

Miami-Dade Water and Sewer Department

A DEPARTMENT OF MIAMI-DADE COUNTY, FL

Comprehensive Annual Financial Report

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

PREPARED BY: CONTROLLER DIVISION AND PUBLIC AFFAIRS SECTION





Norris Cut Aerial



SDWWTP Injection Well



Norris Cut



Pump Station



Gravity Sewer Installation



Ocean Outfall

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VISION STATEMENT

The continuous delivery of excellent, cost-effective water supply and wastewater services in compliance with all regulatory requirements.

MISSION STATEMENT

The Miami-Dade Water and Sewer Department is committed to serving the needs of Miami-Dade County residents, businesses, and visitors by providing high-quality drinking water and wastewater disposal services while providing for future economic growth via progressive planning; implementing water conservation measures; safeguarding public health and the environment; and providing for continuous process improvements and cost efficiencies.



Delivering Excellence Every Day



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MIAMI-DADE COUNTY

Carlos A. Gimenez
Mayor



BOARD OF COUNTY COMMISSIONERS

Jean Monestime
Chairman

Esteban Bovo, Jr.
Vice Chairman

Barbara J. Jordan
District 1

Jean Monestime
District 2

Audrey M. Edmonson
District 3

Sally A. Heyman
District 4

Bruno A. Barreiro
District 5

Rebeca Sosa
District 6

Xavier L. Suarez
District 7

Daniella Levine Cava
District 8

Dennis C. Moss
District 9

Senator Javier D. Souto
District 10

Juan C. Zapata
District 11

José "Pepe" Díaz
District 12

Esteban Bovo, Jr.
District 13

Harvey Ruvin
Clerk of the Circuit and County Courts

Pedro J. Garcia
Property Appraiser

Robert A. Cuevas, Jr.
County Attorney

Miami-Dade County provides equal access and equal opportunity in employment and services and does not discriminate on the basis of disability.

It is the policy of Miami-Dade County to comply with all of the requirements of the Americans with Disabilities Act.





Water and Sewer
P.O. Box 330316
3071 SW 38th Avenue
Miami, Florida 33233-0316
T 305-665-7471

miamidade.gov

February 24, 2015

Honorable Carlos A. Gimenez, Mayor
Honorable Jean Monestime, Chairman and Members of the Board of County Commissioners
Honorable Harvey Ruvin, Clerk of the Circuit and County Courts
Pedro J. Garcia, Property Appraiser
Robert A. Cuevas, Jr., County Attorney
Miami-Dade County, Florida

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Miami-Dade Water and Sewer Department (Department, a.k.a. WASD) for the fiscal years ended September 30, 2014 (FY2014) and September 30, 2013 (FY2013) is submitted herewith. The financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and audited by a firm of independent certified public accountants retained by the Department. Management has established a comprehensive framework of internal controls to provide a reasonable basis for asserting the financial statements are fairly presented. For the fiscal year ended September 30, 2014, the Department received an unmodified opinion from its independent auditor.

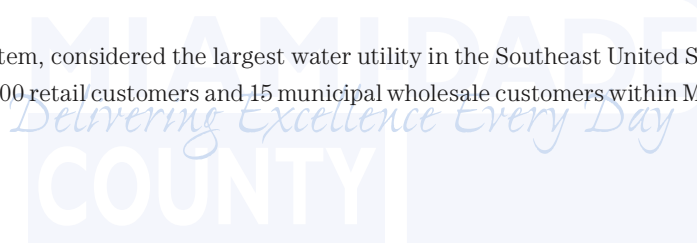
This report may be accessed via the Internet at http://www.miami-dade.gov/wasd/reports_financial.asp.

While the independent auditor has expressed an opinion on the financial statements contained in this report, management is responsible, in all material respects, for both the completeness and reliability of the information contained in this report. The financial statements comprise the Management's Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information (RSI). Immediately following the independent auditor's report is the MD&A, which provides a narrative introduction, detail overview and analysis of the Department's financial activities for FY2014. MD&A complements this Letter of Transmittal and should be read in conjunction with it.

PROFILE OF GOVERNMENT

In December 1972, the Board of County Commissioners (Board) of Miami-Dade County, Florida (County) created the Miami-Dade Water and Sewer Authority (Authority) for the purpose of establishing an agency responsible for providing water and wastewater services throughout the County. In 1973, all properties of the water and wastewater systems of the City of Miami and of the County were put under the control of the Authority. The Board changed the status of the Authority to that of a County department effective November 1, 1983, under the provisions of Miami-Dade County Ordinance 83-92, establishing the "Miami-Dade Water and Sewer Authority Department." On October 19, 1993, the Department changed its name to the Miami-Dade Water and Sewer Department.

The Department's water system, considered the largest water utility in the Southeast United States, serving approximately 432,000 retail customers and 15 municipal wholesale customers within Miami-





County. Water is drawn primarily from the surficial Biscayne Aquifer, a non-artesian (or near surface) aquifer, which underlies an area of about 3,200 square miles in Miami-Dade, Broward and Palm Beach counties.

The water system consists of three regional water treatment plants and five small auxiliary treatment facilities that service the southernmost area of the County. There are fifteen wellfields comprised of 94 production wells and five aquifer storage and recovery wells. These wells supply untreated water to the treatment plants. Water distribution throughout the 400 square miles service area is performed via seven remote finished water storage and pumping facilities and more than 7,700 miles of water mains ranging in size from 2 inches to 96 inches in diameter. The service area is subject to wide fluctuations in rainfall, not only in total annual amount, but also month-to-month. An extended dry period usually results in substantial water usage for residential irrigation and corresponding peak demands on the utility. In response, the Department encourages water conservation through water use restrictions, rates and other methods. The conservation program includes: leak detection and repair of the water mains; recycling the water used to backwash filters and treatment plants; reduction of transmission main pressure during periods of critical water shortage; new ordinances establishing water use efficiency standards for new construction and permanent two days a week irrigation restrictions; brochures and public information mailed with bills giving advice on water conservation; rebate programs designed to improve the efficient use of water by retrofitting older fixtures; and using treated wastewater effluent for process water, cleanup and landscape irrigation.

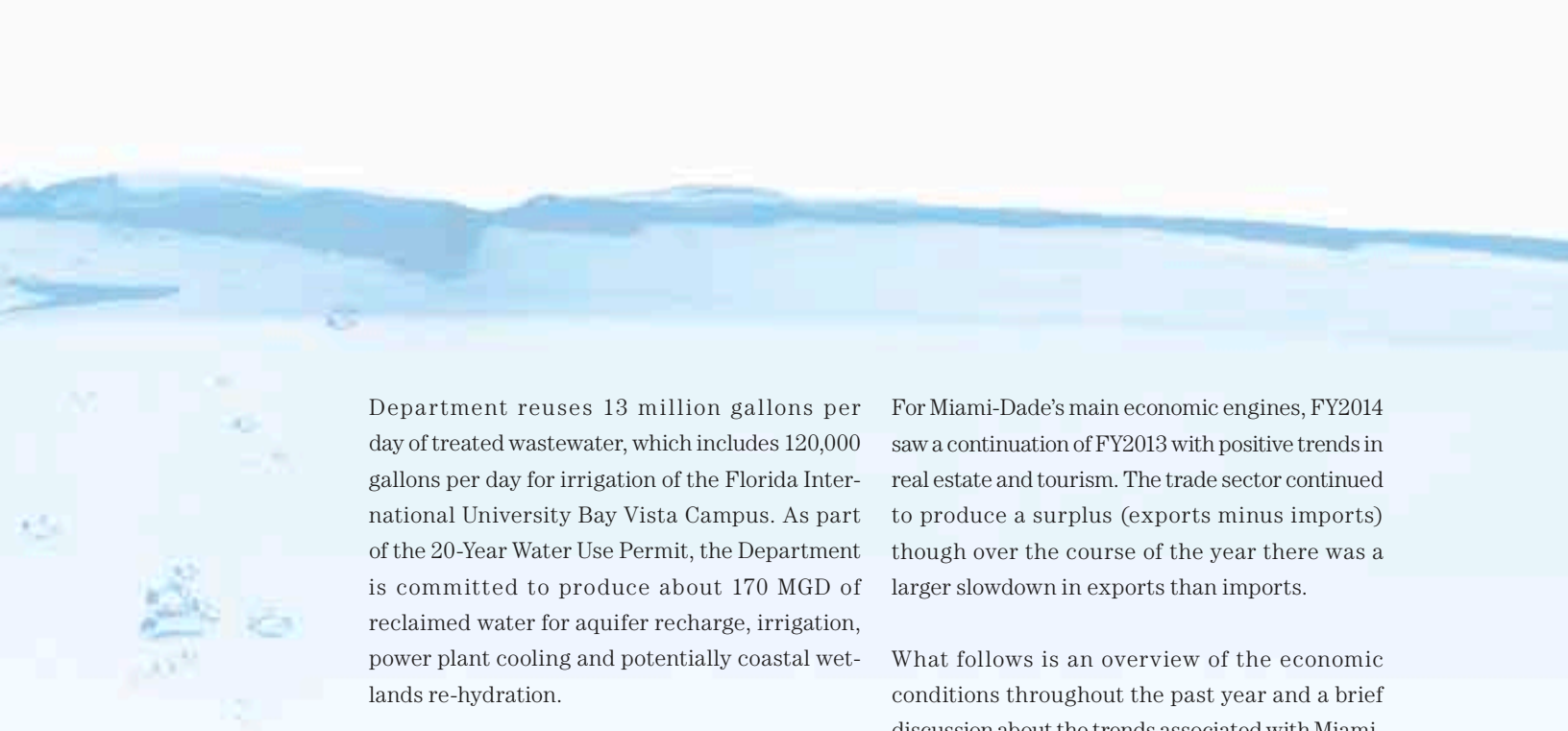
The wastewater system serves approximately 350,000 retail customers and 13 wholesale customers, consisting of 12 municipal customers and the Homestead Air Reserve Base. It consists of three regional wastewater treatment plants, over 1,000 sewage pump stations and nearly 6,200 miles of collection and transmission pipelines. The disposal of the by-products of the treatment process (sludge and effluent or treated wastewater) is an important part of the Department's plan to improve and expand its sewer system.

Disposal of treated wastewater at the North District Plant and the Central District Plant is accomplished by discharge into the Atlantic Ocean. A portion of the treated effluent at the North District Plant is also disposed via deep injection wells. Environmental studies conducted by the Environmental Protection Agency (EPA) and examinations by the State and the Department conducted in 1994 have shown "no irreparable harm" and "no unreasonable degradation" to the environment as a result of the discharge of effluent from the North District Plant and the Central District Plant into the Atlantic Ocean. This position has since been revised by the State where, during 2008, legislation was passed mandating a phase out of all ocean outfall flows in an effort to terminate this process.

The South District Plant disposes of its effluent through deep injection wells to the lower Floridan Aquifer at a depth below 2,400 feet. In 1995, the Department completed construction of five additional deep injection wells as part of its 112.5 million gallons per day (MGD) plant expansion project. In FY2014, the Department finalized operational permit for all of the South District's 17 injection wells, which are now fully operational.

The Department continues to plan and design reclaimed water facilities. Currently, the





Department reuses 13 million gallons per day of treated wastewater, which includes 120,000 gallons per day for irrigation of the Florida International University Bay Vista Campus. As part of the 20-Year Water Use Permit, the Department is committed to produce about 170 MGD of reclaimed water for aquifer recharge, irrigation, power plant cooling and potentially coastal wetlands re-hydration.

ECONOMIC CONDITION AND OUTLOOK

This economic condition and outlook report outlines the level of economic activity throughout Fiscal Year (FY) 2014 and forecasts the area's economic outlook for next fiscal year.

One year ago, in the year-end outlook for the local economy, it was anticipated that FY2014 would enjoy a modest acceleration in growth derived from an expected strong performance in the real estate and construction sectors and continued strength in the tourism industry. Slowing growth in the emerging markets, and more importantly Latin America, was expected to be a drag on international trade activity. Private sector employment would increase due to more activity in real estate and stable to positive growth in all other sectors.

This forecast for FY2014 turned out to be a fair assessment of what actually took place. At the national level, FY2014 saw an acceleration of economic activity with real gross domestic product (GDP) increasing at an annual rate of 2.6 percent, a considerably stronger showing than the 1.7 percent growth in the preceding year. Stronger growth was accompanied by very low inflationary pressure. Prices increased by only 1.6 percent, a level not seen since FY2010 despite the fastest decrease of the headline unemployment rate in at least a decade to 6.5 percent from 7.6 percent.

For Miami-Dade's main economic engines, FY2014 saw a continuation of FY2013 with positive trends in real estate and tourism. The trade sector continued to produce a surplus (exports minus imports) though over the course of the year there was a larger slowdown in exports than imports.

What follows is an overview of the economic conditions throughout the past year and a brief discussion about the trends associated with Miami-Dade County's key economic drivers.

EMPLOYMENT

During FY2014, nonagricultural wage and salary employment (annual average) recorded an overall gain of approximately 30,200 jobs over the prior fiscal year. This was an increase of 2.8 percent, to put total employment at a record high of 1,093,200 according to seasonally adjusted data from the Bureau of Labor Statistics. After a slight slowdown of the rate of growth in FY2013, this gain represents the most robust job creation since the recovery began. Despite a gain in the size of the labor force (+1.3 percent), the unemployment rate decreased. The average annual unemployment rate for the year stood at 7.2 percent, compared to 8.9 percent a year earlier. Moreover, unemployment rates have steadily decreased over the year from 7.6 percent in October of 2013 to 6.6 percent in September.

Most economic sectors were contributors to employment growth with only wholesale trade (-1,600 jobs) and the government (-1,800 jobs) sectors losing employment. The top two sectors that gained jobs were retail trade and professional and business services, registering gains of 8,700 and 6,000 jobs respectively. Job gains also occurred in construction adding 4,100 positions and manufacturing up 2,200 positions, finally marking a significant turnaround in the goods-producing sectors.



REAL ESTATE MARKET

Traditionally, the real estate sector in Miami-Dade County is viewed as one of the important measures of the County's economic health. In FY2014, single family home sales continued the positive trend post-housing-market-bubble-collapse, while sales in the condominium market showed a slight decline. At the same time, distressed market activity appears to be winding down as new foreclosure filings continue to decline to pre-housing bubble levels while foreclosure sales remain flat as cases already in the pipeline get resolved.

During FY2014, sales of existing single-family homes increased 2.8 percent over the prior fiscal year with 13,267 homes sold. This was fueled, in part, by mortgage rates remaining at historic lows, and cash sales, which remained at 40 percent of market sales in September, though this share fell steadily over the course of the fiscal year. Sales of condominiums dipped 3.6 percent over the prior year with 16,592 units sold. Cash sales accounted for 68.4 percent of all condominium sales in September, and unlike the single family market, this share remained stubbornly high over the year, stuck in the 67 to 71 percent range. Much of this investor-cash activity can be attributed to the foreign-based demand for housing, especially from South America. It will be important to watch what impact the economic slowdown occurring in the South American region will have on this activity.

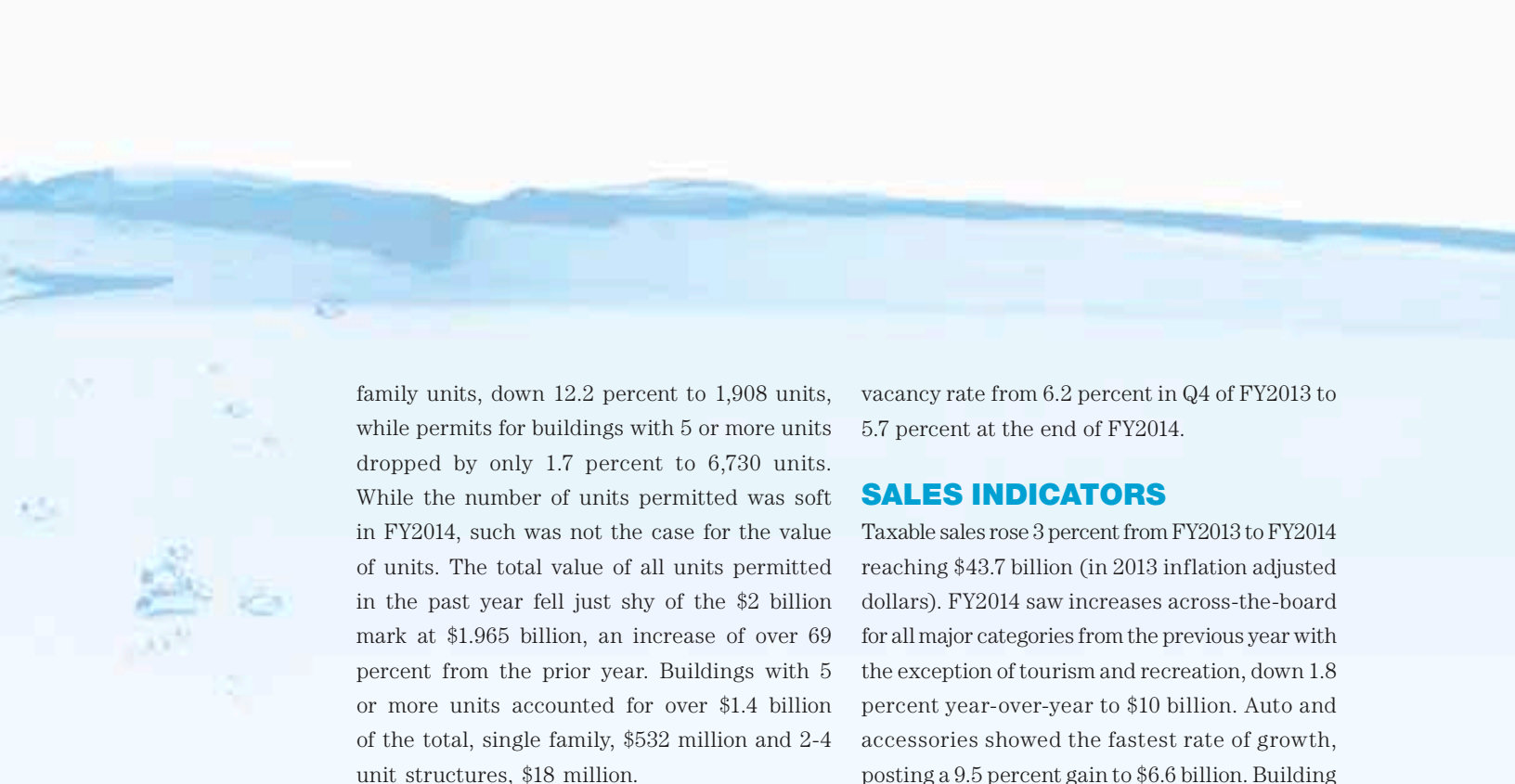
In terms of valuation, housing prices continued the upward trend in FY2014. The end of the fiscal year, September, saw the median sales price of an existing single-family home in Miami-Dade reach \$250,000, an increase of 11 percent from September of last year. The greatest appreciation was experienced in the lowest third, by value, of homes sold, up 16.8 percent year over year. The highest valued third of homes sold saw price

appreciation year over year of 8.1 percent, while the middle third was up 13.8 percent. Despite the slump in sales activity, existing condominiums exhibited 7.2 percent growth in the median price between September 2013 and September 2014 to reach \$195,000.

Data from the County Clerk of Courts shows new foreclosure filings are continuing to trend downward, approaching levels not seen since 2005 and 2006, the last two years before the collapse of the housing bubble. The full year, FY2014, saw 10,400 new filings, while each quarter the number dropped, from 3,070 in the first quarter to 2,285 in the fourth. REO's, the final step of the foreclosure process when a property is sold by the bank, typically lag the initial filing by as much as a year or more. Therefore, a similar drop in REO foreclosure sales has not yet occurred. There were 10,420 REO sales in FY2014, far above the 1,200-1,300 per year experienced prior to the housing bubble collapse. This represented a 41 percent drop over FY2013, a year when numbers were inflated due to the resolution of regulatory issues. For comparison, FY2012 saw roughly the same number of REO's as 2014 with 10,632 sales.

Mortgage rates on thirty year fixed rate mortgages in the Miami metropolitan area averaged 4.3 percent in FY2014, up 30 basis points from the previous year. This level remains only slightly above the all-time low rate of 3.6 percent set in June of 2012, and far below the housing bubble high of 7.6 percent reached in August of 2008.

Following a breakout year for residential construction in FY2013, FY2014 saw permitting activity take a step back. Over the year, permits were issued for the construction of 8,741 residential units, off about 4.2 percent from the prior year. The largest drop-off came for permits of single-



family units, down 12.2 percent to 1,908 units, while permits for buildings with 5 or more units dropped by only 1.7 percent to 6,730 units. While the number of units permitted was soft in FY2014, such was not the case for the value of units. The total value of all units permitted in the past year fell just shy of the \$2 billion mark at \$1.965 billion, an increase of over 69 percent from the prior year. Buildings with 5 or more units accounted for over \$1.4 billion of the total, single family, \$532 million and 2-4 unit structures, \$18 million.

The commercial/industrial components of the real estate market continued to improve on gains from the previous year. Office space under construction grew to nearly 645,000 square feet in the last quarter of FY2014, an increase of 56 percent over the last quarter of the prior fiscal year. This total still remains far below the 4.2 million square feet under construction on average in the 2006-2008 period. Office vacancy declined 1.2 million square feet from a year earlier to a vacancy rate of 11.6 percent. The average rate per square foot for office space held steady, up just 1.1 percent. The retail vacancy rate dropped slightly from the end of FY2013 to the end of FY2014 from 4.1 percent to 3.7 percent, with a reduction of 493,000 square feet of vacant retail space. The last quarter of FY2014 saw 1.8 million square feet under construction, 727,000 square feet in shopping centers and 1.1 million square feet in stand-alone space. Average lease rates for stand-alone space were up 7.1 percent year over year to \$36 per square foot while average lease rates in shopping centers increased 7.4 percent from the end of FY2013 to \$26.53 per square foot. The industrial market may be the strongest segment with 1.9 million new square feet of space delivered during the past fiscal year while gross absorption rate of available space was 2.2 million square feet. This led to a drop in the

vacancy rate from 6.2 percent in Q4 of FY2013 to 5.7 percent at the end of FY2014.

SALES INDICATORS

Taxable sales rose 3 percent from FY2013 to FY2014 reaching \$43.7 billion (in 2013 inflation adjusted dollars). FY2014 saw increases across-the-board for all major categories from the previous year with the exception of tourism and recreation, down 1.8 percent year-over-year to \$10 billion. Auto and accessories showed the fastest rate of growth, posting a 9.5 percent gain to \$6.6 billion. Building investment increased 7.4 percent to \$1.7 billion and sales of all consumer goods were up 4.6 percent to \$19.3 billion. This performance was reflected in the Miami-Dade's broad taxable sales market indicator, the Index of Retail Activity, which increased by 6.2 percent over the course of the fiscal year.

INTERNATIONAL TRADE AND COMMERCE

International trade and commerce is a key component of Miami-Dade's economy. After achieving its highest level ever (\$125.7 billion) in FY2013, merchandise trade passing through the Miami Customs District (that includes an area broader than Miami-Dade) fell by 4.9 percent in FY2014 to \$119.6 billion.

In contrast to the recurring merchandise trade deficits that the United States maintains year after year, the Miami Customs District enjoys a large trade surplus, though it has been narrowing over the last four years. Exports registered a decrease of 5.9 percent compared to a decrease of 4.5 percent during the prior year. Conversely, imports decreased by 3.6 percent after increasing 16.0 percent in the prior year. Most of the Miami Customs District export markets are in South America, Central America, and the Caribbean. In addition, the majority of all U.S. imported

perishables from this region are passing through the Miami District. The decrease in trade flows reflects the slowdown in the economies of most of the countries in these regions.

Two of Miami-Dade County's barometers of trade activity are the freight tonnage moving through Miami International Airport (MIA) and Port Miami ("the Seaport"). At the former, overall air freight tonnage went down 4.5 percent, compared to a 9 percent increase in the previous year. At the Seaport, cargo tonnage figures were down by 3.5 percent, compared to the previous year's decrease of 1.6 percent. Global economic prospects for FY2015 are for weak or no growth, trade activity is likely to remain flat or even drop further in the coming year. Looking beyond the FY2015, the dredging activities slated to be completed in mid-2015 to accommodate larger vessels in the Post-Panama period scheduled for completion in 2016, augurs well for the future of the Port.

TOURISM

Tourism in Miami-Dade recovered fairly quickly from the effects of the recession and posted significant gains in FY2011 and FY2012. Despite growth slowing down in FY2013 and FY2014, the industry has continued to reach new heights in terms of number of visitors, occupancy rates and room rates.

Visitors to the Miami area increased about 2.4 percent in FY2014, around twice the 1.2 percent increase in the previous year but slower than the average annual rate achieved since FY2010. In total, there were 14.4 million overnight visitors during the past year, up from 14.0 million recorded in FY2013. After FY2013, in which for the first time, the number of international visitors surpassed the number of domestic visitors, FY2014 saw a return to the historic pattern of more domestic than international visitors, 51.2 to 49.8 percent

respectively, thanks to a growth in domestic visitors of 3.3 percent that was more than twice the growth of 1.6 percent in international visitors.

In conjunction with the increase in visitors, the Miami International Airport passenger levels reached 40.8 million in FY2014, representing a gain of 2.4 percent compared to a gain of 0.8 percent in the prior year. MIA international passenger activity increased by 0.5 percent to 20.1 million, while domestic passenger activity increased by 3.0 percent to 20.7 million. MIA aviation officials are projecting that passenger traffic in 2015 will be even higher with the continued improvement and expansion of facilities allowing for more flights, more frequent flights, and more destinations. Passenger traffic at the Port Miami increased by 21.1 percent in FY2014 after a strong 8.1 percent increase in FY2013, bringing the total number of passengers to 4.9 million.

Along with the higher number of visitors, hotel booking activity registered improvements as hotel occupancy rates increased on a year-round basis moving in the same direction as a year ago. In FY2014, hotel occupancy rate increased from 77.7 percent to 78.6 percent. The increase in demand came along with an increase of 4 percent in the average hotel room rate, surpassing 180 dollars for the first time.

FUTURE OUTLOOK

After a year of overall strong growth and continued realignment of the different sectors of the local economy, conditions are set for a level of economic activity in 2015 comparable to that of 2014. The US economy seems poised for another strong year. The stock market, a forward looking indicator of investor confidence in future economic growth, recorded double digit growth in calendar year 2014. Oil prices have fallen and are expected to



remain low over the next year. Measures of consumer confidence stand at their highest levels in years. This optimism leads economists to project continued growth as reflected in a recent poll of economists that forecasts a U.S. GDP growth rate of 3.1 percent in 2015 compared to a 2.4 percent rate for the past year.

By contrast, economic growth in the emerging markets, and especially Latin America, is expected to continue to be sluggish in FY2015. This combination of a growing US economy and slower growth in Latin American would be expected to have countervailing impacts in the Miami-Dade economy. In net, however, the momentum in real estate and construction activity and fundamental strength in trade and tourism should continue in 2015 lead to further strong employment growth.

There could be head winds. As the distressed housing market clears, it bears watching what impact it will have on the overall housing market. Eliminating the foreclosure backlog may improve banker's ability to write new mortgages on one hand, but on the other, it may also eliminate the downward pressure on prices and lead to issues of affordability. Also over the year ahead, most experts predict interest rates to rise as the economy continues to heat up and the Federal Reserve begins to tighten short-term rates possibly hampering the home sales market.

Miami-Dade's commercial and industrial real estate market continues to remain well positioned for long-term growth supported by the continuing growth in population and the strength of international trade and commerce. For the year ahead, the outlook for the commercial/industrial market is one of optimism for continued improvements in both demand and value terms.

Weighing all the likely developments in major areas of the economy leads to a forecast for FY2015 that is likely to be similar to the previous fiscal year. The degree of improvement will be a function of the stability in government employment, growth in the real estate and construction sectors, and performance of the Latin American economies.

Major Initiatives

Water-Use Efficiency Plan

The Water Use Efficiency Plan (Plan) is in its eighth year of implementation as required by the 20-year Water Use Permit (WUP) and approved by the Board of County Commissioners. The Plan implements water conservation best management practices and measures through a quantifiable process that provides for accountability of the water saved through the Plan. The Plan's goals of saving water have been exceeded every year since implementation. This effort has allowed the Department to capitalize on the additional policy measures implemented, such as: permanent irrigation restrictions, aggressive public information campaigns, construction requirements for water efficient fixtures, and water loss reduction programs. The combination of these initiatives has provided for an unprecedented consumption reduction of about 40 MGD below projected demands through FY2014. The Department's conservation efforts have resulted in the extension of the County's Water Use Permit, cancellation of two alternative water supply projections and deferral of several other expensive infrastructure water supply projects, making conservation the least expensive form of an alternative water supply.

The Department's 20-year Water-Use Efficiency Plan was the first in the state developed using the Florida Department of Environmental Protection's (FDEP) Conserve Florida "GUIDE," a web-based application that facilitates the development of goal-based water conservation planning. The Plan's objectives include improving water-use efficiency, reducing loss and waste, and complying with the State's legislative criteria and water conservation initiatives.

The following best management practices are currently being implemented:

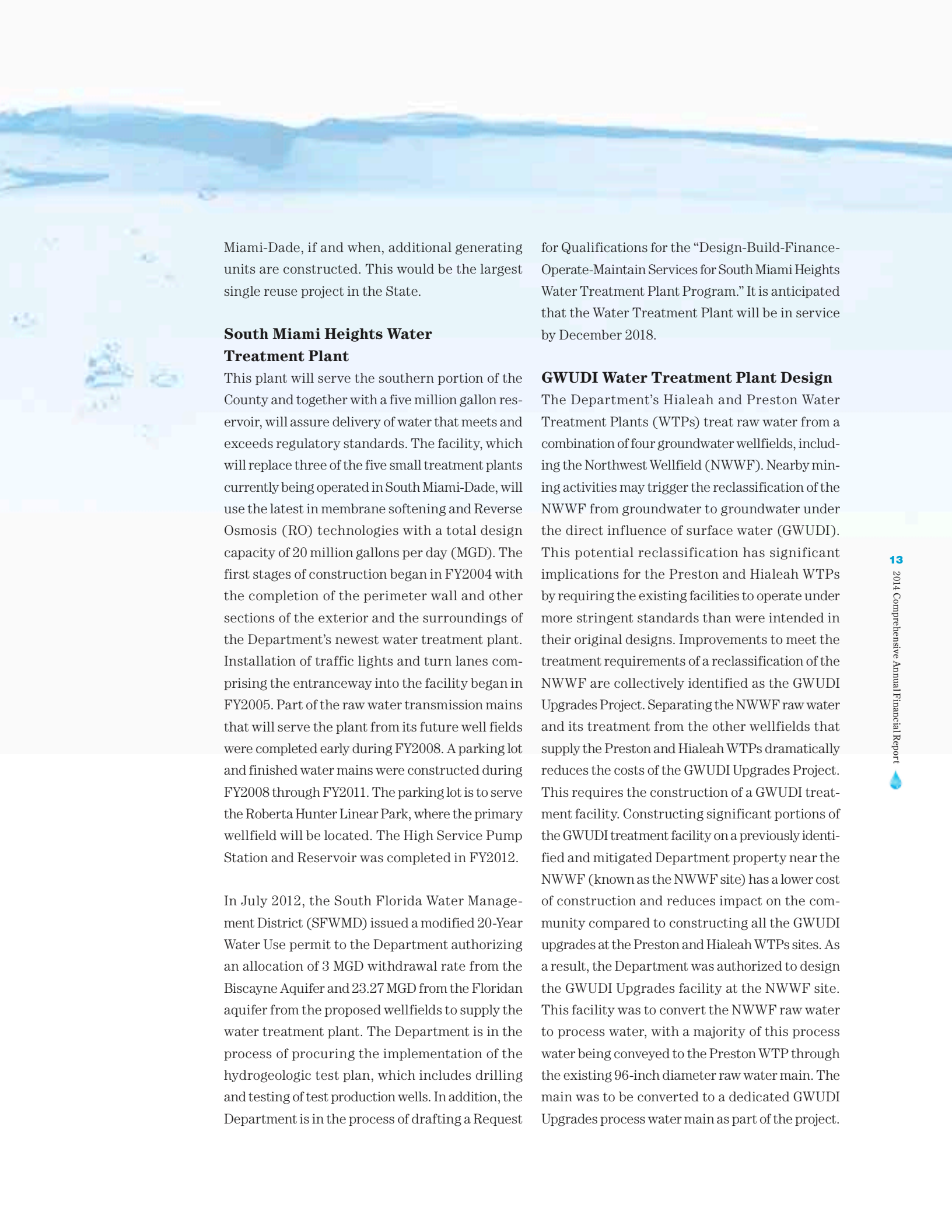
- ◆ Landscape Irrigation Evaluations and Rebates
- ◆ Residential High Efficiency Toilet (HET) Rebate
- ◆ Multifamily HET Rebate
- ◆ Audits and Retrofits of County facilities
- ◆ Showerhead Exchange Project
- ◆ Multifamily Showerhead Retrofit Project
- ◆ Green Lodging and Restaurant Project
- ◆ Lodging Showerhead Retrofit Project
- ◆ Lodging HET Rebate Project
- ◆ Children's Campaign
- ◆ Public Outreach Program

Water Reclamation

Reclaimed water is highly treated, filtered and disinfected wastewater that is reused for a variety of purposes. Reclaimed water can replace or supplement groundwater supplies. Currently, the Department has been able to replace potable water used for process water at its wastewater treatment plants with reclaimed water. Valuable drinking water is thus conserved by using reclaimed water in several wastewater treatment plant processes, as well as the landscape irrigation system at two of the Department's wastewater treatment plants and at Florida International University's Biscayne Bay Campus.

Moving forward, the Department was considering replenishment of the Floridan aquifer with reclaimed water, as part of meeting the 60% reuse requirement in the Ocean Outfall Legislation. However, while this is a more cost-effective way to utilize reclaimed water for aquifer replenishment, future water supply needs relative to existing sources of supply do not warrant making this investment at this time. The Department has also executed an agreement to provide up to 90 MGD of reclaimed water for cooling at Florida Power and Light's Turkey Point power plant in south





Miami-Dade, if and when, additional generating units are constructed. This would be the largest single reuse project in the State.

South Miami Heights Water Treatment Plant

This plant will serve the southern portion of the County and together with a five million gallon reservoir, will assure delivery of water that meets and exceeds regulatory standards. The facility, which will replace three of the five small treatment plants currently being operated in South Miami-Dade, will use the latest in membrane softening and Reverse Osmosis (RO) technologies with a total design capacity of 20 million gallons per day (MGD). The first stages of construction began in FY2004 with the completion of the perimeter wall and other sections of the exterior and the surroundings of the Department's newest water treatment plant. Installation of traffic lights and turn lanes comprising the entranceway into the facility began in FY2005. Part of the raw water transmission mains that will serve the plant from its future well fields were completed early during FY2008. A parking lot and finished water mains were constructed during FY2008 through FY2011. The parking lot is to serve the Roberta Hunter Linear Park, where the primary wellfield will be located. The High Service Pump Station and Reservoir was completed in FY2012.

In July 2012, the South Florida Water Management District (SFWMD) issued a modified 20-Year Water Use permit to the Department authorizing an allocation of 3 MGD withdrawal rate from the Biscayne Aquifer and 23.27 MGD from the Floridan aquifer from the proposed wellfields to supply the water treatment plant. The Department is in the process of procuring the implementation of the hydrogeologic test plan, which includes drilling and testing of test production wells. In addition, the Department is in the process of drafting a Request

for Qualifications for the "Design-Build-Finance-Operate-Maintain Services for South Miami Heights Water Treatment Plant Program." It is anticipated that the Water Treatment Plant will be in service by December 2018.

GWUDI Water Treatment Plant Design

The Department's Hialeah and Preston Water Treatment Plants (WTPs) treat raw water from a combination of four groundwater wellfields, including the Northwest Wellfield (NWWF). Nearby mining activities may trigger the reclassification of the NWWF from groundwater to groundwater under the direct influence of surface water (GWUDI). This potential reclassification has significant implications for the Preston and Hialeah WTPs by requiring the existing facilities to operate under more stringent standards than were intended in their original designs. Improvements to meet the treatment requirements of a reclassification of the NWWF are collectively identified as the GWUDI Upgrades Project. Separating the NWWF raw water and its treatment from the other wellfields that supply the Preston and Hialeah WTPs dramatically reduces the costs of the GWUDI Upgrades Project. This requires the construction of a GWUDI treatment facility. Constructing significant portions of the GWUDI treatment facility on a previously identified and mitigated Department property near the NWWF (known as the NWWF site) has a lower cost of construction and reduces impact on the community compared to constructing all the GWUDI upgrades at the Preston and Hialeah WTPs sites. As a result, the Department was authorized to design the GWUDI Upgrades facility at the NWWF site. This facility was to convert the NWWF raw water to process water, with a majority of this process water being conveyed to the Preston WTP through the existing 96-inch diameter raw water main. The main was to be converted to a dedicated GWUDI Upgrades process water main as part of the project.

A portion of the GWUDI Upgrades process water was to provide finished water for local distribution. In March 2010, a scope of services was approved, including the Basis of Design Report (BODR), Schematic Design, and 50 Percent Design. This work was completed, however, the project was put on hold based on lower water demand projections and the construction of the new Hialeah Reverse Osmosis Water Treatment Plant. Currently, the Department is reevaluating this project.

Infrastructure Assessment and Replacement Program (IAARP)

In order to best allocate limited capital replacement and rehabilitation funding, which costs significantly less than emergency mobilization repairs, the Department has established an Infrastructure Assessment and Replacement Program (IAARP).

In March 2010, the Department had a catastrophic event wherein a 54-inch Pre-Stressed Concrete Cylinder Pipe (PCCP) ruptured causing the washout of an intersection and the flooding of several homes. The Department is the largest user of PCCP in the nation. The IAARP uses electromagnetic (EM) and acoustic technologies to evaluate distressed pipe and leak detection. Engineers at the Department have collected quantitative information for individual pipe sections in an effort to effectively manage and make the best-informed decisions regarding capital planning and the sustainable operation of all pipeline infrastructures. Over the course of two years, the Department has assessed more than 109 miles of the existing 124 miles of PCCP mains. Results show pipelines with distress levels ranging from 0 to almost 20 percent. The question faced by Department engineers now is how to maintain pipeline reliability over the remaining life of the pipeline at an acceptable level of risk and most cost effectively. The Department has installed two Fiber Optics Cable (FOC), inside of the pipe (5

miles each) in the worst condition pipe, to detect wire break events as they occur without the need of remove from service.

The assessment technologies used by the Department assist in 1) identifying, localizing, and quantifying the presence of broken pre-stressed wires and leaks in individual segments of pipe along the pipeline and 2) providing risk analysis and repair prioritization for pipes identified with broken pre-stressed wires and leakage. As such, the Department has been able to categorize the structural damage found, allowing it to prioritize its rehabilitation program and allocate funds accordingly in an emergency and/ or annual basis. The program demonstrates that by using quantitative data from EM and acoustic assessments, a customized pipe rehabilitation solution can be built that saves significant amounts of money for infrastructure renewal while minimizing service disruptions.

Wastewater System

Consent Decree Program

The County negotiated a Consent Decree with EPA and FDEP, which was lodged with the US District Court on June 6, 2013 and entered on April 9, 2014. This new Consent Decree is designed to build on the successes achieved by the Department under previous Consent Decree programs. The overarching goal of the new Consent Decree is to reduce sanitary sewer overflows from the wastewater system.

The new Consent Decree requires the County to implement a Capacity, Management, Operations and Maintenance (CMOM) Program to document and enhance many of its existing programs over the next 14 years. It also requires the Department to upgrade its collection, transmission, and treatment facilities by completing over 80 individual capital improvement projects throughout the wastewater

system. These projects will occur throughout Miami-Dade County.

Implementation of the new Consent Decree is underway, and the County is in full compliance with all Consent Decree requirements. The current estimated cost for completing the Consent Decree program is approximately \$1.6 billion.

Ocean Outfall Legislation Program (OOL)

In 2008, the Florida Legislature approved and the Governor signed, a law requiring all wastewater utilities in southeast Florida utilizing ocean outfalls (OOL) for disposal of treated wastewater to reduce nutrient discharges by 2018, cease using the outfalls by 2025, and reuse 60% of the wastewater flows by 2025. As a result of this law, the Department has analyzed several compliance options. Each option includes additional system capacity to meet average daily and peak flow demands anticipated in 2035. After considering several options, the Department's recommended option includes a new West District plant with an average daily flow of 102 million gallons per day (MGD), reduced daily flows to North District of 85 MGD and to Central District of 83 MGD, and flows to South District of 131 MGD. The estimated cost of system-wide OOL Plan upgrades is \$5.2 billion. This cost includes \$3.3 billion that is specifically required for OOL compliance and \$1.9 billion required to correct OOL system deficiencies and to meet the demands to 2035.

Injection Wells Consent Order and High-Level Disinfection

On April 29, 2004, Consent Order (CO) OGC File No. 03-1376 was entered into between the FDEP and Miami-Dade County to address various issues, including the allegation of fluid movement associated with Class I injection wells at the County's South District Wastewater Treatment Plant (SDWWTP).

Under the CO, the Department was to treat wastewater at the SDWWTP to a higher level than secondary treatment, by providing an additional treatment process, known as High Level Disinfection (HLD). This process added filtration and disinfection with chlorine to the wastewater before it is disposed of via the SDWWTP's deep injection wells.

Construction began on the new HLD facility during FY2008 and it was completed in FY2013. In addition to the aforementioned HLD treatment process, the construction program at SDWWTP, which was broken down into 14 separate projects, expanded the plant's peak flow treatment capacity to 285 MGD from 225 MGD. The HLD project is the largest, most ambitious capital project ever undertaken by the Department and it was completed substantially under the approved budget. The State of Florida has closed the Consent Order under which the facilities were required to be constructed.

The Pump Station Improvement Program (PSIP)

The Pump Station Improvement Program was created to evaluate and improve the operation and transmission capacity for the more than 1,000 wastewater pump stations that Miami-Dade Water and Sewer Department owns and/or operates. Projects include sewer pump station refurbishing, installation of new pumps, electrical upgrades and the installation of new force mains.

Currently, the Department is working in 112 geographic areas, known as sewer basins. This includes projects at 111 pumping stations and 25 force mains. Current estimated construction costs for this work is approximately \$212 million.

The PSIP Program Manager has validated all 112 Remedial Action Plans (RAPs) and developed a comprehensive master schedule for the entire

program. This validation took into consideration several factors, including required regulatory milestones, development industry needs, sanitary sewer overflow locations, absolute moratorium stations, reserved capacity, roadway moratoria, and stations within drinking water wellfield protection areas.

Infiltration and Inflow (I & I) Reduction Program

The Department continues to perform sanitary sewer evaluation surveys on approximately 33.1 million feet (6,300 miles) of sewage collection mains and laterals. During FY2014, more than 4,800 repairs were performed to the gravity system; 965,750 feet of gravity sewers and 4,640 manholes were inspected with closed circuit television. These activities help reduce the amount of miscellaneous water that enters the wastewater collection system through defects in existing pipe systems. This in return reduces the cost associated with the wastewater treatment and disposal.

Supervisory Control and Data Acquisition System (SCADA)

Essential to the Department's daily operations is the ability to monitor and control its water and wastewater functions from a remote location. The Department's SCADA system is at the heart of this capability and is one of the largest of its kind in the country. The SCADA system, which is particularly important in cases of emergency operations and as a tool in meeting requirements of the CD/SA program, has allowed workers in the Department's 24-hour emergency call center to continuously oversee the operations at its pump stations. It has also allowed water and wastewater treatment plant operators to manage plant functions from remote control panels, providing an increased level of efficiency. To-date, all pump stations owned and operated by the Department have SCADA installed.

The Department's three regional water and three regional wastewater treatment plants have SCADA installed and operational. All water wellfields are monitored and controlled by SCADA, and all 94 production wells have flow meters installed with SCADA monitoring for compliance with SFWMD regulations.

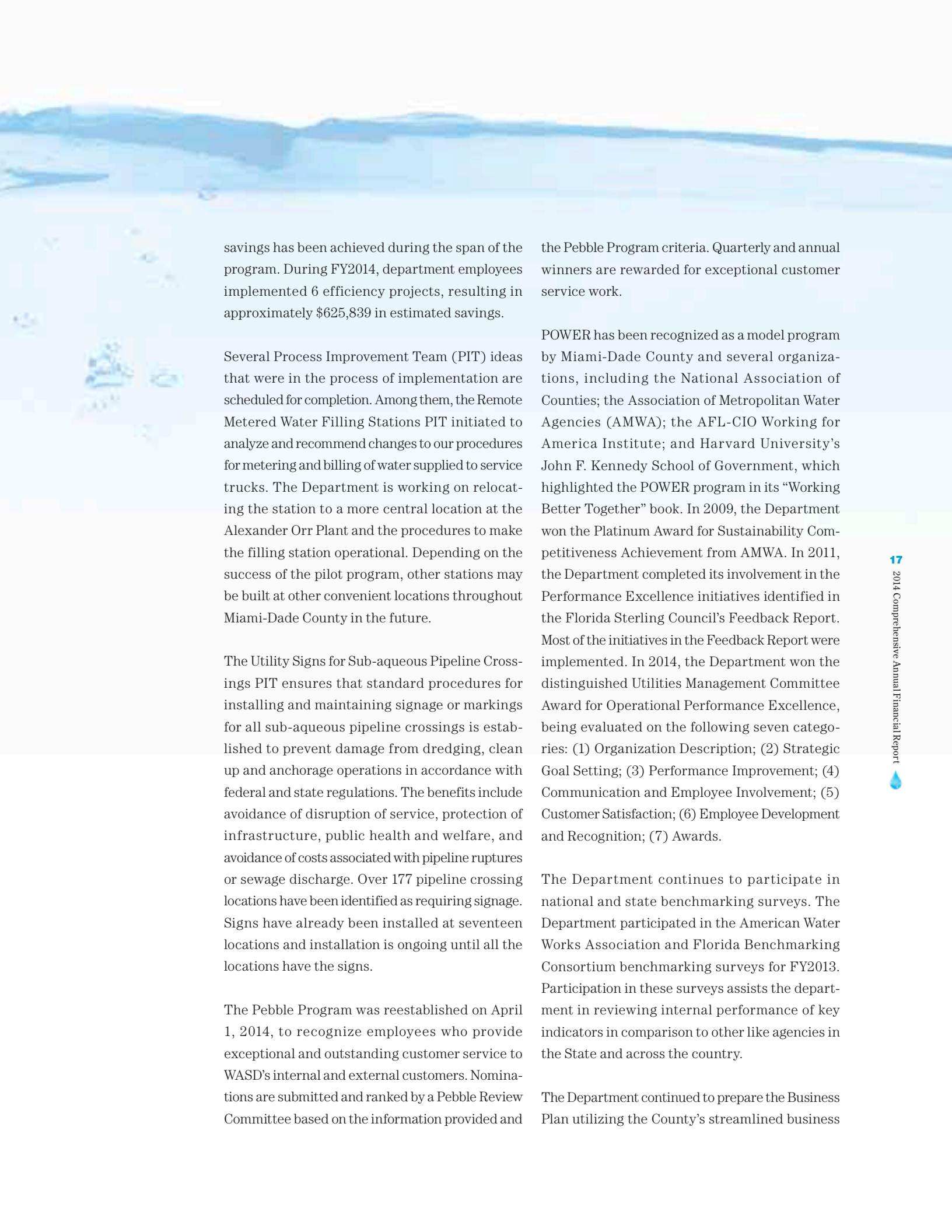
Water and Wastewater Transmission System Computer Models

The Department maintains Water and Wastewater Transmission System Computer Models, which operate with the Geographic Information System (GIS) data on the respective systems. These models are critical for planning and evaluating the availability of system capacity for new developments and system upgrades. The models will also be used for the identification of long range transmission system facilities, including pumping stations and pipelines as part of the Integrated Water, Wastewater, and Reclaimed Water Master Plan. This plan will include upgrades needed to comply with the State of Florida Ocean Outfall Legislation which requires closing of the outfalls at the North and Central District Wastewater treatment plants by 2025. Water and wastewater flow projections needed for the model for this work were developed.

Management & Performance Improvement

The Department is a leader and a model for implementing innovative employee ideas resulting in significant cost savings to the Department and, in turn, its customers. POWER (Partnership Optimizing WASD's Efficiency and Reengineering), the Department's efficiency program, has completed its 16th year of operation. The POWER program began in 1998 when Department management and employee unions joined forces to empower employees to create and implement efficiency initiatives. An estimated total of \$38.2 million in





savings has been achieved during the span of the program. During FY2014, department employees implemented 6 efficiency projects, resulting in approximately \$625,839 in estimated savings.

Several Process Improvement Team (PIT) ideas that were in the process of implementation are scheduled for completion. Among them, the Remote Metered Water Filling Stations PIT initiated to analyze and recommend changes to our procedures for metering and billing of water supplied to service trucks. The Department is working on relocating the station to a more central location at the Alexander Orr Plant and the procedures to make the filling station operational. Depending on the success of the pilot program, other stations may be built at other convenient locations throughout Miami-Dade County in the future.

The Utility Signs for Sub-aqueous Pipeline Crossings PIT ensures that standard procedures for installing and maintaining signage or markings for all sub-aqueous pipeline crossings is established to prevent damage from dredging, clean up and anchorage operations in accordance with federal and state regulations. The benefits include avoidance of disruption of service, protection of infrastructure, public health and welfare, and avoidance of costs associated with pipeline ruptures or sewage discharge. Over 177 pipeline crossing locations have been identified as requiring signage. Signs have already been installed at seventeen locations and installation is ongoing until all the locations have the signs.

The Pebble Program was reestablished on April 1, 2014, to recognize employees who provide exceptional and outstanding customer service to WASD's internal and external customers. Nominations are submitted and ranked by a Pebble Review Committee based on the information provided and

the Pebble Program criteria. Quarterly and annual winners are rewarded for exceptional customer service work.

POWER has been recognized as a model program by Miami-Dade County and several organizations, including the National Association of Counties; the Association of Metropolitan Water Agencies (AMWA); the AFL-CIO Working for America Institute; and Harvard University's John F. Kennedy School of Government, which highlighted the POWER program in its "Working Better Together" book. In 2009, the Department won the Platinum Award for Sustainability Competitiveness Achievement from AMWA. In 2011, the Department completed its involvement in the Performance Excellence initiatives identified in the Florida Sterling Council's Feedback Report. Most of the initiatives in the Feedback Report were implemented. In 2014, the Department won the distinguished Utilities Management Committee Award for Operational Performance Excellence, being evaluated on the following seven categories: (1) Organization Description; (2) Strategic Goal Setting; (3) Performance Improvement; (4) Communication and Employee Involvement; (5) Customer Satisfaction; (6) Employee Development and Recognition; (7) Awards.

The Department continues to participate in national and state benchmarking surveys. The Department participated in the American Water Works Association and Florida Benchmarking Consortium benchmarking surveys for FY2013. Participation in these surveys assists the department in reviewing internal performance of key indicators in comparison to other like agencies in the State and across the country.

The Department continued to prepare the Business Plan utilizing the County's streamlined business

plan process to identify and strategize on ways to attain the Department's most important priorities in concert with the mission and vision statements, at the same time, safeguarding the public health and environment. This process includes aligning the performance measures and Department scorecard to the key priorities and budget of the department and regularly monitoring applicable performance. Key new initiatives have been created in the scorecard to monitor the Department's compliance with the New Consent Decree. This information is also available via the Miami-Dade web page and provides information on performance to the public and transparency of government services.

Rate Increase

On September 18, 2014, the Board of County Commissioners adopted a County Budget Ordinance authorizing a six percent water and wastewater retail rate increase, effective October 1, 2014. The monthly bill of the average residential water and wastewater customer using 6,750 gallons was increased by approximately \$2.72, or from \$45.39 to \$48.11. The retail rate also increases the Miami-Dade County Water Conservation Surcharge for retail water customers with consumption in the fourth tier of the usage. In addition, the County Budget Ordinance authorized an increase to the per thousand gallon water wholesale rate of \$0.0674 per thousand gallons; from \$1.7142 to \$1.7816, and an increase to the per thousand gallon wastewater wholesale rate of \$0.1076 per thousand gallons; from \$2.4524 to \$2.56 based on a cost recovery. Various Miscellaneous Fees and Charges were increased within the County Budget Ordinance.

Building Better Communities

General Obligation Bonds (GOB) In November 2004, Miami-Dade County voters approved a \$2.9 billion

bond program which allows the County to issue long-term bonds to fund numerous neighborhood and regional capital projects to be completed over the next 12 years. The General Obligation Bonds are legally backed by the full faith and credit of the County which has committed future taxes over the next 40 years to repay the bonds. General Obligation Bonds typically are the least expensive type of debt available to government. Among the GOB funded capital projects are several addressing current and future water and wastewater infrastructure needs. Planned projects include county-wide water and wastewater main installations; pump station rehabilitation projects; reclaimed water facilities and infrastructure. GOB funding continues to be used to mediate the risk associated with Dieldrin contamination of private wells in the Falls area at Caribbean Estates and currently an extensive area at Continental Park. Also, Sewer needs in the commercial corridor on Bird Road and the Industrial Park Area will be addressed by two Low Pressure Sewer System projects underway. In FY2015, the Department will have access to \$8.8 million dollars of funding for GOB projects.

GROWING WITH INFORMATION TECHNOLOGY

The Department is committed to using the latest and best-available information technology in order to carry out operations and serve the expanding needs of customers. For functions from researching client records to managing assets, the Department has sought to create or purchase computer software that will significantly raise efficiency levels.

The WASD Information Technology Division is responsible for supporting the Department's IT needs. This includes support of all systems supporting both administrative business; operations and maintenance functions; and

construction initiatives of the utility. To this end there is close collaboration with business units, the Information Technology Department, other County departments and various vendors, consultants and other providers to ensure the core competencies of the Department are supported with the needed and desired technology.

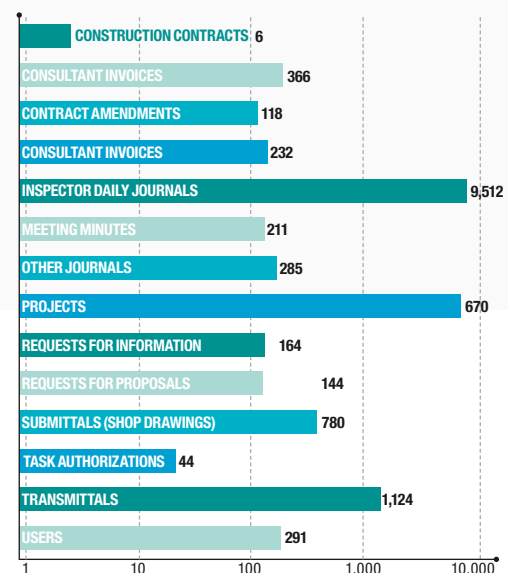
The meter-to-cash functions are responsible for the processes and systems to ensure the revenue stream is collected (ITRON meter reading) and billed (Customer Care and Billing, CCB). The operations and maintenance functions produce ad hoc systems as needed and support complex production systems to manage the operations and maintenance of both plant and linear assets. The business functions are supported by the Enterprise Resource Planning (ERP), Oracle databases, Sequel databases, Geographic Information System (GIS). Both GIS and Project Control and Tracking System (PCTS) assist in the management and reporting of construction projects. Underpinning the entire applications systems portfolio is the infrastructure which provides all data and telecommunications hardware, software and desktop services which are consumed by WASD staff, consultants and customers.

Project Control & Tracking System

Project Control and Tracking System (PCTS) is an enterprise project management information system that is used to improve capital project planning, visibility, and execution from inception to completion. As the core application of PCTS, Proliance has been configured to provide comprehensive process workflow automation, project visibility and cost/contract/change management, construction oversight, and project collaboration. As the Department moves forward with its 20-year capital improve-

ment program that invests heavily in Miami-Dade County's water infrastructure, PCTS has become a vital part to the success of each of these new programs: the Consent Decrees (CD) Program; Pump Station Improvement Program (PSIP); the Ocean Outfall Legislation (OOL); the Consumer Line Relocation (CLR) Program and all other capital programs and projects.

The dashboard below highlights the project records created during this fiscal year, including the number of Proliance users, the total number of projects, and the total numbers of Proliance documents by record types.



Meter to Cash

The Mobile Workforce Management System was upgraded to Service Pack 6. This release provides the capability to apply future updates to the 106 hand-held devices used by field staff without the need to take the devices to a centralized location. Such feature reduces the downtime required to maintain the system up to date, and maximizes efficiencies.



The meter reading system, Field Collection System (FCS) was upgraded to Ver. 2.6. This version puts the Department in a position to take advantage of automated meter reading (AMR), which can reduce the process time for reading meters.

Asset Management

Completed the upgrade of the Enterprise Asset Management System (EAMS) to version 10.1.2, providing new query functionality and ensuring full support of the product by the vendor.

Initiated a laptop hardware refresh for those devices in use since the first go-live in 2009. Memory and operating system upgrades were completed for over 600 laptops.

Operations Applications

Commenced \$9.9M GIS Backlog project which, when completed in June 2017, will provide the department nearly survey grade GIS data representing all water and sewer infrastructure; provide WASD staff tools to quickly retrieve engineering and other types of documents; perform complex spatial analysis; simplify GIS data maintenance (cutting time by half); implement electronic as-built submissions; and automate many GIS integrations, including Enterprise Asset Management System (EAMS), Customer Care & Billing (CC&B), and others.

New Business IS2 replacement

The New Business Section invoicing function was integrated into WASD's ERP Accounts Receivable. This eliminated the need of tracking invoices in multiple systems and thus significantly reduced the wait time for developers to pay for connection fees and certifications. The change also allowed the staff to discontinue the use of an old computer system and take advantage of newer technologies.

PCTS Upgrade

The Proliance system used by WASD to provide detailed information of capital construction projects was upgraded to version 5.6. This upgrade provided simplified integration with Microsoft Office 2010 both as an input tool and to facilitate offline analysis. It also introduced many new user fields to further extend the demographic attributes of our capital projects.

Systems Infrastructure

Migration of over 1600 desktops and field devices to Windows 7 and Office 2010 was completed.

Retail Customer Service Division - Meter Reading Section


Smart Metering Technology

The Department is reviewing the use of smart metering technology and developing a roadmap for the deployment and the selection of meters, technology and systems. The goal is to maximize the use of smart meter technology by integrating its use into the department and make the data available to internal users and customers. The underlying smart meter technology is a communication network that potentially can be used for field automation, leak detection, and other valued added benefits.

Community Outreach

The Department's Public Affairs Office sponsors and participates in several programs aimed at educating the public on the quality of its drinking water, its operations, under-utilized customer services and water conservation and the Department's Multi-Year Capital Improvement Plan.

WASD provides direct customer outreach and advertising via radio, television, print, transit bus benches, movie theatres, publications, the internet about water quality, conservation programs,



and customer service programs and services. A greater emphasis is placed on promoting the use of online services. Customers can pay their bill online, request paperless billing, check their usage, and request new service and disconnection, all with the click of the mouse. Advertising these services continues to be a top priority of the department in an effort to facilitate the customer service experience. The Department participates in numerous outreach events such as workshops, showerhead exchanges, targeted group and school meetings, and various commissioner-sponsored events. In addition to traditional forms of media such as newspapers, television and radio talk shows, Public Affairs also has utilized Facebook, Twitter, YouTube and movie theaters to capture a wider and more diverse audience.

The Office also revamped and revised its internal and external websites making them more user-friendly and more transaction-oriented for customers to conduct their business 24-hours-a-day. The website has become a central point for customers to conduct business with the department. The website was redesigned to improve customer contact and transactions. When a customer submits the request via e-mail, there is an immediate auto response that replies that the request has been received. Furthermore, informational videos (currently posted on the Miami-Dade County portal and YouTube) promote tap water, the proper disposal of grease, how to read your meter, and how to check for leaks.


To promote the department's Multi-Year Capital Improvement Program and Consent Decree, an advertising campaign has been developed to educate the community of the need for upgrades throughout the system as well as the need for funding.

During FY2014, Public Affairs developed a new department identifier with the tagline "It Starts With Water". The identifier is clean, crisp, presents a natural association with the department and will quickly become synonymous with the great work WASD is doing not only in its daily business, but also the impact our future projects will make within the community for decades to come.

"It Starts With Water," the identifier's slogan, is an important message that will reinforce to the public the need for an upgraded water and sewer infrastructure that will not only improve service delivery and reliability, but also provide economic, environmental and business development benefits, as well.

A series of print and radio ads have been developed to promote the need for these very important improvement projects.

In FY2014, the Office planned the Sixth Annual Model Water Tower Competition in an effort to dialogue with an underserved demographic – teens. The competition engages students by having them apply scientific theory learned in the classroom and apply it in real life situations by building a working model water tower. By initiating this communication with high school students, they were introduced to government services, as well as future career opportunities in the water profession. The Department continued its growing outreach efforts to Miami-Dade County's sizable Hispanic community during FY2014. The Department conducted appearances on a number of Spanish language radio shows, advocating for water issues, as well as advertising in small community newspapers. The Consumer Confidence Report (CCR) for this fiscal year was designed in the form of a newspaper, incorporating information in both English and Spanish. In fiscal year 2013,

A close-up photograph of water splashing, with droplets and ripples visible against a light blue background.

government regulations allowed for the CCR to be posted on the department's website with announcement notices included in customers' bills to inform them of the document. Customers who preferred a hardcopy were mailed one. Distributing the CCR in this method, as well as the external customer newsletter Pipeline being published electronically, greatly reduces the department's carbon footprint, as well as realizes thousands of dollars of savings in postage and printing.



Other Information

INDEPENDENT AUDIT

The accompanying financial statements have been audited by the Department's independent auditors and their report on the financial statements resulting from their audit is included in the financial section of this report.

AWARDS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013.

The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards.


Such report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Department has received a Certificate of Achievement for the past 31 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to the GFOA.

ACKNOWLEDGEMENTS

We wish to thank all of the Department's employees for their hard work and dedication during the past fiscal year. We would also like to thank the Department's Controller Division and the Public Affairs Section, and the County's Internal Services Department's Printing and Graphics Section, for their tireless efforts and professionalism in preparing this report, as well as our external auditors for their invaluable assistance. Finally, a special acknowledgement is extended to the Mayor and Board of County Commissioners for their continued leadership in enabling the Department to fulfill its role.



Lester Sola
Director



L. Douglas Yoder, Ph.D.
Deputy Director – Operations



Frances G. Morris
Assistant Director – Finance



Government Finance Officers Association

**Certificate of
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Presented to

**Miami-Dade Water and Sewer
Department, Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

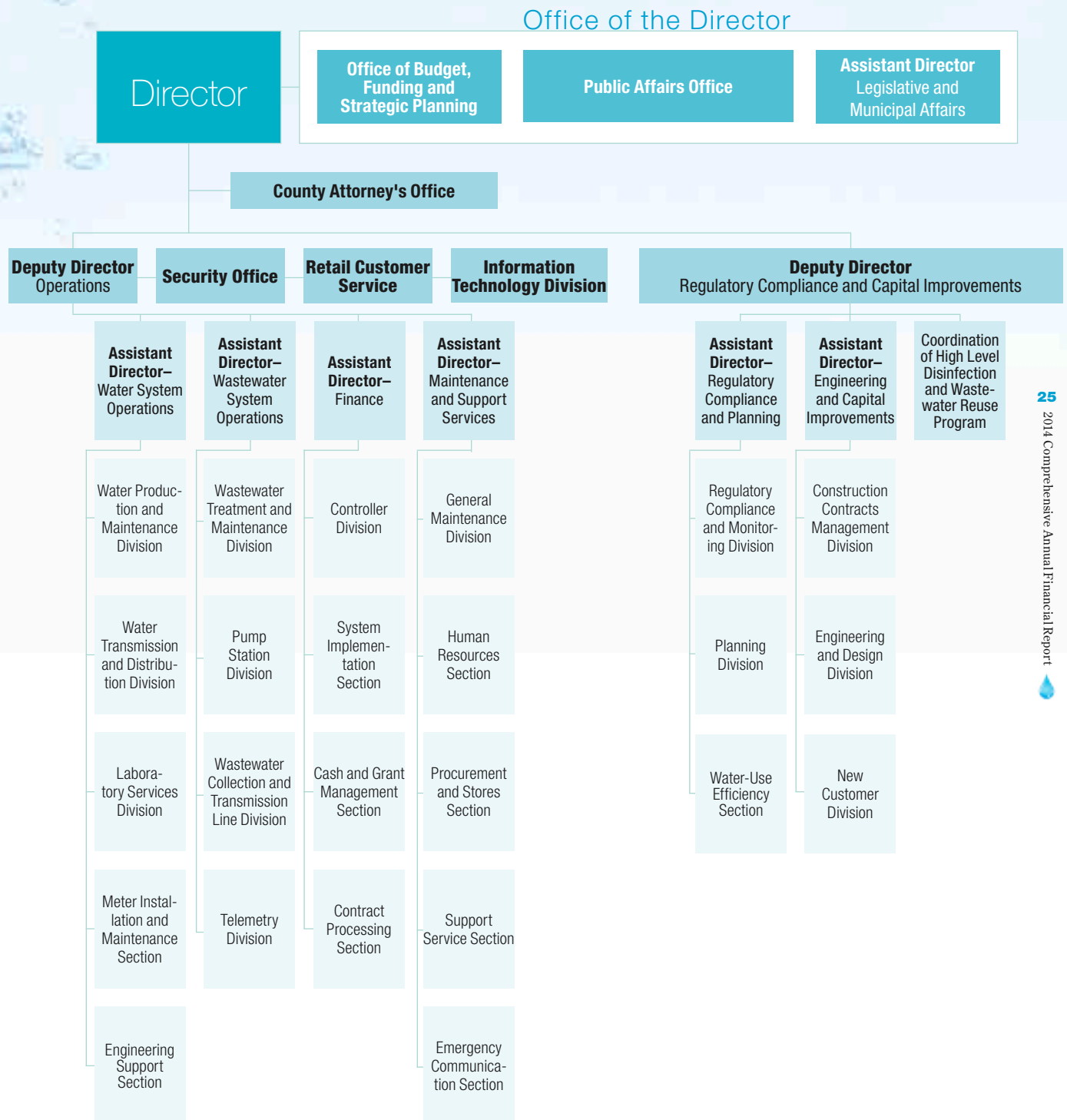
September 30, 2013



Executive Director/CEO



Organizational Chart





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Financial Section

INDEPENDENT AUDITORS' REPORT

Honorable Carlos A. Gimenez, Mayor, and
Honorable Chairperson and Members of the
Board of County Commissioners
Miami-Dade County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Miami-Dade Water and Sewer Department, a department of Miami-Dade County, Florida (the Department), which comprise the statement of net position as of September 30, 2014 and 2013 and the statement of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 auditors' 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 respective financial position of the Department, as of September 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Department implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements present only the Department and do not purport to, and do not, present fairly the financial position of the County as of September 30, 2014 and 2013, the changes in its financial position, or, 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 the Management's Discussion and Analysis and the schedule of funding progress on pages 32-36 and 58 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's financial statements. The information identified in the table of contents as Supplementary Financial Data are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Financial Data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 Financial Data is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015 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, and grant agreements and other matters. The purpose of that report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
February 24, 2015



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Management's Discussion & Analysis

OVERVIEW

The following Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of the Miami-Dade Water and Sewer Department (Department) for the fiscal year ended September 30, 2014. The MD&A presents management's examination and analysis of the Department's financial condition and performance. It should be read in conjunction with the financial information of the transmittal letter in the introductory section and the financial statements in the financial section of this report. The financial statements include the statements of net position; statements of revenues, expenses and changes in net position; statements of cash flows; notes to the financial statements; and required supplementary information.

The statements of net position present the financial position of the Department as of a specific date. It provides information about the nature and amount of resources (assets) and obligations (liabilities), with net position being the difference between assets and liabilities. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the Department's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs which may not coincide with the timing of the related cash flows.

The statements of cash flows present the cash activities of the Department segregated in the following four major categories: operating, non-capital financing, capital and related financing, and investing. This statement also presents the changes in cash and cash equivalents of the Department.

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

FINANCIAL POSITION

A summary of the Department's net position and related changes for the fiscal years ended September 30, 2014, 2013 and 2012 is shown on the following page. The unrestricted portion of net position (available to meet ongoing and future obligations of the Department) decreased by \$93.9 million, or 20.9% in 2014. In 2013, unrestricted net position had an increase of \$17.6 million, or 4.1%.

Total expenses increased by \$28.6 million, or by 4.8%, in 2014, and increased by \$22.5 million or by 3.9% in 2013. The 2014 increase is primarily due to a higher level of depreciation, electrical services and administrative support charges. The 2013 increase is primarily due to a higher level of depreciation and administrative support charges.

Total net position as of September 30, 2014, was approximately \$2.2 billion. The Department's total net position increased by \$22.3 million, or by 1.0%, from prior year which is primarily due to an increase in operating expenses and operating revenue. In 2013, net position decreased by \$25.9 million, or by 1.2%, from prior year which is primarily due to an increase in operating expenses and a decrease in investment income.



Management's Discussion & Analysis

	(In thousands)		
<u>SUMMARY OF NET POSITION</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,191,273	\$ 1,225,104	\$ 959,592
Capital Assets, net	3,523,709	3,492,280	3,473,954
Total Assets	<u>4,714,982</u>	<u>4,717,384</u>	<u>4,433,546</u>
Deferred Outflows of Resources	14,170	-	-
Total Assets & Deferred Outflows of Resources	<u>4,729,152</u>	<u>4,717,384</u>	<u>4,433,546</u>
Long-term Liabilities	2,273,111	2,311,722	2,006,909
Current Liabilities	227,367	208,327	203,362
Total Liabilities	<u>2,500,478</u>	<u>2,520,049</u>	<u>2,210,271</u>
Deferred Inflows of Resources	8,987	-	-
Total Liabilities & Deferred Inflows of Resources	<u>2,509,465</u>	<u>2,520,049</u>	<u>2,210,271</u>
Net Position			
Net Investment in Capital Assets	1,542,930	1,474,197	1,567,455
Restricted	321,122	273,623	223,887
Unrestricted	355,635	449,515	431,933
Total Net Position	<u>\$ 2,219,687</u>	<u>\$ 2,197,335</u>	<u>\$ 2,223,275</u>

(Continued)



Management's Discussion & Analysis

(continued)

SUMMARY OF CHANGES IN NET POSITION

	(In thousands)		
	2014	2013	2012
Water operating revenues	\$ 263,612	\$ 248,312	\$ 251,130
Wastewater operating revenues	315,238	300,096	285,172
Investment Income	3,933	(18,351)	21,797
Other nonoperating revenues	48,758	32,917	28,375
Total revenues	631,541	562,974	586,474
Water source of supply	10,788	10,874	10,705
Water power and pumping	1,911	1,816	1,798
Water treatment	58,741	60,188	59,811
Water transmission and distribution	28,844	27,882	27,423
Wastewater collection system	22,500	21,638	20,150
Wastewater pumping	35,444	34,692	34,085
Wastewater treatment	86,772	79,367	74,367
Customer accounting	5,654	8,304	7,299
Customer service	17,526	16,851	16,275
General and Administrative	81,662	78,552	73,164
Depreciation	183,557	177,570	163,315
Interest expense	89,678	78,538	85,478
Other nonoperating expenses	6,088	4,345	4,106
Total expenses	629,165	600,617	577,976
Income (Loss) before contributions and transfers	2,376	(37,643)	8,498
Capital contributions	35,810	19,459	28,156
Increase (Decrease) in net position	38,186	(18,184)	36,654
Net position at beginning of year	2,197,335	2,223,275	2,186,621
Series 2007 Adjustment ⁽¹⁾	-	(7,756) ⁽¹⁾	-
GASB 65 Restatement ⁽²⁾	(15,834) ⁽²⁾	-	-
Net position at end of year	\$ 2,219,687	\$ 2,197,335	\$ 2,223,275

⁽¹⁾ For fiscal year 2013, the beginning balance of net position was restated to include a \$7.8M correction related to the Series 2007 bond interest payment. Monies were previously held in escrow by Miami-Dade Finance Dept. but were subsequently paid out October 2007.

⁽²⁾ The Department implemented GASB Statement No. 65 in fiscal year 2014. As a result, the deferred amount on refunding was reclassified from bonds payable to a deferred outflow of resources in fiscal year 2014 but was not reclassified for fiscal year 2013 presentation as the amount was not deemed to be material. In addition, the Department's beginning net position in fiscal year 2014 was restated to account for the effects of unamortized bond issue costs from prior years but were not restated for fiscal year 2013 presentation as the amounts were deemed not to be material.



Management's Discussion & Analysis

CAPITAL ASSETS

The following table summarizes the Department's capital assets, net of accumulated depreciation, for the fiscal years ended September 30, 2014, 2013 and 2012 (in thousands). Total capital assets increased by \$31.4 million, or 0.9%, in 2014. This increase is due to capital additions, net of plant retirements of \$187.6 million, offset by \$175.9 million net increase in accumulated depreciation. Total capital assets increased by \$18.3 million, or 0.5%, in 2013. This increase is due to capital additions, net of plant retirements of \$219.7 million, offset by \$170.7 million net increase in accumulated depreciation. Additional information on changes in capital assets can be found in Note 6 to the financial statements on page 47.

	(In thousands)		
	2014	2013	2012
Land	\$ 53,082	\$ 50,373	\$ 50,373
Structures and improvements (net)	2,354,327	2,374,458	2,314,517
Equipment (net)	302,179	222,804	219,006
Construction work in progress	814,121	844,645	890,058
Total capital assets	<u>\$ 3,523,709</u>	<u>\$ 3,492,280</u>	<u>\$ 3,473,954</u>

This year's major expenditures in capital assets included:

Water projects:

- Transmission mains, meters and services (\$38.5 million)
- Treatment facilities and equipment (\$11.3 million)
- Wells (\$2.3 million)
- Meters (\$2.2 million)
- Hydrants (\$2.2 million)

Wastewater projects:

- Treatment facilities (\$30.4 million)
- Force Mains (\$22.5 million)
- Gravity mains and services (\$12.0 million)
- Pump Stations (\$10.2 million)
- Infiltration and inflow reduction program (\$2.4 million)

Budgeted capital expenditures for fiscal year 2015 amount to \$305.5 million and include \$119.0 million in water projects and \$186.5 million in wastewater projects.

LONG-TERM DEBT

Long-term debt outstanding (including current portion) at September 30, 2014, 2013 and 2012 is presented in the following table (in thousands). FY2014 shows a decrease of \$38.7 million from the previous year, and FY2013 shows an increase of \$308.5 million from FY2012.

	(In thousands)		
	2014	2013	2012
Revenue Bonds	\$ 2,118,735	\$ 2,178,341	\$ 1,880,872
State Loan Obligations	175,796	154,873	143,843
Total long-term debt	<u>\$ 2,294,531</u>	<u>\$ 2,333,214</u>	<u>\$ 2,024,715</u>

During FY2014, draws made on state revolving loan commitments, recorded as debt, including capitalized interest, totaled \$35.6 million. Current long-term debt maturities were met in the amount of \$74.1 million. Additional long-term debt details can be found in Note 7 on page 47 of this report.

Management's Discussion & Analysis

The Department is required to maintain rates and charges sufficient to meet two tiers of debt service coverage requirements. First, adjusted annual net operating revenues must equal or exceed 1.25 percent of the debt service on senior lien revenue bonds. The Department met the primary debt coverage for the year with a ratio of 1.60 percent. Second, adjusted net operating revenues, after payment of revenue bond debt service, must be at least equal to 1.15 percent of the debt service for the subordinate state loan obligations. The Department met the secondary debt service coverage with a ratio of 3.30 percent.

REQUEST FOR INFORMATION

Questions concerning this report or request for additional information should be directed to Frances G. Morris, Assistant Director – Finance at 786-552-8104 or, at her office address at 3071 SW 38th Avenue, Miami, Florida 33146.



Statements of Net Position

	September 30,	(In thousands) 2014	2013
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	26,227	\$ 32,671
Investments		59,483	51,740
Accounts receivable (net of allowance for uncollectible accounts of \$20.6 million in 2014 and \$20.5 million in 2013)		110,400	104,504
Inventory of materials and supplies		38,294	37,366
Other current assets		2,722	1,561
Restricted cash and cash equivalents		154,071	131,691
Total current assets		<u>391,197</u>	<u>359,533</u>
<i>NON-CURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents		121,437	174,690
Investment derivative instrument		33,552	33,407
Investments		521,709	501,609
Long-term receivable - General Fund		20,000	25,000
Contracts receivable		35	35
Grants receivable		125	452
Total restricted assets		<u>696,858</u>	<u>735,193</u>
<i>OTHER ASSETS:</i>			
Debt insurance costs		9,816	25,950
Other charges, net		93,402	104,428
Total other assets		<u>103,218</u>	<u>130,378</u>
<i>CAPITAL ASSETS:</i>			
Land		53,082	50,373
Structures and Improvements		4,323,979	4,204,065
Equipment		1,108,190	992,921
Utility plant in service before depreciation		5,485,251	5,247,359
Less accumulated depreciation		(2,775,663)	(2,599,724)
Net utility plant in service		2,709,588	2,647,635
Construction work in progress		814,121	844,645
Total capital assets		<u>3,523,709</u>	<u>3,492,280</u>
Total non-current assets		<u>4,323,785</u>	<u>4,357,851</u>
Total assets		<u>4,714,982</u>	<u>4,717,384</u>
<i>DEFERRED OUTFLOWS OF RESOURCES:</i>			
Loss on refundings		14,170	-
Total deferred outflows of resources		<u>14,170</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources		<u>\$ 4,729,152</u>	<u>\$ 4,717,384</u>

(Continued)

Statements of Net Position

		(In thousands)	
(Continued)	September 30,	2014	2013
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		\$ 43,591	\$ 42,965
Customer and developer deposits		13,495	12,649
Current portion of long-term debt		6,327	9,117
Rebatable arbitrage earnings		-	1,838
Liability for compensated absences		9,350	9,636
Other liabilities		533	431
Total current liabilities (payable from unrestricted current assets)		<u>73,296</u>	<u>76,636</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		27,694	17,357
Retainage payable		4,420	7,030
Current portion of long-term debt		67,795	59,828
Accrued interest payable		53,181	46,224
Liability for self-insurance		981	1,252
Total current liabilities (payable from restricted current assets)		<u>154,071</u>	<u>131,691</u>
Total current liabilities		<u>227,367</u>	<u>208,327</u>
<i>NON-CURRENT LIABILITIES:</i>			
Revenue bonds payable, net		2,073,161	2,121,226
State loan obligations, net		161,420	143,043
Liability for self-insurance		1,228	1,486
Liability for compensated absences		32,044	31,202
Liability for post-employment benefits		5,258	5,003
Unearned revenues		-	9,762
Total non-current liabilities		<u>2,273,111</u>	<u>2,311,722</u>
Total liabilities		<u>2,500,478</u>	<u>2,520,049</u>
<i>DEFERRED INFLOWS OF RESOURCES:</i>			
Gain on refundings		8,987	-
Total deferred inflows of resources		<u>8,987</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources		<u>2,509,465</u>	<u>2,520,049</u>
NET POSITION			
Net investment in capital assets		1,542,930	1,474,197
Restricted for:			
Capital projects		177,321	118,898
Debt service		143,801	154,725
Unrestricted		355,635	449,515
Total net position		<u>2,219,687</u>	<u>2,197,335</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 4,729,152</u>	<u>\$ 4,717,384</u>

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



Statements of Revenues, Expenses, and Changes in Net Position

	(In thousands)	
	For the years ended September 30,	
	<u>2014</u>	<u>2013</u>
<i>OPERATING REVENUES:</i>		
Water	\$ 263,612	\$ 248,312
Wastewater	<u>315,238</u>	<u>300,096</u>
Total operating revenues	<u>578,850</u>	<u>548,408</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Water source of supply	10,788	10,874
Water power and pumping	1,911	1,816
Water treatment	58,741	60,188
Water transmission and distribution	28,844	27,882
Wastewater collection system	22,500	21,638
Wastewater pumping	35,444	34,692
Wastewater treatment	86,772	79,367
Customer accounting	5,654	8,304
Customer service	17,526	16,851
General and administrative	81,662	78,552
Total operating and maintenance expenses	<u>349,842</u>	<u>340,164</u>
 Operating income before depreciation	229,008	208,244
 <i>DEPRECIATION</i>	<u>183,557</u>	<u>177,570</u>
 Operating income	45,451	30,674
 <i>NON-OPERATING REVENUES (EXPENSES):</i>		
Investment income (loss)	3,933	(18,351)
Interest expense	(89,678)	(78,538)
Amortization of insurance costs	(1,864)	(3,002)
Operating grants	122	923
Customer connection fees	31,161	25,447
Other revenues	17,474	6,547
Other expenses	<u>(4,223)</u>	<u>(1,343)</u>
 Income (Loss) before contributions and transfers	<u>2,376</u>	<u>(37,643)</u>
 Capital contributions	<u>35,810</u>	<u>19,459</u>
 Increase (Decrease) in net position	<u>38,186</u>	<u>(18,184)</u>
 Net position at beginning of year	2,197,335	2,215,519
GASB 65 Restatement ⁽¹⁾	<u>(15,834)</u>	<u>-</u>
 Net position at end of year	<u>\$ 2,219,687</u>	<u>\$ 2,197,335</u>

⁽¹⁾ The Department implemented GASB Statement No. 65 in fiscal year 2014. As a result, the deferred amount on refunding was reclassified from bonds payable to a deferred outflow of resources in fiscal year 2014 but was not reclassified for fiscal year 2013 presentation as the amount was not deemed to be material. In addition, the Department's beginning net position in fiscal year 2014 was restated to account for the effects of unamortized bond issue costs from prior years but were not restated for fiscal year 2013 presentation as the amounts were deemed not to be material.

Statements of Cash Flows

	(In thousands)	
For the years ended September 30,	2014	2013
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 622,946	\$ 577,950
Cash paid to suppliers for goods and services	(163,727)	(149,345)
Cash paid to employees for services	(187,939)	(181,503)
GASB 65 Restatement	(15,834)	-
Net cash provided by operating activities	255,446	247,102
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	122	922
Loan to County's General Fund	5,000	-
Net cash provided by non-capital financing activities	5,122	922
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	33,597	513,170
Principal payments - bond, loans and notes	(69,788)	(214,125)
Bond premium	385	(3,844)
Interest paid	(88,834)	(83,947)
Acquisition and construction of capital assets	(147,351)	(164,878)
Net cash (used) provided by capital and related financing activities	(271,991)	46,376
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(849,277)	(578,909)
Proceeds from sale and maturity of investment securities	823,667	228,069
Interest on investments	(284)	2,260
Net cash (used) provided by investing activities	(25,894)	(348,580)
Net (decrease) increase in cash and cash equivalents	(37,317)	(54,180)
Cash and cash equivalents at beginning of year	339,052	393,232
Cash and cash equivalents at end of year	\$ 301,735	\$ 339,052

(Continued)



Statements of Cash Flows

(Continued)	For the years ended September 30,	(In thousands) <u>2014</u>	<u>2013</u>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income		\$ 45,451	\$ 30,674
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		183,557	177,570
Provision for uncollectible accounts		(182)	2,957
Amortization of charges		1,006	77
Other revenues		530	530
Non-operating other, net		44,412	30,651
GASB 65 adjustment		(15,834)	-
Increase (decrease) in assets:			
Accounts receivable		(5,713)	(3,643)
Inventory of materials and supplies		(928)	(647)
Other current assets		(1,161)	1,549
Contracts receivable		327	(283)
Other charges		9,082	1,151
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		626	2,184
Customer and developer deposits		846	1,475
Accrued interest payable		(6,957)	967
Liability for compensated absences		556	1,486
Other liabilities		102	219
Liability for other post-employment benefits		255	999
Liability for self-insurance		<u>(529)</u>	<u>(814)</u>
Net cash provided by operating activities		\$ 255,446	\$ 247,102

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Property, plant and equipment contributions were received in amounts of \$35.8 million and \$19.5 million in fiscal years 2014 and 2013, respectively.

The change in the fair value of investments was a \$2.2 million increase and a \$3.0 million decrease in fiscal year 2014 and 2013, respectively.

The change in the fair value of swaps was a \$0.1 million increase and a \$17.7 million decrease in fiscal year 2014 and 2013, respectively.

	(In thousands)	
	2014	2013
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR</i>		
Unrestricted current cash and cash equivalents	\$ 26,227	\$ 32,671
Restricted current cash and cash equivalents	154,071	131,691
Restricted non-current cash and cash equivalents	121,437	174,690
Total cash and cash equivalents at end of year	<u>\$ 301,735</u>	<u>\$ 339,052</u>

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

Notes to Financial Statements

SEPTEMBER 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Miami-Dade Water and Sewer Department (Department) functions as a self-supporting governmental enterprise fund of Miami-Dade County, Florida (County). An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through user charges. Accordingly, its financial statements have been prepared on the accrual basis of accounting. The Department issues a separate comprehensive annual financial report and its financial statements are combined in the County's comprehensive annual financial report.

The accompanying financial statements combine the accounts of both the Water and Wastewater Systems to provide meaningful information with respect to the Department, with all transactions of the Department accounted for as one enterprise fund. All significant inter-system accounts and transactions have been eliminated.

BASIS OF ACCOUNTING

The financial statements are prepared in conformity with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). The Department implemented and follows the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for the proprietary fund financial statements.

OPERATING/NONOPERATING REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing water and wastewater services. Nonoperating revenues and expenses include capital, financing, investing and other activities either not related to or incidental to the provision of water and wastewater services.

REVENUE RECOGNITION

All water and wastewater revenues are recognized when the related services are provided. Unbilled receivables have been estimated and accrued as revenue from the date of last reading of the meters based on the billing cycle. Unbilled accounts receivable were approximately \$41.0 million and \$36.8 million as of September 30, 2014 and 2013, respectively.

CAPITAL ASSETS

Property acquired with an initial individual cost of \$1,000 or more and an estimated useful life in excess of one year is capitalized at cost. Major outlays for construction of capital assets and improvements are capitalized at cost. Expenditures for maintenance and repairs are expensed as incurred. Property contributions received from municipalities are recorded as capital assets by the Department at the acquisition cost to the municipality. Property contributed in aid of construction is capitalized at its estimated fair market value on the date received.

Only those intangible assets valued at more than \$100,000 are recorded as an asset (threshold determinations are based on aggregate cost). For fiscal year 2014, no separately identifiable intangible assets met the threshold for recording.

Annualized depreciation expense, expressed as a percent of depreciable capital assets, was 3.4% for fiscal years ended September 30, 2014 and 2013, respectively. The Department utilizes the single-unit straight-line depreciation method with normal retirements charged to accumulated depreciation, and gain or loss is recognized on retirements. Assets with a change in estimated life are depreciated based on net book value over the remaining life of the asset. Estimated useful lives of capital assets in service are as follows:

	Water System	Wastewater System
	(Years)	
Structures and improvements	25-45	25-45
Equipment	3-20	3-20

Total depreciation expense for the fiscal years ended September 30, 2014 and 2013 was \$183.6 million and \$177.6 million, respectively.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement establishes financial reporting requirements for standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on net position. The statement of net position reports the residual amount as net position, rather than net assets. This statement was effective for fiscal year 2013.



Notes to Financial Statements

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash includes cash on hand, amounts in demand deposits, and positions in investment pools that can be deposited or withdrawn without notice or penalty. Cash equivalents are short-term, highly liquid securities with known market values and maturities, when acquired, of less than three months.

The Department has opted to report money market and non-participating investments, with remaining maturities of one year or less at the time of purchase, at amortized cost, which approximates fair value.

Investments are carried at fair value. The net increase or decrease in the fair value of investments is included as part of investment income in the accompanying statements of revenues, expenses and changes in net position.

INVENTORY

Materials and supplies inventories are stated at lower of weighted average cost or market.

INTEREST ON INDEBTEDNESS

Interest is charged to expense, as incurred, except for interest related to borrowings used for construction projects which is capitalized, net of interest earned on construction funds borrowed. Interest incurred during the fiscal years ended September 30, 2014 and 2013 was \$113.8 million and \$92.6 million, respectively. Interest in the amount of, \$24.1 million and \$14.0 million was capitalized in fiscal years 2014 and 2013, respectively, net of interest earned on construction funds from tax-exempt borrowing of \$6.6 million and \$0.3 million in fiscal years 2014 and 2013, respectively.

For interest rate swap agreements, the amounts recorded in the financial statements are the net interest expense along with amortization of fees paid or received resulting from these agreements. The Department recorded an upfront payment for the swap option that was terminated during FY 2009 and is amortizing the payment, net of interest expense, in the financial statements.

Effective October 1, 2011, the Department adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, which requires recognition, measurement and disclosure of information regarding derivative instruments entered into by the Department and reported at fair value. GASB Statement 64 amends GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

BOND DISCOUNT AND PREMIUM

Discounts and premiums on bonds and notes payable are amortized using the straight-line method over the life of the related bond issuances or term of the notes. Discounts and premiums are presented Net of the Related Debt.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result, the deferred amount on refunding was reclassified from bonds payable to a deferred outflow of resources in fiscal year 2014 but was not reclassified for fiscal year 2013 presentation as the amount was not deemed to be material. In addition, the Department's beginning net position in fiscal year 2014 was restated to account for the effects of unamortized bond issue costs from prior years but were not restated for fiscal year 2013 presentation as the amounts were deemed not to be material. Bond issues costs, with the exception of the insurance portion, is expensed as incurred.

CAPITAL CONTRIBUTIONS

The Department records external capital contributions as revenues to the proprietary funds.

GRANTS FROM GOVERNMENT AGENCIES

The Department records grants when all applicable eligibility requirements have been met. This normally occurs as amounts are expended and become reimbursable from the granting agency.

COMPENSATED ABSENCES

The Department accounts for compensated absences by accruing a liability for employees' compensation for future absences.

COST ALLOCATION

Certain engineering overhead and other costs are generally allocated to capital projects and operating expenses using standard rates developed by independent consultants. The rate is based on various allocation bases which bear reasonable relation with the type of allocable expenditure.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the finan-

Notes to Financial Statements

cial statements and the reported amounts of revenues and expenditures/expense during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County is authorized through the Florida Statutes §218.415, Ordinance No. 84-47, Resolution R-31-09 and its Investment Policy to make certain investments. The County's Investment Policy objectives are, in order of priority, the safety of principal, liquidity of funds and maximizing investment income.

The Department pools all cash, cash equivalents and investments, with the exception of certain amounts which are required to be held in trust and escrow accounts under the terms of bond ordinances and loan agreements. Various self-balancing account groups are participants in such pooling, sharing on a pro-rata basis in the pooled earnings, according to their respective average monthly balances.

DEPOSITS

The carrying amounts of the Department's local deposits were \$295.3 million and \$296.6 million as of September 30, 2014 and 2013, respectively. The bank balances at local depositories were \$306.8 million and \$321.7 million as of September 30, 2014 and 2013, respectively, consisting of demand deposit accounts only. All deposits are fully insured by Federal Depository Insurance and a multiple financial institution collateral pool required by Chapter 280 Florida Statutes, "Florida Security for Public Deposits Act". Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with a State-approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

As a rule, the County intends to hold all purchased securities until their final maturity date. There may be occasional exceptions, including, but not limited to the need to sell securities to meet unexpected liquidity needs.

Cash on hand and cash held by other parties as of September 30, 2014 was approximately \$301.7 million.

INVESTMENTS

The Department's fixed income investments at September 30, 2014 and 2013, are shown in the following table (in thousands).

	Fair Value	
	2014	2013
Federal Home Loan Mortgage Corporation	\$ 160,101	\$ 195,492
Federal Home Loan Bank	141,697	118,518
Federal Farm Credit Bank	94,549	55,200
Federal National Mortgage Association	178,516	156,638
Treasury Notes	-	38,323
Interest Bearing	5,691	8,695
Total Investments	<u>\$ 580,554</u>	<u>\$ 572,866</u>

CREDIT RISK

The Policy, minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission (SEC) registered money market funds with the highest credit rating from a nationally recognized rating agency; interest-bearing time deposits or saving accounts in qualified public depositories, pursuant to Florida Statutes §280.02, which are defined as banks, savings banks, or savings associations organized under the laws of the United States with an office in this state that is authorized to receive deposits, and has deposit insurance under the provisions of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interests in, and open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to the obligations of the United States government or any agency or instrumentality thereof and fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; commercial paper of prime quality with a stated maturity of 270 days or less from the date of its issuance, which has the highest letter and numerical rating as provided for by at least two nationally recognized rating services; banker acceptances which have a stated maturity of 180 days or less from the date of issuance, and have the highest letter and numerical rating as provided for by at least two nationally recognized rating services, and are drawn on and accepted by commercial banks and which are eligible for purchase by



Notes to Financial Statements

the Federal Reserve Bank, investments in repurchase agreements (“Repos”) collateralized by securities authorized by this policy. All Repos shall be governed by a standard SIFMA Master Repurchase Agreement; municipal securities issued by U.S., state or local governments, having at time of purchase, a stand-alone credit rating of AA or better assigned by two or more recognized credit rating agencies or a short-term rating of A1/P1 or equivalent from one or more recognized credit rating agencies. Securities lending, securities or investments purchased or held under the provisions of this section, may be loaned to securities dealers or financial institutions provided the loan is collateralized by cash or securities having a market value of at least 102 percent of the market value of the securities loan upon ignition of the transaction.

The following table summarizes the investments by type and credit ratings at September 30, 2014 and 2013.

	Credit Ratings	
	2014	2013
Federal Home Loan Mortgage Corporation	AA+/A-1+	AA+/A-1+
Federal Home Loan Bank	AA+/A-1+	AA+/A-1+
Federal Farm Credit Bank	AA+/A-1+	AA+/A-1+
Federal National Mortgage Association	AA+/A-1+	AA+/A-1+
Treasury Notes	AA+/A-1+	AA+/A-1+

Guaranteed investment contracts (GIC) are not subject to credit rating because they are direct contractual investments and are not securities. These GIC provide for a guaranteed return on investments over a specified period of time.

CUSTODIAL CREDIT RISK

The Policy requires that bank deposits be secured per Chapter 280, Florida Statutes. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2014 all the County’s bank deposits were in qualified public depositories.

The Policy requires the execution of a Custodial Safekeeping Agreement (CSA) for all purchased securities which shall be held for credit of the County in an account separate and apart from the assets of the financial institution.

CONCENTRATION OF CREDIT RISK

The Policy establishes limitations on portfolio composition by investment type and by issuer to limit its exposure to concentration of credit risk. The Policy provides that a maximum of 50% of the portfolio may be invested in the State of Florida Local Government Surplus Funds Trust Fund (“Pool”); however, the bond proceeds may be temporarily deposited in the Pool until alternative investments have been purchased. Prior to any investment in the Pool, approval must be received from the Board of County Commissioners. A maximum of 30% of the portfolio may be invested in SEC registered money market funds with no more than 10% to any single money market fund; a maximum of 20% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit and savings account with no more than 5% deposited with any one insurer. There is no limit on the percent of the total portfolio that may be invested in direct obligations of the U.S. Treasury or federal agencies and instrumentalities; with no limits on individual issuers (investment in agencies containing call options shall be limited to a maximum of 25% of total portfolio). A maximum of 5% of the portfolio may be invested in open-end or closed-end funds; a maximum of 50% of the portfolio may be invested in prime commercial paper with a maximum of 5% with any one issuer; a maximum of 25% of the portfolio may be invested in bankers acceptances with a maximum of 10% with any one issuer, but a maximum of 60% of the portfolio may be invested in both commercial paper and bankers acceptances. A maximum of 20% of the portfolio may be invested in repurchase agreements with the exception of one (1) business day agreements, with a maximum of 10% of the portfolio with any one institution or dealer with the exception of one (1) business day agreements. Investments in derivative products are prohibited by Miami-Dade County. A maximum of 25% of the portfolio may be directly invested in municipal obligations, up to 5% with any one municipal issuer.

As of September 30, 2014 and 2013, the following issuers held 5% or more of the investment portfolio:

	% of Portfolio	
	2014	2013
Federal Home Loan Mortgage Corporation	34.13	34.13
Federal Home Loan Bank	20.69	20.69
Federal Farm Credit Bank	9.64	9.64
Federal National Mortgage Association	30.75	27.34
Treasury Notes	-	6.69

Notes to Financial Statements

The schedule excludes investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investments pools.

INTEREST RATE RISK

The Policy limits interest rate risk by requiring the matching of known cash needs and anticipated net cash outflow requirements; following historical spread relationships between different security types and issuers; evaluating both interest rate forecasts and maturity dates to consider short-term market expectations. The Policy requires that investments made with current operating funds shall maintain a weighted average of no longer than one year. Investments for bond reserves, construction funds and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of five years.

As of September 30, 2014 and 2013, the County had the following investments with the respective weighted average maturity in years.

	Weighted Average in Years	
	2014	2013
Federal Home Loan Mortgage Corporation	0.49	0.56
Federal Home Loan Bank	0.61	0.54
Federal Farm Credit Bank	0.76	1.33
Federal National Mortgage Association	0.55	1.01
Treasury Notes	-	0.13

FOREIGN CURRENCY RISK

The Policy limits the County's foreign currency risk by excluding foreign investments as an investments option.

3. RECEIVABLES

Receivables at September 30, 2014 and 2013 were as follows (in thousands):

	2014	2013
Trade Accounts	\$ 121,812	\$ 115,833
Non-retail accounts	8,301	8,270
Grants & Contracts	160	487
Other County funds	20,905	25,924
Gross receivables	151,178	150,514
Less: allowance for doubtful accounts	(20,618)	(20,523)
Net receivables	<u>\$ 130,560</u>	<u>\$ 129,991</u>

On September 22, 2011, the Department signed a Memorandum of Understanding (MOU) establishing a \$25 million loan to the County's General Fund as adopted in the fiscal year 2012 Budget Ordinance.

The Department transferred \$25 million cash to the General Fund and booked a receivable from the County. The term of this loan will be five years, no interest, with repayments of \$5 million per year to begin at the end of fiscal year 2014. As of September 30, 2014, the Department received the initial \$5 million with a current balance due of \$20 million.

4. OTHER CURRENT ASSETS

Other current assets at September 30, 2014 and 2013 were as follows (in thousands):

	2014	2013
Beginning Balance	\$ 1,561	\$ 3,110
Prepaid Expenses	(65)	1,170
Advance to City of Hialeah	4,023	3,567
Construction in Progress	(2,797)	(6,286)
Ending Balance	<u>\$ 2,722</u>	<u>\$ 1,561</u>

The County entered into an agreement with the City of Hialeah (City) to construct a 10 MGD, expandable to 17.5 MGD, reverse osmosis water treatment plant. The City and the County shall have equal 50% ownership of a reverse osmosis water treatment plant (WTP), inclusive of land, structures, facilities and appurtenances to be situated in the Annexation Area of the City. The County shall contribute and pay for 50% of the planning, design, construction and construction management (design and construction) cost for the WTP, in an amount not less than \$80 million, and the City shall contribute 50% of the design and construction cost for the WTP, in an amount not less than \$80 million based on an estimate. In Fall of 2013, the Plant began production capable of 7.5 MGD, with County and City each receiving 50% of the production. In fiscal year 2014, an additional \$4.0 million was contributed to the City of Hialeah. As of September 30, 2014, the Department has contributed approximately \$46.1 million towards the construction of the WTP.



Notes to Financial Statements

5. RESTRICTED ASSETS

Certain bond ordinances and loan agreements require the Department to establish accounts to be used in accounting for proceeds and collateral pledged as a result of the various issues of debt. In many cases, the applicable ordinances refer to the restricted accounts as “funds”. Such accounts are not “funds” as defined by the National Council of Governmental Accounting (*NCGA Statement No. 1: Governmental Accounting and Financial Reporting Principles*) and, therefore, are not funds for financial reporting purposes, but are maintained as separate ac-

counts. Restricted assets at September 30, 2014 and 2013 are represented in the following table (in thousands):

	2014	2013
Debt Service	\$ 194,924	\$ 199,891
Construction	311,333	340,303
Renewal and Replacement	99,525	101,339
Plant Expansion	118,076	97,551
Self-Insurance	3,795	4,345
Other	123,276	123,455
Total Restricted Assets	<u>\$ 850,929</u>	<u>\$ 866,884</u>

6. CAPITAL ASSETS

Capital asset activity during fiscal years 2013 and 2014 was as follows (in thousands):

	Balance 09/30/12	2013		Balance 09/30/13	2014		Balance 09/30/14
		Additions	Deletions		Additions	Deletions	
Capital Assets, not being depreciated:							
Land	\$ 50,373	\$ -	\$ -	\$ 50,373	\$ 2,714	\$ (5)	\$ 53,082
Construction work in progress	890,058	166,585	(211,998)	844,645	147,877	(178,401)	814,121
Total capital assets, not being depreciated	940,431	166,585	(211,998)	895,018	150,591	(178,406)	867,203
Capital Assets, being depreciated							
Structures and improvements	4,012,486	195,834	(4,255)	4,204,065	124,206	(4,292)	4,323,979
Equipment	950,014	46,338	(3,431)	992,921	120,148	(4,879)	1,108,190
Total capital assets, being depreciated	4,962,500	242,172	(7,686)	5,196,986	244,354	(9,171)	5,432,169
Less accumulated depreciation:							
Structures and improvements	(1,697,969)	(135,119)	3,482	(1,829,606)	(143,185)	3,139	(1,969,652)
Equipment	(731,008)	(42,451)	3,341	(770,118)	(40,372)	4,479	(806,011)
Total accumulated depreciation	(2,428,977)	(177,570)	6,823	(2,599,724)	(183,557)	7,618	(2,775,663)
Total capital assets, being depreciated, net	2,533,523	64,602	(863)	2,597,262	60,797	(1,553)	2,656,506
Total capital assets, net	\$ 3,473,954	\$231,187	\$ (212,861)	\$ 3,492,280	\$211,388	\$ (179,959)	\$3,523,709

7. LONG-TERM DEBT

Long-term debt includes various bonds and loans which have been issued or approved by the County for the improvement of the Department’s water and wastewater infrastructure, and defeasance of outstanding debt. General covenants, along with debt service requirements, are disclosed on page 48. See Note 5, Restricted Assets, for a discussion of the accounts used in accounting for proceeds and collateral pledged as a result of the issuance of the various forms of debt.

The Department’s debt instruments contain various covenants and restrictions, which among other things, (1) prohibit the Department from taking any action that could jeopardize its tax-exempt status, and (2) require the Department to meet certain financial tests. Management believes that the Department was in compliance with all such covenants and restrictions at September 30, 2014.

MIAMI-DADE COUNTY REVENUE BONDS, SERIES 1999A

On May 5, 1999, \$150 million of Dade County Water and Sewer System Revenue Bonds, Series 1999A were issued to finance capital improvements to the water and wastewater systems. On August 2, 2013, \$152.4 million of Miami-Dade County Water and Sewer Revenue Refunding Bonds, Series 2013B, were issued to refund the Series 1999A bonds maturing October 2029.

The Series 1999A Revenue Bonds were collateralized by net operating revenues of the Department and were due serially on October 1 through the year 2029 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year’s debt service requirements were met in fiscal year 2014.

Notes to Financial Statements

CHANGES IN LONG-TERM LIABILITIES

A summary of long-term liability activity during fiscal years 2013 and 2014 is presented in the following table (in thousands):

Description	Outstanding Rate	Balance 09/30/2012	<u>2013</u>		Balance 09/30/2013	<u>2014</u>		Balance 09/30/2014	Due in 2015
			Additions	Deletions		Additions	Deletions		
<i>Dade County Revenue Bonds</i>									
Series 1999A	5.00%-5.00%	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2003	2.00%-5.00%	57,185	-	31,065	26,120	-	26,120	-	-
Series 2007	4.00%-5.00%	322,205	-	11,695	310,510	-	12,160	298,350	12,690
Series 2008A & B	3.25%-5.25%	433,985	-	3,270	430,715	-	9,880	420,835	37,745
Series 2008C	4.00%-6.00%	304,415	-	5,985	298,430	-	6,265	292,165	6,555
Series 2010	2.00%-5.00%	594,230	-	2,635	591,595	-	2,690	588,905	2,755
Series 2013A	5.00%-5.00%	-	340,265	-	340,265	-	-	340,265	-
Series 2013B	5.00%-5.00%	-	152,400	-	152,400	-	-	152,400	-
Less: Unamortized Discount		(3,874)	-	(1,924)	(1,950)	-	(143)	(1,807)	-
Loss on refunding		(15,769)	6,149	5,601	(15,221)		(15,221)	-	-
Plus: Unamortized Premium		38,495	19,261	12,279	45,477		3,684	41,793	-
Total revenue bonds		\$1,880,872	\$ 518,075	\$ 220,606	\$2,178,341	\$ -	\$ 45,435	\$2,132,906	\$ 59,745
<i>State Loan Obligations</i>									
State Revolving Fund	2.56%-4.17%	143,843	20,505	9,475	154,873	33,596	12,673	175,796	14,377
Total long-term debt		\$2,024,715	\$ 538,580	\$ 230,081	\$2,333,214	\$ 33,596	\$ 58,108	\$2,308,702	\$ 74,122
<i>Other liabilities</i>									
Compensated Absences		39,352	6,466	4,980	40,838	5,915	5,360	41,393	9,350
Self-Insurance		3,552	5,328	6,141	2,738	258	787	2,209	981
Other post-employment benefits		4,004	999	-	5,003	255	-	5,258	-
Gain on refundings		10,538	-	776	9,762	-	9,762	-	-
Total long-term liabilities		\$2,082,161	\$ 551,373	\$ 241,978	\$2,391,555	\$ 40,024	\$ 74,017	\$2,357,562	\$ 84,453

DEBT SERVICE REQUIREMENTS

As of September 30, 2014, the Department's debt service requirements to maturity for their term were as follows (in thousands):

Maturing in Fiscal Year	Revenue Bonds		State Loans		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Debt
2015	\$ 59,745	\$ 103,364	\$ 14,360	\$ 3,687	\$ 74,105	\$ 107,051	\$ 181,156
2016	62,640	100,483	13,459	3,361	76,099	103,844	179,943
2017	65,735	97,412	12,371	3,023	78,106	100,435	178,541
2018	68,990	94,159	11,231	2,739	80,221	96,898	177,119
2019	72,485	90,676	10,690	2,469	83,175	93,145	176,320
2020-2024	421,485	392,486	44,624	8,895	466,109	401,381	867,490
2025-2029	467,400	273,038	34,864	5,058	502,264	278,096	780,360
2030-2034	278,795	180,217	34,197	1,629	312,992	181,846	494,838
2035-2039	298,490	113,055	-	-	298,490	113,055	411,545
2040-2044	297,155	30,620	-	-	297,155	30,620	327,775
	\$ 2,092,920	\$ 1,475,510	\$ 175,796	\$ 30,861	\$ 2,268,716	\$ 1,506,371	\$ 3,775,087
Unamortized Discount, Refundings & Premium Amounts	39,986	-	-	-	39,986	-	39,986
Total	\$ 2,132,906	\$ 1,475,510	\$ 175,796	\$ 30,861	\$ 2,308,702	\$ 1,506,371	\$ 3,815,073

Notes to Financial Statements

MIAMI-DADE COUNTY REVENUE BONDS, SERIES 2003

On October 9, 2003, \$248.9 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2003 were issued to refund the County's Water and Sewer System Revenue Refunding Bonds, Series 1993, and to pay issue costs.

The Series 2003 Refunding Bonds are collateralized by net operating revenues of the Department and are due serially on October 1 through the year 2014 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY REVENUE BONDS, SERIES 2007

On September 29, 2007, \$344.7 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2007 were issued to refund the Miami-Dade County Water and Sewer System Revenue Bonds, Series 1997 maturing after October 1, 2009, and to pay issue costs.

The Series 2007 Refunding Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 starting in 2008 through the year 2026 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2008A

On July 15, 2008, the County issued \$68.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2008A to pay the costs of terminating the AIG Financial Products Corporation interest rate swap associated with the variable rate Dade County Water and Sewer System Revenue Bonds, Series 1994 and to pay issuance costs.

The Series 2008A Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially October 1 starting in 2009 through the year 2022 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2008B

On July 15, 2008, \$374.6 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008B were issued to redeem all of the County's Water and Sewer System Revenue Bonds, Series 1994 and to pay issuance and surety costs.

The Series 2008B Refunding Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 starting in 2009 through the year 2022 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2008C

On December 18, 2008, \$306.8 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008C were issued to redeem all of the County's Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 and to pay issuance and surety costs. The aggregate difference between the refunding and refunded debt resulted in a gain of \$13.8 million.

The Series 2008C Refunding Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 starting in 2009 through the year 2026 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2010

On March 10, 2010, \$594.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2010 were issued to finance capital improvements under the Department's Multi-Year Capital plan, repay the Regions Bank Line of Credit and to pay issue costs.

The Series 2010 Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 starting in 2010 through the year 2040 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

Notes to Financial Statements

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2013A

On August 2, 2013, the County issued \$340.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2013A to pay cost of constructing and acquiring certain improvements under the Department's Multi-Year Capital Plan, pay capitalized interest on the bonds, make a deposit to the Reserve Account and to pay issue costs.

The Series 2013A Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 through the year 2043 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

MIAMI-DADE COUNTY WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2013B

On August 2, 2013, the County issued \$152.4 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2013B to refund all the County's outstanding Water and Sewer System Revenue Bonds, Series 1999A, to make a deposit to the Reserve Account and pay issue costs. The aggregate difference between the refunding and the refunded debt resulted in a loss of \$2.8 million.

The Series 2013B Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 through the year 2030 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2014.

STATE REVOLVING FUND

Under the State Revolving Fund program, the Department has received various loan commitments for the construction of water and wastewater treatment facilities. Draws to date against committed loans as of September 30, 2014 are detailed in the following table (in thousands). Related payments of principal and interest are due through the year 2034. No further draws will be made against closed loans.

<u>Loan #</u>	<u>Draws</u>	<u>Closed Out Date</u>
375310	\$ 45,906	06/07/99
377400	36,402	06/07/99
377450	27,831	05/18/01
377470	11,959	08/21/00
377490	3,098	05/02/01
377500	25,874	12/01/03
377650	2,618	08/08/03
377670	3,604	10/27/03
377860	4,253	09/20/06
377870	4,979	09/20/06
37788P	3,252	09/27/04
37789A	845	08/01/07
37789L	2,891	09/26/06
300010	39,534	08/04/08
300080	4,691	04/28/03
377900	126,000	Active
130200	1,416	Active
130201	137	Active
	<u>\$ 345,290</u>	

The Department has agreed to maintain rates, together with other pledged revenues, sufficient to provide "net revenues" equal to at least 1.15 times the annual loan payments after meeting the primary debt service requirements. Reserve and debt service funding requirements, as required by the agreements, were met in fiscal year 2014.

INTEREST RATE SWAP AGREEMENTS

The Department is currently a party to two interest rate swap agreements related to the various revenue bonds issued by the Department. The fair value of a swap is determined at September 30, 2014 based on an estimated mark-to-mid market assessment.

On June 15, 2008, Merrill Lynch Capital Services, Inc. exercised their option to terminate a fixed to variable rate swap option with a notional amount of \$215 million with respect to the Series 2007 Bonds at no cost to either party.

On August 2, 2013, the Department issued fixed rate bonds refunding the Miami-Dade County Revenue Bonds, Series 1999A. With the refunding of all outstanding obligations of the Series 1999A Bonds by the issuance of the fixed rate debt, the Series 2013B Bonds, the Department recognizes the swap association with the 2013B Bonds.



Notes to Financial Statements

INTEREST RATE SWAP AGREEMENTS

Below is a recap of each of the interest rate swap agreements that the Department has entered into:

Associated Series of Bonds	Notional Amount as of 09/30/14	Counterparty	Counterparty Ratings as of 09/30/14 ⁽²⁾	Start Date	Termination Date	Counterparty Payment	County Payment	Fair Value at 09/30/14
Series 2007	\$ 200,000,000	Bank of New York Mellon	Guarantor-Aa1, AA-, AA-	07/18/02	10/01/26	Variable-USD-Libor-BBA+1.465%	Variable-(USD-SIFMA Municipal Swap Index/.0604)	\$ 10,698,169
Series 2014B ⁽¹⁾	\$ 205,070,000	Bank of New York Mellon	Guarantor-Aa1, AA-, AA-	03/06/06	10/01/29	Variable-(USD -ISDA-Swap Rate) x 90.15% + 1.58%	Variable -(USD-SIFMA Municipal Swap Index/.0604)	\$22,854,095

⁽¹⁾ The underlying debt for the swap has been replaced with the Series 2013B Bonds.

⁽²⁾ Moody's, S&P, Fitch.

During fiscal year 2010, Statement No. 53 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Derivative Instruments, (GASB 53) became effective. This statement refers to the recognition, measurement and disclosure of information regarding derivative instruments entered into by the Department and reported at fair value. In accordance with GASB 53, Swap Financial Group, LLC evaluated the Department's swaps to determine whether they are effective hedging derivative instruments. It was determined that both swaps are basis swaps. Given that there is no identified financial risk being hedged by the swaps that can be expressed in terms of exposure to adverse changes in cash flows or fair values, the swaps are treated as investment derivative instruments, and not hedging derivative instruments. Accordingly, the change in fair value at September 30, 2014 was an increase of \$0.1 million. This change in fair value is reflected in the investment income line item of the statement of revenues expenses and changes in net assets. This increase brings the total fair value to \$33.6 million which is reflected in the Investment Derivative Instrument line item of the noncurrent asset section of the balance sheet.

Risk Disclosure

Credit Risk. Because all of the swaps rely upon the performance of the third parties who serve as swap counterparties, the Department is exposed to credit risk or the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown and labeled fair value on the Interest Rate Swap Agreements chart above. All fair values have been calculated using the mark-to-mid-market method. To mitigate credit risk, the County maintains strict credit standards for swap counterparties. All swap counterparties for longer term swaps are rated at least in the double-A category by both Moody's and Standard & Poor's. To further mitigate credit risk, the Department swap documents require counterparties to post collateral for the Department's benefit if they are downgraded below a designated threshold.

Basis Risk. The Department's swap agreements expose the County to basis risk. Should the relationship between the variable rate the Department receives on the swap fall short of the variable rate on the associated bonds, the expected savings may not be realized. As of September 30, 2014, the Department had no variable rate debt outstanding.

Notes to Financial Statements

Tax Risk. For basis swaps, the interplay between the taxable index and the tax exempt index may be affected by changes to the marginal tax rates, the elimination of tax preferences or a flat tax. The Department considers these risks to be remote.

Termination Risk. The Department swap agreements do not contain any out-of-ordinary terminating events that would expose it to significant termination risk. In keeping with the market standards the Department or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. If at the time of the termination, a swap has a negative value, the Department would be liable to the counterparty for a payment equal to the fair value of such swap unless the counterparty is the defaulting party. The Department is subject to Bank of New York Mellon's 10 year call provision, whereby Bank of New York Mellon has a one time termination option.

8. PAYABLES

Payables and accrued expenses at September 30, 2014 and 2013 were as follows (in thousands):

	2014	2013
Other County funds	\$ 9,059	\$ 6,425
Vendors	16,965	19,950
Other governments	20,302	18,142
Salaries and benefits	10,870	10,002
Contractors	13,820	5,558
Other	265	245
Total payables	<u>\$ 71,284</u>	<u>\$ 60,322</u>

9. PENSION PLAN

The Department, as an agency of the County, participates in the Florida Retirement System (the FRS), a cost-sharing multi-employer defined benefit public employment retirement system, which covers substantially all of the Department's full-time and part-time employees.

The FRS was created in 1970 by consolidating several employee retirement systems and is administered by the State of Florida. All eligible employees as defined by the State of Florida who were hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS.

The legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning June 2002. Formally created as

the Public Employee Optional Retirement Program, the "FRS Investment Plan" is available as an option for all current and future members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan where the contribution amount is fixed by a set percentage determined by law and the contribution is made to an individual account in each participant's name. Participant contributions are not allowed. With a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earnings less expenses and losses) distributed during retirement.

The 2011 Florida Legislative session passed Senate Bill 2100, making substantive changes to the FRS. The bill was signed into law effective July 1, 2011. The bill requires all FRS Investment and Pension Plan members to make 3% employee contributions on a pretax basis. Employees who are in the Deferred Retirement Option Program (DROP) are not required to pay employee contributions. The bill changes the annual interest rate of the DROP from 6.5% to 1.3% per year. Furthermore, the bill eliminates the cost-of-living adjustment (COLA) on FRS services earned on or after July 1, 2011. However, a reduced COLA will be calculated if a member's retirement or DROP participation date is effective on or after August 1, 2011.

Under the new bill, the Pension Plan's vesting requirement changes from 6 years to 8 years. For new employees initially enrolled in the Pension Plan on or after July 1, 2011, those members will be vested upon completion of 8 years of creditable services. For existing employees, vesting will remain at 6 years of creditable service.

The bill also changes the Pension Plan's normal retirement date. For Special Risk Class, the age increases from 55 to 60 years of age, and the years of creditable service increases from 25 to 30 years. For all other classes, the age increases from 62 to 65 years of age, and the years of creditable service increases from 30 to 33 years. Upon vesting, those members are entitled to an annual retirement benefit payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State statute.

The covered payroll for Department employees in the FRS for the years ended September 30, 2014 and 2013 was \$161.3 million and \$158.9 million, respectively,



Notes to Financial Statements

while the Department's total payroll was \$160.1 million and \$158.4 million for fiscal 2014 and 2013, respectively. Pension costs of the Department, as required and defined by Florida statute, ranged between 7.4% and 21.1% of gross salaries during fiscal years 2014 and 2013. For the years ended September 30, 2014, 2013, and 2012, the Department's actual contributions met all required contributions. These contributions aggregated \$11.3 million, \$9.0 million and \$7.7 million, respectively, which represented 7.0%, 5.7% and 5.0% of covered payroll, respectively, and 0.4%, 0.4% and 0.4% of the total contributions required of all participating agencies, respectively, for fiscal years 2014, 2013 and 2012.

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer contribution rates are established by state law as a level percentage of payroll (Chapter 121.70 Florida Statutes). Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature.

Ten-year historical trend information is presented in the FRS' June 30, 2013 annual report. This information is useful in assessing the FRS' accumulation of sufficient assets to pay pension benefits as they become due. A copy of the Florida Retirement System's annual report can be obtained by writing to the Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000, by calling (877) 377-1737 or by visiting their website at <http://FRS.myFlorida.com>.

10. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related injuries or illnesses to employees; natural disasters and employee health and accident. In the year ended September 30, 1987, the Department established a self-insurance program for general and automobile liability exposures as provided by Section 706 of County Ordinance 78-82, as amended. Ordinance 78-82 was amended and restated by Ordinance 93-134 and Section 609 continues to provide for such self-insurance program.

Claims are administered by the County's Risk Management Division, and the program is based upon an actuarial study performed annually by consulting actuaries. Liabilities are reported when it is possible that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities also include an amount for claims that have been incurred but not reported (IBNR). Because actual claims liability depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the balance of claim liabilities for the general and automobile self-insurance program during fiscal years 2014 and 2013 were as follows (in thousands):

	2014	2013
Balance at beginning of year	\$ 2,738	\$ 3,552
Claims and changes in estimates	241	(261)
Less: Payments	(770)	(553)
Balance at end of year	<u>\$ 2,209</u>	<u>\$ 2,738</u>

The Department participates in the workers' compensation self-insurance program of the County, administered by the Risk Management Division. Risk Management charges a "premium" to each County department based on amounts necessary to provide funding for expected payments during the fiscal year. The estimate of IBNR losses is performed by an independent actuary. The Department maintains a liability in the amount of \$1.7 million at September 30, 2014 and September 30, 2013, respectively, for possible funding of these IBNR losses. The County maintains no excess coverage with independent carriers for workers' compensation. The Department's total self-insurance liability was \$3.9 million and \$4.4 million as of September 30, 2014 and 2013, respectively.

The Department also participates in the County's group health and life self-insurance program, administered by an independent administrator. The County charges a uniform "premium" per employee to each County department based on recent trends in actual claims experience and makes provisions for catastrophic losses. Current year premiums are adjusted for County-wide prior year actual claims experience.

The Department purchases a master property insurance policy covering most properties. For windstorm losses,

Notes to Financial Statements

the policy carries a deductible of 5% of the total insured value of the damaged building(s), including contents, subject to a minimum of \$250,000 and a maximum of \$40,000,000 per occurrence. A \$1,000,000 deductible applies to most other perils. The current limit of the policy is \$200,000,000 per occurrence.

The Department continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. CONTRIBUTIONS

Contributions during fiscal years 2014 and 2013 are presented as follows (in thousands):

	2014	2013
Contributed Facilities		
Developers	\$ 35,810	\$ 19,459

12. RELATED PARTY TRANSACTIONS

The Department provides water and wastewater services to other County departments as part of the normal course of business, based on regular retail rates. The Department also provides billing services to other County departments. The County provides various services to the Department which are charged using direct and indirect cost allocation methods. The Department reimburses the County (General Fund) for certain administrative services. The following table presents a list of providers of services and respective payments for the years ended September 30, 2014 and 2013 (in thousands):

	2014	2013
General Fund	\$ 18,809	\$ 20,359
Internal Services	13,257	12,839
Information Technology	12,660	12,471
Public Works & Waste Mgmt	5,501	16,375
Other County Departments	13,025	15,651

In addition to the payments, the Department had related payables of \$9.1 million and \$6.4 million at September 30, 2014 and 2013, respectively. The Department also has receivables from other County departments amounting to \$20.9 million and \$25.9 million at September 30, 2014 and 2013, respectively. The Department has every intention of paying the outstanding payables on a timely basis, and is confident it will collect the outstanding receivables.

The Department has also entered into other transactions with various County entities. These transactions arise

from the normal course of business and in connection with the management of ongoing projects.

13. COMMITMENTS AND CONTINGENCIES

CONSTRUCTION

The Department had contractual commitments of \$272.9 million for plant and infrastructure construction at September 30, 2014.

LEGAL CONTINGENCIES

The County is a defendant in various actions brought by parties in the normal course of business of the Department. Based on consultation with the County Attorney's Office, it is the opinion of management that the ultimate resolution of these suits would not materially affect the financial position of the Department or its ability to conduct its business.

FEDERAL GRANTS

Federal grant awards are audited under the provisions of the Single Audit Act and Office of Management and Budget Circular A-133 to determine that the Department has complied with the terms and conditions of the grant awards. Federal grants received are also subject to audit by the federal grantor agency. It is management's opinion that no material liabilities will result from any such audits.

REBATABLE ARBITRAGE EARNINGS

Federal tax law requires that arbitrage interest earnings be remitted to the federal government, unless the local government qualifies for an exemption. As of September 30, 2014 the Department had no obligation to rebate and in 2013, the Department recorded an obligation of approximately \$1.8 million of interest earned on bond proceeds invested in taxable securities in excess of interest costs. These arbitrage rebates are payable five years from the date of bond issuance and each five years thereafter. The amount of the obligation, if any, will be determined based on actual interest earned.

SETTLEMENT AGREEMENTS

In 1993, the Department entered into a settlement agreement with the Florida Department of Environmental Protection (FDEP) resulting in very limited restriction on new sewer construction in certain areas of the County until adequate capacity became available in the wastewater system. Subsequently, in 1994 and 1995, two consent decrees, the First Partial Consent Decree (FPCD) and the Second and Final Partial Consent Decree (SFPCD), were entered into with the United States of

Notes to Financial Statements

America whereby the Department accelerated its improvement program of the wastewater system, subject to a schedule of stipulated penalties if certain established completion dates are not met. All requirements of the Settlement Agreement were satisfied and the Agreement closed by FDEP on September 1, 2011.

On April 29, 2004, the Consent Order, (CO) OGC File No. 03-1376, was entered into between the State of Florida Department of Environment Protection and Miami-Dade County. It required the County to provide high level disinfection for the effluent prior to injection. The CO was subsequently superseded by The Amended Consent Order (ACO), OGC File No. 03-1376(A), which became effective on April 14, 2010. All terms and provisions of the ACO were satisfied without incurring any penalties for not completing tasks within deadlines, and the ACO was closed by FDEP on July 29, 2013. The total project cost of the CO and ACO improvements was less than the estimated \$600 million and the project was completed ahead of the 2014 compliance date.

On May 21, 2013, the Board of County Commissioners approved a Resolution authorizing execution of a new Consent Decree between Miami-Dade County, the United States of America, the State of Florida and Florida Department of Environmental Protection (FDEP). It was lodged with the Clerk of the Court for the U.S. District Court for the Southern District of Florida on June 6, 2013, and became effective on December 6, 2013. The new Consent Decree was subsequently approved by The Court; the date of entry is recorded as April 9, 2014. Upon the Date of Entry, the FPCD and SFPCD were terminated with the Department having maintained compliance with all the provision, incurring no penalties. The terms and conditions of the new Consent Decree are intended to replace and supersede the terms and provisions of the FPCD and SFPCD, and recognize that appropriate modifications and updates are warranted due to the fact that conditions within and circumstances surrounding the Miami-Dade's WCTS have changed since entry of the FPCD and SFPCD in mid 1990s. The Department is in compliance with all provisions of the new Consent Decree.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

PLAN DESCRIPTION

Miami-Dade County administers a single-employer defined benefit healthcare plan (the Plan) that provides postemployment medical and dental coverage to retirees

as well as their eligible spouses and dependents. Benefits are provided through the County's group health insurance plan, which covers both active and retired members. Benefits are established and may be amended by the Miami-Dade County Board of County Commissioners (BCC), whose powers derive from F.S. 125.01(3)(a). The Plan does not issue a publicly available financial report.

To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the Florida Retirement System (FRS) or the Public Health Trust of Miami-Dade County, Florida, Defined Benefit Retirement Plan and pay required contributions. Refer to note 9, Pension Plan, for a description of eligibility requirements.

The medical plans offered provide hospital, medical and pharmacy coverage. Pre-65 retirees are able to select from three medical plans as follows:

- AvMed POS
- AvMed HMO High
- AvMed HMO Select

Post-65 retirees are able to select from three medical plans, as follows. The County only contributes to post-65 retirees electing an AvMed Medicare Supplement Plan.

- AvMed Medicare Supplement Low Option with prescription drug coverage
- AvMed Medicare Supplement High Option with prescription drug coverage
- AvMed Medicare Supplement High Option without prescription drug coverage

FUNDING POLICY

The County contributes to both the pre-65 and post-65 retiree medical coverage. Medical contributions vary based on plan and tier. Retirees pay the full cost of dental coverage. The postretirement medical and dental benefits are currently funded on a pay-as-you go basis. Contributions are required for both retiree and dependent coverage. Retirees contribute a portion of the full active premium equivalent rates for health coverage. The County subsidy is assumed to remain flat.

The County's contribution is the actual pay-as-you-go postemployment benefit payments less participant contributions. No assets have been segregated and restricted to provide postretirement benefits. For fiscal years 2014 and 2013, the Department contributed \$2.2 and \$2.0 million, respectively, to the plan.

Notes to Financial Statements

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Department's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Department's annual OPEB cost for fiscal years 2014 and 2013 is as follows (dollar amounts in thousands):

	2014	2013
Annual required contribution	\$ 2,521	\$ 2,999
Interest on OPEB obligation	220	176
Adjustment of annual required contribution	244	187
Annual OPEB Cost	2,497	2,988
Contributions made	2,242	1,989
Increase in net OPEB obligation	255	999
Net OPEB obligation – beginning of year	5,003	4,004
Net OPEB obligation – end of year	\$ 5,258	\$ 5,003

The Department's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 were as follows (dollars in thousands):

	2014	2013	2012
Annual OPEB cost	\$ 2,497	\$ 2,988	\$ 2,865
Percentage of Annual OPEB Cost Contributed	89.8%	66.6%	75.4%
Net OPEB Obligation	\$ 5,258	\$ 5,003	\$ 4,004

FUNDED STATUS AND FUNDING PROGRESS

The schedule below shows the balance of the County's actuarial accrued liability (AAL), all of which was unfunded as of September 30, 2014. An estimated 9% of this liability can be attributed to the Department (dollar amounts in thousands).

	2014	2013
Actuarial Valuation Date	10/01/2013	10/01/2013
Actuarial Value of Assets (a)	0	0
Actuarial Accrued Liability (AAL) (b)	\$ 330,042	\$ 362,669
Unfunded AAL (UAAL) (b-a)	\$ 330,042	\$ 362,669
Funded Ratio (a/b)	0%	0%
Estimated Covered Payroll (c)	\$1,430,604	\$1,447,127
UAAL as % of Covered Payroll ([b-a]/c)	23%	25%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the County are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTION

Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan member to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial cost method used in the valuation to determine the Actuarial Accrued Liability (AAL) and the Actuarial Required Contribution (ARC) was the Projected Unit Credit Method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The normal cost is computed by dividing the total present value of benefits by the participant's total service (actual plus expected service) at retirement. The AAL under this method represents the total present value of benefits multiplied by the ratio of the participant's actual service to date and divided by expected service at retirement. The AAL for participants currently receiving payments and deferred vested participants is calculated as the actuarial present value of future benefits expected to be paid. No normal cost for these participants is payable. The AAL and normal cost were calculated at the measurement date, which is the beginning of the applicable fiscal year using standard actuarial techniques.



Notes to Financial Statements

The following summarizes other significant methods and assumptions used in valuing the AAL and benefits under the plan.

Actual valuation date	10/1/2013
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Actuarial Assumptions:	
Discount rate	4.40%
Payroll growth assumption	3.00%
Inflation rate	3.50%
Health care trend rates	8% initial to 5% ultimate
Mortality table	RP 2014

Further, the participation assumption used in the valuation (the assumed percentage of future retirees that participate and enroll in the health plan) is 20% for those prior to age 55 (50 if special risk) and 60% until age 65. Once reaching Medicare eligibility, the participation rate is assumed to be 20%.

The valuation assumes that the County will continue to fund the liability on a pay-as-you-go basis and that the County's per-capita contribution for retiree benefits will remain flat. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed County contributions.

15. SUBSEQUENT EVENTS

On September 18, 2014, the Board of County Commissioners adopted a County Budget Ordinance that includes a six percent increase to the monthly water and wastewater retail customer bill using an average of 6,750 gallons, effective October 1, 2014. The retail rate also increases the Miami-Dade County Water Conservation Surcharge for retail water customers with consumption in the fourth tier to encourage water conservation. In addition, the County Ordinance authorized rate increases to both water and wastewater wholesale rates per thousand gallons based on the cost of service study. Other miscellaneous fees and charges increased effective October 1, 2014.

Required Supplementary Information

Schedule of Funding Progress
Postemployment Healthcare Plan
Miami-Dade County*
(dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as % of Covered Payroll ([(b-a)/c])
10/01/2014	\$ 0	\$ 330,042	\$ 330,042	0%	\$ 1,430,604	23%
10/01/2013	0	362,669	362,669	0%	1,447,127	25%
10/01/2011	0	357,006	357,006	0%	1,661,941	21%
10/01/2010	0	297,218	297,218	0%	1,620,593	18%
10/01/2009	0	281,470	281,470	0%	1,573,391	18%
10/01/2008	0	255,259	255,259	0%	1,527,564	17%

* This schedule shows the balance of the County's actuarial accrued liability (AAL). An estimated 9% of this liability can be attributed to the Department.



Supplementary Financial Data

Bond Ordinance 93-134 requires the Department to establish restricted accounts to be used in accounting for proceeds and collateral pledged as a result of the debt. In many cases, the bond ordinance refers to the restricted accounts as “funds”. Such accounts are not “funds” as defined by *NCGA Statement 1: Governmental Accounting and Financial Reporting Principles* and, therefore, are not funds for financial reporting purposes.

Similarly, the Water and Wastewater Systems do not meet the above-referenced definition and, therefore, combining statements are not presented. The following system schedules are furnished solely as supplementary information and are not required by GAAP.



Water System

SCHEDULES OF NET POSITION

	September 30,	(In thousands) 2014	2013
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	12,602	\$ 19,292
Investments		27,259	20,959
Accounts Receivable (net of allowance for uncollectible accounts of \$8.4 million in 2014 and \$8.2 million in 2013)		51,516	49,616
Inventory of materials and supplies		18,604	19,032
Other current assets		2,722	1,561
Restricted cash and cash equivalents		36,729	43,879
Total current assets		<u>149,412</u>	<u>154,339</u>
<i>NON-CURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents		108,452	105,505
Investment derivative instrument		16,776	16,704
Investments		171,726	222,621
Long-term receivable - General Fund		20,000	25,000
Grants Receivable		29	10
Total restricted assets		<u>316,983</u>	<u>369,840</u>
<i>OTHER ASSETS:</i>			
Debt insurance costs		1,791	5,902
Other charges, net		14,988	19,617
Total other assets		<u>16,779</u>	<u>25,519</u>
<i>CAPITAL ASSETS:</i>			
Land		20,386	17,671
Structures and Improvements		1,723,502	1,671,271
Equipment		336,393	327,781
Utility plant in service before depreciation		2,080,281	2,016,723
Less accumulated depreciation		(901,471)	(838,084)
Net utility plant in service		1,178,810	1,178,639
Construction work in progress		217,902	195,783
Total capital assets		<u>1,396,712</u>	<u>1,374,422</u>
Total non-current assets		<u>1,730,474</u>	<u>1,769,781</u>
Total assets		<u>1,879,886</u>	<u>1,924,120</u>
<i>DEFERRED OUTFLOWS OF RESOURCES:</i>			
Loss on refundings		3,235	-
Total deferred outflows of resources		<u>3,235</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources		<u>\$ 1,883,121</u>	<u>\$ 1,924,120</u>

(Continued)



Water System

SCHEDULES OF NET POSITION

(Continued)	September 30,	(In thousands)	
	2014	2013	
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$ 15,453	\$ 15,351	
Customer and developer deposits	8,093	7,761	
Current portion of long-term debt	1,885	1,829	
Rebatable arbitrage earnings	-	1,221	
Liability for compensated absences	2,416	2,575	
Other liabilities	533	387	
Total Current Liabilities (payable from unrestricted current assets)	<u>28,380</u>	<u>29,124</u>	
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	10,339	7,316	
Retainage payable	726	1,475	
Current portion of long-term debt	11,685	23,682	
Accrued interest payable	12,978	10,153	
Liability for self-insurance	981	1,252	
Total current liabilities (payable from restricted current assets)	<u>36,709</u>	<u>43,878</u>	
Total current liabilities	<u>65,089</u>	<u>73,002</u>	
<i>NON-CURRENT LIABILITIES:</i>			
Revenue bonds payable, net	506,621	515,093	
State loan obligations, net	19,688	22,182	
Liability for self-insurance	1,228	1,486	
Liability for compensated absences	12,839	12,469	
Liability for post-employment benefits	5,258	5,003	
Unearned revenues	-	1,549	
Total non-current liabilities	<u>545,634</u>	<u>557,782</u>	
Total liabilities	<u>610,723</u>	<u>630,784</u>	
<i>DEFERRED INFLOWS OF RESOURCES:</i>			
Gain on refundings	1,427	-	
Total deferred inflows of resources	<u>1,427</u>	<u>-</u>	
Total Liabilities and Deferred Inflows of Resources	<u>612,150</u>	<u>2,520,049</u>	
NET POSITION			
Net investment in capital assets	988,585	943,883	
Restricted for:			
Capital projects	59,137	41,310	
Debt service	34,165	55,531	
Unrestricted	189,084	252,612	
Total net position	<u>1,270,971</u>	<u>1,293,336</u>	
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,883,121</u>	<u>\$ 1,924,120</u>	

Water System

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(In thousands)	
For the years ended September 30,	2014	2013
<i>OPERATING REVENUES:</i>		
Retail	\$ 219,890	\$ 207,117
Wholesale	28,815	29,210
Other revenues	14,908	11,985
Total operating revenues	<u>263,613</u>	<u>248,312</u>
<i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Source of supply	10,788	10,874
Power and pumping	1,911	1,816
Treatment	58,741	60,188
Transmission and distribution	28,844	27,882
Customer accounting	3,210	4,471
Customer service	9,815	9,437
General and administrative	36,711	35,292
Total operating and maintenance expenses	<u>150,020</u>	<u>149,960</u>
Operating income before depreciation	113,593	98,352
<i>DEPRECIATION</i>	<u>65,456</u>	<u>69,581</u>
Operating income	48,137	28,771
<i>NON-OPERATING REVENUES (EXPENSES):</i>		
Investment income (loss)	1,769	(8,574)
Interest expense	(21,731)	(14,203)
Amortization of debt costs	(386)	(707)
Operating grants	122	369
Customer connection fees	7,185	5,535
Other revenues	9,814	2,269
Other expenses	<u>(3,645)</u>	<u>(1,005)</u>
Income before contributions and transfers	41,265	12,455
Capital contributions	21,370	11,490
Transfer (to) from Wastewater System	<u>(80,939)</u>	<u>1,564</u>
(Decrease) increase in net position	<u>(18,304)</u>	<u>25,509</u>
Net position at beginning of year	1,293,336	1,267,827
GASB 65 Restatement	<u>(4,061)⁽¹⁾</u>	<u>-</u>
Net position at end of year	<u>\$ 1,270,971</u>	<u>\$ 1,293,336</u>

⁽¹⁾ The Department implemented GASB Statement No. 65 in fiscal year 2014. As a result, the deferred amount on refunding was reclassified from bonds payable to a deferred outflow of resources in fiscal year 2014 but was not reclassified for fiscal year 2013 presentation as the amount was not deemed to be material. In addition, the Department's beginning net position in fiscal year 2014 was restated to account for the effects of unamortized bond issue costs from prior years but were not restated for fiscal year 2013 presentation as the amounts were deemed not to be material.



Water System

SCHEDULES OF CASH FLOWS

	(In thousands)	
For the years ended September 30,	<u>2014</u>	<u>2013</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 279,082	\$ 255,949
Cash paid to suppliers for goods and services	(71,350)	(65,454)
Cash paid to employees for services	(80,265)	(77,119)
Transfer to (from) Wastewater System	(80,939)	1,564
GASB 65 Adjustment	(4,061)	-
Net cash provided by operating activities	<u>42,467</u>	<u>114,940</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	122	368
Loan to County's General Fund	5,000	-
Net cash provided by non-capital financing activities	<u>5,122</u>	<u>368</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	-	200,770
Principal payments - bond, loans and notes	(25,509)	(87,045)
Bond premium and issue costs	775	(1,330)
Interest paid	(20,001)	(14,352)
Acquisition and construction of capital assets	(58,839)	(66,207)
Net cash (used) provided by capital and related financing activities	<u>(103,574)</u>	<u>31,836</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(1,259,951)	(279,990)
Proceeds from sale and maturity of investment securities	1,254,454	(60,040)
Interest on investments	50,569	171,931
Net cash provided (used) by investing activities	<u>45,072</u>	<u>(168,099)</u>
Net (decrease) increase in cash and cash equivalents	(10,913)	(20,955)
Cash and cash equivalents at beginning of year	<u>168,676</u>	<u>189,631</u>
Cash and cash equivalents at end of year	<u>\$ 157,763</u>	<u>\$ 168,676</u>

(Continued)

Water System

SCHEDULES OF CASH FLOWS

(Continued)	For the years ended September 30,	(In thousands) <u>2014</u>	<u>2013</u>
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income		\$ 48,137	\$ 28,771
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		65,456	69,581
Provision for uncollectible accounts		(59)	1,477
Amortization of charges		-	(123)
Other revenues		(123)	
Non-operating other, net		13,354	6,799
Transfer (to) from Wastewater System		(80,939)	1,564
GASB 65 adjustment		(4,061)	-
Increase (decrease) in assets:			
Accounts Receivable		(1,842)	(1,224)
Inventory of materials and supplies		430	116
Other current assets		(1,162)	1,550
Contracts receivable		(19)	41
Other charges		5,603	2,337
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		102	1,670
Customer and developer deposits		332	1,017
Accrued interest payable		(2,825)	433
Liability for compensated absences		211	565
Other liabilities		146	181
Liability for other post-employment benefits		255	999
Liability for self-insurance		(529)	(814)
Net cash provided by operating activities		<u>\$ 42,467</u>	<u>\$ 114,940</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Property, plant and equipment contributions were received in amounts of \$21.4 million and \$11.5 million in fiscal years 2014 and 2013, respectively.

The change in the fair value of investments was a \$0.9 million increase and a \$1.3 million decrease in fiscal year 2014 and 2013, respectively.

The change in the fair value of swaps was a \$0.7 million increase and a \$8.8 million decrease in fiscal year 2014 and 2013, respectively.

	(In thousands) <u>2014</u>	<u>2013</u>
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR</i>		
Unrestricted current cash and cash equivalents	\$ 12,602	\$ 19,292
Restricted current cash and cash equivalents	36,709	43,879
Restricted non-current cash and cash equivalents	<u>108,452</u>	<u>105,505</u>
Total cash and cash equivalents at end of year	<u>\$ 157,763</u>	<u>\$ 168,676</u>



Water System

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Budget and Actual

For the year ended September 30, 2014

(In thousands)

	<u>Budget</u>	<u>Actuals</u>	<u>Variance under (over)</u>
Source of supply	\$ 10,409	\$ 10,788	\$ (379)
Power and pumping	1,920	1,911	9
Treatment	67,758	58,741	9,017
Transmission and distribution	27,872	28,844	(972)
Customer accounting	4,172	3,210	962
Customer service	10,529	9,815	714
General and administrative	<u>40,237</u>	<u>36,711</u>	<u>3,526</u>
Totals	<u>\$ 162,897</u>	<u>\$ 150,020</u>	<u>\$ 12,877</u>

Wastewater System

SCHEDULES OF NET POSITION

	September 30,	(In thousands)	
	2014	2013	
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$ 13,625	\$ 13,379	
Investments	32,224	30,781	
Accounts receivable			
(net of allowance for uncollectible accounts of			
\$12.2 million in 2014 and \$12.3 million in 2013)	58,884	54,888	
Inventory of materials and supplies	19,690	18,334	
Restricted cash and cash equivalents	117,362	87,812	
Total current assets	241,785	205,194	
<i>NON-CURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents	12,985	69,185	
Investment derivative instrument	16,776	16,703	
Investments	349,983	278,988	
Grants receivable	96	442	
Contracts receivable	35	35	
Total restricted assets	379,875	365,353	
<i>OTHER ASSETS:</i>			
Debt insurance costs	8,025	20,048	
Other charges, net	78,414	84,811	
Total other assets	86,439	104,859	
<i>CAPITAL ASSETS:</i>			
Land	32,696	32,702	
Structures and Improvements	2,600,477	2,532,794	
Equipment	771,797	665,140	
Utility plant in service before depreciation	3,404,970	3,230,636	
Less accumulated depreciation	(1,874,192)	(1,761,640)	
Net utility plant in service	1,530,778	1,468,996	
Construction work in progress	596,219	648,862	
Total capital assets	2,126,997	2,117,858	
Total non-current assets	2,593,311	2,588,070	
Total non-current assets	2,835,096	2,793,264	
<i>DEFERRED OUTFLOWS OF RESOURCES:</i>			
Loss on refundings	10,935	-	
Total deferred outflows of resources	10,935	-	
Total Assets and Deferred Outflows of Resources	\$ 2,846,031	\$ 2,793,264	

(Continued)



Wastewater System

SCHEDULES OF NET POSITION

(Continued)	September 30,	(In thousands)	
		2014	2013
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		\$ 28,138	\$ 27,614
Customer and developer deposits		5,402	4,888
Current portion of long-term debt		4,442	7,288
Rebatable arbitrage earnings		-	617
Liability for compensated absences		6,934	7,061
Other liabilities		-	44
Total Current Liabilities (payable from unrestricted current assets)		<u>44,916</u>	<u>47,512</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		17,355	10,041
Retainage payable		3,694	5,555
Current portion of long-term debt		56,110	36,146
Accrued interest payable		40,203	36,071
Total current liabilities (payable from restricted current assets)		<u>117,362</u>	<u>87,813</u>
Total current liabilities		<u>162,278</u>	<u>135,325</u>
<i>NON-CURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,566,540	1,606,133
State loan obligations, net		141,732	120,861
Liability for compensated absences		19,205	18,733
Unearned revenues		-	8,213
Total non-current liabilities		<u>1,727,477</u>	<u>1,753,940</u>
Total liabilities		<u>1,889,755</u>	<u>1,889,265</u>
<i>DEFERRED INFLOWS OF RESOURCES:</i>			
Gain on refundings		7,560	-
Total deferred inflows of resources		<u>7,560</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources		<u>1,897,315</u>	<u>1,889,265</u>
NET POSITION			
Net investment in capital assets		554,345	530,314
Restricted for:			
Capital projects		82,158	77,588
Debt service		109,636	99,194
Unrestricted		166,551	196,903
Total net position		<u>948,716</u>	<u>903,999</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 2,846,031</u>	<u>\$ 2,793,264</u>

Wastewater System

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(In thousands)	
For the years ended September 30,	2014	2013
OPERATING REVENUES:		
Retail	\$ 245,167	\$ 230,661
Wholesale	56,956	59,544
Other revenues	13,114	9,891
Total operating revenues	<u>315,237</u>	<u>300,096</u>
OPERATING AND MAINTENANCE EXPENSES:		
Collection system	22,500	21,638
Pumping	35,444	34,692
Treatment	86,772	79,367
Customer accounting	2,444	3,833
Customer service	7,711	7,414
General and administrative	44,951	43,260
Total operating and maintenance expenses	<u>199,822</u>	<u>190,204</u>
Operating income before depreciation	115,415	109,892
DEPRECIATION	<u>118,101</u>	<u>107,989</u>
Operating income	(2,686)	1,903
NON-OPERATING REVENUES (EXPENSES):		
Investment income (loss)	2,164	(9,777)
Interest expense	(67,947)	(64,335)
Amortization of debt costs	(1,478)	(2,295)
Operating Grants	-	554
Customer connection fees	23,976	19,912
Other revenues	7,660	4,278
Other expenses	(578)	(338)
Loss before contributions and transfers	(38,889)	(50,098)
Capital contributions	14,440	7,969
Transfer from (to) from Water System	<u>80,939</u>	<u>(1,564)</u>
Increase (decrease) in net position	<u>56,940</u>	<u>(43,693)</u>
Net position at beginning of year	903,999	947,692
GASB65 Restatement	<u>(11,773) ⁽¹⁾</u>	<u>-</u>
Net position at end of year	<u>\$ 948,716</u>	<u>\$ 903,999</u>

⁽¹⁾ The Department implemented GASB Statement No. 65 in fiscal year 2014. As a result, the deferred amount on refunding was reclassified from bonds payable to a deferred outflow of resources in fiscal year 2014 but was not reclassified for fiscal year 2013 presentation as the amount was not deemed to be material. In addition, the Department's beginning net position in fiscal year 2014 was restated to account for the effects of unamortized bond issue costs from prior years but were not restated for fiscal year 2013 presentation as the amounts were deemed not to be material.



Wastewater System

SCHEDULES OF CASH FLOWS

	(In thousands)	
For the years ended September 30,	<u>2014</u>	<u>2013</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 343,864	\$ 322,001
Cash paid to suppliers for goods and services	(92,377)	(83,891)
Cash paid to employees for services	(107,674)	(104,384)
Transfer to (from) Water System	80,939	(1,564)
GASB 65 adjustment	<u>(11,773)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 212,979</u>	<u>132,162</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	<u>-</u>	<u>554</u>
Net cash provided by non-capital financing activities	<u>-</u>	<u>554</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	33,597	312,400
Principal payments - bond, loans and notes	(44,279)	(127,080)
Bond premium	(390)	(2,514)
Interest paid	(68,833)	(69,595)
Acquisition and construction of capital assets	<u>(88,512)</u>	<u>(98,671)</u>
Net cash provided (used) by capital and related financing activities	<u>(168,417)</u>	<u>14,540</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	410,674	(298,919)
Proceeds from sale and maturity of investment securities	(430,787)	288,109
Interest on investments	<u>(50,853)</u>	<u>(169,671)</u>
Net cash (used) provided by investing activities	<u>(70,966)</u>	<u>(180,481)</u>
Net (decrease) increase in cash and cash equivalents	(26,404)	(33,225)
Cash and cash equivalents at beginning of year	<u>170,376</u>	<u>203,601</u>
Cash and cash equivalents at end of year	<u>\$ 143,972</u>	<u>\$ 170,376</u>

(Continued)

Wastewater System

SCHEDULE OF CASH FLOWS

(Continued)	For the years ended September 30,	(In thousands)	
		2014	2013
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating (loss) income		\$ (2,686)	\$ 1,903
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		118,101	107,989
Provision for uncollectible accounts		(123)	1,480
Amortization of charges		1,006	77
Other revenues		653	653
Non-operating other, net		31,058	23,852
Transfer to (from) Water System		80,939	(1,564)
GASB 65		(11,773)	-
Increase (decrease) in assets:			
Accounts Receivable		(3,871)	(2,419)
Inventory of materials and supplies		(1,358)	(763)
Other current assets		1	(1)
Contracts receivable		346	(324)
Other charges		3,479	(1,186)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		524	514
Customer and developer deposits		514	458
Accrued interest payable		(4,132)	534
Liability for compensated absences		345	921
Other liabilities		(44)	38
Net cash provided by operating activities		\$ 212,979	\$ 32,162

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Property, plant and equipment contributions were received in amounts of \$14.4 million and \$8.0 million in fiscal years 2014 and 2013, respectively.

The change in the fair value of investments was a \$0.9 million increase and a \$1.7 million decrease in fiscal year 2014 and 2013, respectively.

The change in the fair value of swaps was a \$0.7 million increase and a \$8.9 million decrease in fiscal year 2014 and 2013, respectively.

	(In thousands)	
	2014	2013
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR</i>		
Unrestricted current cash and cash equivalents	\$ 13,625	\$ 13,379
Restricted current cash and cash equivalents	117,362	87,812
Restricted non-current cash and cash equivalents	12,985	69,185
Total cash and cash equivalents at end of year	<u>\$ 143,972</u>	<u>\$ 170,376</u>



Wastewater System

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Budget and Actual

For the year ended September 30, 2014

(In thousands)

	Budget	Actuals	Variance under (over)
Collection system	\$ 18,769	\$ 22,500	\$ (3,731)
Pumping	35,000	35,444	(444)
Treatment	79,257	86,772	(7,515)
Customer accounting	3,524	2,444	1,080
Customer service	7,943	7,711	232
General and administrative	<u>49,190</u>	<u>44,951</u>	<u>4,239</u>
Totals	<u>\$ 193,683</u>	<u>\$ 199,822</u>	<u>\$ (6,139)</u>





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Statistical Section



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Statistical Section

This part of the Department's comprehensive annual report details 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

Financial Trends

These schedules, found on pages 76-79, contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

Revenue Capacity

These schedules, found on pages 80-82, contain information to help the reader assess the factors affecting the Department's ability to generate revenue.

Debt Capacity

These schedules, found on pages 83-84 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

These schedules, found on pages 85-91, offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

Operating and Capital Information

These schedules, found on pages 92-94, contain service and infrastructure data to help the reader understand how the information in the Department's financial report related to the services the Department provides and the activities it performs.



Net Position

BY COMPONENTS LAST TEN FISCAL YEARS

(in thousands)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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COMBINED WATER AND WASTEWATER SYSTEMS:

Net investment in capital assets	\$ 1,542,930	\$ 1,474,197	\$ 1,567,455	\$ 1,530,096	\$ 1,535,755	\$ 1,590,038	\$ 1,396,153	\$ 1,402,138	\$ 1,438,567	\$ 1,670,373
Restricted	321,122	273,623	223,887	243,292	279,576	150,114	397,803	468,819	384,233	247,947
Unrestricted	355,635	449,515	431,933	413,233	379,683	436,651	345,543	282,464	294,435	190,364
Total net position	\$ 2,219,687	\$ 2,197,335	\$ 2,223,275	\$ 2,186,621	\$ 2,195,014	\$ 2,176,803	\$ 2,139,499	\$ 2,153,421	\$ 2,117,235	\$ 2,108,684

WATER SYSTEM

Net investment in capital assets	\$ 988,585	\$ 943,883	\$ 971,727	\$ 947,539	\$ 936,355	\$ 911,206	\$ 830,671	\$ 832,337	\$ 807,171	\$ 908,612
Restricted	93,302	96,841	73,822	84,993	110,491	50,571	140,103	146,483	117,705	78,232
Unrestricted	189,084	252,612	222,278	214,739	193,724	233,984	191,960	172,356	187,205	147,984
Total net position	\$ 1,270,971	\$ 1,293,336	\$ 1,267,827	\$ 1,247,271	\$ 1,240,570	\$ 1,195,761	\$ 1,162,734	\$ 1,151,176	\$ 1,112,081	\$ 1,134,828

WASTEWATER SYSTEM

Net investment in capital assets	\$ 554,345	\$ 530,314	\$ 595,728	\$ 582,557	\$ 599,400	\$ 678,832	\$ 565,482	\$ 569,801	\$ 628,396	\$ 761,761
Restricted	227,820	176,782	150,065	158,298	169,086	99,543	257,700	322,336	266,527	169,715
Unrestricted	166,551	196,903	209,655	198,495	185,958	202,667	153,583	110,108	110,231	42,380
Total net position	\$ 948,716	\$ 903,999	\$ 955,448	\$ 939,350	\$ 954,444	\$ 981,042	\$ 976,765	\$ 1,002,245	\$ 1,005,154	\$ 973,856



Combined Water and Wastewater Systems

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>OPERATING REVENUES:</i>										
Retail	\$ 465,057	\$ 437,778	\$ 429,003	\$ 428,832	\$ 393,420	\$ 372,265	\$ 342,303	\$ 330,475	\$ 341,555	\$ 297,374
Wholesale	85,771	88,754	82,710	90,671	84,489	68,178	72,246	75,690	78,310	75,013
Other	28,022	21,876	24,589	26,157	40,486	38,293	22,927	22,455	20,450	19,573
Total operating revenues	578,850	548,408	536,302	545,660	518,395	478,736	437,476	428,620	440,315	391,960
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	10,788	10,874	10,705	13,558	12,354	14,208	12,006	6,710	5,381	5,710
Collection system	22,500	21,638	20,150	20,385	21,523	15,987	19,293	19,965	18,111	15,582
Pumping	37,355	36,508	35,883	32,892	31,919	32,611	32,790	34,647	33,605	27,800
Treatment	145,513	139,555	134,178	134,650	130,010	134,454	129,219	121,931	118,524	105,427
Transmission and distribution	28,844	27,882	27,423	27,929	28,459	25,428	26,528	25,747	23,081	21,900
Customer accounting and service	23,180	25,155	23,574	24,231	28,003	27,572	25,906	27,599	22,974	22,704
General and administrative	81,662	78,552	73,164	79,165	97,364	78,669	76,222	74,028	71,210	59,256
Total operating and maintenance expense	349,842	340,164	325,077	332,810	349,632	328,929	321,964	310,627	292,886	258,379
Operating income before depreciation	229,008	208,244	211,225	212,850	168,763	149,807	115,512	117,993	147,429	133,581
DEPRECIATION	183,557	177,570	163,315	159,158	160,469	152,428	154,881	158,691	184,820	118,261
Operating income (loss)	45,451	30,674	47,910	53,692	8,294	(2,621)	(39,369)	(40,698)	(37,391)	15,320
<i>NON-OPERATING REVENUES(EXPENSES):</i>										
Investment income (loss)	3,933	(18,351)	21,797	6,193	18,160	13,440	28,489	43,347	48,892	22,487
Interest expense	(89,678)	(78,538)	(85,478)	(85,511)	(71,229)	(63,787)	(66,320)	(63,507)	(68,905)	(73,276)
Other income	42,670	28,572	24,269	15,897	18,588	33,857	36,517	56,614	1,116	806
Income (loss) before contributions and transfers	2,376	(37,643)	8,498	(9,729)	(26,187)	(19,111)	(40,683)	(4,244)	(56,288)	(34,663)
Capital contributions	35,810	19,459	28,156	33,556	30,487	56,415	26,761	40,430	87,707	54,898
Transfers to County's General Fund	-	-	-	(32,220)	-	-	-	-	(22,868)	(27,701)
Increase (decrease) in net position	\$ 38,186	\$ (18,184)	\$ 36,654	\$ (8,393)	\$ 4,300	\$ 37,304	\$ (13,922)	\$ 36,186	\$ 8,551	\$ (7,466)

Water System

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>OPERATING REVENUES:</i>										
Retail	\$ 219,880	\$ 207,117	\$ 202,633	\$ 202,189	\$ 193,632	\$ 169,568	\$ 154,796	\$ 151,034	\$ 157,827	\$ 138,297
Wholesale	28,815	29,210	35,330	37,990	38,554	29,041	22,909	27,045	29,193	21,962
Other	14,908	11,985	13,167	13,517	12,936	27,102	12,839	12,631	11,142	10,646
Total operating revenues	263,613	248,312	251,130	253,696	245,122	225,711	190,544	190,710	198,162	170,905
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	10,788	10,874	10,705	13,558	12,354	14,208	12,006	6,710	5,381	5,710
Pumping	1,911	1,816	1,798	1,942	2,003	2,407	2,134	2,593	3,274	1,604
Treatment	58,741	60,188	59,811	62,138	61,967	64,457	61,317	55,925	56,164	50,221
Transmission and distribution	28,844	27,882	27,423	27,929	28,459	25,428	26,528	25,747	23,081	21,900
Customer accounting and service	13,025	13,908	12,841	13,325	15,602	15,325	14,337	15,308	13,144	13,915
General and administrative	36,711	35,292	32,936	35,644	43,860	35,380	34,864	33,299	31,967	25,776
Total operating and maintenance expenses	150,020	149,960	145,514	154,536	164,245	157,205	151,186	139,582	133,011	119,126
Operating income before depreciation	113,593	98,352	105,616	99,160	80,877	68,506	39,358	51,128	65,151	51,779
<i>DEPRECIATION</i>	65,456	69,581	61,158	61,122	62,604	59,028	60,859	61,349	79,708	35,488
Operating income (loss)	48,137	28,771	44,458	38,038	18,273	9,478	(21,501)	(10,221)	(14,557)	16,291
<i>NON-OPERATING REVENUES(EXPENSES):</i>										
Investment income (loss)	1,769	(8,574)	10,980	3,061	8,383	6,713	12,273	17,489	21,841	10,060
Interest expense	(21,731)	(14,203)	(17,437)	(18,932)	(14,088)	(15,313)	(15,035)	(15,090)	(9,324)	(18,862)
Other income (loss)	13,090	6,461	10,024	8,602	8,374	19,491	12,997	27,800	(1,599)	460
Income (loss) before contributions and transfers	41,265	12,455	48,025	30,769	20,942	20,369	(11,266)	19,978	(3,639)	(7,949)
Capital contributions	21,370	11,490	15,749	24,108	18,245	28,896	14,518	23,701	31,788	16,251
Transfers to County's General Fund	-	-	-	(14,499)	-	-	-	-	(10,176)	(12,188)
Transfer (to) from Wastewater System	(80,939)	1,564	(43,218)	(33,677)	(1,333)	(16,238)	8,306	(4,584)	(40,720)	(9,454)
(Decrease) increase in net position	\$ (18,304)	\$ 25,509	\$ 20,556	\$ 6,701	\$ 37,854	\$ 33,027	\$ 11,558	\$ 39,095	\$ (22,747)	\$ 2,558



Wastewater System

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>OPERATING REVENUES:</i>										
Retail	\$ 245,167	\$ 230,661	\$ 226,370	\$ 226,643	\$ 215,945	\$ 202,697	\$ 187,507	\$ 179,441	\$ 183,728	\$ 159,077
Wholesale	56,956	59,544	47,380	52,681	45,936	39,137	49,337	48,645	49,117	53,051
Other	13,114	9,891	11,422	12,640	11,392	11,191	10,088	9,824	9,308	8,927
Total operating revenues	315,237	300,096	285,172	291,964	273,273	253,025	246,932	237,910	242,153	221,055
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Collection system	22,500	21,638	20,150	20,385	21,523	15,987	19,293	19,965	18,111	15,582
Pumping	35,444	34,692	34,085	30,950	29,916	30,204	30,656	32,054	30,331	26,196
Treatment	86,772	79,367	74,367	72,512	68,043	69,997	67,902	66,006	62,360	55,206
Customer accounting and service	10,155	11,247	10,733	10,906	12,401	12,247	11,569	12,291	9,830	8,789
General and administrative	44,951	43,260	40,228	43,521	53,504	43,289	41,358	40,729	39,243	33,480
Total operating and maintenance expenses	199,822	190,204	179,563	178,274	185,387	171,724	170,778	171,045	159,875	139,253
Operating income before depreciation	115,415	109,892	105,609	113,690	87,886	81,301	76,154	66,865	82,278	81,802
DEPRECIATION	118,101	107,989	102,157	98,036	97,865	93,400	94,022	97,342	105,112	82,773
Operating (loss) income	(2,686)	1,903	3,452	15,654	(9,979)	(12,099)	(17,868)	(30,477)	(22,834)	(971)
<i>NON-OPERATING REVENUES(EXPENSES)</i>										
Investment income (loss)	2,164	(9,777)	10,817	3,132	9,777	6,727	16,216	25,858	27,051	12,427
Interest expense	(67,947)	(64,335)	(68,041)	(66,579)	(57,141)	(48,474)	(51,285)	(48,417)	(59,581)	(54,414)
Other income	29,580	22,111	14,245	7,295	10,214	14,366	23,520	28,814	2,715	346
Loss before contributions and transfers	(38,889)	(50,098)	(39,527)	(40,498)	(40,129)	(39,480)	(29,417)	(24,222)	(52,649)	(42,612)
Capital contributions	14,440	7,969	12,407	9,448	12,242	27,519	12,243	16,729	55,919	38,647
Transfers to County's General Fund	-	-	-	(17,721)	-	-	-	-	(12,692)	(15,513)
Transfer from (to) Water System	80,939	(1,564)	43,218	33,677	1,333	16,238	(8,306)	4,584	40,720	9,454
Increase (decrease) in net position	\$ 56,490	\$ (43,693)	\$ 16,098	\$ (15,094)	\$ (33,554)	\$ 4,277	\$ (25,480)	\$ (2,909)	\$ 31,298	\$ (10,024)

Water and Wastewater System Rates

LAST TEN FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>WATER RATES:</i>										
Lifeline (first 3,750 gallons)				N/A	N/A	N/A	N/A	N/A	N/A	N/A
Meter Size Rate										
5/8"	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
1"	10.16	9.41	9.41	9.41	8.96	8.00	8.61	8.22	7.87	7.15
1.5"	20.33	18.82	18.82	18.82	17.92	16.00	13.43	12.82	12.27	11.15
2"	32.51	30.10	30.10	30.10	28.67	25.60	28.73	27.42	26.24	23.85
3"	65.03	60.21	60.21	60.21	57.34	51.20	61.32	58.51	55.99	50.90
4"	101.61	94.08	94.08	94.08	89.60	80.00	95.77	91.39	87.45	79.50
6"	203.21	188.16	188.16	188.16	179.20	160.00	153.22	146.22	139.92	127.20
8"	325.14	301.06	301.06	301.06	286.72	256.00	268.16	255.88	244.86	222.60
10"	467.39	432.77	432.77	432.77	412.16	368.00	574.63	548.31	524.70	447.00
12"	873.82	809.09	809.09	809.09	770.56	688.00	1,085.41	1,035.70	991.10	901.10
14"	1,625.70	1,505.28	1,505.28	1,505.28	1,433.60	1,280.00	2,043.13	1,949.55	1,865.60	1,696.00
16"	2,235.34	2,069.76	2,069.76	2,069.76	1,971.20	1,760.00	3,830.87	3,655.41	3,498.00	3,180.00
Composite rate (revenues/flows)	3.46	2.99	2.93	2.95	2.75	2.57	2.38	2.24	2.20	1.97
<i>WASTEWATER RATES:</i>										
Base rate (per 1,000 gallons)	N/A	N/A	N/A	N/A	N/A	3.25	3.25	3.25	3.25	3.25
Meter Size Rate										
5/8"	3.25	3.25	3.25	3.25	3.25	3.25				
1"	10.32	9.56	9.56	9.56	9.10	8.13				
1.5"	20.64	19.11	19.11	19.11	18.20	16.25				
2"	33.03	30.58	30.58	30.58	29.12	26.00				
3"	66.04	61.15	61.15	61.15	58.24	52.00				
4"	103.19	95.55	95.55	95.55	91.00	81.25				
6"	206.39	191.10	191.10	191.10	182.00	162.50				
8"	330.22	305.76	305.76	305.76	291.20	260.00				
10"	474.69	439.53	439.53	439.53	418.60	373.75				
12"	887.47	821.73	821.73	821.73	782.60	698.75				
14"	1,651.10	1,528.80	1,528.80	1,528.80	1,456.00	1,300.00				
16"	2,270.27	2,102.10	2,102.10	2,102.10	2,002.00	1,787.50				
Composite rate (revenues/flows)	4.98	4.69	4.64	4.67	4.38	4.08	3.78	3.54	3.47	3.04

Increases in Water and Wastewater rates must be approved by the Board of County Commissioners.

Base rate, for Water, not used in fiscal years 2000-2002.

Beginning fiscal year 2009, base rate is no longer used for Wastewater; Meter size rate is now used for the two systems.



Water Usage

LAST TEN FISCAL YEARS

(millions of gallons)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>WATER PUMPED:</i>										
Water treatment plants:										
Alexander Orr, Jr.	60,183	58,666	59,805	60,191	59,969	57,025	57,257	61,118	64,242	63,929
John E. Preston	26,942	30,586	27,232	26,555	27,632	30,638	29,468	29,456	32,602	31,367
Hialeah	19,248	21,241	22,688	23,685	24,335	23,880	22,794	25,573	25,926	26,154
South Dade Water System	2,607	2,670	2,658	2,580	2,274	2,502	2,384	2,407	2,380	2,580
Purchase water	124	178	152	179	145	386	676	538	493	1,767
Total water pumped	109,104	113,341	112,535	113,190	114,355	114,431	112,579	119,092	125,643	125,797
<i>WATER SOLD:</i>										
Wholesale:										
Miami Beach	7,615	7,903	7,918	8,410	6,952	6,489	6,848	7,931	8,107	7,898
Hialeah	7,285	9,429	9,121	9,598	9,103	8,110	8,081	8,228	8,616	8,685
North Miami	1,693	1,655	1,374	1,331	1,175	1,502	2,123	1,827	1,775	1,534
Opa-Locka	895	876	876	887	788	845	909	946	1,031	994
Hialeah Gardens	638	576	591	693	654	695	694	703	716	713
Medley	470	516	479	328	400	393	398	433	496	488
Bal Harbor	407	494	430	486	455	466	447	462	476	526
North Bay Village	405	415	391	387	395	365	343	322	360	359
Bay Harbor Islands	318	309	310	302	317	329	358	366	394	418
Surfside	303	299	312	317	328	343	327	371	395	385
West Miami	278	236	292	275	293	290	266	267	300	284
Homestead ⁽¹⁾	188	151	40	-	-	-	-	-	-	-
Indian Creek Village	117	120	122	133	121	140	133	146	165	143
Virginia Gardens	91	95	93	91	98	100	63	60	77	44
North Miami Beach ⁽²⁾	-	-	-	-	100	107	1,013	2,588	3,888	4,633
Miami Springs ⁽³⁾	-	-	-	-	-	-	771	870	704	758
Total wholesale	20,703	23,074	22,349	23,238	21,179	20,174	22,774	25,520	27,500	27,862
Retail	63,539	63,386	63,169	62,937	64,430	66,086	65,147	67,302	71,674	70,114
Total water sold	84,242	86,460	85,518	86,175	85,609	86,260	87,921	92,822	99,174	97,976
Non-account water	24,862	26,881	27,017	27,015	28,746	28,171	24,658	26,270	26,469	27,821
Non-account water as a percentage of total water pumped	22.79%	23.72%	24.01%	23.87%	25.14%	24.62%	21.90%	22.06%	21.07%	22.12%
Unaccounted for water as a percentage of total water pumped	5.67%	8.88%	3.02%	10.46%	8.27%	9.90%	3.70%	6.20%	6.21%	10.56%

⁽¹⁾ Homestead usage of water is limited to an as needed basis. Their usage is not consistent to that of a wholesale customer.

⁽²⁾ North Miami Beach constructed their own water plant and beginning fiscal year 2009, has not had the need to purchase water.

Wastewater Treatment

LAST TEN FISCAL YEARS

(millions of gallons)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>WASTEWATER PLANT FLOWS:</i>										
North District Plant	34,296	32,000	35,141	27,403	31,810	31,984	34,047	34,200	33,969	33,113
Central District Plant	44,044	43,696	45,014	37,653	41,654	45,095	41,987	40,469	40,866	44,705
South District Plant	37,382	36,274	41,472	33,036	33,997	32,241	33,163	33,257	33,214	34,491
Total wastewater plant flows	115,722	111,970	121,627	98,092	107,461	109,320	109,197	107,926	108,049	112,309
<i>WASTEWATER TREATED:</i>										
Wholesale:										
Miami Beach	8,312	8,141	7,452	6,983	7,870	8,733	8,764	8,611	8,653	8,721
Hialeah	7,102	7,050	7,002	6,084	6,903	7,373	8,109	7,699	8,770	10,955
North Miami	3,619	3,745	3,699	3,418	3,523	3,533	3,923	3,764	3,963	4,080
Homestead	1,374	736	946	879	419	529	383	502	193	162
Opa-Locka	1,174	733	684	653	492	627	714	1,389	1,121	783
Coral Gables	1,041	1,088	1,144	987	1,060	1,114	1,196	1,199	1,334	1,956
Hialeah Gardens	877	865	940	817	801	618	607	612	596	542
Medley	644	544	708	628	504	619	834	601	689	667
North Miami Beach	499	622	727	718	859	940	853	799	806	812
Florida City	420	457	494	412	404	412	431	462	457	420
North Bay Village ⁽¹⁾	418	408	316	39	-	-	-	-	-	-
West Miami	147	162	202	163	144	128	131	130	174	177
Homestead Air Force Base	79	69	65	47	98	185	196	168	114	236
Miami Springs ⁽²⁾	-	-	-	-	-	-	1,237	1,272	1,210	1,422
Total wholesale	25,706	24,620	24,379	21,828	23,077	24,811	27,378	27,208	28,080	30,933
Retail	49,247	49,345	48,752	48,547	49,315	49,671	49,646	50,609	53,020	52,261
Unaccounted for wastewater	40,769	38,005	48,496	27,717	35,069	34,838	32,173	30,109	26,949	29,115
Total wastewater treated	115,722	111,970	121,627	98,092	107,461	109,320	109,197	107,926	108,049	112,309
Unaccounted for wastewater as a percentage of total wastewater treated	35.23%	33.94%	39.87%	28.26%	32.63%	31.87%	29.46%	27.90%	24.94%	25.92%
<i>ANNUAL RAINFALL (inches):⁽³⁾</i>										
	73.7	60.6	97.9	58.7	68.6	51.3	63.6	58.4	67.0	65.4

⁽¹⁾ North Bay Village was added as a new wholesale customer beginning in fiscal year 2011.

⁽²⁾ Miami Springs was purchased by WASD and beginning fiscal year 2009 is no longer a wholesale customer.

⁽³⁾ Source: National Weather Service Forecast Office in Miami for rainfall recorded in inches at Miami International Airport.



Debt Service Coverage

LAST TEN FISCAL YEARS

(in thousands)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Net operating revenues	\$ 229,007	\$ 208,432	\$ 211,225	\$ 212,850	\$ 168,763	\$ 149,807	\$ 115,513	\$ 117,993	\$ 147,429	\$ 133,581
Investment earnings ⁽¹⁾	1,166	1,479	1,336	2,111	2,550	12,596	29,390	32,170	19,324	13,781
Net transfers from (to) Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	11,238
Net revenues available for debt service	\$ 230,173	\$ 209,911	\$ 212,561	\$ 214,961	\$ 171,313	\$ 162,403	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600
Debt service requirements ⁽²⁾	\$ 143,622	\$ 138,711	\$ 137,625	\$ 115,198	\$ 114,653	\$ 103,627	\$ 113,758	\$ 113,291	\$ 110,848	\$ 104,123
Actual coverage	1.60	1.51	1.54	1.87	1.49	1.57	1.27	1.33	1.50	1.52
Required coverage	1.25	1.25	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<i>SUBORDINATE DEBT SERVICE COVERAGE</i>										
Net revenues available for debt service	\$ 230,173	\$ 209,911	\$ 212,561	\$ 214,961	\$ 171,313	\$ 162,403	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600
Less: Maximum principal and interest ⁽³⁾	163,181	161,340	146,270	146,270	146,270	115,198	114,030	113,142	113,291	115,032
Adjusted net revenues	\$ 66,992	\$ 48,571	\$ 66,291	\$ 68,691	\$ 25,043	\$ 47,205	\$ 30,873	\$ 37,021	\$ 53,462	\$ 43,568
<i>STATE REVOLVING FUND LOANS DEBT SERVICE COVERAGE</i>										
Net revenues available for debt service	\$ 230,173	\$ 209,911	\$ 212,561	\$ 214,961	\$ 171,313	\$ 162,403	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600
Less: revenue required for primary debt service coverage ⁽⁴⁾	179,528	173,389	151,388	126,718	126,119	113,989	125,133	124,620	121,933	114,536
Adjusted net revenues	\$ 50,646	\$ 36,522	\$ 61,173	\$ 88,243	\$ 45,194	\$ 48,414	\$ 19,770	\$ 25,543	\$ 44,820	\$ 44,064
Debt service requirements ⁽⁵⁾	15,369	11,386	13,501	13,501	13,479	13,470	13,434	11,563	15,328	15,205
Actual coverage	3.30	3.21	4.53	6.54	3.35	3.59	1.47	2.21	2.92	2.90
Required coverage	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

⁽¹⁾ Excludes interest income from Construction Fund

⁽²⁾ Represents debt service requirements on outstanding Bonds for such fiscal year.

⁽³⁾ Maximum principal and interest requirements on the Bonds for such fiscal year

⁽⁴⁾ Represents 110% of primary debt service requirements.

⁽⁵⁾ Represents debt service requirements on outstanding State Revolving Fund Loans for such fiscal year.



Ratio of Outstanding Debt by Type

LAST TEN FISCAL YEARS

(in thousands)

Fiscal Year	Revenue Bonds	Loans	Notes	Line of Credit ⁽¹⁾	Total Outstanding Debt	Total Per Customer
2014	\$ 2,118,735	\$ 175,796	\$ -	\$ -	\$ 2,294,531	\$ 2.93
2013	2,178,341	154,873	-	-	2,333,214	3.01
2012	1,880,872	143,843	-	-	2,024,715	2.64
2011	1,932,611	124,162	-	-	2,056,773	2.70
2010	1,980,844	119,255	-	-	2,100,099	2.77
2009	1,432,012	119,093	-	40,000	1,591,105	2.11
2008	1,452,127	107,943	-	-	1,560,070	2.07
2007	1,431,595	117,776	-	-	1,549,371	2.06
2006	1,464,162	124,940	140	-	1,589,242	2.14
2005	1,493,589	137,853	345	-	1,631,787	2.24

⁽¹⁾ Financing from Regions Bank to fund multiple Capital Improvement Projects as per County Ordinance 08-126. Entered upon on April 27, 2009.



Customer Statistics

Largest System Customers Current Year and Nine Years Ago October 2013 - September 2014

<u>Name</u>	<u>Dollar Amount⁽¹⁾ (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$ 13,054	5.0
City of Hialeah	12,488	4.7
Dade County Aviation	5,784	2.2
City of North Miami	2,901	1.1
Florida Power & Light Company	1,726	0.7
City of Opa-Locka	1,535	0.6
Hialeah Gardens	1,094	0.4
Medley	806	0.3
Bal Harbour	697	0.3
North Bay Village	694	0.3

<i>WASTEWATER SYSTEM:</i>		
City of Miami Beach	\$ 20,317	6.4
City of Hialeah	17,486	5.5
City of North Miami	8,904	2.8
City of Homestead	3,365	1.1
Dade County Aviation	3,073	1.0
City of Opa-Locka	2,874	0.9
City of Coral Gables	2,563	0.8
Hialeah Gardens	2,155	0.7
Medley	1,585	0.5
City of North Miami Beach	1,220	0.4

October 2004 - September 2005

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$ 6,713	3.9
City of Hialeah	6,253	3.7
City of North Miami Beach	3,937	2.3
Dade County Aviation	2,244	1.3
City of North Miami	1,294	0.8
City of Opa-Locka	844	0.5
Florida Power & Light	806	0.5
Hialeah Gardens	606	0.4
City of Miami Springs	546	0.3
Bal Harbour	447	0.3

<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$ 18,754	8.5
City of Miami Beach	14,905	6.7
City of North Miami	6,971	3.2
City of Coral Gables	3,327	1.5
City of Miami Springs	2,426	1.1
City of North Miami Beach	1,414	0.6
City of Opa-Locka	1,365	0.6
City of Medley	1,166	0.5
Dade County Aviation	1,065	0.5
Hialeah Gardens	947	0.4

⁽¹⁾ Using billed flows in place of net amount

Customer Statistics

Number of Retail Customers at Fiscal Year-End Last Ten Fiscal Years

Year	<u>Number of Customers</u>		Ratio of Wastewater Customers to Water Customers
	Water	Wastewater	
2014	432,315	349,778	80.9%
2013	428,631	346,285	80.8%
2012	424,764	342,539	80.6%
2011	422,016	339,927	80.6%
2010	420,367	338,368	80.5%
2009	417,983	336,272	80.5%
2008	418,258	336,290	80.4%
2007	416,620	334,426	80.3%
2006	412,121	329,615	80.0%
2005	406,059	323,615	79.7%



Population

Miami-Dade County, Florida Selected Years 2014-2005

Year	Annual Resident Population	Increase (Decrease)	Percent Change
2014	2,586,290	20,605	1.0%
2013	2,565,685	14,430	1.0%
2012	2,551,255	(44,759)	(1.7%)
2011	2,596,014	32,129	1.3%
2010	2,563,885	31,885	1.3%
2009	2,532,000	40,604	1.3%
2008	2,491,396	29,819	1.2%
2007	2,461,577	29,758	1.2%
2006	2,431,819	29,714	1.2%
2005	2,402,105	29,687	-

Source: U.S. Bureau of the Census figures 2010; Planning Research Section, Miami-Dade County Department of Planning and Zoning estimates for other years.



Building Permits

Number of Buildings Permits Issued for Housekeeping Units and Value of Permits for Housekeeping and Total Units Miami-Dade County, Florida 2013-2004

Calendar Year	<u>Number of Permits Issued</u>		Value of Permits Issued Residential Construction
	Single Family Houses	Multi-family Buildings	
2013	(1)	(1)	(1)
2012	1,819	3,250	(1)
2011	962	1,656	(1)
2010	941	2,262	395,139
2009	624	771	252,407
2008	1,086	2,388	477,424
2007	3,246	4,836	1,210,618
2006	6,548	13,469	3,323,113
2005	9,918	16,198	3,750,203
2004	9,499	13,251	2,565,383

Source: University of Florida, Bureau of Economic and Business
Research, Building Permit Activity in Florida

(1) Information Unavailable



Construction Activity

Construction Activity Miami-Dade County, Florida 2014-2005

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Buildings	Value (in thousands)	Number of Units	Value (in thousands)
2014	137	\$ 242,138	1,863	\$ 250,210
2013	105	81,734	2,387	309,243
2012	95	130,148	1,535	187,533
2011	120	54,001	1,963	182,480
2010	231	184,566	1,453	129,129
2009	202	263,754	556	55,417
2008	274	477,442	1,262	159,407
2007	288	295,413	2,404	315,586
2006	394	327,729	8,001	899,980
2005	914	273,735	8,893	1,031,757

Source: Miami-Dade County Building Department. Includes only Unincorporated Area.



Principal Employers

Principal Employers Miami-Dade County, Florida Current Year and Nine Years Ago

2014

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	33,477	1	2.61
Miami-Dade County	25,502	2	1.99
U.S. Federal Government	19,200	3	1.50
Florida State Government	17,100	4	1.33
University of Miami	12,818	5	1.00
Baptist Health South Florida	11,353	6	0.88
American Airlines	11,031	7	0.86
Jackson Health System	9,797	8	0.76
Publix Supermarkets	4,604	9	0.36
City of Miami	3,997	10	0.31
Florida International University	3,534	11	0.28
Miami Children's Hospital	3,500	12	0.27
Mount Sinai Medical Center	3,321	13	0.26
Homestead AFB	3,250	14	0.25
Florida Power & Light Company	3,011	15	0.23
Total	165,495		12.90

2004

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	54,387	1	5.02
Miami-Dade County	32,265	2	2.98
U.S. Federal Government	20,100	3	1.86
Florida State Government	18,900	4	1.74
Jackson Health Systems	11,700	5	1.08
Baptist Health South Florida	10,300	6	0.95
University of Miami	9,367	7	0.86
American Airlines	9,000	8	0.83
Miami Dade College	7,500	9	0.69
Florida International University	5,000	10	0.46
Total	178,519		16.47

Source: The Beacon Council, Miami, Florida, Miami Business Profile



Economic Statistics

Last 10 fiscal years

<u>Year</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>
2014	(1)	(1)	7.2%	1,282,854
2013	104,373,301	(1)	8.9%	1,289,617
2012	100,688,604	39,466	9.7%	1,290,751
2011	96,657,710	37,834	12.7%	1,300,030
2010	92,227,399	36,846	12.0%	1,257,324
2009	90,915,774	37,909	8.9%	1,218,871
2008	88,954,732	37,264	5.3%	1,205,913
2007	85,978,571	35,791	3.6%	1,192,231
2006	82,481,222	34,709	3.8%	1,158,801
2005	75,090,488	31,867	4.3%	1,113,560

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis/ Regional Economic Information System.

Legend: (1) Information Unavailable

Employees by Identifiable Activity

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>WATER:</i>										
Water Distribution	220	205	206	210	206	214	210	202	205	214
Water Production and Maintenance ⁽¹⁾	241	231	226	240	232	240	239	98	89	92
Laboratory Services	59	56	55	49	51	47	50	-	-	-
<i>SEWER:</i>										
Sewer Collection	194	183	187	175	189	188	180	182	184	184
Plant Maintenance ⁽¹⁾	-	-	-	-	-	-	-	315	323	320
Wastewater Treatment and Maintenance ⁽¹⁾	358	340	337	341	329	331	324	161	158	155
Pump Station Maintenance	197	193	192	193	187	192	206	196	192	194
<i>ENGINEERING:</i>										
Engineering & Design	71	70	75	75	75	77	82	148	152	149
New Customer	94	73	73	74	89	87	107	95	101	97
Program Management	-	-	-	-	15	15	15	8	-	-
Construction Contracts	69	65	71	71	77	81	62	-	-	-
<i>ADMINISTRATION:</i>										
Office of Director	32	15	30	30	33	31	36	32	29	28
Office of Deputy Director of Regulatory Compliance and Capital Improvements	6	5	6	8	13	16	15	-	-	-
Office of Deputy Director of Operations	45	43	13	12	11	10	8	12	11	10
Office of Assistant Director of Engineering	1	1	1	1	1	1	2	2	3	2
Office of Assistant Director of Finance	38	53	36	37	38	35	33	26	27	14
Office of Assistant Director of Maintenance and Support Services	114	112	143	136	155	156	157	158	158	155
Office of Assistant Director of Water	110	106	109	109	111	113	117	151	147	147
Office of Assistant Director of Wastewater	48	46	48	47	38	36	31	3	2	1
Office of Assistant Director of Regulatory Compliance and Planning	5	5	5	5	5	3	3	43	52	51
Attorney's Office	4	4	4	4	4	4	4	3	3	4
Controller	112	110	114	114	134	135	125	125	127	128
Information Technology	69	65	68	69	70	70	71	69	62	62
Retail Customer Service	243	227	224	216	253	268	266	258	261	271
Regulatory Compliance and Monitoring	16	14	15	16	18	17	16	-	-	-
General Maintenance	114	110	116	113	120	127	122	140	133	138
Planning	19	17	17	17	22	24	23	-	-	-
Total	2,479	2,349	2,371	2,362	2,476	2,518	2,504	2,427	2,419	2,416

⁽¹⁾ The Plant Maintenance Division was eliminated as of October 1, 2007 and the employees were assigned to the Water Production and Maintenance Division and the Wastewater Treatment and Maintenance Division.

Capital Indicators

LAST 10 FISCAL YEARS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<i>WATER:</i>										
Water mains ⁽¹⁾ (miles)	6,004	5,988	5,969	5,922 ⁽²⁾	5,907	5,747	5,641	5,624	5,575	5,519
Water treatment plants	9	9	8	8	8	8	8	8	8	8
Permitted water treatment capacity (million gallons per day)	464	454	454	452 ⁽³⁾	452	452	452	452	452	452
Water supply wells	100	100	100	100	100	100	100	100	97	92
<i>WASTEWATER:</i>										
Sanitary sewers ⁽¹⁾ (miles)	4,072	4,048	4,027	3,995 ⁽²⁾	3,975	3,981	3,948	3,919	3,858	3,803
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Permitted wastewater treatment capacity (million gallons per day)	376	376	376	368	368	368	368	368	341	353
Wastewater pump stations	1,047	1,042	1,039	1,039	1,039	1,035	1,035	992	986	976

⁽¹⁾ Does not include laterals.

⁽²⁾ In fiscal year 2010 & 2011, the measurements for water mains and sanitary sewers do not include miscellaneous and private pipes.

⁽³⁾ Total water supply allocation as per Water Use Permit is 357 mgd.



Insurance in Force

Type of Coverage and Insurance Company	Policy Period	Details of Coverage	Limits of Liability
Crime Policy: Fidelity & Deposit Co. of Maryland	08/19/14 - 08/19/15	Employee Dishonesty	\$1,000,000
Money and Securities: Fidelity & Deposit Co. of Maryland	11/25/13 - 11/25/14	Theft of money and securities	Values scheduled per location
Accidental Death: Hartford Life Insurance Co.	01/01/14 - 01/01/15	Accidental death and dismemberment	\$25,000
Property Insurance: Ace American Ins. Co. Aspen Specialty Ins. Co. Liberty International Undwtrs Colony Ins. Co. Liberty Mutual Ins. Co. Landmark American Ins. Co. Steadfast Ins. Co. Alterra E & S Ins. Co. Aspen Specialty Ins. Co. Chubb Custom Ins. Co. General Security Indemnity Co. of Ariz Lloyds of London Starr Surplus Lines Ins. Co	03/02/14 – 03/02/15	"All risk" coverage on real and personal property and outfalls	\$200,000,000
Automobile Liability:	Continuous	Self-Insured	\$200,000 per person/ \$300,000 per occurrence pursuant to F.S. 768.28 (certain claims may not fall with the parameters of FS
General Liability:	Continuous	Self-Insured	\$200,000 per person/ \$300,000 per occurrence pursuant to F.S. 768.28 (certain claims may not fall with the parameters of FS
Workers' Compensation:	Continuous	Self-Insured	Statutory coverage pursuant to F.S. 440



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Softner Hydrotreater



Wet Chemistry Lab



Situation Room



Security Operations Center

Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida

3071 S.W. 38 Avenue

Miami, Florida 33146

305-665-7471



Delivering Excellence Every Day

Miami-Dade County provides equal access and equal opportunity in employment and services and does not discriminate on the basis of disability. It is the policy of Miami-Dade County to comply with all the requirements of the Americans with Disabilities Act.

