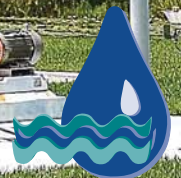


Palm Beach County, Florida Water Utilities Department

Comprehensive Annual Financial Report Fiscal Years Ended September 30, 2016 and 2015



**Palm Beach County
Water Utilities**

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2016 and 2015

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Introductory Section



*Chemists at the
Claude D'Angio
Central Laboratory*

*Lake Region
Water Treatment Plant
Belle Glade, FL*





**Water Utilities Department
Administration**

P. O. Box 16097
West Palm Beach, FL 33416-6097
(561) 493-6000
Fax: (561) 493-6008
www.pbcwater.com

■

**Palm Beach County
Board of County
Commissioners**

Paulette Burdick, Mayor
Melissa McKinlay, Vice Mayor
Hal R Valeche
Dave Kerner
Steven L. Abrams
Mary Lou Berger
Mack Bernard

County Administrator

Verdenia C. Baker

*“An Equal Opportunity
Affirmative Action Employer”*

March 31, 2017

Honorable Paulette Burdick, 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, 2016 and September 30, 2015, 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, 2016 and September 30, 2015. 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 578,000 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 recovering real estate market and construction industry have caused unemployment to decrease to a rate of 4.8% from 5.0% for 2016 and 2015 respectively - below the ten-year averages of 7.1% and 7.3%, and also contributed to a slow growth rate in dwelling units for the Department's service area to a rate of 0.8% for both 2016 and 2015, respectively - slightly above the five-year averages of 0.7% and 0.4%. 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, 2016 and 2015, were 160% and 160%, 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 2016 and 2015 was 0.02% and 0.07%, respectively, compared with the five-year averages of 0.2% and 0.3% for 2016 and 2015 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 2017. 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 2016 - 2017: 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 is building an operating culture that highlights the importance of safety for all employees and stakeholders through all tiers of the organization. Specifically, WUD recently restructured the division of Environmental Health & Safety and has implemented a utility-wide safety steering team that focuses on establishing a mindset within WUD that safety is everyone's responsibility.

Current initiatives to implement this Objective include:

- Improving vehicle safety and WUD employee responsibility while operating County vehicles: GPS is being implemented throughout the WUD fleet and employees are receiving defensive driving and other training to enhance

employee responsibility and preparedness.

- Establishment of safety programs and measures to reduce time lost due to injuries.
- Reorganization of the safety training program to provide for uniform scheduled training that is integrated across Department Divisions: Additional training has been required of employees to increase awareness and reduce the number of incidents occurring in the work place
- Implementation of cybersecurity training for employees to ensure the continued security of the WUD IT network.

Program Management

WUD is continuing 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 completed the CIP project analysis, as well as the Master Program Schedule and Project Delivery System. The initial project packages have been successfully rolled out and implemented.

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 of the functionality of the CIP through technological upgrades to allow information to be exported to SharePoint for project and reporting purposes.
- 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. The ability to gather and analyze data about asset operations will allow WUD to move from corrective (repairs made after a problem occurs) to preventative (maintenance dictated by past experience) and predictive maintenance (performed based on data indicating repairs are needed). In the past year, WUD has committed the resources and is currently focused on developing a comprehensive platform on which to grow the asset management program and provide the best service per current industry standards. WUD has additionally completed an assessment of its current business practices and how they correlate with effective asset management to provide recommendations for implementing the Departments Enterprise Asset Management goals.

Future actions to implement this Objective include:

- Improving WUD's utilization of the Maximo Computerized Maintenance Management System (CMMS) to implement the Enterprise Asset Management Process.

- Execution of the road map that was developed based on prioritization of recommendations generated out of the Assessment and Recommendation Report to most effectively implement the Maximo CMMS, including tasks required, resources needed, and firm timeframes for task completion.
- Execution of Maximo training for employees across WUD to allow for greater and more effective understanding of the Asset Management program and utilization of Maximo.
- Coordination of monitoring systems such as GIS, SCADA and CIS to the Maximo platform to provide for fully integrated Asset Management.

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. In an initial effort to realize this Objective, the WUD Idea Team (WIT) was formed to develop and implement programs that engage employees as an information resource. The WIT publishes the "Grapevine" and WUD journals on a periodic basis and schedules events to engage employees such as "Breakfast with Jim". WUD's SharePoint site has been developed to be a one stop resource for information, events and document-sharing, and WUD is in the process of engaging specific social media resources to provide further employee and community outreach.

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 took a major step in achieving its overarching Mission to provide the *Best Water, Best Service and Best Environmental Stewardship* through the development and 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.

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, 2015. This was the nineteenth 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



Debra M. West
Assistant 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, 2015

Executive Director/CEO

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

Board of County Commissioners

As of September 30, 2016



Mary Lou Berger
Mayor
District 5



Hal R. Valeche
Vice Mayor
District 1



Paulette Burdick
Commissioner
District 2



Shelley Vana
Commissioner
District 3



Steven L. Abrams
Commissioner
District 4



Melissa McKinlay
Commissioner
District 6



Priscilla A. Taylor
Commissioner
District 7

County Administration

Verdenia C. Baker, County Administrator

Shannon R. LaRocque-Baas, P.E., Assistant County Administrator

Water Utilities Department

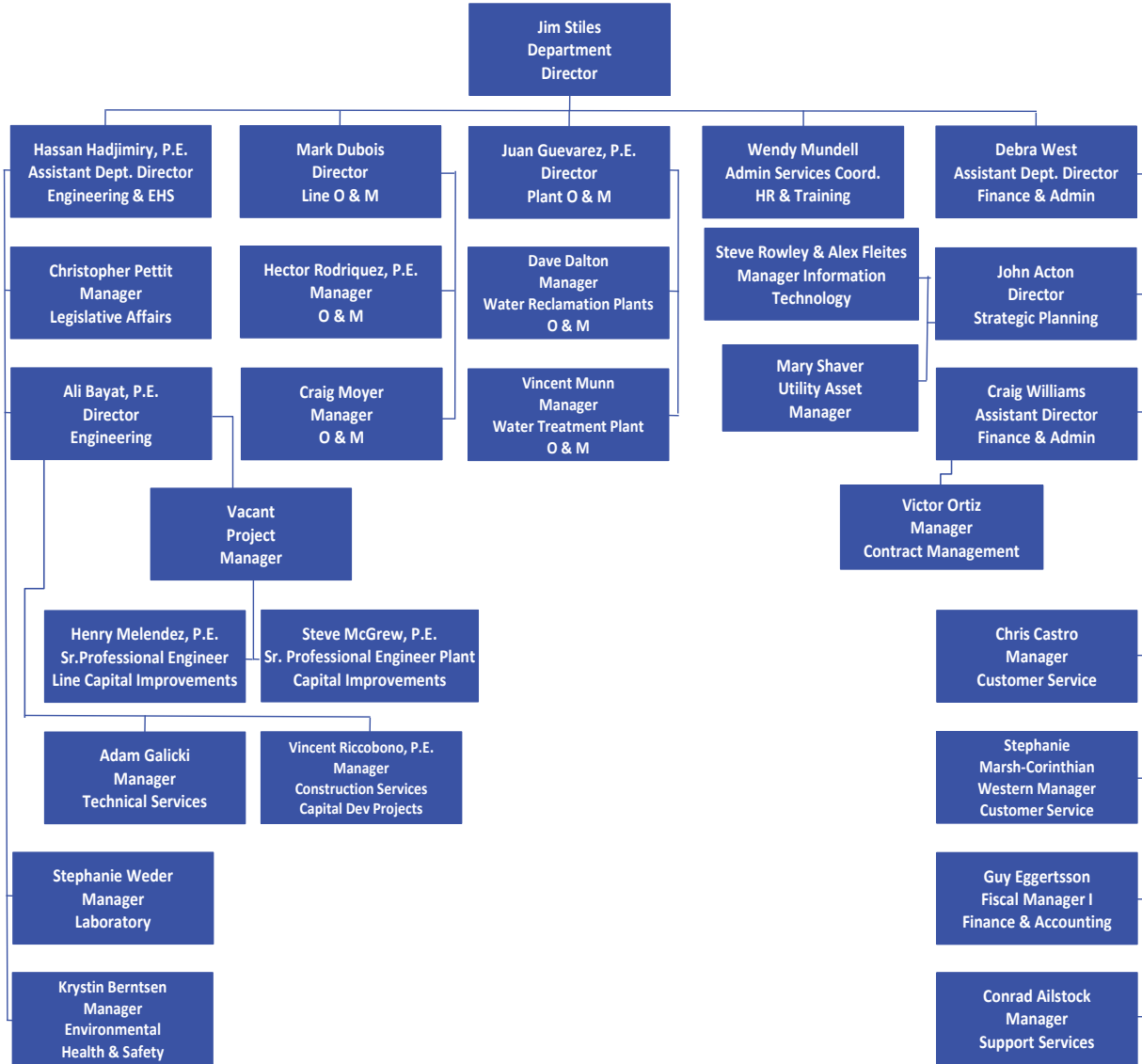
Jim Stiles, Director

Water Utilities Advisory Board

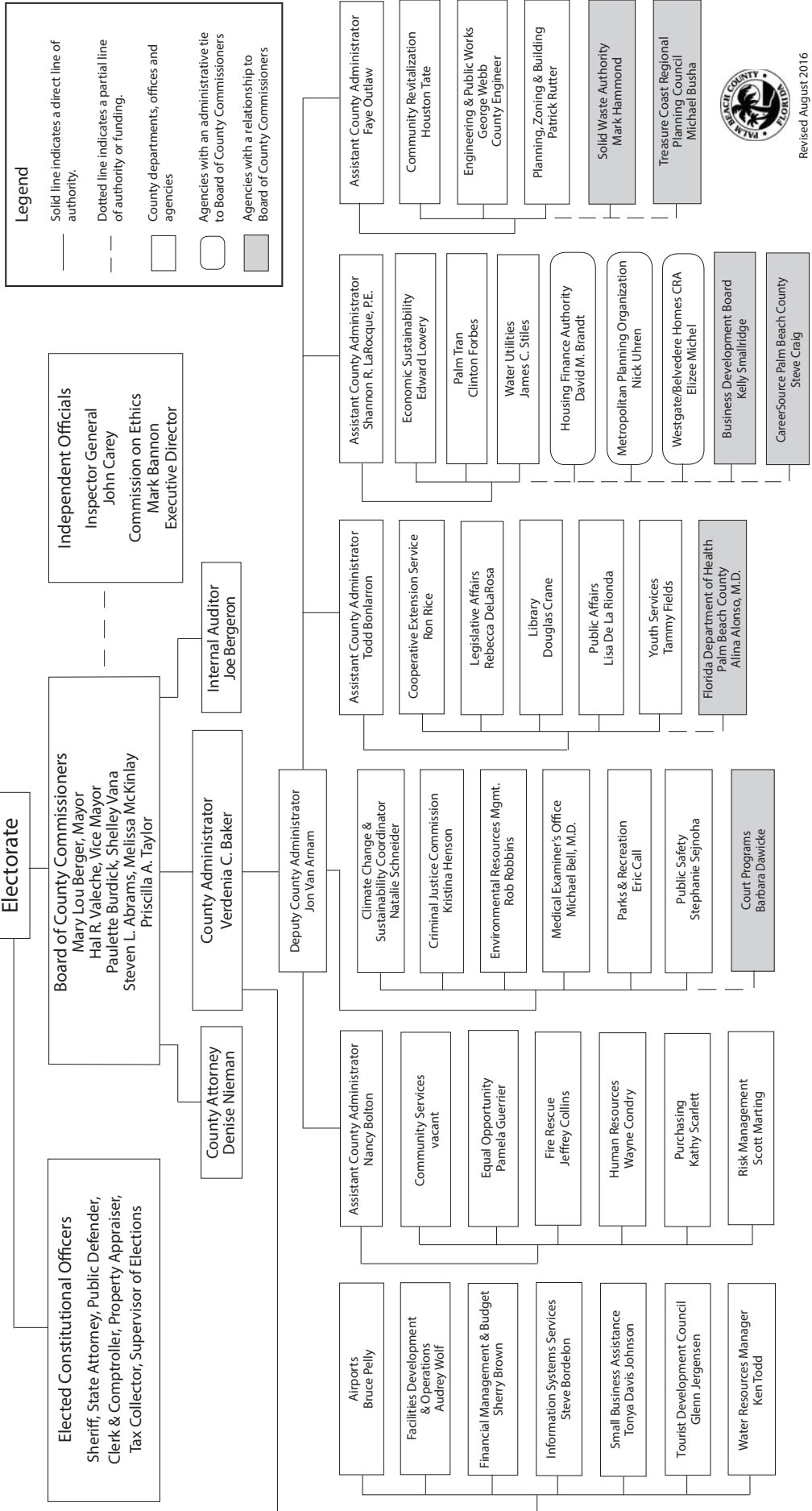


*Front row (l-r) Barbara Powell, Beverly Scott, Myrna Rosoff.
Back row (l-r) Frank Matthews, Bernard Castleman, Edwin Wechsler, Arnold
E. Katz, Burt Goodman, Ted Cott. Not pictured, James P. Sasser.*

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
ORGANIZATIONAL STRUCTURE
 As of September 30, 2016

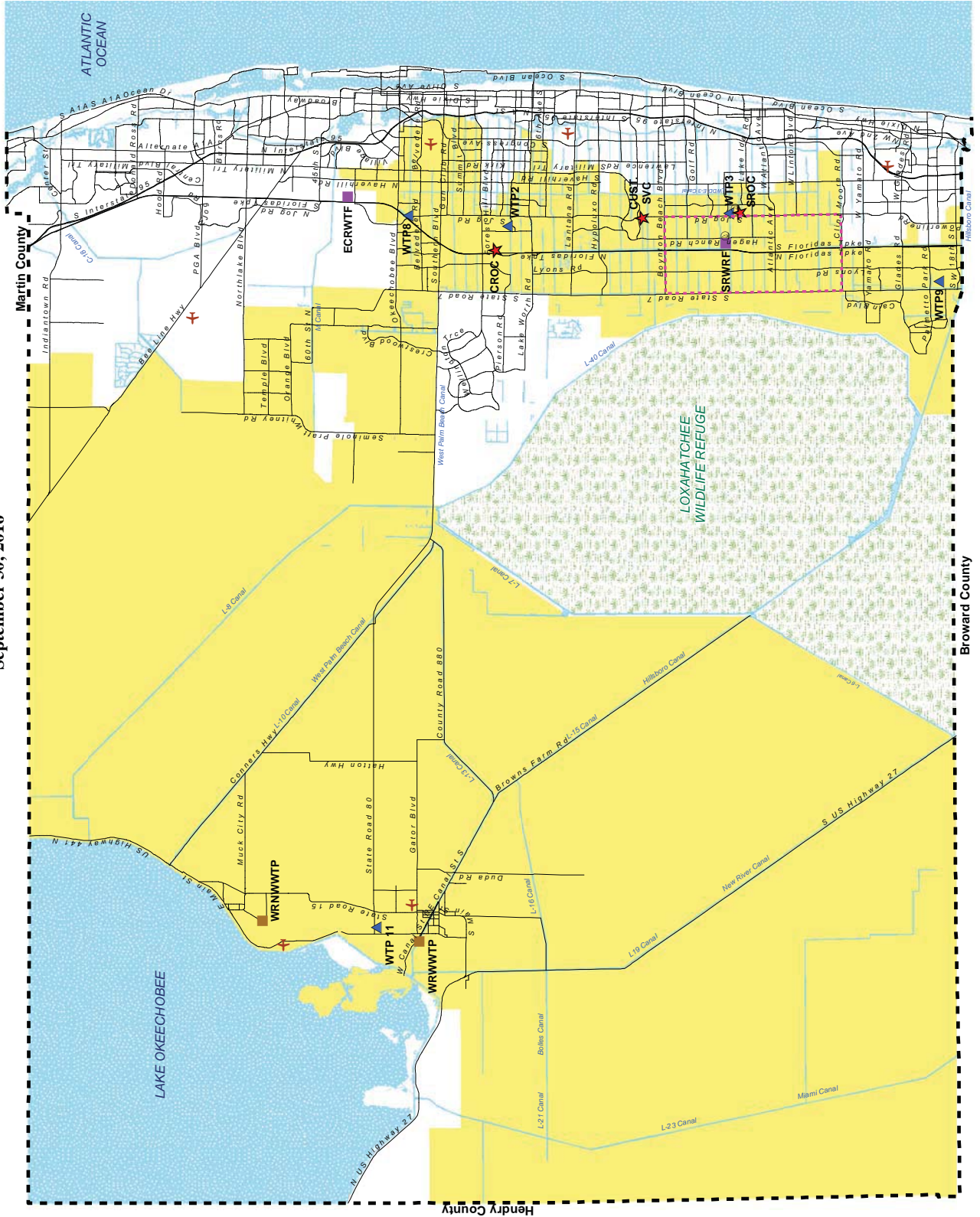


Palm Beach County Board of County Commissioners Organizational Structure



Revised August 2016

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SERVICE AREA (SA) AND MAJOR FACILITIES
 September 30, 2016



- 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



Financial Section



*Southern Region Water
Reclamation Facility
Boynton Beach, FL*

Asset management meeting



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, 2016 and 2015, 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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedules of the proportionate share of net pension liability, schedules of contributions, schedule of funding progress for other postemployment benefits, 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 reports dated March 29, 2017, and May 27, 2016, 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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are 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, 2017



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, 2016 (FY 2016) and September 30, 2015 (FY 2015). 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 \$49.3 million, or 4.4%, during FY 2016 and increased by \$41.4 million, or 3.9%, during FY 2015.
- Long-term debt (net of the current portion) decreased by \$9.9 million, or 5.2%, in FY 2016 compared to a decrease of \$8.4 million, or 4.2%, in FY 2015.
- Operating revenues in FY 2016 totaled \$186.2 million, an increase of \$9.4 million or 5.3%, compared with \$176.8 million in FY 2015, an increase of \$6.9 million or 4.1% from the previous year. FY 2016 included the effect of rate indexing and a 0.8% increase in the customer base. FY 2015 included the effect of rate indexing and a 0.8% increase in the customer base.
- Operating expenses before depreciation and amortization and equity interest in net loss of joint venture, totaled \$124.3 million, an increase of \$9.1 million, or 7.9%, in FY 2016 compared with \$115.2 million, for an increase of \$4.9 million, or 4.4%, for FY 2015.
- Non-operating income decreased by \$1.3 million, or 15.7%, in FY 2016 compared to a FY 2015 increase of \$4.2 million, or 102.4%.
- The Department showed net income before contributions, transfers and special items of \$25.4 million for FY 2016, a decrease of \$2.3 million, or 8.3%, and showed net income before contributions of \$27.7 million for FY 2015, an increase of \$6.2 million, or 28.8%.

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 578,000 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, 2016 and 2015, 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 funding progress of the defined benefit health-care plan administered by the County (other post-employment benefits) and 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 \$49.3 million, or 4.4% for the fiscal year ended September 30, 2016, compared to a 3.9%, or \$41.4 million increase in the prior year. An increase of capital assets of \$32.3 million was the major component of the increase in FY 2016. An increase of capital assets of \$32.1 million was the major component of the increase in FY 2015.

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

September 30, 2016, 2015, and 2014.

Completed projects of \$65.6 million plus an increase in construction in progress of \$9.5 million less depreciation and amortization of \$43.5 million were the major components of the increase in net capital assets in FY 2016. Completed projects of \$43.0 million plus an increase in construction in progress of \$12.5 million and, less depreciation and amortization of \$40.9 million were the major components of the increase in net capital assets in FY 2015. Construction projects totaling \$65.6 million were completed in FY 2016 which represented an 52.6% increase from the FY 2015 total of \$43.0 million.

Long-term debt (net of the current portion) decreased by \$9.9 million, or 5.2% in FY 2016 compared to a \$8.4 million, or 4.2% decrease in the previous year. The decrease in both years was attributable to principal repayments.

The Department's operating revenues totaled \$186.2 million in FY 2016 and \$176.8 million in FY 2015, which represented increases of 5.3% and 4.1%, respectively, for the periods. FY 2016 included the effect of rate indexing and a 0.7% increase in the customer base. FY 2015 included the effect of rate indexing and a 0.7% increase in the customer base.

Operating expenses before depreciation and amortization and equity interest in net loss of joint venture were \$124.3 million and \$115.2 million for the years ended FY 2016 and FY 2015, respectively. These represented annual increases of 7.9% in FY 2016 and 4.4% in FY 2015. The primary reasons for the increase are shown in Table 2.

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>	<u>2014 as restated*</u>	<u>% Change</u>
Current and other assets	\$342.5	\$331.5	3.3	\$331.7	-0.1
Capital assets, net	<u>1,043.3</u>	<u>1,011.0</u>	3.2	<u>978.9</u>	3.3
Total assets	<u>1,385.8</u>	<u>1,342.5</u>	3.2	<u>1,310.6</u>	2.4
Deferred outflows of resources	<u>22.2</u>	<u>15.6</u>	42.3	<u>10.7</u>	45.8
Long-term net revenue bonds outstanding	180.7	190.6	-5.2	199.0	-4.2
Current portion of revenue bonds	8.7	8.3	4.8	8.0	3.8
Other liabilities	<u>55.7</u>	<u>43.4</u>	28.3	<u>37.9</u>	14.5
Total liabilities	<u>245.1</u>	<u>242.3</u>	1.2	<u>244.9</u>	-1.1
Deferred inflows of resources	<u>5.5</u>	<u>7.7</u>	-28.6	<u>9.7</u>	-20.6
Net position:					
Net investment in capital assets	876.0	831.0	5.4	791.6	5.0
Restricted	8.7	8.4	3.6	8.6	-2.3
Unrestricted	<u>272.7</u>	<u>268.7</u>	<u>1.5</u>	<u>266.5</u>	<u>0.8</u>
Total net position	<u>\$1,157.4</u>	<u>\$1,108.1</u>	4.4	<u>\$1,066.7</u>	3.9

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

Table 2 – Operating Expense Changes (dollars in millions)

FY 2016 Changes:	
Maintenance of buildings, plants and pipelines due to increased replacement of assets	\$4.7
Pension expense due to change in net pension assets	2.2
Bad debt expense due to increased billings	1.3
All other accounts net increase	<u>0.6</u>
Total operating expense change for FY 2016	<u>\$8.8</u>
FY 2015 Changes:	
Purchased wastewater treatment due to increased rates	\$3.3
Engineering consulting fees due to project and asset management	2.9
Maintenance of buildings, plants and pipelines due to decreased replacement of assets	-1.4
All other accounts net decrease	<u>-1.4</u>
Total operating expense change for FY 2015	<u>\$3.4</u>

A comparative summary of changes in net position for the years ended September 30, 2016, 2015, and 2014 (dollars in millions) is presented in Table 3.

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>	<u>2014 as restated*</u>	<u>% Change</u>
Operating revenues					
Charges for utility service	\$180.8	\$170.5	6.0	\$164.0	4.0
Other operating revenues	<u>5.4</u>	<u>6.3</u>	-14.3	<u>5.9</u>	6.8
Total operating revenues	<u>186.2</u>	<u>176.8</u>	5.3	<u>169.9</u>	4.1
Operating expenses before depreciation and amortization and equity interest in net loss of joint venture	124.3	115.2	7.9	110.3	4.4
Depreciation and amortization and equity interest in net loss of joint venture	<u>43.5</u>	<u>42.2</u>	3.1	<u>42.2</u>	0.0
Total operating expenses	<u>167.8</u>	<u>157.4</u>	6.6	<u>152.5</u>	3.2
Net operating income	<u>18.4</u>	<u>19.4</u>	-5.2	<u>17.4</u>	11.5
Nonoperating revenues (expenses)					
Guaranteed revenue	7.5	7.6	-1.3	4.4	72.7
Investment income	3.9	3.7	5.4	3.5	5.7
Interest expense	-5.3	-6.1	-13.1	-7.0	-12.9
Engineering fees	0.9	1.0	10.0	0.6	66.7
Engineering expenses	-0.7	-0.6	16.7	-0.6	0.0
Other	<u>0.7</u>	<u>2.8</u>	-75.0	<u>3.2</u>	-12.5
Total non-operating revenues (expenses)	<u>7.0</u>	<u>8.4</u>	-16.7	<u>4.1</u>	104.9
Income before capital contributions, transfers from County	25.4	27.8	-8.6	21.5	29.3
Capital contributions	24.0	26.2	-8.4	19.1	37.2
Transfers from primary government	0.0	0.0	0.0	1.4	-100.0
Transfers to primary government	-0.1	-12.6	-99.2	0.0	100.0
Absorption of Glades Utility Authority	<u>0.0</u>	<u>0.0</u>	0.0	<u>-0.1</u>	-100.0
Change in net position	<u>\$49.3</u>	<u>\$41.4</u>	<u>19.1</u>	<u>\$41.9</u>	<u>-1.2</u>
Net position, beginning	1,108.1	1,066.7	3.9	1,024.8	4.1
Net position, ending	<u>\$1,157.4</u>	<u>\$1,108.1</u>	<u>4.4</u>	<u>\$1,066.7</u>	<u>3.9</u>

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

**CAPITAL ASSETS AND DEBT
ADMINISTRATION**

Capital Assets: At September 30, 2016 and September 30, 2015, the Department had \$1,043.3 million and \$1,011.0 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 2016 represents a \$32.3 million, or 3.2%, increase over the prior year (dollars are in millions, net of accumulated depreciation and amortization). FY 2015 amounts increased by \$32.1 million, or 3.3%, 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 2017 capital budget anticipates spending \$196.1 million, a decrease of \$2.3 million, or 1.1%, from the previous year’s budget of \$198.4 million. Major projects include:

- Rehabilitation of the Western Region Water Distribution System (\$19.4 million).
- Improvements at Water Treatment Plant #8 (\$19.0 million);
- Lift station rehabilitations (\$16.4 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>2016</u>	<u>2015</u>	<u>% Change</u>	<u>2014</u>	<u>% Change</u>
Utility plants and pipelines	\$867.6	\$837.8	3.6	\$819.7	2.2
Buildings	78.3	74.0	5.8	74.1	-0.1
Equipment and vehicles	27.3	19.3	41.5	17.4	10.9
Land	15.5	15.5	0.0	15.6	-0.6
Goodwill	4.7	5.0	-6.0	5.2	-3.8
Easements	1.7	1.7	0.0	1.7	0.0
Construction in progress	<u>48.2</u>	<u>57.7</u>	<u>-16.5</u>	<u>45.2</u>	<u>27.7</u>
Total	<u>\$1,043.3</u>	<u>\$1,011.0</u>	<u>3.2</u>	<u>\$978.9</u>	<u>3.3</u>

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

<u>FY 2016 Additions:</u>	
Water Treatment Plant No. 2 improvements	\$ 21.0
Rehabilitation of the Western Region Water Distribution System	\$3.6
<u>FY 2016 Deletions:</u>	
None	\$0.0
<u>FY 2015 Additions:</u>	
Construction of additional raw water wells	\$ 7.8
Construction of Northern Region Operations Center	\$4.9
<u>FY 2015 Deletions:</u>	
None	\$0.0

Debt Administration: As shown in Table 6, the Department's long-term debt (net of the current portion) was \$183.8 million on September 30, 2016, a decrease of \$9.9 million, or 5.2%. The balance was \$193.8 million on September 30, 2015, a decrease of \$8.3 million, or 4.1%

from the previous year's figure of \$202.1 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>2016</u>	<u>2015</u>	<u>% Change</u>	<u>2014</u>	<u>% Change</u>
Revenue bonds (backed by net revenues)	\$166.9	\$174.7	-4.5	\$180.5	-3.2
Notes payable	8.6	9.1	-5.5	9.7	-6.2
Plus unamortized bond premium	<u>13.9</u>	<u>15.2</u>	-8.6	<u>16.8</u>	-9.5
Net revenue bonds	189.4	199.0	-4.8	207.0	-3.9
Compensated absences	3.3	3.2	3.1	3.2	3.1
Other	<u>0.0</u>	<u>0.0</u>	0.0	<u>0.1</u>	-100.0
Total long-term debt	192.7	202.2	-4.7	210.3	-3.8
Current portion of long-term debt:					
Revenue bonds	8.1	7.8	3.8	7.5	4.0
Notes payable	0.6	0.5	20.0	0.5	0.0
Compensated absences	<u>0.2</u>	<u>0.2</u>	0.0	<u>0.2</u>	0.0
Total current portion of long-term debt	8.9	8.5	4.7	8.2	3.7
Long-term debt (net of current portion)	<u>\$183.8</u>	<u>\$193.7</u>	<u>-5.1</u>	<u>\$202.1</u>	<u>-4.1</u>

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.

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. In 2006, the Department had been the first water utility within the State of Florida to receive the highest ratings from the three major rating agencies at the same time and is still only one of a select few utility systems nationwide to accomplish this feat.

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 be sufficient to make all payments required by the bond resolution. This requirement was exceeded by the 5.07x and 5.00x calculations for FY 2016 and FY 2015, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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 0.7%. 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 2020, 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 2016. The budget forecasts operating revenues of \$190.1 million, or 2.1%, above the final 2016 budget of \$186.1 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 2017 for operating expenses, excluding depreciation and amortization and equity interest in net loss of joint venture, are \$136.7 million, a 1.9% increase from the final 2016 budget of \$134.1 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, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS

	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 225,486,968	\$ 217,983,723
Restricted cash and cash equivalents	20,166,418	19,498,062
Accounts receivable (less allowance for doubtful accounts of \$5,230,900 and \$4,902,300 for 2016 and 2015, respectively)	20,176,434	18,598,791
Accrued interest receivable	510,132	553,800
Special assessments and notes receivable, current portion	932,472	902,161
Due from other County funds	8,697	8,668
Due from other governments	286,000	286,000
Prepaid expenses	343,498	374,917
Inventories	6,404,579	5,719,693
Total current assets	274,315,198	263,925,815
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	9,205,089	9,540,694
Special assessments and notes receivable	12,640,628	13,466,712
Investment in joint ventures	46,277,711	44,542,136
Other post-employment benefits net asset	24,240	6,765
Capital assets:		
Utility plants and pipelines in service	1,430,985,707	1,365,318,767
Buildings	123,459,655	116,080,228
Equipment	84,816,933	75,849,560
Land	15,477,158	15,477,158
Goodwill	6,915,903	6,915,903
Easements	1,660,856	1,660,856
Total capital assets	1,663,316,212	1,581,302,472
Less accumulated depreciation and amortization	(668,310,840)	(628,044,230)
Subtotal	995,005,372	953,258,242
Construction in progress	48,347,757	57,698,417
Capital assets, net	1,043,353,129	1,010,956,659
Total noncurrent assets	1,111,500,797	1,078,512,966
TOTAL ASSETS	1,385,815,995	1,342,438,781
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge on bond refunding	8,245,598	9,013,933
Pensions	13,969,083	6,601,844
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,214,681	15,615,777
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,408,030,676	\$ 1,358,054,558

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET POSITION
September 30, 2016 and 2015

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2016	2015
CURRENT LIABILITIES:		
Vouchers payable and accrued liabilities	\$ 12,360,414	\$ 10,869,959
Due to other governments	981,276	1,007,996
Due to other County funds	877,978	781,282
Compensated absences	222,000	200,000
Other current liabilities	7,162	6,694
Subtotal current liabilities	14,448,830	12,865,931
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Customer deposits	7,554,497	7,157,713
Revenue bonds payable, current portion	8,707,947	8,334,913
Accrued interest payable	3,833,105	3,990,070
Construction contracts & vouchers payable	70,869	15,366
Subtotal current liabilities payable from restricted assets	20,166,418	19,498,062
Total current liabilities	34,615,248	32,363,993
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of unamortized premium	180,666,605	190,641,956
Compensated absences	3,127,170	3,065,276
Total noncurrent liabilities	183,793,775	193,707,232
NET PENSION LIABILITY	26,789,292	16,196,312
TOTAL LIABILITIES	245,198,315	242,267,537
DEFERRED INFLOWS OF RESOURCES		
Pensions	5,280,180	7,526,988
Other	183,875	183,875
Total deferred inflows of resources	5,464,055	7,710,863
NET POSITION:		
Net investment in capital assets	876,017,285	831,038,656
Restricted for debt service	7,692,939	7,352,674
Restricted for capital projects	1,000,000	1,000,000
Unrestricted	272,658,082	268,684,828
TOTAL NET POSITION	1,157,368,306	1,108,076,158
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,408,030,676	\$ 1,358,054,558

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Charges for services	\$ 180,795,577	\$ 170,471,157
Other operating revenue	5,418,415	6,332,292
Total operating revenues	186,213,992	176,803,449
OPERATING EXPENSES:		
Depreciation and amortization	44,675,670	42,384,438
Personal services	41,773,862	37,542,718
Maintenance	29,658,714	24,990,398
Contractual services	17,728,206	16,679,065
Supplies	15,397,627	15,066,823
Purchased water and wastewater treatment	9,294,766	10,316,536
Utilities	8,029,573	8,155,034
Equity interest in net gain of joint venture	(1,127,315)	(192,746)
Miscellaneous	2,391,555	2,445,537
Total operating expenses	167,822,658	157,387,803
OPERATING INCOME	18,391,334	19,415,646
NONOPERATING REVENUES (EXPENSES):		
Guaranteed revenue	7,532,047	7,603,125
Investment income	3,850,200	3,681,988
Interest expense	(5,336,629)	(6,075,536)
Engineering fees	950,187	951,971
Engineering expenses	(660,400)	(577,711)
Other	726,260	2,735,525
Total nonoperating revenues (expenses)	7,061,665	8,319,362
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	25,452,999	27,735,008
Capital contributions received	23,950,534	26,222,932
Transfers to other County Funds	(111,385)	(12,611,389)
CHANGE IN NET POSITION	49,292,148	41,346,551
NET POSITION, BEGINNING OF PERIOD	1,108,076,158	1,066,729,607
NET POSITION, END OF PERIOD	\$ 1,157,368,306	\$ 1,108,076,158

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts:		
Cash received from customers	\$ 178,826,987	\$ 168,267,407
Other operating receipts	6,472,100	5,703,348
Total cash receipts	185,299,087	173,970,755
Cash disbursements:		
Payments to employees	(32,989,631)	(32,013,713)
Payments to other County funds	(23,023,050)	(21,694,555)
Payments to suppliers of goods and services	(67,646,902)	(62,831,214)
Total cash disbursements	(123,659,583)	(116,539,482)
Net cash provided by operating activities	61,639,504	57,431,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to other County Funds	(111,385)	(12,611,389)
Net cash used in non-capital financing activities	(111,385)	(12,611,389)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction and acquisition of capital assets	(58,916,388)	(57,599,389)
Capital contributed by developers and customers	18,710,431	21,362,957
Principal paid on revenue bond maturities	(8,334,913)	(8,018,934)
Interest paid on revenue bonds	(8,129,010)	(8,739,259)
Cash contributed to joint ventures for capital outlay and debt service	(1,882,664)	(1,452,401)
Cash contributed by other governments	498,434	2,574,852
Proceeds on sale of surplus capital assets	475,255	287,575
Bond paying agent fees paid	(7,136)	(5,350)
Proceeds on sale of revenue refunding bonds	-	27,608,488
Bond issuance costs paid	-	(434,433)
Principal paid on refunded revenue bonds	-	(25,300,000)
Payments to escrow agent on refunded revenue bonds	-	(1,784,423)
Net cash used in capital and related financing activities	(57,585,991)	(51,500,317)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and gains or losses on investments	3,893,868	3,723,688
Net cash provided by investing activities	3,893,868	3,723,688
Net increase (decrease) in cash and cash equivalents	7,835,996	(2,956,745)
Cash and cash equivalents at beginning of period	247,022,479	249,979,224
Cash and cash equivalents at end of period	\$ 254,858,475	\$ 247,022,479
Displayed on statements of net position as:		
Cash and cash equivalents	\$ 225,486,968	\$ 217,983,723
Restricted cash and cash equivalents	29,371,507	29,038,756
Total per statements of net position	\$ 254,858,475	\$ 247,022,479

(continued)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2016 and 2015

(continued)

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 18,391,334	\$ 19,415,646
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	44,675,670	42,384,438
Equity interest in net gain of joint venture	(1,127,315)	(192,746)
Provision for doubtful accounts receivable	328,600	(823,000)
Changes in assets and liabilities:		
Customer accounts receivable	(1,887,352)	(2,291,379)
Due from other County funds	(29)	7,591
Prepaid expenses	31,419	19,110
Inventories	(684,886)	(29,092)
Vouchers payable and accrued liabilities	400,751	122,429
Customer deposits	396,784	106,238
Due to other County funds	96,696	99,944
Compensated absences	83,894	25,596
Due to other governments	(27,520)	(22,922)
Net pension liability	10,592,980	5,618,214
Deferred outflows of resources related to pensions	(7,367,239)	(4,869,679)
Deferred inflows of resources related to pensions	(2,246,808)	(1,995,662)
Other post-employment benefits net asset	(17,475)	(6,765)
Due to other Component Units	-	(102,886)
Other post-employment benefits liability	-	(33,802)
Total adjustments	43,248,170	38,015,627
Net cash provided by operating activities	\$ 61,639,504	\$ 57,431,273

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

Utility plant contributed by developers and customers	\$ 13,050,107	\$ 13,105,711
Payables related to capital asset acquisition	\$ 8,808,885	\$ 7,391,125
Capitalized interest	\$ 2,136,347	\$ 1,865,160
Amortization of bond premium	\$ 1,267,404	\$ 1,280,952
Amortization of deferred advance bond refunding loss	\$ 768,335	\$ 757,070
Disposal of fully depreciated capital assets	\$ 3,084,372	\$ 1,769,632

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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2016 and 2015

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.

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, 2009, and 2006 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 fair 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

Goodwill is determined based on the difference between the acquisition price and the fair value of all assets acquired. Amortization of goodwill related to the utility system acquisition is computed on the straight-line method. 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.

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 an acquisition 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 the refunded debt and its

reacquisition price, of which the amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, 2) pension 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.

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 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.

Unamortized Premium and Deferred Advance Refunding Loss – These accounts are amortized to interest expense over the term of the related financing using the effective interest method.

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.

Reclassifications – Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements.

3. CASH AND INVESTMENTS

Cash and investments consist of the following at September 30, 2016 and 2015:

<u>September 30, 2016</u>	
County Internal Investment Pool	\$244,668,234
Cash with Fiscal Agent	10,180,441
Petty cash	9,800
Total	<u>\$254,858,475</u>

<u>September 30, 2015</u>	
County Internal Investment Pool	\$236,982,876
Cash with fiscal agent	10,029,803
Petty cash	9,800
Total	<u>\$247,022,479</u>

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 \$1.3 billion and \$1.4 billion as of September 30, 2016 and 2015, respectively, of which approximately 6% and 11%, 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, 2016 and 2015 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 implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal year 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. It also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. The adoption of GASB 72 is reflected in Note 3 of the County's CAFR.

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, 2016 and 2015, 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 \$6,859,800 and \$7,863,500 for the years ended September 30, 2016 and 2015, 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 \$1.7 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 \$246 million as of September 30, 2015. The total of such costs was \$1,668,119 and \$1,214,650 for the years ended September 30, 2016 and 2015, respectively. The amounts on deposit were \$5,922,725 and \$5,894,799 for the fiscal years ended September 30, 2015 and 2014, 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, 2016 and 2015, respectively, were \$2,004,500 and \$2,198,500.
- 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, 2016 and 2015, respectively, the Department's investment in the Reclaimed Water Project was \$13.5 million and \$14.3 million.

- For the years ended September 30, 2016 and 2015, respectively, the Department's total payments to ECR for all the transactions described above were \$10.7 million and \$11.3 million respectively.

The following table is a brief summary of the financial position of ECR as of September 30, 2015:

Total assets	\$239,928,351
Total net position	\$106,484,674
Invested in capital, net of related debt	\$74,971,277
Unrestricted net position	\$4,243,370
Increase in net position	\$7,140,448

September 30, 2016 amounts are expected to approximate the above figures.

As of September 30, 2016 and 2015, respectively, the Department's investment in the ECR was \$42.1 million and \$40.0 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 \$1,207,500 and \$1,132,000 for the years ended September 30, 2016 and 2015, respectively.

As of September 30, 2016 and 2015, respectively, the Department's investment in the BPF is \$4.2 million and \$4.5 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 years ended September 30, 2016 and 2015 is depicted in the following two tables:

<u>September 30, 2016</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	57,698,417	56,219,284	(65,569,944)	48,347,757
Total capital assets not being depreciated or amortized	74,836,431	56,219,284	(65,569,944)	65,485,771
Capital assets being depreciated or amortized:				
Buildings	116,080,228	7,379,427	-	123,459,655
Utility plants and pipelines	1,365,318,767	65,666,940	-	1,430,985,707
Equipment	75,849,560	12,115,482	(3,148,109)	84,816,933
Goodwill	6,915,903	-	-	6,915,903
Total capital assets being depreciated or amortized	1,564,164,458	85,161,849	(3,148,109)	1,646,178,198
Less accumulated depreciation or amortization for:				
Buildings	(42,107,849)	(3,100,519)	-	(45,208,368)
Utility plants and pipelines	(527,414,272)	(36,012,620)	-	(563,426,892)
Equipment	(56,558,034)	(4,071,170)	3,134,656	(57,494,548)
Goodwill	(1,964,075)	(216,957)	-	(2,181,032)
Total accumulated depreciation and Amortization	(628,044,230)	(43,401,266)	3,134,656	(668,310,840)
Total capital assets being depreciated or amortized, net	936,120,228	41,760,583	(13,453)	977,867,358
Capital assets, net	<u>\$1,010,956,659</u>	<u>\$97,979,867</u>	<u>\$(65,583,397)</u>	<u>\$1,043,353,129</u>

<u>September 30, 2015</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$15,576,758	\$ -	(\$99,600)	\$15,477,158
Easements	1,660,856	-	-	1,660,856
Construction in progress	45,172,193	55,501,116	(42,974,892)	57,698,417
Total capital assets not being depreciated or amortized	62,409,807	55,501,116	(43,074,492)	74,836,431
Capital assets being depreciated or amortized:				
Buildings	113,254,069	2,826,159	-	116,080,228
Utility plants and pipelines	1,312,675,591	52,643,176	-	1,365,318,767
Equipment	72,728,081	5,696,703	(2,575,224)	75,849,560
Goodwill	6,915,903	-	-	6,915,903
Total capital assets being depreciated or amortized	1,505,573,644	61,166,038	(2,575,224)	1,564,164,458
Less accumulated depreciation or amortization for:				
Buildings	(39,121,634)	(2,986,215)	-	(42,107,849)
Utility plants and pipelines	(492,948,455)	(34,465,817)	-	(527,414,272)
Equipment	(55,340,230)	(3,485,125)	2,267,321	(56,558,034)
Goodwill	(1,747,120)	(216,955)	-	(1,964,075)
Total accumulated depreciation and amortization	(589,157,439)	(41,154,112)	2,267,321	(628,044,230)
Total capital assets being depreciated or amortized, net	916,416,205	20,011,926	(307,903)	936,120,228
Capital assets, net	<u>\$978,826,012</u>	<u>\$75,513,042</u>	<u>\$(43,382,395)</u>	<u>\$1,010,956,659</u>

6. REVENUE BONDS PAYABLE AND LONG-TERM DEBT

Long-term obligations activity for the years ended September 30, 2016 and 2015 are depicted in the following two tables:

<u>September 30, 2016</u>	Beginning Balance	Increases	Decreases	Ending Balance	Due in Fiscal Year 2017
Revenue bonds	\$174,674,851	\$ -	\$(7,786,784)	\$166,888,067	\$8,149,423
Notes	9,137,261	-	(548,129)	8,589,132	558,524
Unamortized premiums	15,164,757	-	(1,267,404)	13,897,353	-
Net revenue bonds payable	198,976,869	-	(9,602,317)	189,374,552	8,707,947
Compensated absences	3,265,276	277,423	(193,529)	3,349,170	222,000
Total long-term obligations	<u>\$202,242,145</u>	<u>\$277,423</u>	<u>\$(9,795,846)</u>	<u>\$192,723,722</u>	<u>\$8,929,947</u>

<u>September 30, 2015</u>	Beginning Balance	Increases	Decreases	Ending Balance	Due in Fiscal Year 2016
Revenue bonds	\$180,525,823	\$26,930,000	\$(32,780,972)	\$174,674,851	\$7,786,784
Notes	9,675,223	-	(537,962)	9,137,261	548,129
Unamortized premiums	16,785,169	678,488	(2,298,900)	15,164,757	-
Net revenue bonds payable	206,986,215	27,608,488	(35,617,834)	198,976,869	8,334,913
Compensated absences	3,239,680	216,362	(190,766)	3,265,276	200,000
Other	33,802	-	(33,802)	-	-
Total long-term obligations	<u>\$210,259,697</u>	<u>\$27,824,850</u>	<u>\$(35,842,402)</u>	<u>\$202,242,145</u>	<u>\$8,534,913</u>

The Series 2015, 2013, 2009, and 2006 Water and Sewer Revenue Bonds, along with other long-term debt obligations, are repayable in future years as follows:

Year (s) Ending September 30	Year (s) Ending September 30	
	Principal	Interest
2017	\$8,707,947	\$7,778,317
2018	9,553,098	7,382,358
2019	6,255,454	7,049,191
2020	6,520,109	6,772,342
2021	5,637,201	6,462,644
2022-2026	31,982,670	28,446,921
2027-2031	38,716,697	20,210,898
2032-2036	48,674,023	9,753,808
2037-2041	19,430,000	1,442,550
Total	\$175,477,199	\$95,299,029

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, 2016 and 2015 are illustrated in the table below:

REVENUE BONDS AND NOTES	September 30	
	2016	2015
\$8,515,000 Series 2004 Pahokee Arcadia Pool Revenue Bonds due in annual installments of \$735,000 to \$765,000 through December 1, 2017, with interest from 4.00% to 4.25% payable semiannually on December 1 and June 1.	\$1,500,000	\$2,210,000
\$125,850,000 Series 2006A Water & Sewer Revenue Bonds due in annual installment of \$2,925,000 through October 1, 2017, with interest of 5.00% 5.00% payable semiannually on October 1 and April 1.	2,925,000	5,710,000
\$12,485,000 Series 2006B Water & Sewer Revenue Refunding Bonds due in annual installments of \$2,070,000 to \$2,245,000 through October 1, 2018, with interest from 4.00% to 4.25% payable semiannually on October 1 and April 1.	4,400,000	6,470,000
\$68,115,000 Series 2009 Water & Sewer Revenue Bonds due in annual installments of \$1,340,000 to \$4,225,000 through October 1, 2040, with interest from 4.00% to 5.25% payable semiannually on October 1 and April 1.	54,450,000	55,720,000
\$9,385,488 Wells Fargo Loan due in annual installments of \$994,423 to \$1,134,151 through April 1, 2020, with interest of 4.55% payable semiannually on October 1 and April 1.	4,253,067	5,204,851
\$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 \$3,545,000 to \$8,080,000 through October 1, 2036, with interest from 3.125% to 5.00% payable semiannually on October 1 and April 1.	26,930,000	26,930,000
Various State Revolving Fund notes payable	8,589,132	9,137,261
Total debt	175,477,199	183,812,112
Less current portion of long-term debt	(8,707,947)	(8,334,913)
Plus unamortized premium	13,897,353	15,164,757
Total noncurrent portion	\$180,666,605	\$190,641,956

7. PLEDGED REVENUES

The Department has pledged future water and wastewater system revenues, net of specified operating expenses, to repay \$181 million in water and sewer system revenue bonds issued between April 24, 2006 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 \$270.8 million with annual requirements ranging from \$0.2 million in fiscal years 2039 and 2040 to \$16.9 million in fiscal year 2018. Annual principal and interest payments on these debts are expected to require less than 28% 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 \$16.5 million and \$85.4 million, respectively.

8. ADVANCE REFUNDING OF DEBT

On March 11, 2015, the Department issued \$26,930,000 Series 2015 Water and Sewer Revenue Refunding Bonds to partially refund the Series 2006A bonds through an in-substance defeasance whereby the Department placed into irrevocable trusts funds sufficient to meet future principal and interest payments on the defeased bonds, outstanding principal of which was \$25,300,000. The Department recognized an accounting loss of \$766,475, which was deferred and is being amortized over the life of the refunding bonds. Cash outflows for the debt service were reduced by \$4,559,825, and an economic gain of \$3,467,760 was realized. The funds placed in trust have been invested in securities backed by the United States Government. As a result of these transactions, neither the refunded bond issue nor the funds placed in trust are included in the accompanying statements of net position. The total outstanding defeased amount at September 30, 2016 was \$101,560,000.

9. COMMITMENTS

The Department has entered into construction contracts with remaining commitments totaling approximately \$69,095,000 and \$41,080,000 as of September 30, 2016 and 2015, respectively.

10. 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 \$978,934 for the fiscal year ended September 30, 2016. The Department's aggregate net pension liability for all plans was \$26,789,292, with balances of deferred outflows of resources related to pensions of \$13,969,083 and deferred inflows of resources related to pensions of \$5,280,180 as of September 30, 2016.

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 which 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, 2016:

<u>Membership Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>
Regular	3.00%	7.52%
Special Risk	3.00%	22.57%
State Attorney/Public Defender	3.00%	42.10%
County, City, Special District Elected Officers	3.00%	42.47%
Special Risk Administrative Support	3.00%	28.06%
Senior Management	3.00%	21.77%
Deferred Retirement Option Program	N/A	12.99%

*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 \$2.4 million and employee contributions totaled \$0.9 million for the fiscal year ended September 30, 2016. 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, 2016 the Department reported a liability of \$19.9 million for its proportionate share of the FRS Pension Plan’s net pension liability, which was measured as of June 30, 2016. The total pension liability used to calculate the net liability was determined by an actuarial valuation as of July 1, 2016. The Department’s proportionate share of the net pension liability was based on the Department’s 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016 the Department’s proportionate share was 0.079% which was an increase of 0.001 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016 the Department recognized pension expense of \$962,683 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 sources found on the first table on the following page:

Description	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$185,462	\$1,525,173
Change of assumptions	-	1,205,057
Net difference between projected and actual earnings on Pension Plan investments	4,014,662	9,163,606
Changes in proportion and differences between Department Pension Plan contributions and proportionate share of contributions	922,243	341,071
Department Pension Plan contributions subsequent to the measurement date	-	<u>641,748</u>
Total	<u>\$5,122,367</u>	<u>\$12,876,655</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 ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2017	\$861,699
2018	861,699
2019	2,869,030
2020	2,041,822
2021	353,880
Thereafter	\$124,410

Actuarial Assumptions - The total pension liability in the June 30, 2016 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:** 7.60 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, 2016 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 on the first table on the following page:

<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%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate (property)	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed inflation - mean			2.60%	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 7.60%. 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 7.60% 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 (6.60%) or one percentage point higher (8.60%) than the current rate:

	<u>Discount Rates</u>		
	<u>1% decrease (6.60%)</u>	<u>Current 7.60% Discount Rate</u>	<u>1% increase (8.60%)</u>
Department's proportionate share of the net pension liability	\$36,672,384	\$19,919,085	\$(5,974,176)

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the investment rate of return assumption as set by the 2016 FRS Actuarial Assumption Conference and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the County considered this information, other information as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of the State of Florida as of and for the year ended June 30, 2016, which both contained unmodified opinions and has concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

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, 2016, 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, 2016 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 \$40,227 for the fiscal year ended September 30, 2016. 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, 2016 the Department reported a liability of \$6.9 million for its proportionate share of the HIS Program’s net pension liability, which was measured as of June 30, 2016. The total pension liability used to calculate the net liability was determined by an actuarial valuation as of July 1, 2016. The Department’s proportionate share of the net pension liability was based on the Department’s fiscal year 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members for the same period. At June 30, 2016 the Department’s proportionate share was 0.060%, which was the same as its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Department recognized pension expense of \$16,250 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	\$15,648	\$3,474
Change of assumptions	-	1,078,121
Changes in proportion and differences between Department Pension Plan contributions and proportionate share of contributions	142,165	-
Department Pension Plan contributions subsequent to the measurement date	-	10,833
Total	<u>\$157,813</u>	<u>\$1,092,428</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, 2017. Other amounts reported as deferred outflows and inflows of resources related to the HIS Program will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2017	\$162,414
2018	162,414
2019	161,752
2020	161,435
2021	142,924
Thereafter	\$132,843

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

- **Inflation:** 2.60 percent.
- **Municipal Bond Rate:** 2.85 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, 2016 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 2.85%. 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 2.85% 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

	Discount Rates		
	1% decrease (1.85%)	Current 2.85% Discount Rate	1% increase (3.85%)
Department’s proportionate share of the net pension liability	\$7,881,689	\$6,870,208	\$6,030,733

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, 2016, 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, 2016.

11. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plans, the Department provides a defined benefit health-care plan, which provides medical benefits to eligible retired employees and their beneficiaries. The plan is a single-employer plan administered by the County.

The contribution requirements of plan members and the employer are established by and may be amended by the County. The Department, as an entity of the County, is required by Florida Statute 112.0801 to allow retirees to buy health-care coverage at the same ‘group insurance rates’ which current employees are charged, resulting in an ‘implicit’ benefit. Retirees are responsible for payment of the health-care premium. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and plan members to that point.

For the fiscal year ended September 30, 2016 retirees receiving benefits contributed monthly premiums ranging from \$749 for retiree only to \$2,339 for retiree plus their dependents.

OPEB Cost and Net Obligation – The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.” The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The table below shows the Department’s portion of the forgoing as of September 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual required contribution (ARC)	\$69,000	\$82,000	\$83,000
Interest on net OPEB obligation	(16,479)	(12,172)	(6,393)
Adjustment to annually required contribution	14,672	10,570	5,540
Annual OPEB cost	67,193	80,398	82,417
Contributions made	(84,668)	(120,965)	(135,116)
Change in net OPEB obligation (asset)	(17,475)	(40,567)	(52,969)
Net OPEB obligation (asset), beginning of year	(6,765)	33,802	86,771
Net OPEB (asset) obligation, end of year	<u>\$(24,240)</u>	<u>\$(6,765)</u>	<u>\$33,802</u>
Percentage of Annual OPEB contributed	126.01%	150.46%	163.94%

Funded Status and Funding Progress – The plan is funded on a ‘pay-as-you-go’ basis. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of event occurrences far into the future, such as future employment, mortality, and health-care cost trends. Amounts determined regarding the funded status of the plan and the annual required employer contributions are subject to continual revision as actual results are compared with past expectations and new estimates about the future are made. The first table on the following page shows the funded status of the Department’s portion of the plan as of the latest actuarial valuation:

Actuarial accrued liability (AAL)	\$772,000
Actuarial value of plan Assets	-
Unfunded actuarial accrued liability (UAAL)	\$772,000
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$30,413,366
UAAL as a percentage of, covered payroll	2.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information showing the trend in actuarial value of plan assets relative to actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan, as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical cost-sharing pattern between employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and asset values consistent with the long-term perspective of the calculations in the following table:

Actuarial valuation date	10/1/2015
Actuarial cost method	Projected unit credit
Actuarial cost method	Level percentage of salary at beginning of fiscal year
Remaining amortization	30 years - Open
Asset valuation method	N/A
Percentage of OPEB cost contributed	100%
Investment rate of return	4.0%
Inflation rate	3.0%
Projected annual salary increase	3.5%
Initial healthcare inflation rate	7.5%
Ultimate healthcare inflation rate	4.5%

12. INTEREST COSTS

Total interest costs incurred by the Department were \$7,972,045 and \$8,464,578, of which \$2,136,347 and \$1,865,160 were capitalized as part of capital assets, for the years ended September 30, 2016 and 2015, respectively.

13. 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 years ended September 30, 2016 and 2015, was approximately \$23,354,000 and \$22,320,000, 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.

14. 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.

15. 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
For the Last Ten Fiscal Years*
(REQUIRED SUPPLEMENTARY INFORMATION)
(unaudited)

Schedule of Proportionate Share of Net Pensions Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion of the FRS net pension liability	0.079%	0.078%	0.079%
Department's proportionate share of the FRS net pension liability \$	19,919,085	\$ 10,030,459	\$ 4,847,927
Department's covered-employee payroll	\$ 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	62.3%	34.0%	16.8%
FRS Plan fiduciary net position as a percentage of the total pension liability	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 2016 is available.

Schedule of Contributions to Florida Retirement System Pension Plan

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

NOTE: The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for 2014 through 2016 is available.

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

Schedule of Proportionate Share of Net Pensions Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion of the HIS net pension liability	0.060%	0.061%	0.061%
Department's proportionate share of the HIS net pension	\$ 6,870,208	\$ 6,165,853	\$ 5,730,171
Department's covered-employee payroll	\$ 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	21.5%	20.9%	19.8%
HIS Plan fiduciary net position as a percentage of the total pension liability	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 2016 is available.

Schedule of Contributions to Health Insurance Subsidy Pension Plan

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

NOTE: The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for 2014 through 2016 is available.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OTHER POST EMPLOYMENT BENEFITS (OPEB)
HEALTH-CARE PLAN SCHEDULE OF FUNDING PROGRESS
For the Fiscal Years Ended September 30, 2016 and 2015
(REQUIRED SUPPLEMENTARY INFORMATION)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2015	-	\$772,000	\$772,000	0.0%	\$30,413,366	2.5%
10/1/2013	-	\$1,669,000	\$1,669,000	0.0%	\$28,265,764	5.9%
10/1/2011	-	\$1,626,000	\$1,626,000	0.0%	\$28,027,148	5.8%

SUPPLEMENTARY INFORMATION

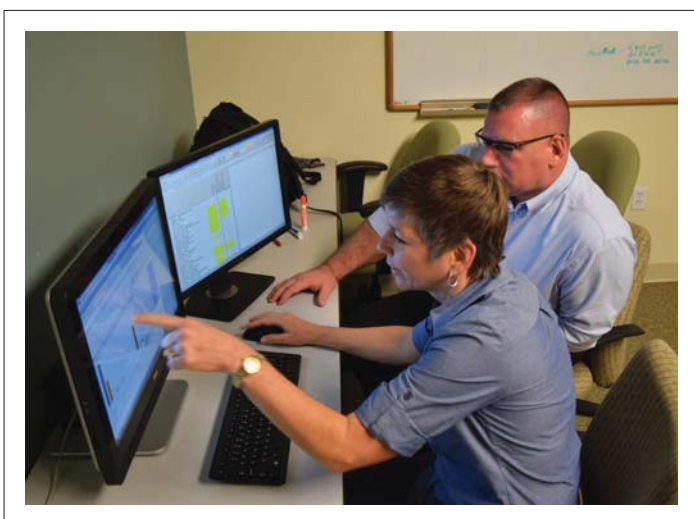
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (natural classification), AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2016
(Supplementary Information)

	<u>Original Budget</u>	<u>Current Budget</u>	<u>Actual Results</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:					
Charges for services	\$ 178,350,522	\$ 176,536,044	\$ 180,795,577	\$ 4,259,533	2%
Other operating revenue	5,390,000	5,390,000	5,418,415	28,415	1%
Total operating revenues	183,740,522	181,926,044	186,213,992	4,287,948	2%
OPERATING EXPENSES:					
Depreciation and amortization	44,643,200	44,643,200	44,675,670	(32,470)	0%
Personal services	45,419,250	43,527,161	41,773,862	1,753,299	4%
Maintenance	27,430,000	27,855,297	29,658,714	(1,803,417)	-6%
Supplies	24,987,825	26,687,592	15,397,627	11,289,965	42%
Contractual services	19,517,282	20,332,007	17,728,206	2,603,801	13%
Purchased water and wastewater treatment	10,670,400	10,670,400	9,294,766	1,375,634	13%
Utilities	8,934,700	8,784,700	8,029,573	755,127	9%
Equity interest in net loss (gain) of joint venture	1,100,000	1,100,000	(1,127,315)	2,227,315	202%
Miscellaneous	2,705,525	1,807,825	2,391,555	(583,730)	-32%
Total operating expenses	185,408,182	185,408,182	167,822,658	17,585,524	9%
OPERATING (LOSS) INCOME	(1,667,660)	(3,482,138)	18,391,334	21,873,472	628%
NONOPERATING REVENUES (EXPENSES):					
Guaranteed revenue	4,654,000	4,654,000	7,532,047	2,878,047	62%
Investment income	2,961,000	2,961,000	3,850,200	889,200	30%
Interest expense	(5,911,400)	(5,911,400)	(5,336,629)	574,771	10%
Engineering fees	705,000	705,000	950,187	245,187	35%
Engineering expenses	(639,000)	(653,900)	(660,400)	(6,500)	-1%
Other	166,600	212,750	726,260	513,510	241%
Total nonoperating revenues (expenses)	1,936,200	1,967,450	7,061,665	5,094,215	259%
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	268,540	(1,514,688)	25,452,999	26,967,687	1780%
Capital contributions received	16,894,000	16,894,000	23,950,534	7,056,534	42%
Transfers to other County Funds	(43,553)	(111,385)	(111,385)	-	0%
CHANGE IN NET POSITION	\$ 17,118,987	\$ 15,267,927	\$ 49,292,148	\$ 34,024,221	223%

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, 2016
(Supplementary Information)

	<u>Current Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:				
Water - base facility	\$ 42,673,000	\$ 43,721,936	\$ 1,048,936	2%
Water - commodity	42,915,000	43,301,890	386,890	1%
Water - contractual	1,320,000	2,268,430	948,430	72%
Wastewater - base facility	46,975,000	47,953,957	978,957	2%
Wastewater - commodity	31,938,000	32,137,452	199,452	1%
Wastewater - contractual	786,000	1,011,675	225,675	29%
Reclaimed water - retail	1,687,000	1,862,195	175,195	10%
Reclaimed water - bulk	7,307,044	7,598,461	291,417	4%
Customer account charge	935,000	939,581	4,581	0%
Other operating revenue	5,390,000	5,418,415	28,415	1%
Total operating revenues	181,926,044	186,213,992	4,287,948	2%
OPERATING EXPENSES:				
Water treatment	34,115,244	34,588,535	(473,291)	-1%
Water distribution	16,291,556	11,168,352	5,123,204	31%
Wastewater treatment	18,024,694	17,553,275	471,419	3%
Wastewater collection	18,581,958	18,048,793	533,165	3%
Purchased water and wastewater treatment	10,205,000	8,864,280	1,340,720	13%
Customer accounts	16,172,400	8,648,900	7,523,500	47%
Administrative and general	26,274,130	25,402,168	871,962	3%
Total operating expenses	139,664,982	124,274,303	15,390,679	11%
Operating income before depreciation, amortization and equity interest in net loss (gain) of joint venture	42,261,062	61,939,689	19,678,627	47%
Depreciation and amortization	44,643,200	44,675,670	(32,470)	0%
Equity interest in net loss (gain) of joint venture	1,100,000	(1,127,315)	2,227,315	202%
OPERATING INCOME (LOSS)	(3,482,138)	18,391,334	21,873,472	628%
NONOPERATING REVENUES (EXPENSES):				
Guaranteed revenue	4,654,000	7,532,047	2,878,047	62%
Investment income	2,961,000	3,850,200	889,200	30%
Interest expense	(5,911,400)	(5,336,629)	574,771	10%
Engineering fees	705,000	950,187	245,187	35%
Engineering expenses	(653,900)	(660,400)	(6,500)	-1%
Other	212,750	726,260	513,510	241%
Total nonoperating revenues (expenses)	1,967,450	7,061,665	5,094,215	259%
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,514,688)	25,452,999	26,967,687	1780%
Capital contributions received	16,894,000	23,950,534	7,056,534	42%
Transfers to other County Funds	(111,385)	(111,385)	-	0%
CHANGE IN NET POSITION	\$ 15,267,927	\$ 49,292,148	\$ 34,024,221	223%
CONNECTION FEES INCLUDED IN CAPITAL CONTRIBUTIONS	\$ 7,992,000	\$ 10,530,256	\$ 2,538,256	32%





*John Acton, Director of
Strategic Planning and
Mary Shaver, Water
Utilities Asset Manager*

*Chemical containment
Water Treatment Plant 3
Delray Beach, FL*



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	85
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



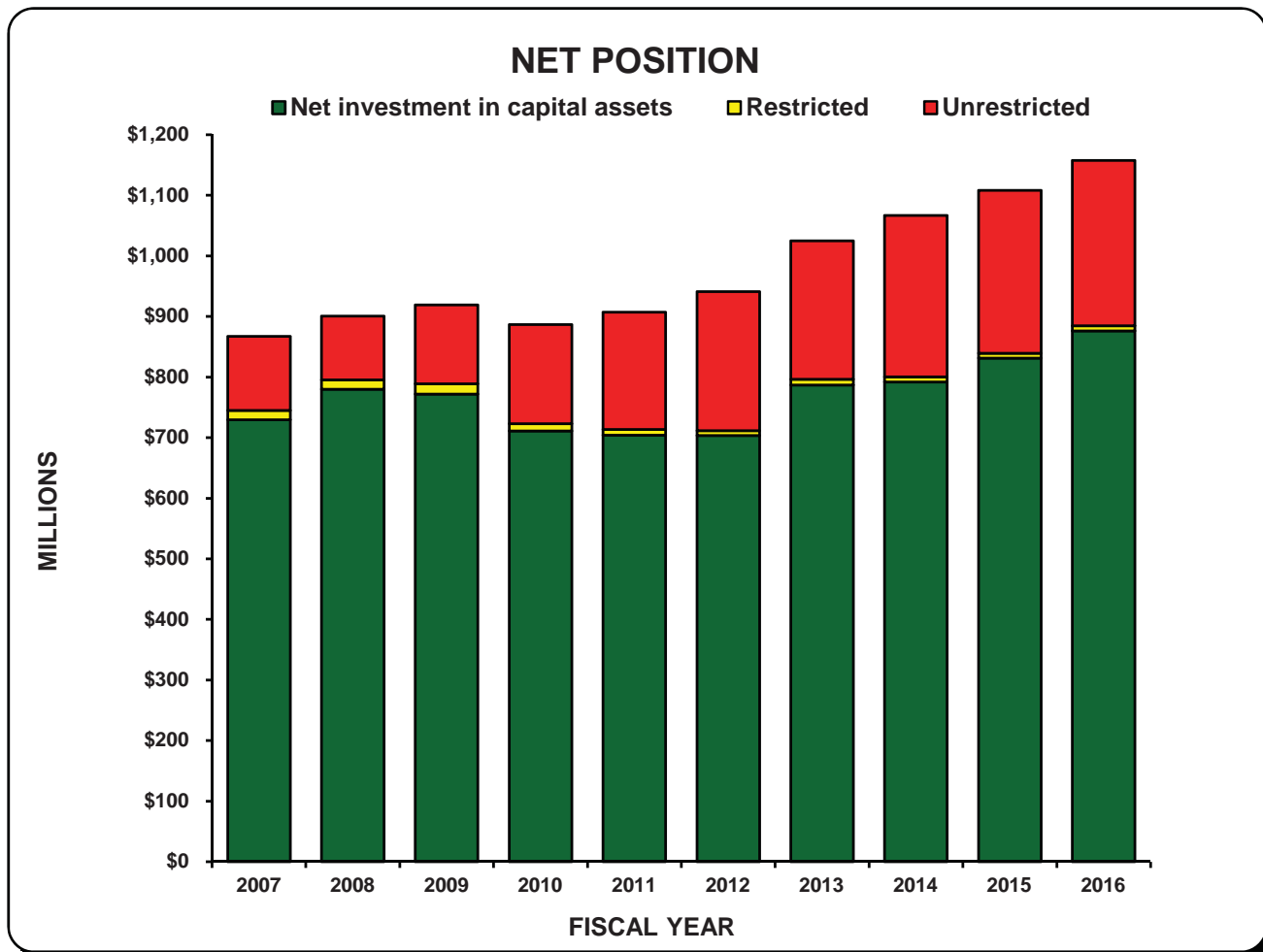
FINANCIAL TRENDS INFORMATION



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

(in thousands)	2016	2015	2014*	2013*	2012	2011	2010	2009	2008	2007
Net investment										
in capital assets	\$876,017	\$831,039	\$791,649	\$786,867	\$703,494	\$703,855	\$711,227	\$771,926	\$779,844	\$729,379
Restricted	8,693	8,353	8,568	9,230	7,965	9,543	11,910	16,860	15,672	15,350
Unrestricted	272,658	268,684	266,513	228,713	229,394	193,519	163,530	130,368	105,349	122,588
TOTAL NET POSITION	\$1,157,368	\$1,108,076	\$1,066,730	\$1,024,810	\$940,853	\$906,917	\$886,667	\$919,154	\$900,865	\$867,317

* 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>2016</u>	<u>2015</u>	<u>2014*</u>
OPERATING REVENUES:			
Charges for services	\$180,796	\$170,471	\$164,001
Other operating revenue	5,418	6,332	5,939
Total operating revenues	<u>186,214</u>	<u>176,803</u>	<u>169,940</u>
OPERATING EXPENSES:			
Depreciation and amortization	44,676	42,385	41,244
Personal services	41,774	37,543	36,692
Maintenance	29,659	24,990	26,440
Contractual services	17,728	16,679	15,132
Supplies	15,398	15,067	14,507
Purchased water and wastewater treatment	9,295	10,317	6,989
Utilities	8,029	8,155	8,180
Equity interest in net (income) loss of joint venture	(1,127)	(193)	925
Miscellaneous	2,391	2,445	2,371
Total operating expenses	<u>167,823</u>	<u>157,388</u>	<u>152,480</u>
OPERATING INCOME (LOSS)	<u>18,391</u>	<u>19,415</u>	<u>17,460</u>
NONOPERATING REVENUES (EXPENSES):			
Guaranteed revenue	7,532	7,603	4,422
Investment income	3,850	3,682	3,518
Interest expense	(5,337)	(6,075)	(7,029)
Engineering fees	950	952	634
Engineering expenses	(660)	(578)	(628)
Grant reimbursement	-	-	-
Hurricane expenses	-	-	-
Other	727	2,736	3,180
Total nonoperating revenues (expenses)	<u>7,062</u>	<u>8,320</u>	<u>4,097</u>
Income (loss) before capital contributions, transfers, special item and prior period adjustment	<u>25,453</u>	<u>27,735</u>	<u>21,557</u>
Capital contributions received	23,950	26,223	19,084
Transfers to other County funds	(111)	(12,612)	(71)
Transfers from other County funds	-	-	1,383
Contributions to other governments	-	-	(34)
Special item - Contribution from Absorption of Glades Utility Authority	-	-	1
Special item - Contribution from Absorption of cash and capital assets to Glades Utility Authority	-	-	-
Prior period adjustment: Implementation of GASB Statements 68 & 71	-	-	-
CHANGE IN NET POSITION	<u>49,292</u>	<u>41,346</u>	<u>41,920</u>
NET POSITION, BEGINNING OF PERIOD, AS RESTATED	<u>1,108,076</u>	<u>1,066,730</u>	<u>1,024,810</u>
NET POSITION, END OF PERIOD	<u><u>\$1,157,368</u></u>	<u><u>\$1,108,076</u></u>	<u><u>\$1,066,730</u></u>

* Amounts restated per GASB 68 & 71.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$156,772	\$148,391	\$146,523	\$136,263	\$125,653	\$110,116	\$96,427
5,625	5,379	5,039	5,353	4,573	5,206	4,776
<u>162,397</u>	<u>153,770</u>	<u>151,562</u>	<u>141,616</u>	<u>130,226</u>	<u>115,322</u>	<u>101,203</u>
40,723	39,717	40,213	38,977	41,335	37,106	32,355
37,178	35,491	36,276	37,213	34,357	32,033	29,080
22,769	18,550	20,081	16,675	14,848	13,317	11,173
15,199	16,979	13,775	11,367	10,140	9,862	8,276
13,332	14,237	13,807	12,110	14,086	12,059	10,546
6,514	5,696	5,032	2,792	3,828	2,905	3,075
8,071	8,613	9,366	9,257	10,337	9,654	9,050
2,449	1,008	1,077	1,223	1,718	1,244	1,278
1,684	981	1,254	1,475	1,646	2,098	2,581
<u>147,919</u>	<u>141,272</u>	<u>140,881</u>	<u>131,089</u>	<u>132,295</u>	<u>120,278</u>	<u>107,414</u>
<u>14,478</u>	<u>12,498</u>	<u>10,681</u>	<u>10,527</u>	<u>(2,069)</u>	<u>(4,956)</u>	<u>(6,211)</u>
4,109	4,010	2,529	2,485	2,922	3,399	5,887
507	5,398	6,179	5,068	6,564	4,960	7,204
(7,787)	(8,457)	(6,859)	(6,696)	(7,011)	(5,702)	(3,809)
643	482	270	327	454	523	1,013
(589)	(583)	(613)	(625)	(666)	(930)	(1,063)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(90)	3,508	1,094	11	(510)	(1,151)	2,485
<u>(3,207)</u>	<u>4,358</u>	<u>2,600</u>	<u>570</u>	<u>1,753</u>	<u>1,099</u>	<u>11,717</u>
11,271	16,856	13,281	11,097	(316)	(3,857)	5,506
28,385	18,251	11,158	12,156	17,979	37,581	44,017
-	-	-	-	-	-	-
1,789	2,521	72	792	-	-	2,500
-	-	-	-	-	-	-
63,928	-	-	-	-	-	-
-	(3,572)	(4,046)	(56,381)	-	-	-
(19,874)	-	-	-	-	-	-
<u>85,499</u>	<u>34,056</u>	<u>20,465</u>	<u>(32,336)</u>	<u>17,663</u>	<u>33,724</u>	<u>52,023</u>
<u>939,311</u>	<u>905,255</u>	<u>884,790</u>	<u>917,126</u>	<u>899,463</u>	<u>865,739</u>	<u>813,716</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>\$865,739</u>

PALM BEACH COUNTY, FLORIDA

WATER UTILITIES DEPARTMENT

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

Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES BY SOURCE:			
Charges for services:			
Water - base facility	\$43,722	\$41,876	\$40,462
Water - commodity	43,302	42,321	39,681
Water - contractual	2,268	1,811	2,772
Wastewater - base facility	47,954	46,019	44,573
Wastewater - commodity	32,137	31,266	29,788
Wastewater - contractual	1,012	877	748
Reclaimed water - retail (1)	1,863	1,823	1,589
Reclaimed water - bulk (1)	7,598	3,546	3,457
Customer account charge (2)	940	932	931
Water and wastewater - public authorities	-	-	-
Water restrictions surcharge (3)	-	-	-
	<u>180,796</u>	<u>170,471</u>	<u>164,001</u>
Other operating revenue:			
Meter sales	727	602	660
Service charges	1,272	1,324	1,466
Industrial pretreatment	950	1,031	1,077
Miscellaneous	2,469	3,375	2,736
Other operating revenue	<u>5,418</u>	<u>6,332</u>	<u>5,939</u>
Total operating revenues	<u><u>\$186,214</u></u>	<u><u>\$176,803</u></u>	<u><u>\$169,940</u></u>
OPERATING EXPENSES BY FUNCTION:			
Water treatment	\$34,589	\$31,395	\$33,332
Water distribution	11,168	10,131	9,393
Wastewater treatment	17,553	16,087	15,863
Wastewater collection	18,049	16,304	16,077
Purchased water and wastewater treatment	8,864	9,882	6,556
Purchased reclaimed water	-	-	-
Water and wastewater - public authorities	-	-	-
Customer accounts	8,649	8,844	7,424
Administrative and general	25,402	22,553	21,666
Operating expenses before depreciation and amortization and equity interest in net (income) loss of joint venture	<u>124,274</u>	<u>115,196</u>	<u>110,311</u>
Depreciation and amortization	44,676	42,385	41,244
Equity interest in net (income) loss of joint venture	(1,127)	(193)	925
Total operating expenses	<u><u>\$167,823</u></u>	<u><u>\$157,388</u></u>	<u><u>\$152,480</u></u>

Notes:

- (1) Reclaimed water billing changed in October 2008 from flat rate per meter type and size to base facility fee (based on meter type and size) and commodity fee (based on thousands of gallons of usage) as with water and wastewater services.
- (2) Customer account charge billed separately only to multi-family customers beginning May 1, 2009.
- (3) 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$36,987	\$33,627	\$32,033	\$30,388	\$25,448	\$21,536	\$19,373
35,868	33,023	34,595	32,714	30,748	27,625	27,617
3,767	3,423	4,255	2,757	5,005	1,960	484
41,015	37,782	35,988	34,126	30,603	28,003	25,252
27,271	25,151	24,567	23,615	21,177	19,254	18,184
726	708	874	680	694	701	720
1,583	1,546	-	1,267	1,347	730	-
3,379	2,901	-	-	-	-	464
923	931	917	928	3,066	4,834	4,797
5,253	9,299	9,795	9,788	-	-	-
-	-	-	-	7,565	6,203	-
<u>156,772</u>	<u>148,391</u>	<u>143,024</u>	<u>136,263</u>	<u>125,653</u>	<u>110,846</u>	<u>96,891</u>
566	491	414	427	560	656	844
1,520	1,558	1,492	1,494	1,470	1,249	1,067
1,118	1,044	1,053	991	1,104	952	757
2,421	2,286	5,579	2,441	1,439	1,619	1,644
<u>5,625</u>	<u>5,379</u>	<u>8,538</u>	<u>5,353</u>	<u>4,573</u>	<u>4,476</u>	<u>4,312</u>
<u>\$162,397</u>	<u>\$153,770</u>	<u>\$151,562</u>	<u>\$141,616</u>	<u>\$130,226</u>	<u>\$115,322</u>	<u>\$101,203</u>
\$28,000	\$26,870	\$28,214	\$26,368	\$27,551	\$23,495	\$19,276
8,531	8,080	7,540	8,043	9,825	8,659	7,568
11,689	12,158	13,118	10,836	10,968	10,981	10,526
13,932	12,369	11,882	10,975	11,793	10,938	9,991
6,514	5,721	3,367	2,745	3,828	2,889	3,075
-	-	1,203	-	-	-	-
10,561	9,311	9,795	9,788	-	-	-
5,825	6,279	6,095	5,750	7,409	7,133	6,753
19,695	19,760	18,377	16,384	17,867	17,833	16,592
<u>104,747</u>	<u>100,548</u>	<u>99,591</u>	<u>90,889</u>	<u>89,241</u>	<u>81,928</u>	<u>73,781</u>
40,723	39,717	40,213	38,977	41,335	37,106	32,355
2,449	1,008	1,077	1,223	1,719	1,244	1,278
<u>\$147,919</u>	<u>\$141,273</u>	<u>\$140,881</u>	<u>\$131,089</u>	<u>\$132,295</u>	<u>\$120,278</u>	<u>\$107,414</u>



REVENUE CAPACITY INFORMATION

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

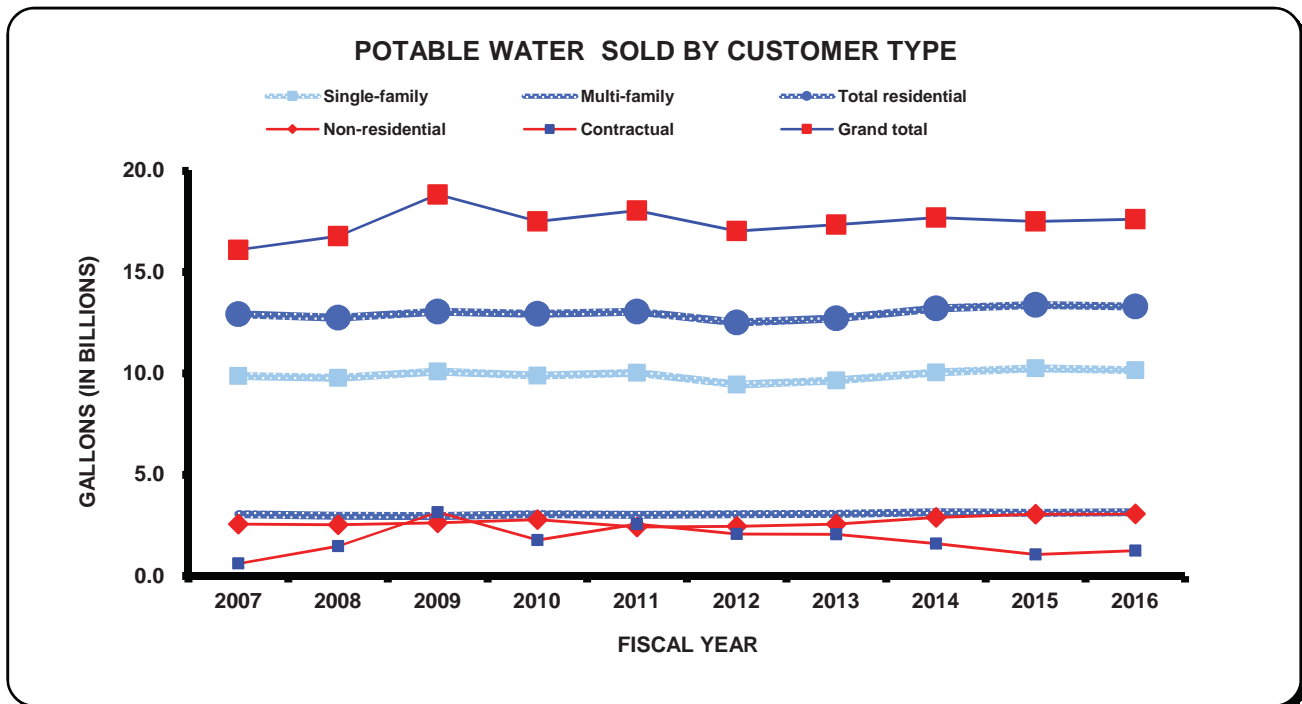
(in millions of gallons)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Residential:										
Single-family	10,165	10,256	10,053	9,653	9,454	10,031	9,887	10,101	9,782	9,871
Multi-family	3,137	3,119	3,152	3,068	3,051	3,024	3,050	2,952	2,969	3,047
Total residential	13,302	13,375	13,205	12,721	12,505	13,055	12,937	13,053	12,751	12,918
Non-residential	3,059	3,057	2,889	2,562	2,444	2,418	2,779	2,629	2,536	2,564
Contractual	1,247	1,063	1,597	2,059	2,069	2,565	1,775	3,145	1,476	614
Other ⁽¹⁾	5	5	4	4	4	2	5	5	7	3
Grand total	17,613	17,500	17,695	17,346	17,022	18,040	17,496	18,832	16,770	16,099
Charges for Services (in thousands)	\$186,214	\$176,803	\$169,940	\$156,772	\$148,391	\$146,523	\$136,263	\$125,653	\$110,116	\$96,427
Calculated Total Direct Rate per Thousand Gallons	\$10.57	\$10.10	\$9.60	\$9.04	\$8.72	\$8.12	\$7.79	\$6.67	\$6.57	\$5.99

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.

⁽¹⁾ In fiscal year 2007, the Department began tracking water sold to customers not included in major customer types to report total water sold more accurately.

Source: Department's Records



PALM BEACH COUNTY, FLORIDA

WATER UTILITIES DEPARTMENT

TEN LARGEST CUSTOMERS

Fiscal Years Ended September 30, 2016 and 2007 (Nine Years Ago)

CUSTOMER	2016			2007		
	Operating Revenues (in thousands)	Rank	%	Operating Revenues (in thousands)	Rank	%
Florida Power & Light Company	\$4,764	1	2.56	\$ -	-	-
Century Village West Condominiums	2,285	2	1.23	1,414	1	1.40
School District of Palm Beach County	2,218	3	1.19	825	2	0.82
GEO Group, Inc.	1,211	4	0.65	-	-	-
Palm Beach County Sheriff's Office	688	5	0.37	495	3	0.49
Inter Connect Village of Palm Springs	651	6	0.35	-	-	-
MHC Lake Worth Village LLC	606	7	0.33	-	-	-
Fountains Condo Oper Inc.	503	8	0.27	-	-	-
Golden Lakes Village Condos	486	9	0.26	290	10	0.29
Casa Del Monte LLC	484	10	0.26	305	8	0.30
City of Boynton Beach Inter Connect	-	-	-	473	4	0.47
Village of Palm Springs	-	-	-	402	5	0.40
Whisper Walk Section E Association	-	-	-	400	6	0.40
Hometown Lake Worth LLC	-	-	-	317	7	0.31
The Fountains Condo	-	-	-	296	9	0.29
Subtotal (10 largest)	13,896		7.47	5,217		5.17
Balance from other customers	172,318		92.53	95,986		94.83
Grand totals	\$186,214		100.00	\$101,203		100.00

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>
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%
2008	2.50	15.80	21.80	5.64	45.74	14.1%
2007	2.50	15.80	21.80	-	40.10	18.5%

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.

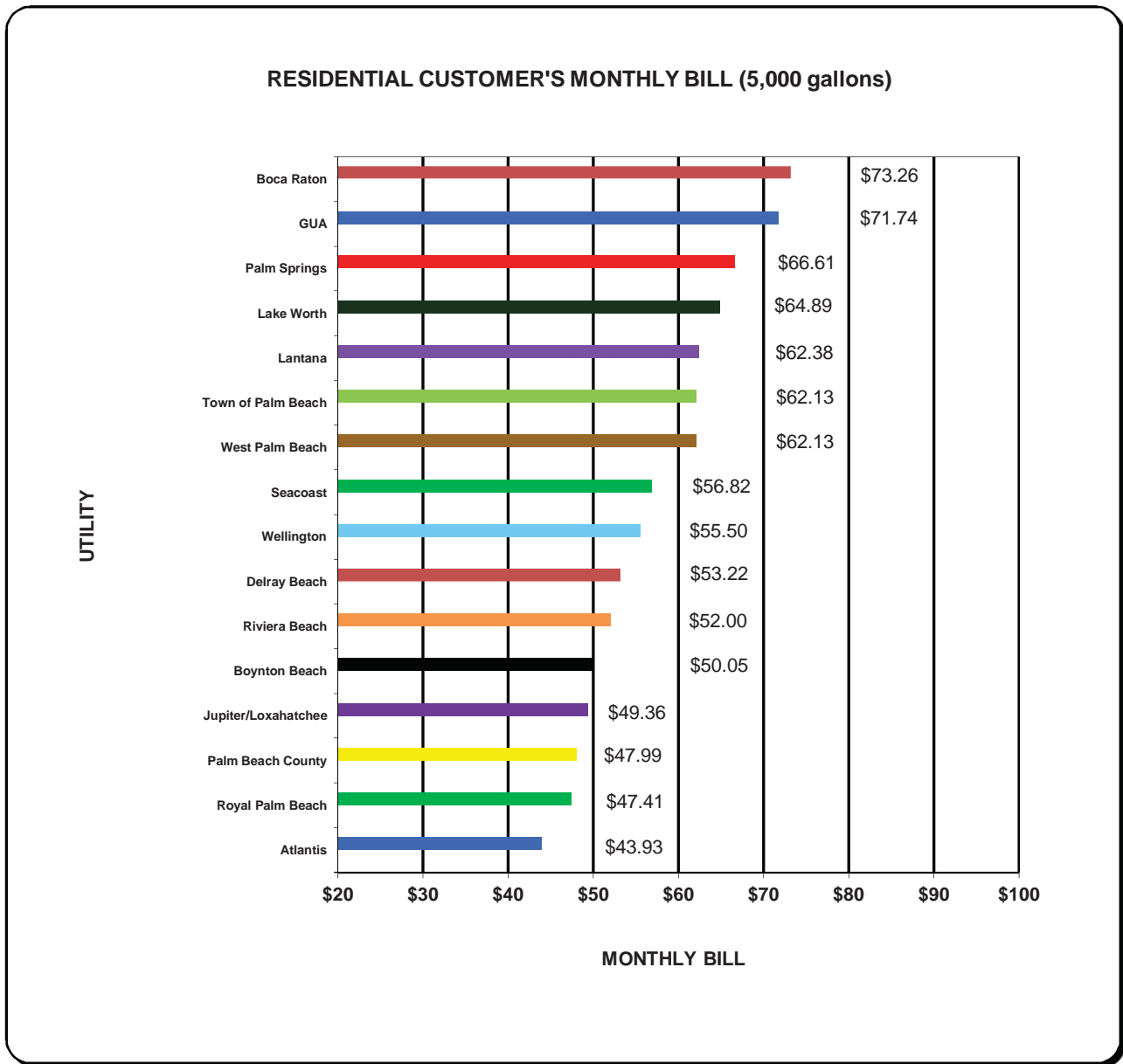
Water restrictions surcharge is calculated as 15% of base facility fee and 15% of commodity fee. The surcharge was instituted with May 2008 billing and was not to be charged for more than one year.

**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, 2016



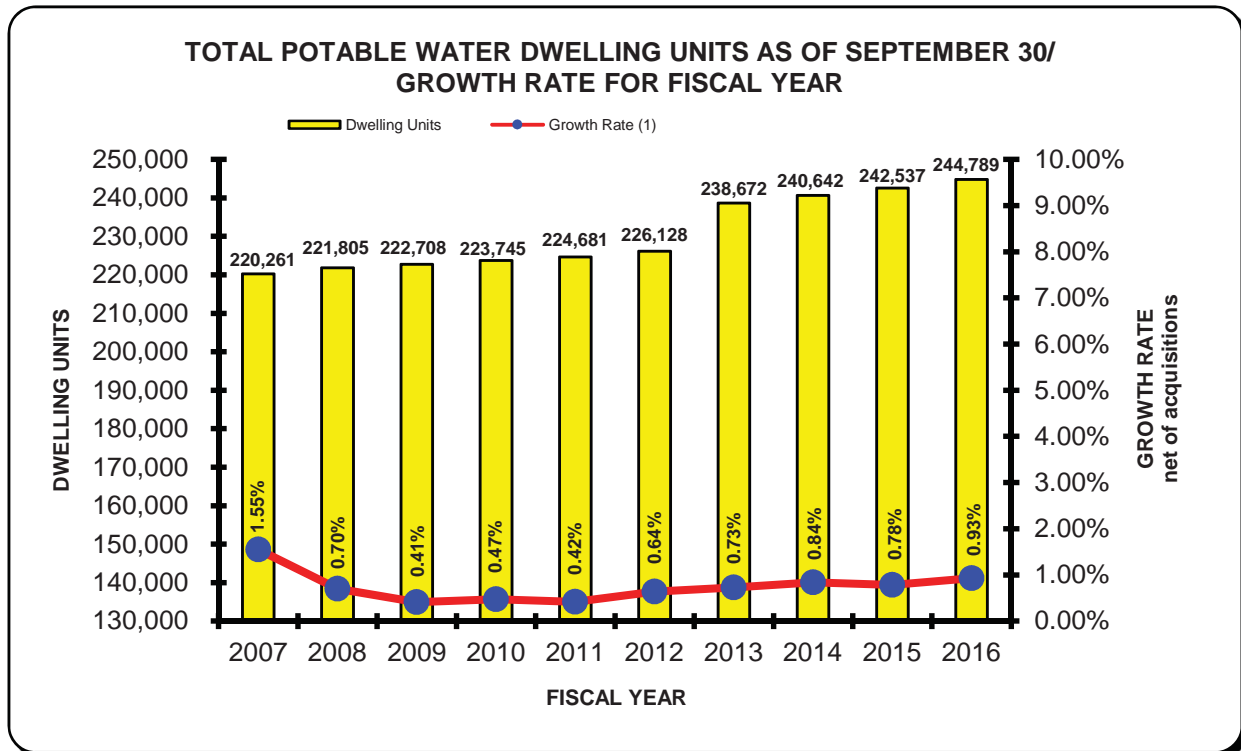
Source: Utility survey

Notes:

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

Royal Palm Beach: The Department purchased the Village of Royal Palm Beach's Utility System in April 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.
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

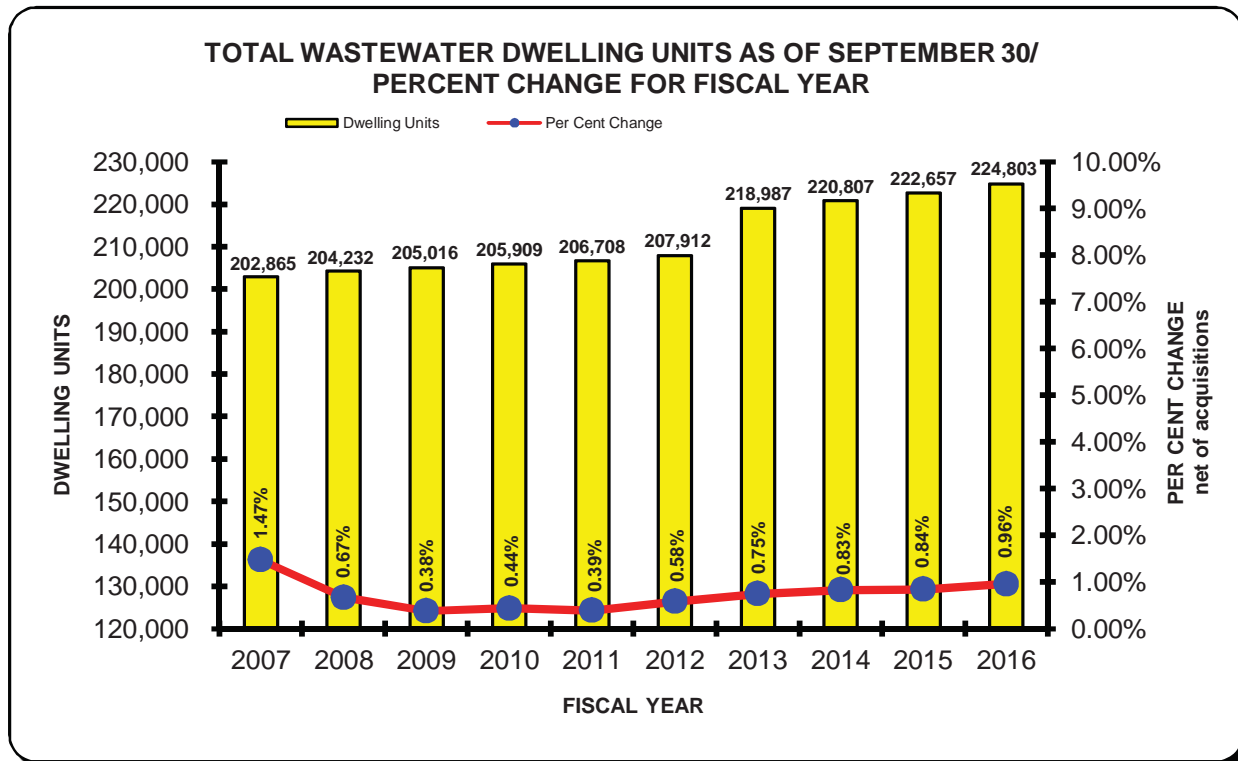
Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽²⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2016	150,442	61.46%	86,837	35.47%	7,510	3.07%	244,789
2015	149,080	61.47%	85,971	35.45%	7,486	3.08%	242,537
2014	147,915	61.47%	85,369	35.48%	7,358	3.05%	240,642
2013 ⁽⁴⁾	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
2008	133,640	60.25%	82,077	37.00%	6,088	2.75%	221,805
2007 ⁽³⁾	132,376	60.10%	81,933	37.20%	5,952	2.70%	220,261

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 April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. The 12,203 potable water units acquired are not included in the fiscal year growth rate %.
- (4) 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

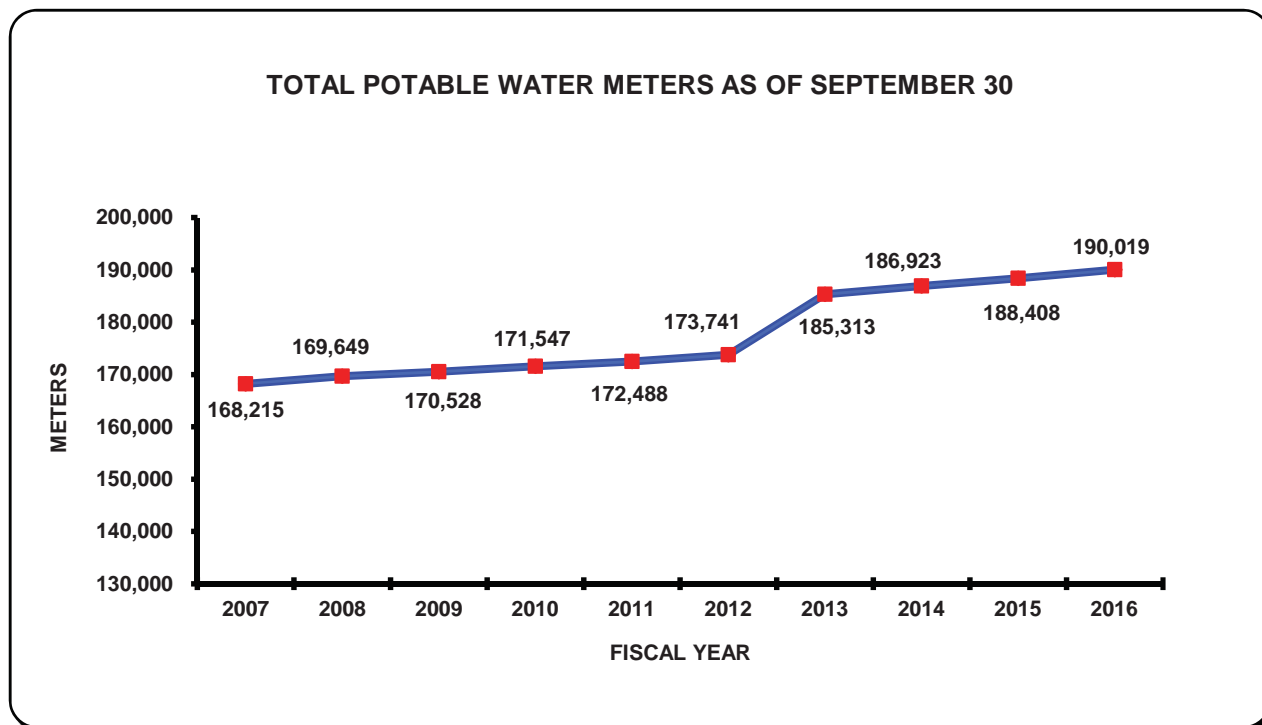
Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2016	134,228	59.71%	84,337	37.52%	6,238	2.77%	224,803
2015	132,981	59.73%	83,485	37.49%	6,191	2.78%	222,657
2014	131,820	59.70%	82,860	37.53%	6,127	2.77%	220,807
2013 ⁽³⁾	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
2008	119,290	58.41%	79,939	39.14%	5,003	2.45%	204,232
2007 ⁽²⁾	118,208	58.27%	79,828	39.35%	4,829	2.38%	202,865

Notes:

- ⁽¹⁾ Non-residential does not include contractual/wholesale.
- ⁽²⁾ On April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. The 12,136 wastewater units acquired are not included in the fiscal year % change.
- ⁽³⁾ 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	
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 ⁽³⁾	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
2008	133,640	78.77%	29,901	17.63%	6,088	3.59%	20	0.01%	169,649
2007 ⁽²⁾	132,376	78.69%	29,874	17.76%	5,952	3.54%	13	0.01%	168,215

Notes:

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

⁽²⁾ On April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. 10,894 meters were acquired.

⁽³⁾ 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 Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽³⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)												
Multi-Family accounts only	\$ 2.50	\$ 2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	n/a	n/a	n/a	n/a
All accounts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
POTABLE WATER RATES												
Base Facility Fee												
Single-Family (per meter)												
5/8" x 3/4"	\$ 13.28	\$ 12.77	\$12.42	\$11.97	\$11.42	\$10.95	\$10.36	\$9.82	\$6.55	\$6.30	\$6.30	\$5.15
1"	\$ 32.44	\$ 31.20	\$30.34	\$29.23	\$27.88	\$26.74	\$25.30	\$23.99	\$19.23	\$18.50	\$18.50	\$14.95
1 1/2 "	\$ 48.51	\$ 46.66	\$45.38	\$43.72	\$41.70	\$40.00	\$37.85	\$35.89	\$29.88	\$28.75	\$28.75	\$23.20
2"	\$ 101.14	\$ 97.29	\$94.61	\$91.15	\$86.94	\$83.39	\$78.91	\$74.81	\$64.71	\$62.25	\$62.25	\$50.40
Multi-Family (per dwelling unit)	\$ 9.90	\$ 9.52	\$9.26	\$8.92	\$8.51	\$8.16	\$7.72	\$7.32	\$6.55	\$6.30	\$6.30	\$5.15
Commodity Fee per thousand gallons												
Single-Family per meter; Multi-Family per dwelling unit												
0-4	\$ 1.34	\$ 1.29	\$1.25	\$1.20	\$1.14	\$1.09	\$1.03	\$0.98	\$0.88	\$0.85	\$0.85	\$0.75
5-10	\$ 2.96	\$ 2.85	\$2.77	\$2.67	\$2.55	\$2.45	\$2.32	\$2.20	\$1.97	\$1.90	\$1.90	\$1.60
11-25	\$ 7.46	\$ 7.18	\$6.98	\$6.72	\$6.41	\$6.15	\$5.82	\$5.52	\$4.94	\$4.75	\$4.75	\$3.80
Over 25	\$ 9.28	\$ 8.93	\$8.68	\$8.36	\$7.97	\$7.64	\$7.23	\$6.85	\$6.13	\$5.90	\$5.90	\$3.80
WASTEWATER RATES												
Base Facility Fee												
Single-Family (per meter)												
5/8" x 3/4"	\$ 14.90	\$ 14.33	\$13.94	\$13.43	\$12.81	\$12.29	\$11.63	\$11.03	\$9.87	\$9.50	\$9.50	\$7.80
1"	\$ 43.97	\$ 42.29	\$41.13	\$39.62	\$37.79	\$36.25	\$34.30	\$32.52	\$29.10	\$28.00	\$28.00	\$22.60
1 1/2 "	\$ 67.52	\$ 64.95	\$63.16	\$60.85	\$58.04	\$55.67	\$52.68	\$49.95	\$44.70	\$43.00	\$43.00	\$35.10
2"	\$ 147.65	\$ 142.02	\$138.11	\$133.05	\$126.90	\$121.71	\$115.17	\$109.19	\$97.71	\$94.00	\$94.00	\$76.50
Multi-Family (per dwelling unit)			\$13.94	\$13.43	\$12.81	\$12.29	\$11.63	\$11.03	\$9.87	\$9.50	\$9.50	\$7.80
Commodity Fee per thousand gallons water												
Single-Family per meter; Multi-Family per dwelling unit												
0-4	\$ 1.81	\$ 1.74	\$1.69	\$1.63	\$1.55	\$1.49	\$1.41	\$1.34	\$1.20	\$1.15	\$1.15	\$1.00
5-10	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$2.20
Over 10	\$ -	\$ -	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) 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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽⁴⁾	2008 ⁽⁴⁾	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)												
Multi-Family accounts only	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	n/a	n/a	n/a	n/a
All accounts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
FIRE LINE RATES												
Base Facility Fee per size of backflow device												
2"	\$ 14.77	\$ 14.21	\$13.82	\$13.31	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$ 27.81	\$ 26.75	\$26.01	\$25.06	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$ 46.34	\$ 44.57	\$43.34	\$41.75	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$ 92.66	\$ 89.13	\$86.68	\$83.51	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8" and above	\$ 148.28	\$ 142.63	\$138.70	\$133.62	\$127.44	\$122.23	\$115.66	\$109.66	\$98.13	\$94.40	\$94.40	\$80.00
RECLAIMED WATER RATES												
Base Facility Fee												
Single-Family (per meter)												
5/8" x 3/4"	\$ 6.49	\$ 6.24	\$6.07	\$6.26	\$5.97	\$5.35 ⁽³⁾	\$5.06 ⁽³⁾	\$4.80 ⁽³⁾	\$2.60	\$2.50	\$0.00	\$0.00
5/8" x 3/4" (connection fee paid)	\$ 3.18	\$ 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
1"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$10.00	\$0.00	\$0.00
1 1/2 "	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$120.00	\$0.00	\$0.00
2"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$160.00	\$0.00	\$0.00
Multi-Family (per dwelling unit)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$0.00	\$0.00
Commodity Fee per thousand gallons	\$0.27	\$0.26 ⁽³⁾	\$0.25 ⁽³⁾	\$0.24 ⁽³⁾	\$0.23 ⁽³⁾	\$0.22 ⁽³⁾	\$0.21 ⁽³⁾	\$0.20 ⁽³⁾	\$0.16	\$0.15	n/a	n/a
Fixed Commodity Fee (meter size)												
5/8" x 3/4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$5.00	\$5.00
1"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$10.00	\$10.00
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 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) A 20% discount applies to these rates for lake delivery services.
- (4) 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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽³⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
POTABLE WATER RATES												
Base Facility Fee												
5/8" x 3/4"	\$ 24.98	\$ 24.03	\$23.37	\$22.51	\$21.47	\$20.59	\$19.48	\$18.47	\$14.29	\$13.75	\$13.75	\$10.65
1"	\$ 85.04	\$ 81.80	\$79.55	\$76.64	\$73.10	\$70.11	\$66.34	\$62.90	\$54.05	\$52.00	\$52.00	\$42.65
1 1/2 "	\$ 135.30	\$ 130.14	\$126.56	\$121.93	\$116.29	\$111.54	\$105.55	\$100.07	\$87.31	\$84.00	\$84.00	\$63.95
2"	\$ 229.54	\$ 220.79	\$214.71	\$206.85	\$197.29	\$189.23	\$179.06	\$169.77	\$149.68	\$144.00	\$144.00	\$119.45
3"	\$ 608.05	\$ 584.88	\$568.78	\$547.96	\$522.62	\$501.26	\$474.33	\$449.71	\$400.19	\$385.00	\$385.00	\$294.00
4"	\$ 937.88	\$ 902.14	\$877.31	\$845.19	\$806.11	\$773.16	\$731.63	\$693.65	\$618.48	\$595.00	\$595.00	\$467.85
6" and larger based on projected water usage												
Commodity Fee per thousand gallons												
5/8" x 3/4"												
0-14	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 14	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1"												
0-57	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 57	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1 1/2 "												
0-94	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 94	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
2"												
0-138	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 138	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
3"												
0-557	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 557	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
4"												
0-675	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 675	\$ 4.25	\$ 4.09	\$3.98	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
6" and above												
All usage	\$ 1.55	\$ 1.49	\$1.45	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16				
0-675	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1.04	\$1.00	\$1.00	\$0.85
Over 675	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.81	\$2.70	\$2.70	\$0.85

Notes:

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- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) 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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽²⁾	2007 - 2003
WASTEWATER RATES												
Base Facility Fee												
5/8" x 3/4"	\$ 31.41	\$ 30.21	\$29.38	\$28.30	\$26.99	\$25.89	\$24.50	\$23.23	\$20.79	\$20.00	\$20.00	\$16.20
1"	\$ 120.15	\$ 115.57	\$112.39	\$108.28	\$103.27	\$99.05	\$93.73	\$88.86	\$79.52	\$76.50	\$76.50	\$64.65
1 1/2 "	\$ 196.32	\$ 188.84	\$183.64	\$176.92	\$168.74	\$161.84	\$153.15	\$145.20	\$129.93	\$125.00	\$125.00	\$97.00
2"	\$ 351.82	\$ 338.41	\$329.10	\$317.05	\$302.39	\$290.03	\$274.45	\$260.20	\$232.84	\$224.00	\$224.00	\$181.20
3"	\$ 903.10	\$ 868.68	\$844.77	\$813.84	\$776.21	\$744.48	\$704.49	\$667.92	\$597.69	\$575.00	\$575.00	\$446.00
4"	\$ 1,382.12	\$ 1,329.45	\$1,292.86	\$1,245.53	\$1,187.94	\$1,139.38	\$1,078.17	\$1,022.20	\$914.72	\$880.00	\$880.00	\$709.70
6" and larger based on projected water usage												
Commodity Fee per thousand gallons												
water - all metered usage	\$ 2.11	\$ 2.03	\$1.97	\$1.90	\$1.81	\$1.74	\$1.65	\$1.56	\$1.40	\$1.35	\$1.35	\$1.10

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners.

These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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

- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) 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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽³⁾	2007 - 2003
CUSTOMER ACCOUNT FEE												
(per meter)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
FIRE LINE RATES												
Base Facility Fee per size of backflow device												
2"	\$ 14.77	\$ 14.21	\$13.82	\$13.31	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$ 27.81	\$ 26.25	\$26.01	\$25.06	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$ 46.34	\$ 44.57	\$43.34	\$41.75	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$ 92.66	\$ 89.13	\$86.68	\$83.51	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8"	\$ 148.28	\$ 142.63	\$138.70	\$133.62	\$127.44	\$122.23	\$115.66	\$109.66	\$98.13	\$94.40	\$94.40	\$80.00

Commodity Fee per thousand gallons: see non-residential commodity rates on page 70.

Notes:

- Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). Rates effective with billings on October 1 of fiscal year unless otherwise indicated.
- (1) Effective with May 1, 2009 billings.
 - (2) Effective with May 1, 2007 billings.
 - (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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016 ⁽⁴⁾	2015 ⁽⁴⁾	2014 ⁽⁴⁾	2013 ⁽⁴⁾	2012 ⁽⁴⁾	2011 ⁽⁴⁾	2010 ⁽³⁾⁽⁴⁾	2009 ⁽²⁾⁽⁴⁾	2009	2008	2007 ⁽¹⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
RECLAIMED WATER RATES												
Base Facility Fee												
5/8" x 3/4"	\$ 6.94	\$ 6.68	\$6.50	\$6.26	\$5.97	\$5.73	\$5.42	\$7.20	\$4.16	\$4.00	\$0.00	\$0.00
5/8" x 3/4" (connection fee paid)	\$ 3.42	\$ 3.29	\$3.20	\$3.08	\$2.94	\$2.82	\$2.67	\$3.54	n/a	n/a	n/a	n/a
1"	\$ 37.05	\$ 35.64	\$34.66	\$33.39	\$31.85	\$30.55	\$28.91	\$38.40	\$20.79	\$20.00	\$0.00	\$0.00
1" (connection fee paid)	\$ 18.23	\$ 17.54	\$17.06	\$16.44	\$15.68	\$15.04	\$14.23	\$18.88	n/a	n/a	n/a	n/a
1 1/2 "	\$ 92.66	\$ 89.13	\$86.68	\$83.51	\$79.65	\$76.39	\$72.29	\$96.00	\$51.97	\$50.00	\$0.00	\$0.00
1 1/2 " (connection fee paid)	\$ 45.60	\$ 43.86	\$42.65	\$41.09	\$39.19	\$37.59	\$35.57	\$47.20	n/a	n/a	n/a	n/a
2"	\$ 199.21	\$ 191.62	\$186.35	\$179.53	\$171.23	\$164.23	\$155.41	\$206.40	\$112.26	\$108.00	\$0.00	\$0.00
2" (connection fee paid)	\$ 98.04	\$ 94.30	\$91.70	\$88.34	\$84.26	\$80.82	\$76.48	\$101.48	n/a	n/a	n/a	n/a
3"	\$ 435.52	\$ 418.92	\$407.39	\$392.48	\$374.33	\$359.03	\$339.74	\$451.20	\$244.27	\$235.00	\$0.00	\$0.00
3" (connection fee paid)	\$ 214.32	\$ 206.15	\$200.48	\$193.14	\$184.21	\$176.68	\$167.19	\$221.84	n/a	n/a	n/a	n/a
4"	\$ 1,190.74	\$ 1,145.36	\$1,113.84	\$1,073.06	\$1,023.44	\$981.60	\$928.87	\$1,233.60	\$668.37	\$643.00	\$0.00	\$0.00
4" (connection fee paid)	\$ 585.96	\$ 563.63	\$548.12	\$528.05	\$503.63	\$483.04	\$457.09	\$606.52	n/a	n/a	n/a	n/a
6"	\$ 2,543.64	\$ 2,446.70	\$2,379.36	\$2,292.25	\$2,186.26	\$2,096.89	\$1,984.24	\$2,635.20	\$1,427.18	\$1,373.00	\$0.00	\$0.00
6" (connection fee paid)	\$ 1,251.71	\$ 1,204.01	\$1,170.87	\$1,128.01	\$1,075.85	\$1,031.87	\$946.44	\$1,295.64	n/a	n/a	n/a	n/a
8"	\$ 4,522.01	\$ 4,349.67	\$4,229.96	\$4,075.11	\$3,886.68	\$3,727.80	\$3,527.54	\$4,684.80	\$2,536.28	\$2,440.00	\$0.00	\$0.00
8" (connection fee paid)	\$ 2,225.26	\$ 2,140.45	\$2,081.54	\$2,005.34	\$1,912.62	\$1,834.44	\$1,735.89	\$2,303.36	n/a	n/a	n/a	n/a
10"	\$ 7,042.47	\$ 6,774.07	\$6,587.64	\$6,346.47	\$6,053.02	\$5,805.59	\$5,493.71	\$7,296.00	\$3,949.59	\$3,800.00	\$0.00	\$0.00
10" (connection fee paid)	\$ 3,465.57	\$ 3,333.49	\$3,241.75	\$3,123.07	\$2,978.66	\$2,856.90	\$2,703.43	\$3,587.20	n/a	n/a	n/a	n/a
Commodity Fee per thousand gallons	\$ 0.27	\$ 0.26	\$0.25	\$0.24	\$0.23	\$0.22	\$0.21	\$0.20	\$0.16	\$0.15	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 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). 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) Effective with May 1, 2007 billings.
- (4) 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.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach and Western Region Service Areas)
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
RECLAIMED WATER RATES										
Fixed Commodity Fee (meter size)										
5/8" x 3/4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$5.00
1"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$10.00
1 1/2"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$120.00
2"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$160.00
3"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$350.00
4"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1,000.00
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2,000.00
8"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$2,500.00
10"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$3,000.00

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners.

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

These rates do not apply to approximately 12% of the Department's customers in the service areas

acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
Village of Royal Palm Beach Service Area
Last Ten Fiscal Years

2016 - 2007

POTABLE WATER RATES

Base Facility Fee	
Single-Family (per meter)	\$13.25
Multi-Family (per dwelling unit)	\$9.91
Commodity Fee per 1,000 Gallons	
Single-Family per meter	\$1.96
Multi-Family (per unit)	\$1.96
Conservation Charge:	
150% of the gallonage rate per 1,000 gallons of usage for all gallons of usage in excess of the authorized number of gallon per month	
Customer Class-Authorized Gallons per Month:	
Single-Family per meter	15,000 gal.
Multi-Family (per unit)	11,250 gal.

WASTEWATER RATES

Base Facility Fee	
Single-Family (per meter)	\$15.71
Multi-Family (per dwelling unit)	\$11.81
Commodity Fee per thousand gallons water	
Single-Family per meter	
0-10	\$1.73
greater than 10	\$0.00
Multi-Family	\$1.73

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2016, the Department had the following numbers of customers to whom this rate schedule applies:

 Single-family: 10,953 meters; 10,953 potable water units; 10,954 wastewater units
 Multi-family: 94 meters; 1,397 potable water units; 1,397 wastewater units

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL WATER AND WASTEWATER RATES
Village of Royal Palm Beach Service Area
Last Ten Fiscal Years

2016 - 2007

POTABLE WATER RATES

Base Facility Fee	
5/8" or 3/4"	\$17.31
1"	\$62.31
1 1/2 "	\$99.33
2"	\$225.24
3"	\$795.01
4"	\$1,242.52
Commodity Fee per 1,000 Gallons	\$1.96
Conservation Charge:	
150% of the gallonage rate per 1,000 gallons of usage for all gallons of usage in excess of the authorized number of gallon per month	
Customer Class-Authorized Gallons per Month:	
Commercial (by meter size)	
5/8" or 3/4"	18,000 gal.
1"	69,000 gal.
1 1/2 "	100,000 gal.
2"	255,000 gal.
3"	765,000 gal.
4"	1,410,000 gal.

WASTEWATER RATES

Base Facility Fee	
5/8" x 3/4"	\$20.70
1"	\$74.40
1 1/2 "	\$118.69
2"	\$269.49
3"	\$950.76
4"	\$1,469.84
Commodity Fee per thousand gallons water - all metered usage	\$1.73

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2016, the Department had the following numbers of customers to whom this rate schedule applies:

 Non-residential: 554 meters; 554 potable water units; 508 wastewater units

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE RATES
Village of Royal Palm Beach Service Area
Last Ten Fiscal Years

2016 - 2007

FIRE LINE RATES

Base Facility Fee per line size

4"	\$22.00
6"	\$37.00
8"	\$56.00
10"	\$87.00

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2016, the Department had 154 customers to whom this rate schedule applies.

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

RESIDENTIAL

2017 - 2020

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	\$0.00

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, 2016, the Department had the following numbers of customers to whom this rate schedule applies:

 Potable Water: 11,133 Wastewater: 9,759

DEBT CAPACITY INFORMATION



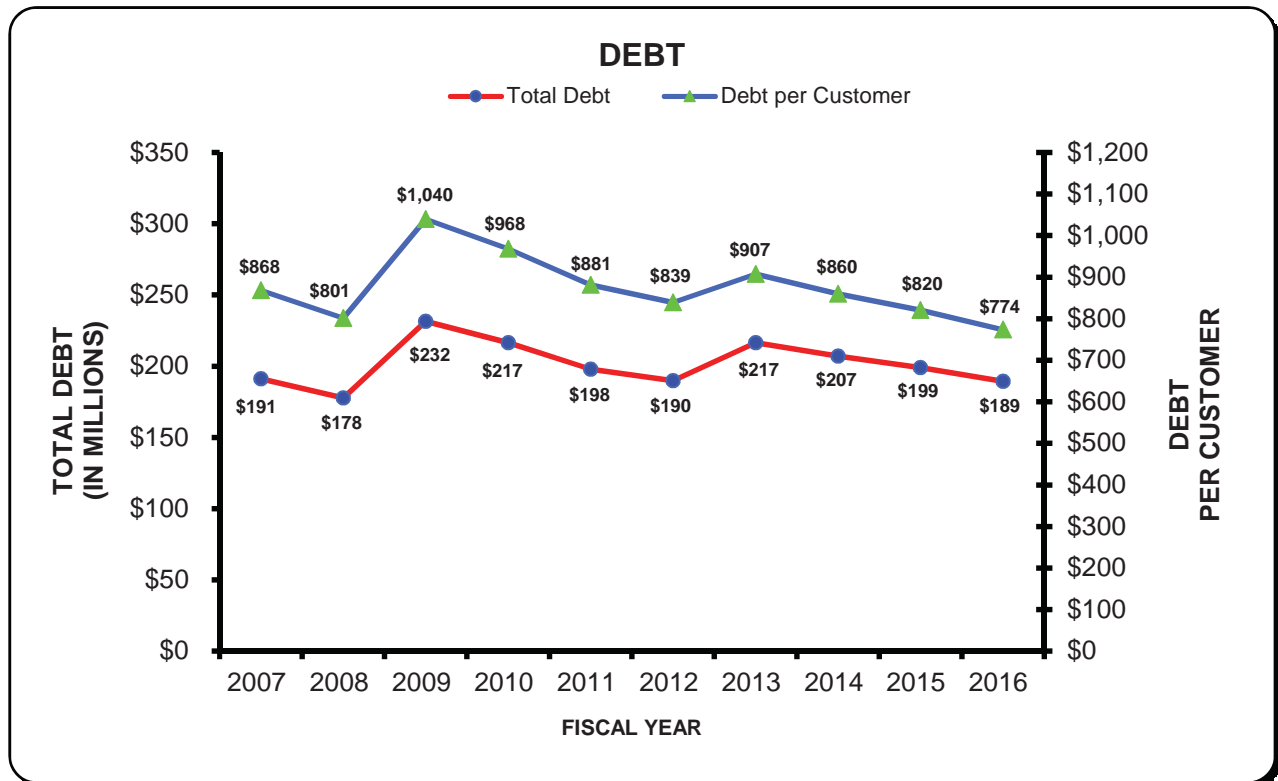
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

	Water & Sewer Revenue Bonds	Pro Rata Share of Joint Venture Debt	Total Debt	Debt per Customer
2016	\$189,374,552	\$ - (1)	\$189,374,552	\$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
2008	175,503,000	2,224,232	177,727,232	801
2007	188,725,000	2,481,162	191,206,162	868

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

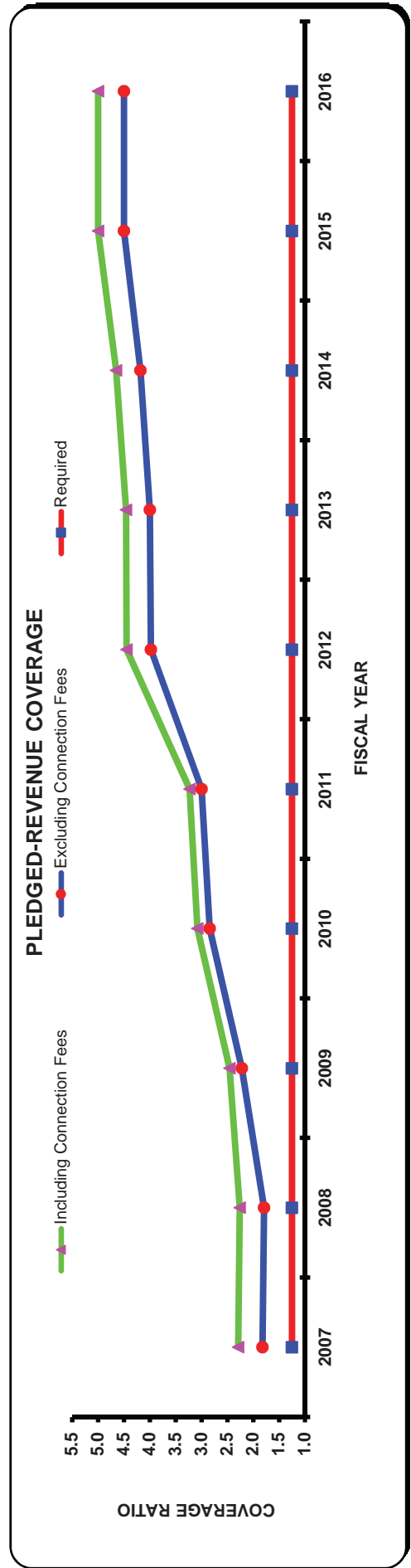
Fiscal Year Ended Sept 30	Nonoperating Revenues (Expenses) ⁽²⁾			Operating Expenses ⁽¹⁾			Available for Debt Service Net			Debt Service Requirements			Coverage Ratio	
	Operating Revenues	Operating Expenses ⁽¹⁾	Nonoperating Revenues (Expenses) ⁽²⁾	Net Revenues	Connection Fees ⁽³⁾	Revenues & Connection Fees	Principal	Interest	Total Debt Service	Excluding Connection Fees	Including Connection Fees	Excluding Connection Fees	Including Connection Fees	
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	4.44x	5.07x	4.44x	5.07x	
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	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	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	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	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	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	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	2.22	2.46	
2008	115,321,729	81,927,461	6,607,077	40,001,345	10,495,450	50,496,795	13,955,000	8,375,745	22,330,745	1.79	2.26	1.79	2.26	
2007	101,203,339	73,781,399	12,815,924	40,237,864	10,409,149	50,647,013	13,255,000	8,892,125	22,147,125	1.82	2.29	1.82	2.29	

Notes:

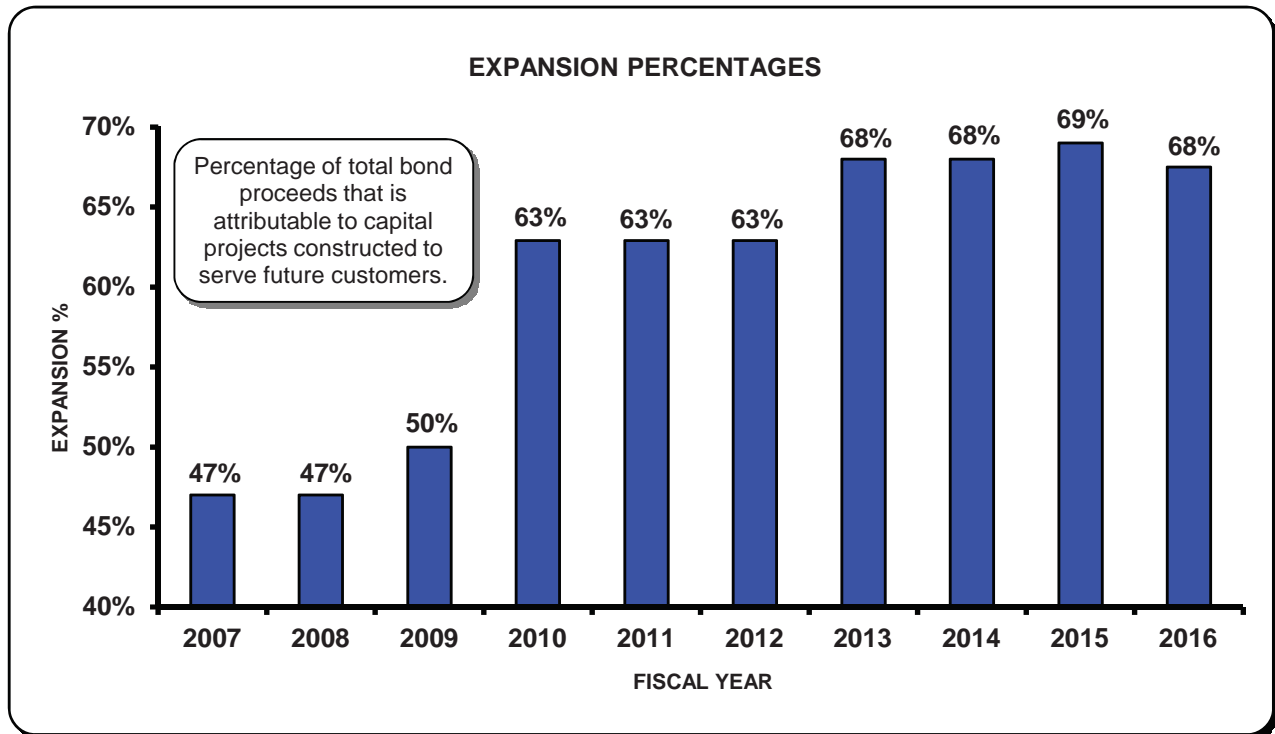
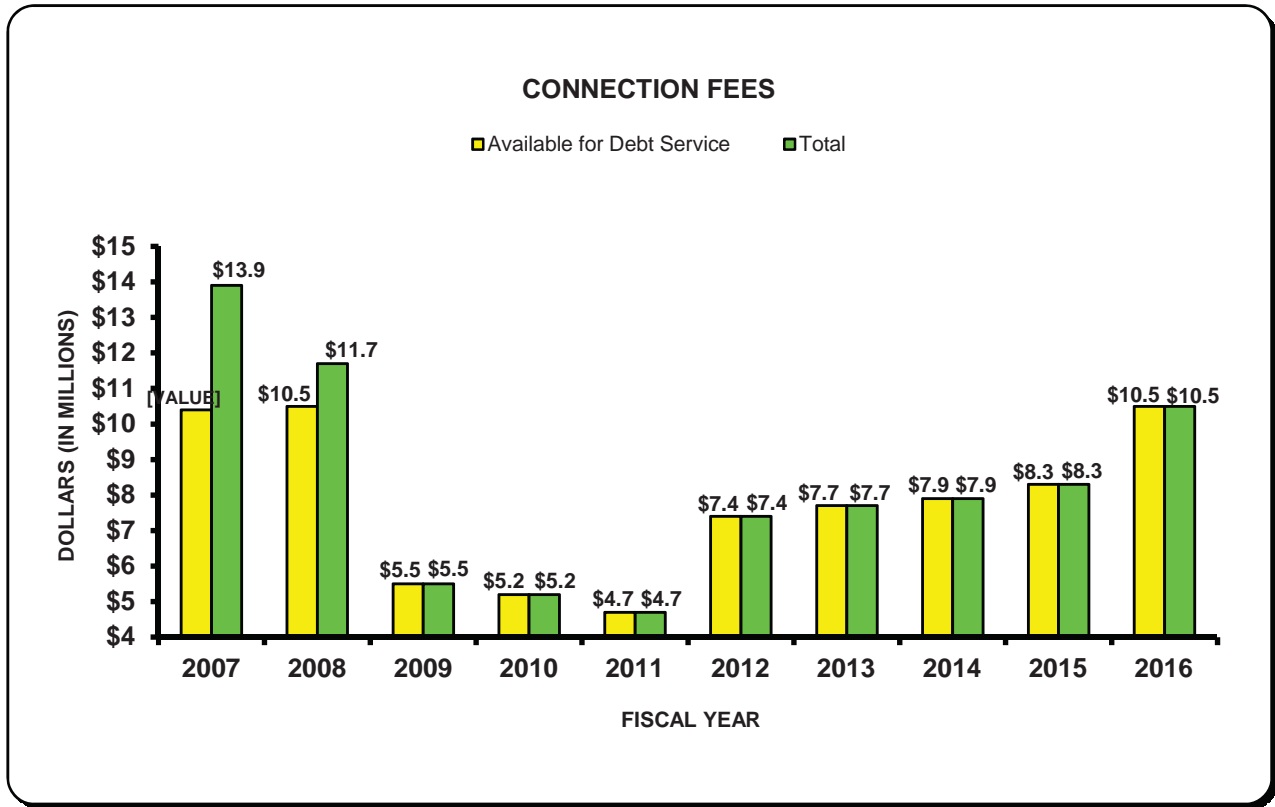
⁽¹⁾ Operating expenses exclude depreciation and amortization and equity interest in net (income) loss of joint venture.

⁽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

Year	Population	Personal Income (000)	Per Capita Personal Income	Civilian Labor Force	Unemployment Rate
2016	1,391,741	N/A	N/A	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
2008	1,294,654	76,712,607	59,240	655,669	7.3
2007	1,295,033	75,585,800	58,749	650,548	4.8

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 2016 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	2016			2007		
	Employees	Rank	%	Employees	Rank	%
Palm Beach County School Board	21,656	1	3.09	21,707	1	3.34
Palm Beach County Government	11,587	2	1.65	11,293	2	1.74
Tenet Healthcare Corp	4,595	3	0.65	4,500	5	0.69
NextEra Energy (Florida Power & Light)	4,005	4	0.57	3,250	7	0.50
Hospital Corporation of America (HCA)	3,476	5	0.50	3,411	6	0.52
Veterans Health Administration	2,700	6	0.38	-	-	-
Florida Atlantic University	2,529	7	0.36	2,923	8	0.45
Boca Raton Regional Hospital	2,500	8	0.36	-	-	-
Jupiter Medical Center	2,195	9	0.31	-	-	-
Bethesda Memorial Hospital	2,150	10	0.31	-	-	-
The Breakers	-	-	-	2,300	9	0.35
Office Depot	-	-	-	2,180	10	0.34
State Government	-	-	-	9,100	3	1.40
Federal Government	-	-	-	6,200	4	0.95
Total	57,393		8.18	66,864		10.28
Balance from other employers	644,233		91.82	583,564		89.72
Grand totals	701,626		100.00	650,428		100.00

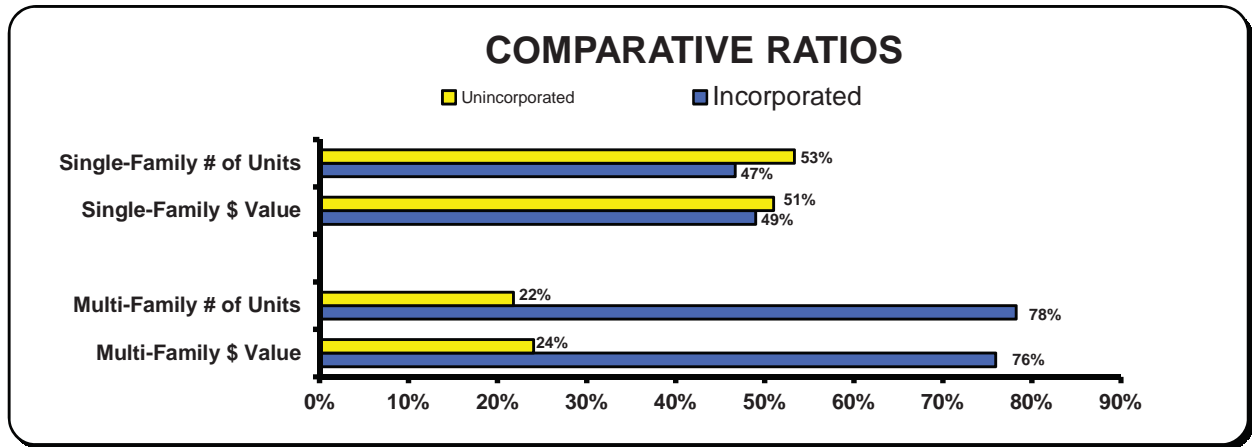
Source: Business Development Board of Palm Beach County

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
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
2008	482	108	677	165	1,159	273
2007	1,138	256	894	740	2,032	996
Totals	9,945	2,691	8,709	9,665	18,654	12,356

VALUE (in millions):

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
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
2008	137	12	268	31	405	43
2007	334	28	351	166	685	194
Totals	\$3,340	\$381	\$3,208	\$1,203	\$6,548	\$1,584

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	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾	2009	2008 ⁽²⁾	2007
Water:										
Treatment	103	103	100	101	100	101	98	110	113	93
Distribution	88	84	88	89	89	89	92	93	92	93
Wastewater:										
Treatment	41	41	38	39	39	39	39	40	41	39
Collection	89	84	92	88	89	90	91	90	95	97
Customer accounts	55	58	56	55	55	56	57	57	62	61
Administration	106	106	96	91	86	87	82	85	79	79
Western Region ⁽¹⁾	65	65	62	67	71	68	70	-	-	-
Engineering	28	27	29	29	29	29	29	30	36	36
Total positions	<u>575</u>	<u>568</u>	<u>561</u>	<u>559</u>	<u>558</u>	<u>559</u>	<u>558</u>	<u>505</u>	<u>518</u>	<u>498</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.

(2) Lake Region Water Treatment Plant (13 employees) came online in March 2008.

Source: Department's Records

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
INCREASE IN SERVICES:			
Potable water meters	1,614	1,487	1,610
Potable water dwelling units	2,252	1,868	1,970
Wastewater dwelling units	2,146	1,850	1,820
WATER SUPPLY, TREATMENT, AND DISTRIBUTION SYSTEMS:			
RAW WATER WELLS:			
Wells	113.28	113.28	107.00
Permitted Yearly Withdrawl (MG)	35,194	35,194	35,194
Permitted Maximum Daily Withdrawl (mgd)	140.33	140.33	140.33
TREATMENT PLANTS:			
Average finished water mgd	59.91	59.32	58.82
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	2,417	2,407	2,385
Storage and repump stations	16	16	17
Interconnects	26	26	26
Fire hydrants	18,287	18,155	17,839
Valves	35,569	35,304	34,554
Air relief valves	659	654	646

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.

Source: Department's Records

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
11,572	1,253	935	1,020	878	1,427	2,801
12,544	1,447	936	1,037	903	1,544	3,366
11,075	1,204	799	893	784	1,367	2,944
103.00	109.00	102.00	102.00	109.00	105.00	94.00
35,194	38,792	33,284	33,284	38,792	36,043	32,600
139.02	106.28	137.39	137.39	144.45	144.45	134.09
52.04	53.01	53.78	51.94	57.59	53.31	52.80
5	5	5	5	6	6	5
113.28	104.28	104.38	104.38	114.38	114.38	97.88
16.40	14.40	14.50	14.50	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	20.00
26.88	26.88	26.88	26.88	26.88	26.88	26.88
-	3.00	3.00	3.00	3.00	3.00	6.50
10.00	-	-	-	10.00	10.00	-
2,364	2,152	2,141	2,121	2,126	2,162	2,081
17	17	17	17	17	17	18
24	21	20	14	15	15	14
17,593	16,582	16,353	16,235	16,066	15,866	15,630
34,048	32,584	32,234	32,026	31,213	31,392	30,820
637	617	616	611	620	609	573

(continued)

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

(continued) 2016 2015 2014

WASTEWATER COLLECTION AND TREATMENT SYSTEMS:

TREATMENT PLANTS:

Maximum 3-month rolling average mgd	45.75	45.30	46.98
Average wastewater treated mgd	39.99	39.59	41.41
Primary plants	4	4	4
Combined permitted treatment capacity mgd	67.20	67.20	66.70
Southern Region Reclamation Facility	35.00	35.00	35.00
Department's share @ East Central Regional			
Wastewater Facilities	24.50	24.50	24.00
Western Region Belle Glade WTP	6.50	6.50	6.50
Western Region Pahokee WTP	1.20	1.20	1.20
Northern Region Wastewater Treatment Plant (Royal Palm Beach)	-	-	-

COLLECTION SYSTEM:

Miles of gravity wastewater line	1,262	1,256	1,248
Pump stations	987	899	893
Miles of force main	594	595	589
Valves	3,847	3,805	3,608
Air relief valves	766	763	752
Manholes	31,877	31,714	31,443

EFFLUENT DISPOSAL:

Deep injection wells	7	7	7
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RECLAIMED WATER:

Average reclaimed water provided mgd	8.92	8.83	8.49
Permitted for reclaimed water irrigation mgd	33.37	33.37	30.85
Combined wetlands mgd (included in average mgd)	3.55	3.53	3.18
Green Cay Wetlands mgd	0.94	0.94	0.82
Wakodahatchee Wetlands mgd	0.96	0.96	0.79
Century Village mgd	1.65	1.63	1.57
Miles of pipe	62	61	60
Flush hydrants	109	107	101
Valves	522	511	482
Air relief valves	108	106	100
Vacuum relief valves	24	24	24

N/A = not available

Notes:

The Village of Royal Palm Beach's (RPB) Utility System was acquired on April 27, 2006, and the wastewater treatment plant was taken out of service on May 20, 2008. The plant was returned to RPB on July 16, 2013. 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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
42.30	43.87	45.45	39.60	38.00	34.98	33.41
38.46	38.81	42.77	37.90	37.10	34.25	33.38
3	2	2	2	2	2	3
66.70	59.00	58.50	58.50	58.50	58.50	56.70
35.00	35.00	35.00	35.00	35.00	35.00	35.00
24.00	24.00	23.50	23.50	23.50	23.50	19.50
6.50	-	-	-	-	-	-
1.20	-	-	-	-	-	-
-	-	-	-	-	-	2.20
1,238	1,165	1,157	1,152	1,145	1,142	1,132
886	803	768	764	767	764	762
588	532	530	524	518	533	519
3,541	3,383	3,335	3,288	3,190	3,126	3,042
746	726	721	711	705	696	671
31,132	29,457	29,246	29,117	29,033	28,849	28,623
7	6	5	5	6	6	4
8.90	9.71	14.22	12.40	12.78	10.30	11.69
30.85	22.00	22.00	22.00	22.00	22.00	22.00
2.72	1.92	2.63	2.05	1.86	1.17	0.99
0.66	0.67	0.93	0.73	0.51	0.55	0.13
0.83	0.63	0.90	0.82	0.75	0.62	0.86
1.23	0.62	0.80	0.50	0.60	-	-
57	55	55	36	33	27	24
101	99	99	97	92	84	84
477	471	467	336	353	294	245
100	98	99	48	44	44	38
24	-	-	-	-	-	-

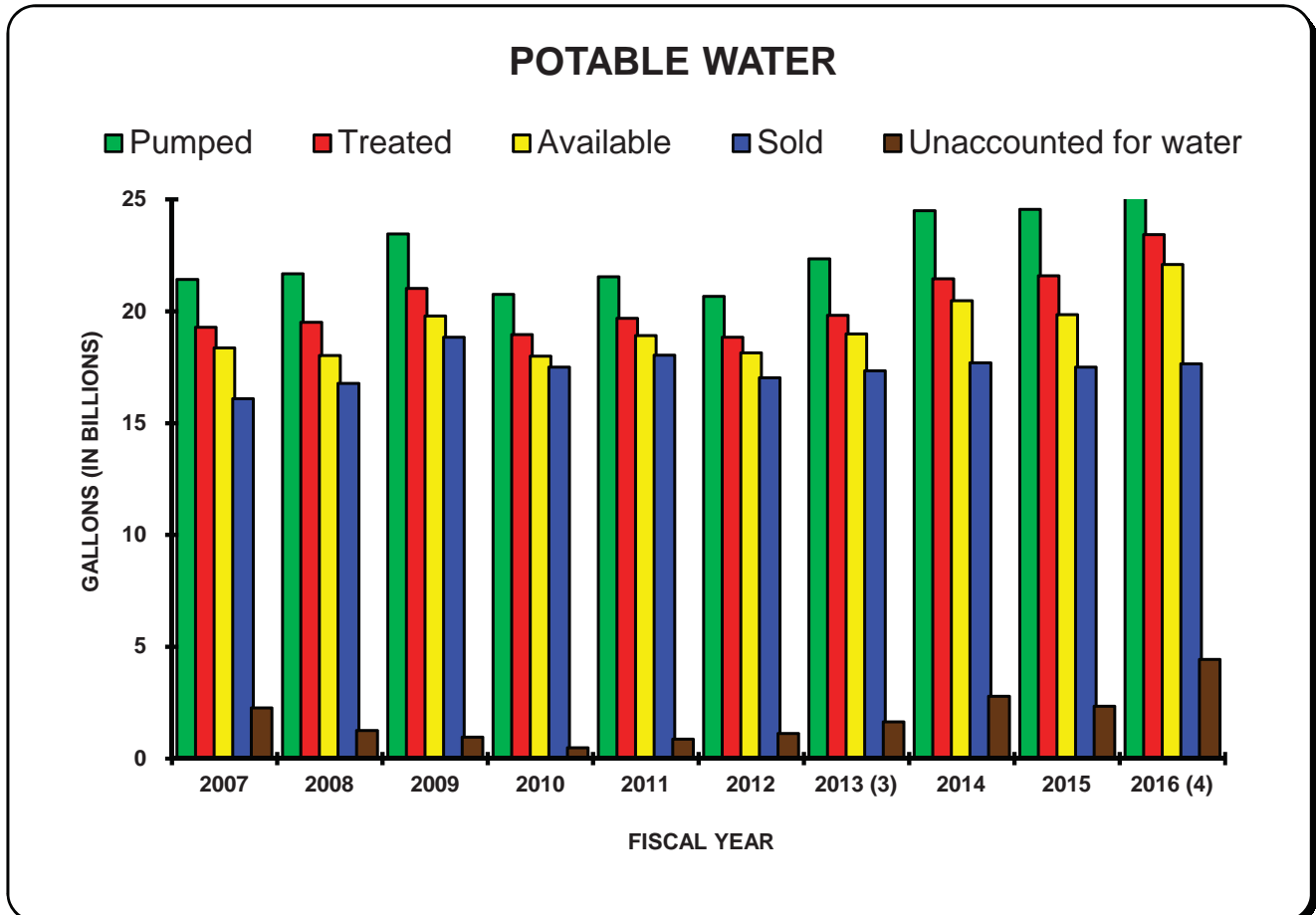
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER VARIANCE ANALYSIS
Last Ten Fiscal Years

(in million gallons)	2016 ⁽⁴⁾	2015	2014	2013 ⁽³⁾	2012	2011	2010	2009	2008	2007
Pumped	26,349	24,563	24,495	22,340	20,672	21,538	20,758	23,463	21,681	21,422
Treated ⁽¹⁾	23,434	21,586	21,447	19,824	18,845	19,690	18,960	21,021	19,512	19,285
Available ⁽²⁾	22,085	19,843	20,476	18,991	18,139	18,909	17,987	19,787	18,028	18,368
Sold	17,654	17,500	17,695	17,346	17,022	18,040	17,496	18,832	16,770	16,099
Unaccounted for water	4,431	2,343	2,781	1,645	1,117	869	491	955	1,258	2,269
"Unaccounted for water" as a percentage of water available	20.1%	11.8%	13.6%	8.7%	6.2%	4.6%	2.7%	4.8%	7.0%	12.4%

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.
- ⁽⁴⁾ Data for 2016 was incomplete at time of preparation.

Source: Department's Records



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

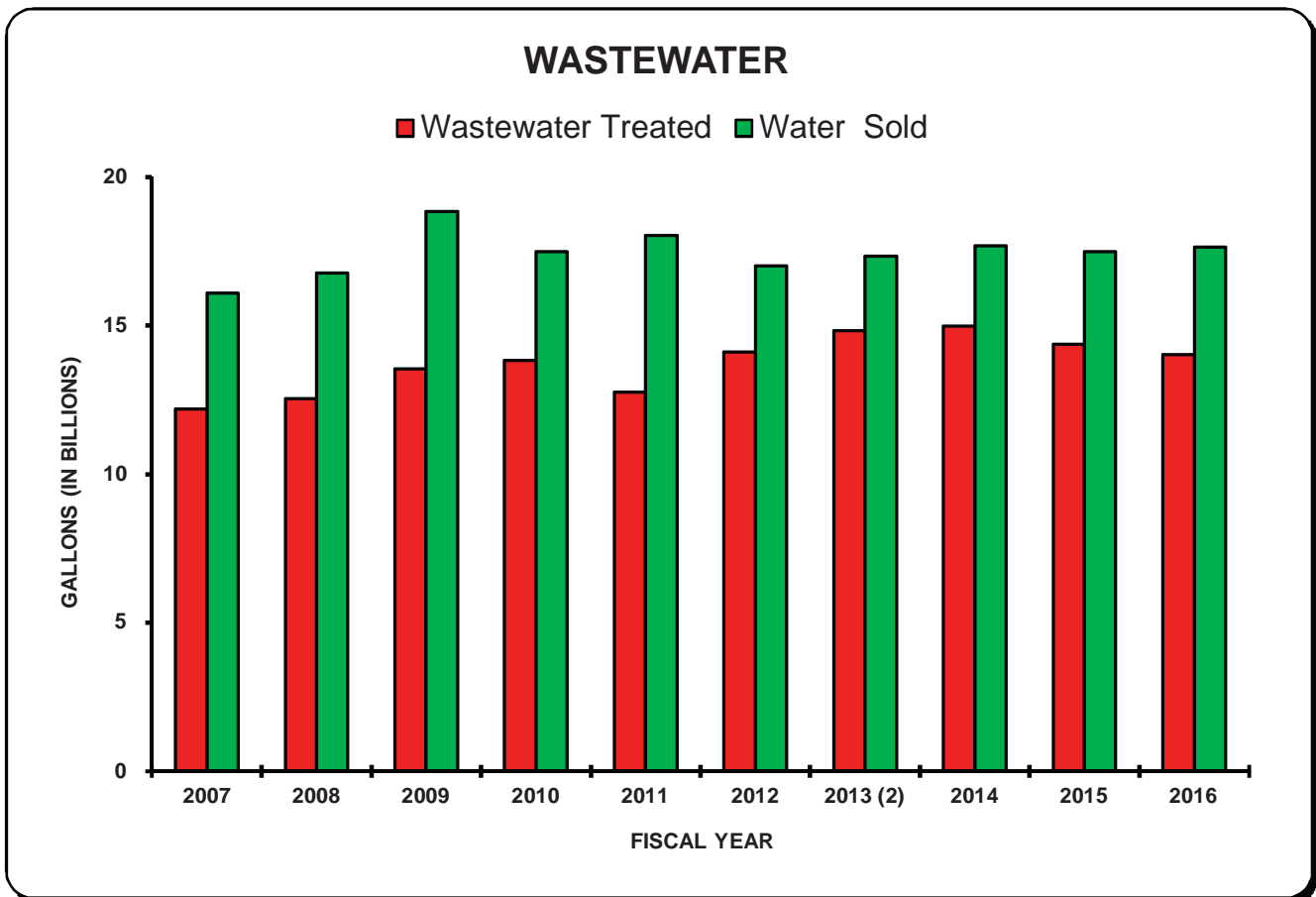
(in million gallons)	2016	2015	2014	2013 ⁽²⁾	2012	2011	2010	2009	2008	2007
Department plants	8,860	9,702	9,807	9,180	8,615	7,820	8,359	7,981	7,694	7,874
ECR ⁽¹⁾	5,161	4,666	5,175	5,653	5,499	4,949	5,463	5,567	4,843	4,311
Total Treated	14,021	14,368	14,982	14,833	14,114	12,769	13,822	13,548	12,537	12,185
Daily Average	38.3	39.4	41.0	40.6	38.7	35.0	37.9	37.1	34.3	33.4

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.

Source: Department's Records





Compliance Report



*High service pumps
Lake Region Water Treatment Plant
Belle Glade, FL*

*Water plant operators
Water Treatment Plant 9
Boca Raton, FL*



**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, 2016, 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, 2017, which contained unmodified opinions on those financial statements.

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.

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, 2017

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

pbewater.com



BEST WATER, BEST SERVICE & BEST ENVIRONMENTAL STEWARDSHIP.