MIAMI-DADE WATER AND SEWER DEPARTMENT
(A DEPARTMENT OF MIAMI-DADE COUNTY, FLORIDA)

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

MIAMI-DADE WATER AND SEWER DEPARTMENT
(A DEPARTMENT OF MIAMI-DADE COUNTY, FLORIDA)

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MARCUM
ACCOUNTANTS ▲ ADVISORS

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.

MARCUMGROUP MEMBER

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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 4-8 and 30 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

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

SUMMARY OF NET POSITION	2014	2013	2012
		(In thousands)	
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	4,714,982	4,717,384	4,433,546
Deferred Outflows of Resources	14,170	-	-
Total Assets & Deferred Outflows of Resources	4,729,152	4,717,384	4,433,546
Long-term Liabilities	2,273,111	2,311,722	2,006,909
Current Liabilities	227,367	208,327	203,362
Total Liabilities	2,500,478	2,520,049	2,210,271
Deferred Inflows of Resources	8,987	-	-
Total Liabilities & Deferred Inflows of Resources	2,509,465	2,520,049	2,210,271
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	$ 2,219,687	$ 2,197,335	$ 2,223,275

(Continued)

Management's Discussion & Analysis

(continued)

SUMMARY OF CHANGES IN NET POSITION	2014	2013	2012
		(In thousands)	
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.

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 2014. 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 19.

	(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	$ 3,523,709	$ 3,492,280	$ 3,473,954

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	$ 2,294,531	$ 2,333,214	$ 2,024,715

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 19 of this report.

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

(Continued)

Statements of Net Position

(Continued) September 30,	2014	2013
	(In thousands)	
LIABILITIES		
CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):		
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)	**73,296**	76,636
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):		
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)	**154,071**	131,691
Total current liabilities	**227,367**	208,327
NON-CURRENT LIABILITIES:		
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	**2,273,111**	2,311,722
Total liabilities	**2,500,478**	2,520,049
DEFERRED INFLOWS OF RESOURCES:		
Gain on refundings	**8,987**	-
Total deferred inflows of resources	**8,987**	-
Total Liabilities and Deferred Inflows of Resources	**2,509,465**	2,520,049
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	**2,219,687**	2,197,335
Total liabilities, deferred inflows of resources and net position	**$ 4,729,152**	$ 4,717,384

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

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended September 30,	(In thousands) 2014	2013
OPERATING REVENUES:		
Water	**$ 263,612**	$ 248,312
Wastewater	**315,238**	300,096
Total operating revenues	**578,850**	548,408
OPERATING AND MAINTENANCE EXPENSES:		
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	**349,842**	340,164
Operating income before depreciation	**229,008**	208,244
DEPRECIATION	**183,557**	177,570
Operating income	**45,451**	30,674
NON-OPERATING REVENUES (EXPENSES):		
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	**(4,223)**	(1,343)
Income (Loss) before contributions and transfers	**2,376**	(37,643)
Capital contributions	**35,810**	19,459
Increase (Decrease) in net position	**38,186**	(18,184)
Net position at beginning of year	**2,197,335**	2,215,519
GASB 65 Restatement[1]	**(15,834)**	-
Net position at end of year	**$ 2,219,687**	$ 2,197,335

[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

For the years ended September 30,	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating grants received	**122**	922
Loan to County's General Fund	**5,000**	-
Net cash provided by non-capital financing activities	**5,122**	922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
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
CASH FLOWS FROM INVESTING ACTIVITIES:		
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)

(Continued) For the years ended September 30,	2014	2013
	(In thousands)	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
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	**(529)**	(814)
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.

	2014	2013
	(In thousands)	
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
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	**$ 301,735**	$ 339,052

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

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 up-front 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-

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	$ 580,554	$ 572,866

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 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

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	$ 130,560	$ 129,991

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	$ 2,722	$ 1,561

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.

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 accounts. 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	$ 850,929	$ 866,884

6. CAPITAL ASSETS

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

	Balance 09/30/12	2013 Additions	2013 Deletions	Balance 09/30/13	2014 Additions	2014 Deletions	Balance 09/30/14
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 20. 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.

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	2013 Additions	2013 Deletions	Balance 09/30/2013	2014 Additions	2014 Deletions	Balance 09/30/2014	Due in 2015
Dade County Revenue Bonds									
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
State Loan Obligations									
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
Other liabilities									
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 Principal	Revenue Bonds Interest	State Loans Principal	State Loans Interest	Total Principal	Total Interest	Total 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

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.

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.

Loan #	Draws	Closed Out Date
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
	$ 345,290	

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.

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.

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	$ 71,284	$ 60,322

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, 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 contributions 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	$ 2,209	$ 2,738

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, 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

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.

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.

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.

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ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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 net position for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2015

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MARCUMGROUP
MEMBER

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
February 24, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Miami-Dade Water and Sewer Department, a department of Miami-Dade County, Florida (the Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Department's major federal program for the year ended September 30, 2014. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Department's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Department as of and for the year ended September 30, 2014, and have issued our report thereon dated February 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

Miami, FL
February 24, 2015

MIAMI DADE WATER AND SEWER DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Grant Contract #	Expenditures
United States Environmental Protection Agency			
Passed-through Florida Department of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW377900	$33,596,756
Total Expenditures of Federal Awards			$33,596,756

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Miami-Dade Water and Sewer Department (Department) under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net position or cash flows of the Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

MIAMI-DADE WATER AND SEWER DEPARTMENT
(A DEPARTMENT OF MIAMI-DADE COUNTY, FLORIDA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	*Unmodified Opinion*	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ yes	X none reported
Non-compliance material to financial statements noted?	____ yes	X no

Federal Awards Program

Internal control over the major program:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes	X none reported
Type of auditors' report issued on compliance for major programs:	*Unmodified Opinion*	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____ yes	X no

Identification of major federal awards program:

Federal Awards Program	CFDA No.
Capitalization Grants for Clean Water State Revolving Fund	66.458

Dollar threshold used to distinguish between Type A and Type B programs:		$ 300,000
Auditee qualified as low-risk auditee for audit of federal awards programs?	X yes	____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

MARCUM
ACCOUNTANTS ▲ ADVISORS

MANAGEMENT LETTER IN ACCORDANCE WITH RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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 financial statements of the Miami-Dade Water and Sewer Department (the Department), a department of Miami-Dade County, Florida (the County), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 24, 2015. 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, the changes in its financial position, or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Suite 1100 ▪ Miami, Florida 33131 ▪ Phone 305.995.9600 ▪ Fax 305.995.9601 ▪ www.marcumllp.com

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Department has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Department did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Marcum LLP
February 24, 2015