covenant Requirements

Debt service and debt covenant requirements include charges for principal, interest, and amounts necessary to meet the requirements of debt obligations and covenants for those portions of the City's bond issues and loans used to purchase or construct capital assets of the central regional wastewater transmission treatment and disposal facilities.

City of Fort Lauderdale, Florida
Notes to Schedule of Large User
Wastewater Treatment Rate Computation (Continued)

3. Debt Service and Bond Covenant Requirements (Continued)

On March 20, 2003, the City sold \$90,000,000 of Water and Sewer Revenue Bonds, Series 2003 of which \$4,082,575 was used to finance improvements to the central regional wastewater plant capital assets. The bond issue provides for semiannual principal and interest payments with interest rates ranging from 2.0% to 4.5%, with a final maturity on September 1, 2031. As of September 30, 2012 the bonds were partially defeased with the Series 2012 Bonds and the central regional wastewater system's liability for these bonds totaled \$54,661.

On May 3, 2012 the City issued \$64,585,000 of Water and Sewer Revenue Refunding Bonds, Series 2012. The Series 2012 was the refunding of the Series 2003 Bonds, of which \$2,929,701 was for the central regional wastewater system. The issue provides for semi-annual principal and interest payments with interest rates ranging from 2.0% to 5.0% and a final maturity on September 1, 2031. This refinancing reduced the interest rate from 3.5% to 2.0%. As of September 30, 2012, the central regional wastewater system's liability for these bonds totaled \$2,929,701.

In order to take advantage of low interest rates, the City is participating in the State of Florida revolving loan program to finance sewer system capital improvements. The loan program operates on a reimbursement basis. When proceeds are issued, the loan accrues interest based upon the rate approved by the state at the date of closing. The liability due to the state is the original loan amount plus accrued interest until the date repayments commence. The loans provide for semi-annual principal and interest payments with interest rates ranging from 2.1% to 2.9%. As of September 30, 2012, the central regional wastewater system's liability for these loans totaled \$20,668,419.

4. Replacement Costs

Replacement costs, which are required by Public Law 92-500, provide for replacement or addition of equipment that will be needed to maintain the performance and capacity of the central regional wastewater facilities during the next 20 years of operation. Replacement costs for the succeeding 20-year period were originally estimated on June 14, 1985, and are updated annually by the City's consulting engineers. The amount of replacement cost to be collected in a given year is based on the total estimated replacement costs less the amount accumulated in the reserve for replacement, divided by 20.

City of Fort Lauderdale, Florida
Notes to Schedule of Large User
Wastewater Treatment Rate Computation (Continued)

5. Interest Earnings

Interest earned on investments held by the central regional wastewater treatment system is reflected as a reduction of costs used to compute the wastewater treatment rate in accordance with provisions of the large user agreements, as amended.

6. Gallons Treated

Gallons treated are based on metering devices located at the wastewater treatment plant and maintained by the City.

7. Interim Billing Rate

The large user agreements provide for the City to bill each user an interim wastewater treatment rate based on budgeted operation and maintenance costs, debt service, and bond covenant costs, and replacement costs for the fiscal year. At the close of the fiscal year, an adjustment is made based on actual user charges. The interim-billing rate used in fiscal year 2012 was \$1.480 per 1000 gallons.