

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

**City of Fort Lauderdale, Florida
For the Year Ended September 30, 2017
With Report of Independent Auditors**

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

For the Year Ended September 30, 2017

Contents

Report of Independent Certified Public Accountants	1
Schedule of Large User Wastewater Treatment Rate Computation.....	3
Notes to Schedule of Large User Wastewater Treatment Rate Computation	4



Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Schedule

We have audited the accompanying schedule of large user wastewater treatment rate computation (the "schedule") of the City of Fort Lauderdale, Florida (the "City") for the year ended September 30, 2017, and the related notes to the schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the financial reporting provisions of Article 5 of the agreements for the provision of wastewater transmission, treatment and disposal services ("agreements") 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). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, 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 schedule 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 schedule.

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 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, 2017, in accordance with the financial reporting provisions of Article 5 of the agreements.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1 to the schedule, which describes the basis of accounting. The schedule was prepared by the City on the basis of the financial reporting provisions of Article 5 of the agreements, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the agreements referred to above. Our opinion is not modified with respect to this matter.

Significant Interpretations

As discussed in Note 2, 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. Our opinion is not modified with respect to this matter.

Restriction on Use

Our 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

Fort Lauderdale, Florida
May 8, 2018

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

For the Year Ended September 30, 2017

Operation and maintenance costs	\$ 15,536,908
Debt service and bond covenant requirements, net	2,040,769
Replacement costs	<u>7,891,328</u>
Total user costs	25,469,005
Less interest earnings	<u>472,067</u>
Total user charges	<u>\$ 24,996,938</u>
Gallons treated (in 1,000's)	13,823,861
User charge per 1,000 gallons treated	<u><u>\$ 1.80824578</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 on 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 May 16, 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, 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 average interest rate from 4.52% to 4.12%. As of September 30, 2017, the Central Regional Wastewater System's liability for these bonds totaled \$2,426,863.85.

On April 19, 2016, the City sold \$158,930,000 of Water and Sewer Revenue and Revenue Refunding Bonds, Series 2016. The Series 2016 was the full refunding of the Series 2006, Series 2008, Series 2010 and to prepay all amounts outstanding for two (2) loans obtained by the City from the State of Florida (the "Refunded SRF Loan") with aggregate principal amount of \$53,045,000, \$31,010,000, \$72,375,000 and \$18,156,248, respectively. 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, 2038. This refinancing reduced the average coupon rate from 4.44% to 3.29%. As of September 30, 2017, the Central Regional Wastewater System's liability for these bonds totaled \$3,292,541.23.

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 2.24%. As of September 30, 2017, the Central Regional Wastewater System's liability for these loans totaled \$11,357,966.20.

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

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.

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 2017 was \$1.880 per 1000 gallons.