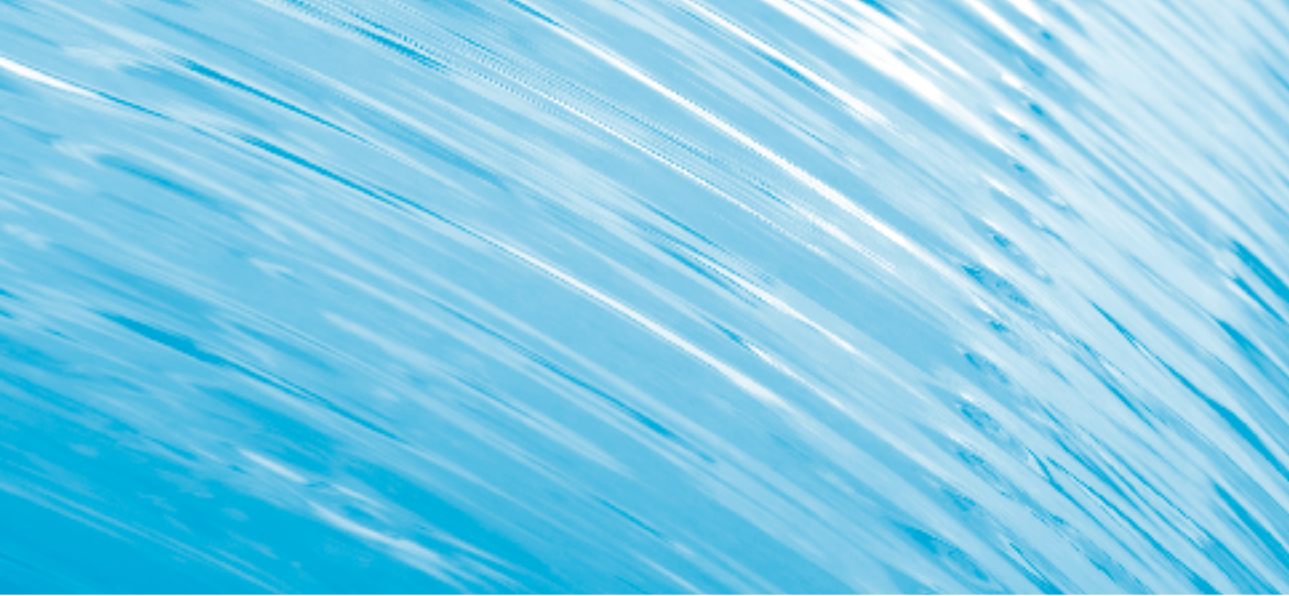


# 2005 Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida **Comprehensive Annual Financial Report** For the Fiscal Year Ended September 30, 2005





# vision statement

The Miami-Dade Water and Sewer Department will be a utility that is a leader in providing public health protection and environmentally sound and innovative utility services using state-of-the-art technologies, proven operational expertise, resource planning and excellent customer service in a cost-effective manner.

# mission statement

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



*Delivering Excellence Every Day*

# 2005 **Miami-Dade Water and Sewer Department**

## A Department of Miami-Dade County, Florida **Comprehensive Annual Financial Report**

For the Fiscal Year Ended September 30, 2005  
Report prepared by: Controller Division and Public Affairs Section

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Barbara J. Jordan  
District 1



Dorrin D. Rolle  
District 2



Audrey M. Edmonson  
District 3



Sally A. Heyman  
District 4

Board of County

# commissioners

Miami-Dade County, Florida



Bruno A. Barreiro  
District 5



Rebeca Sosa  
District 6



Carlos A. Gimenez  
District 7



Katy Sorenson  
District 8



Dennis C. Moss  
Vice Chairman  
District 9



Sen. Javier D. Souto  
District 10



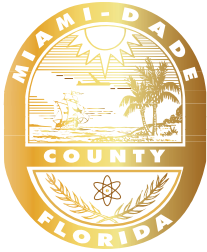
Joe A. Martinez  
Chairman  
District 11



José "Pepe" Diaz  
District 12



Natacha Seijas  
District 13



CARLOS ALVAREZ  
MAYOR

## OFFICE OF THE COUNTY MAYOR MIAMI-DADE COUNTY, FLORIDA



March 31, 2006

Honorable Chairperson and Members  
Board of County Commissioners, Miami-Dade County, Florida

Dear Chairperson and Members of the Board of County Commissioners:

During FY 2005, the Miami-Dade Water and Sewer Department excelled in providing safe drinking water to Miami-Dade County residents, and continued to properly treat and dispose of wastewater. These objectives were successfully accomplished even as costs increased, funding sources were compromised, and water and sewer rates remained low.

The Department installed a new treatment process at its John E. Preston Water Treatment Plant in Hialeah, in order to comply with new U. S. Environmental Protection Agency (EPA) regulations on byproducts created by the disinfection of drinking water. It is important to point out that the Department chose the least expensive, yet highly effective treatment method, in order to save millions of dollars. The new process eliminates many of the naturally occurring organic materials found in raw water supplied to the Preston plant. Fewer of these materials in the water means fewer potentially hazardous byproducts are created when drinking water is disinfected.

Also during the fiscal year, representatives of the EPA visited the Department to inspect some of its treatment facilities and discuss Consent Decrees (CD) and Settlement Agreements (SA) entered into during the 1990's between the Department and EPA, as well as the Florida Department of Environmental Protection (DEP). During their visit, EPA representatives were so impressed with the Department's wastewater treatment and collection systems that they referred to the Department as a "model utility."

Looking ahead, the Department faces some serious challenges. Miami-Dade County's ever-increasing population and its subsequent demand for new housing, as well as efforts to restore the Everglades, will compel the Department to look for new sources of water and develop improved systems for water reuse. I am confident the Department is redoubling its efforts and working in conjunction with state authorities to find not only acceptable, but favorable, solutions to these challenges, while at the same time continuing to provide an excellent level of service to all residents.



Carlos Alvarez  
**Mayor**



**Office of the County Manager**  
111 NW 1st Street • Suite 2910  
Miami, Florida 33128-1994  
T 305-375-5311 F 305-375-1262

[miamidadegov](http://miamidadegov)

ADA Coordination  
 Agenda Coordination  
 Animal Services  
 Art in Public Places  
 Audit and Management Services  
 Aviation  
 Building  
 Building Code Compliance  
 Business Development  
 Capital Improvements Construction Coordination  
 Citizens' Independent Transportation Trust  
 Commission on Ethics and Public Trust  
 Communications  
 Community Action Agency  
 Community & Economic Development  
 Community Relations  
 Consumer Services  
 Corrections & Rehabilitation  
 Cultural Affairs  
 Elections  
 Emergency Management  
 Employee Relations  
 Empowerment Trust  
 Enterprise Technology Services  
 Environmental Resources Management  
 Fair Employment Practices  
 Finance  
 Fire Rescue  
 General Services Administration  
 Historic Preservation  
 Homeless Trust  
 Housing Agency  
 Housing Finance Authority  
 Human Services  
 Independent Review Panel  
 International Trade Consortium  
 Juvenile Assessment Center  
 Medical Examiner  
 Metro-Miami Action Plan  
 Metropolitan Planning Organization  
 Park and Recreation  
 Planning and Zoning  
 Police  
 Procurement Management  
 Property Appraiser  
 Public Library System  
 Public Works  
 Safe Neighborhood Parks  
 Seaport  
 Solid Waste Management  
 Strategic Business Management  
 Team Metro  
 Transit  
 Task Force on Urban Economic Revitalization  
 Vizcaya Museum And Gardens  
 Water & Sewer



George M. Burgess  
County Manager

The Miami-Dade Water and Sewer Department faced a number of challenges during fiscal year 2005. A constantly growing population, limited drinking water supplies and environmental restoration projects will continue to pose challenges in the years to come.

We are facing a number of challenging issues. One such issue is water supply. The County is seeking alternatives to the Biscayne Aquifer, currently Miami-Dade County's only source of water. Some of the alternatives under study include increasing the County's usage of highly treated wastewater and possibly using the deeper Floridan Aquifer.

It is essential that the Department continue to run a tight financial ship. In coming months, Miami-Dade Water and Sewer will thoroughly analyze its entire budget, to include its rate structure and likely future adjustments. It will also be developing a system to monitor its financial condition, which will include conducting regular external and internal audits. Additionally, the Department will develop a multi-year budget in order to provide for long-range planning and maintenance, as well as to prioritize improvements to water and sewer system infrastructure. And, it will work to strengthen and enhance its efficiency program through joint labor-management initiatives designed to achieve operational efficiencies and improve departmental operations.

The Water and Sewer Department, its management, and its employees are charged with the very important dual missions of providing County residents with safe drinking water, and protecting both the environment and the public health by properly treating and disposing of wastewater. I am confident that the Department will work hard to achieve its goals in delivering excellent service to its customers every day.

Sincerely,

George M. Burgess  
County Manager





## Water and Sewer Department

P.O. Box 330316

3071 S.W. 38th Avenue • Room 247

Miami, Florida 33233-0316

### Message from

# management

The Comprehensive Annual Financial Report of the Miami-Dade Water and Sewer Department (the Department) for the fiscal year ended September 30, 2005 is submitted herewith. Management is responsible, in all material respects, both for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The data is reported in a manner designed to present fairly the financial position and the results of operations of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department's financial and operational activities are included. This report may also be accessed via the Internet at [http://www.miamidade.gov/wasd/reports\\_financial.asp](http://www.miamidade.gov/wasd/reports_financial.asp).

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes the Board of County Commissioners, the transmittal letters and the Department's organizational chart. The financial section includes the independent auditor report, the Management's Discussion and Analysis, the Department's financial statements and supplementary financial data. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

In December 1972, the Board of County Commissioners (the Board) of Miami-Dade County, Florida (the County) created the Miami-Dade Water and Sewer Authority (the Authority) for the purpose of establishing an agency responsible for providing water and wastewater services throughout the County. In 1973, all properties of the water and wastewater systems of the City of Miami (the City)

and of the County were put under the control of the Authority. The Board changed the status of the Authority to that of a County department effective November 1, 1983. Under the provisions of Miami-Dade County Ordinance 83-92, which directed the transition, the Authority was established as the "Miami-Dade Water and Sewer Authority Department" (the Department). On October 19, 1993, the Department changed its name to the Miami-Dade Water and Sewer Department.

The Department's water system, considered the largest water utility in the Southeast United States, serves approximately 408,000 retail customers and 15 wholesale customers within the County. The water system consists of three regional water treatment plants and five small auxiliary treatment facilities that service the southernmost area of the County. Groundwater from the Biscayne Aquifer is the primary source of the raw water supply. There are six major wellfields comprised of 92 individual wells, which supply untreated water to the treatment facilities. Distribution throughout the service area of more than 400 square miles is performed via seven remote finished water storage and pumping facilities and water pumped directly from the water treatment plants.

The wastewater system serves approximately 323,000 retail customers and 13 wholesale customers. It consists of three regional wastewater treatment plants, 992 sewage pump stations and nearly 5,900 miles of collection, transmission and lateral pipelines.



# major initiatives

## The New South Miami-Dade Water Treatment Plant

The first stages of construction began on the perimeter wall and other sections of the exterior and the surroundings for the Department's newest water treatment plant in FY 04. Installation of traffic lights and turn lanes comprising the entranceway into the facility began in FY 05. Other portions of this substantial project include the combined wellfield construction and park improvements, and several raw and finished (treated) water transmission mains. These projects are in various stages of design and permitting; in fact, plans for all phases of construction have been submitted to the Miami-Dade Building Department for construction permits.

The facility, which will replace three of the five small treatment plants currently being operated in South Miami-Dade, will use the latest in membrane softening technology and will commence production with an initial treatment capacity of 20 million gallons per day (MGD). The plant is expected to begin operations in 2011.

## The Water/Wastewater Facilities Master Plans

By 2020, it is expected that Miami-Dade County's population will have grown by approximately 20 percent to 2.9 million people (Miami-Dade County Department of Planning and Zoning). Water and sewer services will be primary among the services that will need to expand to accommodate the burgeoning populace. The Department's Water and Wastewater Facilities Master Plans were developed to address these specific needs and were approved in FY 03 by the Miami-Dade Board of County Commissioners.

The plans outline the water and wastewater needs of the county as it seeks to sustain the projected growth in the area. The Department plans to update these Master Plans to identify water treatment and distribution and sewage collection and disposal needs at the local level.

## The Infill Development Review Committee

The Infill Development Review Committee was established by the Department in 2003 to assess all new projects planned in areas with existing water and sewer infrastructure. The committee specifically addresses new service needs created by redevelopment – particularly as it is affected by County policies.

Current departmental regulations were written primarily to address system extensions in previously undeveloped properties. As property values escalate, there has been an increasing trend to redevelop properties in "infill" areas, especially within the City of Miami. The Infill Committee analyzes infill projects and requires either those developer-funded improvements







that are necessary to adequately serve the infill projects or a contribution for future improvements by the department in a planned systematic process. Economic advantages result from removing possibly prohibitive costs from these development projects which benefit both the County and the private sector.

In FY 04, the Infill Development Review Committee reviewed 371 projects. In 165 of those cases, developers were given the opportunity to make a contribution to an infill account in lieu of making the system improvements. The reviews and determinations of the committee resulted in the Department collecting just under \$1 million for the infill account.



## Hurricane Katrina

Following a busy 2004 hurricane season, the 2005 hurricane season proved to be a record-breaker. Although many of 2005's storms came after the end of FY 05, the season had so many named storms—26 in all, including 13 hurricanes—that the National Hurricane Center ran out of names and began to use the letters of the Greek alphabet to identify them.

Most infamous of all during FY 05 was Hurricane Katrina. Hurricane Katrina had the dubious distinction of setting several records, including the costliest storm to hit the United States (estimated to cost at least \$80 billion), as well as the deadliest U.S. hurricane since 1928 (at least 1,200 killed). It should be noted that as of press time, assessments of both damage and deaths were still being conducted and so the figures presented here will likely be higher.

Although most of Katrina's damage took place along the northern coast of the Gulf of Mexico, Katrina first made landfall slightly north of Miami-Dade County and it cut right through Miami-Dade. The storm was a Category 1 when it hit Miami-Dade County, causing many people to lose power for a few days, and incur some light damage.

The Department sustained minimal damage from Katrina, and water and sewer service to customers was continuous. However, operations were disrupted as the Department made emergency preparations before the storm, and it undertook recovery operations afterwards. The disruptions were minimal and the Department was back to normal within a matter of a few days.

Another Hurricane—Wilma—hit Miami-Dade County after the end of the fiscal year. Wilma was stronger than Katrina and it affected a much wider area. This storm and its impact will be discussed in greater detail in next fiscal year's Comprehensive Annual Financial Report.

## Northwest Wellfield Land Acquisition

The Department has been working diligently to acquire lands surrounding its Northwest Wellfield to serve as a buffer zone around the wells, which supply water to the Department's Hialeah and John E. Preston Water Treatment Plants. The Department has obtained 85 acres of property surrounding the wellfields and is continuing to pursue the acquisition of more land in the area. The land purchase will increase the protection area around the wellfield to the current 60-day line (the time it will take water from the area's outermost boundaries to be drawn to the supply well).

## Efficiency Program

Entering its eighth year during FY 05, Miami-Dade Water and Sewer Department's efficiency program has continued to show great success in improving the Department's operations and ultimately providing savings for water and sewer customers.

The POWER (Partnership Optimizing WASD's Efficiency and Reengineering) program has been the vehicle for the implementation of several projects that started with ideas from innovative and inventive department employees. Using in-house staff to do tasks previously done by outside contractors represented the largest number of efficiency projects implemented and also the largest portion of the savings for the Department in FY 05. These and other projects have resulted in projected savings of \$3,471,551 for the Department.

In addition to the approximately \$3.5 million in savings for the Department and the subsequent low rates which customers are able to enjoy, the POWER program has resulted in more efficient operations, a reduction in operating and maintenance expenses, improved service to customers, as well as gainsharing bonuses for employees. The program has received several national awards and has been



used as an efficiency model for other Miami-Dade County departments to follow.

During FY 04, the Department established a Memorandum of Understanding (MOU) for gainsharing, which was subsequently approved by the Board of County Commissioners. The agreement supports the POWER program by hinging gainsharing rewards directly to employee performance and realization of specific department goals. Goals outlined in the MOU include improving employee safety and reducing incident rates, training all employees in mandatory classes and meeting federal and state water and wastewater standards.

## Injection Wells Consent Order

The Consent Order (CO) governing the use of deep injection wells for effluent disposal entered into between the Miami-Dade Water & Sewer Department and the Florida Department of Environmental Protection (FDEP) was superseded with a new agreement in 2004 that addresses concerns of fluid movement in injection wells at the Department's South District Wastewater Treatment Plant.



Due to the complexity of the new CO and the involvement of several divisions and consulting firms, the Department developed and implemented an innovative CO database using advanced web technology for effective milestone tracking and information sharing. The FDEP was impressed with the Department's web design, subsequently using it as an example for other utilities.

Under the new CO, the Department will be constructing additional treatment facilities at the plant. The treatment method will be High Level Disinfection (HLD), which requires filtration and disinfection with chlorine. Construction of the HLD facilities will have to be completed by April 2009. In addition to the treatment, the Department is conducting a ground water study of the Floridan aquifer in the vicinity of the site.

During this fiscal year, the Department completed, on or ahead of schedule, 97 milestones associated with this CO.

## Consent Decrees and Settlement Agreements

The Miami-Dade Water and Sewer Department has, to date, successfully completed 91 percent of the mandated improvements under its Consent Decrees and Settlement Agreements (CD/SA) program with the United States Environmental Protection Agency (EPA) and the FDEP.

The Department continues to be in compliance with all the provisions of the CD/SA and through FY 05 has not incurred any penalties for not completing tasks within deadlines. More than 1,462 milestones have been satisfactorily completed as prescribed by these enforcement actions on, or ahead of, schedule.

During FY 05, EPA representatives met with the Department to discuss the status of the First Partial Consent Decree (FPCD) and Second and Final Partial Consent Decree (SFPCD). The Department presented its many accomplishments during a comprehensive program presentation. In addition, EPA staff conducted a field inspection of the Central District Wastewater Treatment Plant and an extensive review of historical files and documents compiled by the Department pertaining to the FPCD and SFPCD. EPA representatives subsequently expressed their approval of the progress made in complying with the many requirements stipulated in the consent decrees and referred to the Department as a "model utility."

The CD/SA program is divided into three major sub-programs: the Wastewater Treatment Expansion Program, the Pump Station Improvement Program and the Infiltration and Inflow Reduction Program.

### Wastewater Treatment Plant Expansion Program

The last project under the current program was completed during FY 05. As part of this program,



the Department has been able to replace potable water usage at its wastewater treatment plants with effluent reuse. Valuable drinking water is thus conserved by using reclaimed water in several wastewater treatment plant processes, as well as the landscape irrigation system at two of the Department's wastewater treatment plants and at Florida International University's Biscayne Bay Campus.

### **Pump Station Improvement Program**

The Pump Station Improvement Program (PSIP) was created to evaluate and improve the operation and transmission capacity of the 992 wastewater pump stations under the control of the Miami-Dade Water and Sewer Department. Projects include sewer pump station refurbishing, installation of new pumps, electrical upgrades and the installation of new force mains. To date, 583 pump station projects and 223 force main projects have been completed.

In FY 05, an integrated web-based PSIP Management database was launched for interactive project monitoring, cost and schedule control, enhanced communications and versatile reporting. This mini-version of a project management collaboration tool, designed by CD/SA staff, provides

project participants with proven tools, resources and processes enabling them to successfully complete many simultaneous, complex projects in accordance with stipulated deadlines.

### **Infiltration and Inflow (I & I) Reduction Program**

The Miami-Dade Water and Sewer Department continues to perform sanitary sewer evaluation surveys on more than 15 million feet of gravity collection main lines. I & I was reduced by approximately 11 MGD during FY 05, resulting in a reduction of more than 147 MGD since the beginning of the program.

In addition, the Department continues to decrease the frequency of sanitary sewer overflows. Although the I & I Program has been successful, there is still some elevated flow during and after major rain events. The Department has committed more than \$17 million to the Lateral Pilot Program to address these peak flows.

The Lateral Pilot Program is designed to determine if leaks in sanitary sewer laterals contribute to peak flows. As part of the program, the Department has conducted an in-depth inspection of 52 basins that exhibited high flows during and after heavy rain events. The main line inspections and subsequent repairs have been completed, as







have televised inspections of 1,600 service laterals. The service laterals are now being pressure tested to identify those needing repair.

## Disinfection Byproducts

The Miami-Dade Water and Sewer Department's Alexander Orr, Jr. and Hialeah Water Treatment Plants were found to be in compliance with EPA guidelines established in 1996 for achieving maximum levels for Total Trihalomethanes (THMs) and Haloacetic Acids (HLAs).

It was determined that the John E. Preston Water Treatment Plant needed some modifications in order to meet the EPA requirements. An enhanced lime-softening treatment process was installed at the plant and came online during FY 05. The new treatment process was designed to reduce the amount of naturally occurring organic material in raw water pumped from the Biscayne Aquifer to the Preston plant. This reduction, in turn, has helped

to reduce the amount of byproducts produced as a result of the disinfection process. An additional benefit to customers is the reduction in the color of the water produced by the Preston plant.

## Water/Wastewater Needs Assessment Study

A Needs Assessment Study was undertaken to evaluate the adequacy of the Department's water and wastewater system – one of the largest in the United States – and to support several county-wide initiatives aimed at revitalization and development. The study identified areas of undersized water mains and low water pressure that need to be upgraded in order to provide adequate fire protection throughout the County.

In 2001, the Department created the Needs Assessment Program (NAP) to begin the process of addressing key initiatives and deficiencies. In the four years since its inception, a total of \$30 million has been allocated to this program. That funding allocation has paid for planning, design and construction projects in all 13 commission districts.

In FY 04 under the NAP, 15 project designs were completed, four projects were put out for bids, construction was started on five projects and two projects were completed.

In FY 05 under the NAP, nine project designs were completed and/or permitted, four projects were put out for bids, seven projects are being transferred to start construction, construction was started on eight projects and five projects were completed.

## Rate Increase

The Miami-Dade Water and Sewer Department increased its rates for water and sewer services to its retail customers, effective immediately after the end of FY 05. Billing for the rate increase for wholesale customers is scheduled to take effect

in January 2006. This marks only the second rate increase since 1998. For the typical residential retail customer, the increase will be approximately 7.7 percent; this follows a ten percent rate reduction the Department had in 2003.

The rate increase was recommended by the Department's bond consultant, after an analysis of the Department's projected revenues, expenses, debt service, and other requirements. Despite the increase, the Department's rates remain among the lowest in the country.

## Growing with Information Technology

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

### The Customer Information System

In order to continue to offer its customers the best in service and to streamline the maintenance and use of customer records, the Department upgraded this application to PeopleSoft ERM (Enterprise Revenue Management) release 8.9. This upgrade was successfully implemented in May 2005. It involved migration from client-server to WEB-based technology, and enabled additional functionality, some that was implemented during FY 05 and others that are planned for FY 06.

After making online payments of their water and sewer bills available to customers during the previous fiscal year, the Department began to allow customers to pay their bills with a credit card during FY 05. This convenience was added after customers indicated they wanted it.



Customers were also able to begin receiving their bills electronically during FY 05. This feature includes a direct link to a web page where customers can pay their bills. Additionally, customers can now enroll in the automatic debit program, in which their water and sewer bills are paid automatically from their checking or savings account each billing period.

During FY 06 the Department expects to further expand its online services to include email bill notification, as well as to provide additional services through the recently upgraded Interactive Voice Response system.

### The Enterprise Resource Planning Project

The Department and the Miami-Dade Aviation Department have partnered in a joint venture under the direction of the CIO and the County Manager's Office for the implementation of an Enterprise Resource Planning (ERP) system to replace their current financial accounting software. The new

software is intended to allow for easier control, access and management of financial data, and its implementation will serve as a pilot for other County departments. During FY 05, substantial integration work was completed. The anticipated "Go Live" date is in Spring 2006.

#### **The Enterprise Asset Maintenance System**

Miami-Dade Water and Sewer Department is part of a project to implement a centralized system for managing County assets. The software selected for the project – Datastream 7i – is expected to help County departments manage maintenance and repairs for capital assets, facilities and equipment; improve inventory processes and resources; and provide enhanced reporting capabilities.

The request for proposals for integrator services has been written and approved for advertisement.

It is anticipated that the selection of an integrator will be completed by the end of 2006. The project is expected to be completed within 36 months.

#### **Supervisory Control and Data Acquisition System**

Essential to the Miami-Dade Water and Sewer Department's daily operations is the ability to monitor and control its water and wastewater functions from a remote location. The Department's Supervisory Control and Data Acquisition (SCADA) system is at the heart of this capability and one of the largest of its kind in the country.

The SCADA system, which is particularly important in cases of emergency operations and as a tool in meeting requirements of the CD/SA program, has allowed workers in the Department's 24-hour emergency call center to continuously oversee the operations at its pump stations. It





has also allowed water and wastewater treatment plant operators to control plant functions from remote control panels, providing an increased level of efficiency.

Nine hundred sixty-five of the Department's 992 wastewater pump stations have been retrofitted with SCADA monitoring devices. The Department's North District Wastewater Treatment Plant, its Hialeah and John E. Preston Water Treatment Plants, and all water wellfields are fully operational in the SCADA system. SCADA is being upgraded at the South District Wastewater Treatment Plant, the Alexander Orr Water Treatment Plant and the Central District Wastewater Treatment Plant, where the upgrade is approximately 60 percent complete.

## Community Outreach

The Miami-Dade Water and Sewer Department's Public Affairs Office sponsors and participates in several programs aimed at educating the public regarding its operations, under-utilized services and water conservation.

The Department's water conservation message in particular is carried through several media, including school presentations and contests, programs and public service announcements on public television, the distribution of water conservation kits, departmental brochures and other publications.

In FY 05, the Department implemented its new low-flow showerhead exchange program. The program provides customers with a new low-flow showerhead to replace old units. The low-flow varieties are designed to save approximately five gallons of water per minute. Although the low-flow showerhead exchange program did not begin until late in the fiscal year, it has already been very successful, with approximately 1,200 showerheads exchanged. The Department partnered with the



County's Department of Environmental Resources Management (DERM) to offer the showerheads at DERM's popular and well-attended "Adopt-A-Tree" events.

## Customer Service

In the spirit of improving customer service, the Department began a pilot initiative—called the "Pebble Program"—to reward employees who delivered excellence to customers. Employees who receive positive feedback from customers are initially rewarded with token gifts and awards. The more positive feedback an employee receives, the more significant the rewards are, which include paid time off (administrative leave) and U.S. Savings bonds. The pilot initiative was successful and the "Pebble Program" was launched after the end of the fiscal year.



# financial information

This portion of the letter of transmittal is further discussed in the Management's Discussion and Analysis, found in the financial section of this report, and should be read in conjunction with it.

## Enterprise Fund

The Department operates as an enterprise fund of Miami-Dade County. As such, the Department funds its expenditures through its rates and charges and receives no income from ad valorem taxes levied by the County. The Department recommends rates annually to provide for anticipated cash outlays for operating expenses, as well as capital improvement requirements, debt service payments, and operating transfers to the County's General Fund.

## Accounting System And Budgetary Control

As specified in Miami-Dade County Ordinance 93-134, the Department's financial accounting system is based upon accounting principles generally accepted in the United States of America (GAAP). Internal accounting controls are an integral part of the Department's management systems and are designed to provide reasonable assurance that assets are safeguarded from unauthorized use or disposition and that records used for preparing financial statements and maintaining asset accountability are reliable.

To aid in carrying out this responsibility, management strives to maintain a system of internal accounting controls, which is established after weighing the cost of such controls against the benefits derived. Due to the inherent limitations of the effectiveness of any system of internal accounting controls, management cannot provide absolute assurance that the objectives of internal accounting controls will be met.

As part of the County's ongoing efforts to employ comprehensive and cost-effective internal accounting controls, Miami-Dade County's internal auditing staff reviews the Department's controls and procedures on a continuing basis. The County's Director of Audit and Management Services reports to the County Manager, providing the independence necessary for objective auditing and reporting on Department affairs.

The Board of County Commissioners approves the Department's annual budget for its recommended rates, expenses and capital outlays. An analysis of revenue and operating expenses for the fiscal year ended September 30, 2005 is provided in the financial section of this report.

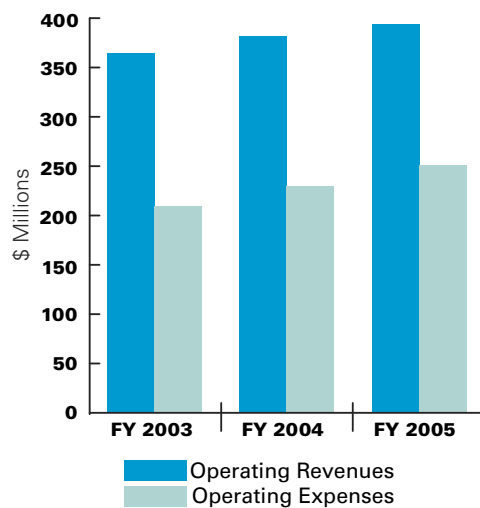
The Department controls current expenses at both the functional and operating division levels.



Through the Department's management reporting system, which includes responsibility centers, division managers are responsible for budgetary items that are controllable at their organizational levels. Since all expenses are controllable at some level, this dual monitoring of expenses serves to strengthen overall budgetary and management controls.

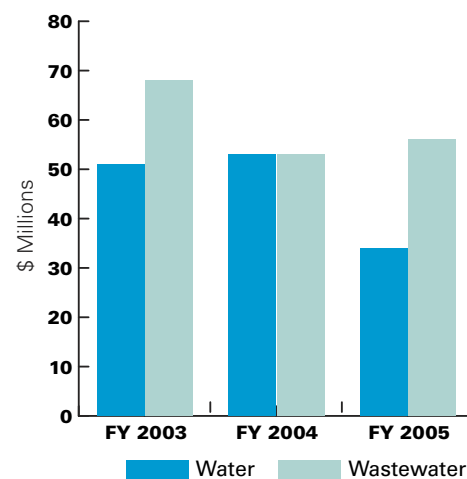
## Operating Revenues And Expenses

Operating revenues and expenses for fiscal years 2003, 2004 and 2005 are shown in the following graph.



## Capital Improvements

The following graph presents a summary of capital improvements for fiscal years 2003, 2004 and 2005.





securities. Investments are competitively bid among banks and investment brokers enabling the Department to obtain the best interest rates available in the market. A summary and comparison of cash management activity for fiscal years ended September 30, 2005 and 2004 is as follows (dollars in thousands):

	2005	2004
Average portfolio balance	\$690,871	\$679,955
Average investment yield	2.5%	1.8%
Interest earned on investments	\$17,388	\$12,138

## Cash Management

The Department pools all cash and investments, with the exception of certain investments which are required to be held in trust and escrow accounts under the terms of bond ordinances and loan agreements.

Pooled investments are made pursuant to Florida Statutes and resolutions of the Board of County Commissioners and consist of U.S. government and agency securities, commercial paper, bankers' acceptances and repurchase agreements which are collateralized by U.S. government and agency

## Risk Management

The Department maintains a self-insurance program for general liability and automobile liability exposures. Funding for this program is based on an actuarial study performed by consultants. The Department also participates in the County's self-insurance programs for workers' compensation and health and life insurance. Insurance is maintained with independent carriers for all other risks of loss.



# other information

## Independent Audit

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

## Awards

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Department has received a Certificate of Achievement for the past 23 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

### American Society for Quality, South Florida Section 1510 – Superior Teamwork Award

The American Society for Quality, South Florida Section 1510, recognized the Miami-Dade Water and Sewer Department's POWER Efficiency Program for Superior Teamwork at the 15th Annual Performance

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

Miami-Dade

Water and Sewer Department,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emery*

Executive Director

Excellence Showcase. This event featured numerous successful improvement projects showcased through storyboard presentations from both the private and public sector in South Florida, including Miami-Dade, Broward and Palm Beach counties.

The POWER Efficiency Program's storyboard presentations highlighted some of the program's achievements such as \$25 million in efficiency savings, four consecutive gainsharing bonuses for WASD employees, improved operational efficiency and no rate increase for WASD customers for six consecutive years.



**Winner, Drinking Water Taste Test,  
Florida Section of the American  
Water Works Association (FS/  
AWWA) Region 7**

For the second year in a row, the Miami-Dade Water and Sewer Department won the FS/AWWA Region 7 (Miami-Dade and Monroe counties) Drinking Water Taste Test. The Department beat out the City of North Miami Beach, the City of North Miami, the Florida Keys, Homestead and the City of Florida City to represent the region in the statewide competition.

The Drinking Water Taste Test is sponsored by FS/AWWA in an effort to educate consumers about water-related issues and raise awareness about water conservation.

**National Association of County  
Information Officers (NACIO)  
Excellence Competition Award  
– Superior**

The Department's Public Affairs section was presented an Excellence Competition Award – Superior by NACIO for its customer information booklet titled "All you need to know."

NACIO is an affiliate of the National Association of Counties. The organization, which was founded in 1966, has several hundred members who work many of the 3,066 counties, boroughs and parishes across the United States.

**The 2004 Florida Water and Pollution  
Control Operators Association  
(FWPCOA) Safety Award**

The Department received the 2004 Safety Award from FWPCOA. The award is given to utilities with an outstanding safety record.

FWPCOA is an organization whose members are involved in the production, treatment and distribution of drinking water; the collection, treatment and disposal of wastewater; and/or the collection and treatment of stormwater.

**The 2004 National Association of  
Clean Water Agencies' (NACWA)  
Peak Performance Awards**

In 2004, two of the Department's wastewater treatment plants won NACWA Peak Performance Awards. The Central District Plant won a Gold award for the second year in a row, while the North District Plant won a Silver Award.

NACWA's Peak Performance Awards program recognizes NACWA member agency facilities for excellence in wastewater treatment as measured by their compliance with their National Pollutant Discharge Elimination System (NPDES) permits. Gold awards are presented to facilities that consistently meet all NPDES permit limits during a calendar year; Silver awards are presented to facilities that have had no more than five NPDES permit violations during a calendar year.

## Acknowledgements

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



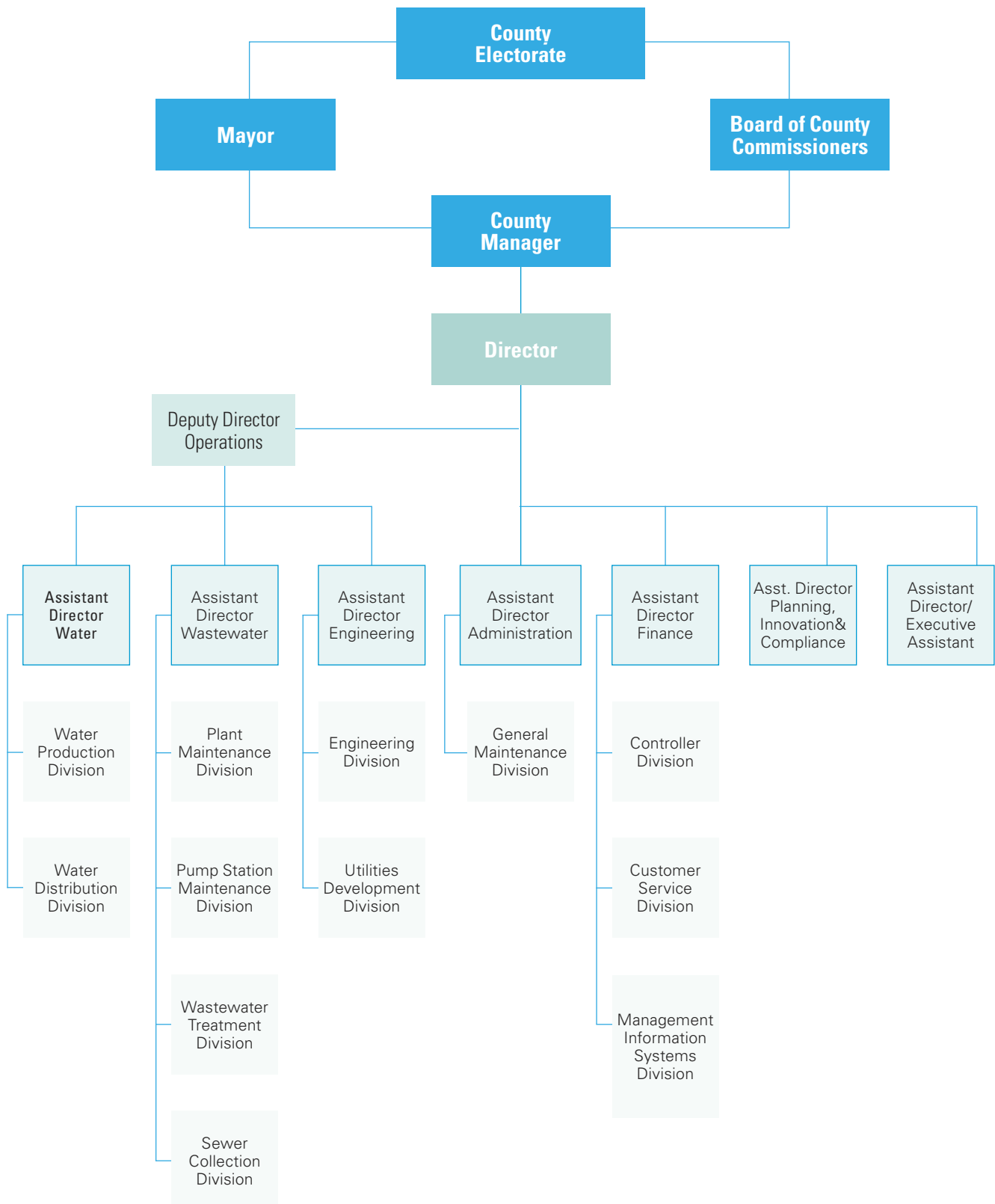
John W. Renfrow, P.E., Director



Dana M. Moss, Sr., C.P.A.

Assistant Director - Finance

# organizational chart



# **Financial Section**

**INDEPENDENT AUDITORS' REPORT**

Honorable Carlos Alvarez, Mayor, and  
Honorable Chairperson and Members  
Board of County Commissioners  
Miami-Dade County, Florida

We have audited the accompanying 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 years ended September 30, 2005 and 2004 as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above are intended to present the financial position, and changes in financial position, and cash flows of the Miami-Dade Water & Sewer Department of Miami-Dade County, Florida and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida as of September 30, 2005 and 2004 and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2005 and 2004, and changes in its financial position and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



Rachlin Cohen & Holtz LLP

One Southeast Third Avenue • Tenth Floor • Miami, Florida 33131 • Phone 305.377.4228 • Fax 305.377.8331 • [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*



Honorable Carlos Alvarez, Mayor, and  
Honorable Chairperson and Members  
Board of County Commissioners  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2006, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 24 through 26, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory, supplemental financial data and statistical tables are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
March 23, 2006

## 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 (the Department) for the fiscal year ended September 30, 2005. 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 balance sheets; statements of revenues, expenses and changes in net assets; statements of cash flows; and notes to the financial statements.

The balance sheets 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 assets being the difference between assets and liabilities. Increases or decreases in net assets 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 assets present information showing how the Department's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs which might 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 a full understanding of data provided in the statements.

### FINANCIAL POSITION

A summary of the Department's net assets and related changes for the fiscal years ended September 30, 2005, 2004 and 2003 is shown below. Total net assets as of September 30, 2005, were \$2.1 billion. The Department's total net assets decreased by \$7.5 million, or by 0.4%, from last year. The decrease was primarily due to the utilization of cash and other current assets to meet operations. The unrestricted portion of net assets (available to meet ongoing and future obligations of the Department) had an increase of \$21.3 million, or 12.6%, from fiscal year 2004.

Operating and maintenance expenses increased by \$25.5 million, or by 10.9% from the previous year. An increased employee level of compensation with related fringe benefits, utilities, chemicals and fuel expenses made up the majority of the increase.

	(in thousands)		
<b>SUMMARY OF NET ASSETS</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Current and Other Assets	\$ 958,914	\$1,008,886	\$1,041,813
Capital Assets, net	<u>2,958,020</u>	<u>2,965,096</u>	<u>2,960,469</u>
Total Assets	<u>3,916,934</u>	<u>3,973,982</u>	<u>4,002,282</u>
Long-term Liabilities	1,634,956	1,681,362	1,690,817
Other liabilities	<u>173,294</u>	<u>176,470</u>	<u>165,671</u>
Total Liabilities	<u>1,808,250</u>	<u>1,857,832</u>	<u>1,856,488</u>

## Management's Discussion &amp; Analysis

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net Assets:			
Invested in capital assets, net of debt	1,670,373	1,640,651	1,585,586
Restricted	247,947	306,469	373,628
Unrestricted	190,364	169,030	186,580
Total Net Assets	<u>\$2,108,684</u>	<u>\$2,116,150</u>	<u>\$2,145,794</u>
<b>SUMMARY OF CHANGES IN NET ASSETS</b>			
Water operating revenues	\$ 170,905	\$ 170,091	\$ 154,756
Wastewater operating revenues	221,055	215,482	207,346
Interest Income	22,487	8,785	26,153
Other nonoperating revenues	806	326	2,330
Total revenues	<u>415,253</u>	<u>394,684</u>	<u>390,585</u>
Operating & maintenance expenses	258,379	232,913	218,391
Depreciation	118,261	122,800	117,780
Interest expense	72,405	72,781	75,473
Other nonoperating expenses	871	871	876
Transfers to County's General Fund	27,701	37,899	39,996
Total expenses	<u>477,617</u>	<u>467,264</u>	<u>452,516</u>
Loss before contributions	(62,364)	(72,580)	(61,931)
Capital Contributions	54,898	42,936	47,500
Decrease in net assets	(7,466)	(29,644)	(14,431)
Net assets at beginning of year	2,116,150	2,145,794	2,160,225
Net assets at end of year	<u>\$2,108,684</u>	<u>\$2,116,150</u>	<u>\$2,145,794</u>

**CAPITAL ASSETS**

The following table summarizes the Department's capital assets, net of accumulated depreciation, for the fiscal years ended September 30, 2005, 2004 and 2003 (in thousands). Total capital assets decreased by \$7.1 million, or 0.2%, over the previous year. This decrease is due to capital additions, net of plant retirements of \$97.5 million, offset by \$104.6 million net increase in accumulated depreciation. Additional information in changes in capital assets can be found in Note 3 to the financial statements.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Land	\$ 35,020	\$ 34,774	\$ 34,519
Structures and improvements	2,280,363	2,241,033	2,259,057
Equipment	311,233	333,607	326,558
Construction work in progress	331,404	355,682	340,335
Total capital assets	<u>\$2,958,020</u>	<u>\$2,965,096</u>	<u>\$2,960,469</u>

This year's major expenditures in capital assets included:

*Water projects:*

- Wellfields (\$2.5 million)
- Transmission mains, meters and services (\$2.4 million)
- Treatment facilities (\$3.3 million)

*Wastewater projects:*

- Treatment facilities (\$16.4 million)
- Force mains (\$11.9 million)



## Management's Discussion & Analysis

- Pump stations (\$7.3 million)
- Infiltration and inflow reduction program (\$4.8 million)
- Gravity mains and services (\$3.6 million)
- System wide improvements (\$3.3 million)

Budgeted capital expenditures for fiscal year 2006 amount to \$233.6 million and include \$91.7 million in water projects and \$141.9 million in wastewater projects.

### **LONG-TERM DEBT**

Long-term debt outstanding (including current portion) at September 30, 2005, 2004 and 2003 is presented in the following table (in thousands). The year 2005 shows a decrease of \$36.9 million from the previous year.

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Revenue Bonds	\$1,493,589	\$1,523,497	\$1,553,293
State Loan Obligations	137,853	144,618	146,699
Notes payable	345	539	754
Total long-term debt	<u>\$1,631,787</u>	<u>\$1,668,654</u>	<u>\$1,700,746</u>

During 2005 an amendment to the state revolving fund loan agreements increased the related commitments by \$3.4 million. Draws made on state revolving fund commitments and recorded as debt, including capitalized interest, were \$3.8 million in 2005. Current long-term debt maturities were met in the amount of \$34.5 million. Additional long-term debt details can be found in Note 5 to the financial statements.

In September 2005, the Department refunded part of its Dade County Water and Sewer System Revenue Bonds, Series 1995 by issuing the Water and Sewer System Revenue Refunding Variable Rate Demand Bond, Series 2005, taking advantage of low interest rates. By issuing these bonds, the Department saved approximately \$31.8 million in net present value savings in interest costs.

The Department is required to maintain rates and charges sufficient to meet two sets of debt service coverage requirements. First, adjusted annual net operating revenues must equal or exceed 110 percent of the debt service on revenue bonds. Primary debt service coverage ratio for the year was 1.52, which is greater than the required level of 1.10. Second, adjusted net operating revenues, after payment of revenue bond debt service, must be at least equal to 115 percent of the debt service for the state loan obligations. The Department met the secondary debt service coverage with a ratio of 2.9, which is greater than the required ratio of 1.15.

### **REQUEST FOR INFORMATION**

Questions concerning this report or requests for additional information should be directed to Dana M. Moss, Sr., Assistant Director - Finance at 786-552-8104 or at his office located at 3071 S.W. 38th Ave., Miami, Florida 33146.

## Balance Sheets

September 30,	<u>2005</u>	<u>2004</u>
	(In thousands)	
<b>ASSETS</b>		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 32,625	\$ 65,822
Investments	108,454	96,537
Accounts receivable (net of allowance for uncollectible accounts of \$24.5 million in 2005 and \$23.1 million in 2004)	75,098	75,013
Inventory of materials and supplies	25,001	22,402
Restricted cash and cash equivalents	85,924	91,957
Total current assets	<u>327,102</u>	<u>351,731</u>
<i>NONCURRENT ASSETS:</i>		
<i>RESTRICTED ASSETS:</i>		
Cash and cash equivalents	36,285	157,267
Investments	577,466	481,140
Contracts receivable	412	176
Total restricted assets	<u>614,163</u>	<u>638,583</u>
<i>OTHER ASSETS:</i>		
Deferred debt issue costs, net	15,879	15,209
Other deferred charges, net	1,770	3,363
Total other assets	<u>17,649</u>	<u>18,572</u>
<i>CAPITAL ASSETS:</i>		
Land	35,020	34,774
Structures and improvements	3,199,845	3,092,038
Equipment	769,657	755,902
Utility plant in service before depreciation	4,004,522	3,882,714
Less accumulated depreciation	1,377,906	1,273,300
Net utility plant in service	2,626,616	2,609,414
Construction work in progress	331,404	355,682
Total capital assets	<u>2,958,020</u>	<u>2,965,096</u>
Total noncurrent assets	<u>3,589,832</u>	<u>3,622,251</u>
Total assets	<u>\$ 3,916,934</u>	<u>\$ 3,973,982</u>

(Continued)

## Balance Sheets

(Continued)	September 30,	<u>2005</u>	<u>2004</u>
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	46,724	\$ 46,155
Customer and developer deposits		20,104	17,271
Current portion of long-term debt		7,696	7,477
Current portion of swap option		-	888
Accrued interest payable		135	351
Rebatable arbitrage earnings		217	541
Liability for compensated absences		8,947	8,279
Other liabilities		<u>4,573</u>	<u>3,552</u>
Total current liabilities (payable from unrestricted current assets)		<u>88,396</u>	<u>84,514</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		10,284	12,502
Retainage payable		4,138	4,468
Current portion of long-term debt		34,612	27,021
Accrued interest payable		33,090	41,824
Liability for self-insurance		<u>2,774</u>	<u>6,141</u>
Total current liabilities (payable from restricted current assets)		<u>84,898</u>	<u>91,956</u>
Total current liabilities		<u>173,294</u>	<u>176,470</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,462,079	1,499,782
State loan obligations, net		127,279	134,029
Notes payable, net		121	345
Liability for self-insurance		1,671	5,095
Liability for compensated absences		19,247	17,552
Liability for swap option		-	24,559
Deferred revenues		<u>24,559</u>	<u>-</u>
Total noncurrent liabilities		<u>1,634,956</u>	<u>1,681,362</u>
Total liabilities		<u>1,808,250</u>	<u>1,857,832</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,670,373	1,640,651
Restricted for:			
Capital projects		113,411	177,600
Debt service		134,536	128,869
Unrestricted		<u>190,364</u>	<u>169,030</u>
Total net assets		<u>2,108,684</u>	<u>2,116,150</u>
Total liabilities and net assets		<u>\$ 3,916,934</u>	<u>\$ 3,973,982</u>

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



## Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended September 30,	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>OPERATING REVENUES:</i>		
Water	\$ 170,905	\$ 170,091
Wastewater	<u>221,055</u>	<u>215,482</u>
Total operating revenues	<u>391,960</u>	<u>385,573</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Water source of supply	5,710	5,110
Water power and pumping	1,604	2,257
Water purification	50,221	40,660
Water transmission and distribution	21,900	21,452
Wastewater collection system	15,582	14,534
Wastewater pumping	26,196	23,838
Wastewater treatment	55,206	48,851
Customer accounting	5,992	6,867
Customer service	16,712	15,638
General and administrative	<u>59,256</u>	<u>53,706</u>
Total operating and maintenance expenses	<u>258,379</u>	<u>232,913</u>
 Operating income before depreciation	133,581	152,660
<i>DEPRECIATION</i>	<u>118,261</u>	<u>122,800</u>
Operating income	15,320	29,860
 <i>NON-OPERATING REVENUES (EXPENSES):</i>		
Interest income	22,487	8,785
Interest expense	(72,405)	(72,781)
Amortization of debt issue costs	(871)	(871)
Operating grants	114	326
Other revenues	692	-
Transfers to County's General Fund	<u>(27,701)</u>	<u>(37,899)</u>
Loss before contributions	(62,364)	(72,580)
Capital contributions	<u>54,898</u>	<u>42,936</u>
Decrease in net assets	(7,466)	(29,644)
Net assets at beginning of year	<u>2,116,150</u>	<u>2,145,794</u>
Net assets at end of year	<u><u>\$ 2,108,684</u></u>	<u><u>\$ 2,116,150</u></u>

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

# Statements of Cash Flows

For the years ended September 30,	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 393,742	\$ 388,595
Cash paid to suppliers for goods and services	(124,733)	(120,735)
Cash paid to employees for services	(138,514)	(123,570)
Net cash provided by operating activities	<u>130,495</u>	<u>144,290</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	-	165
Transfers to County's General Fund	(27,701)	(37,899)
Net cash used in non-capital financing activities	<u>(27,701)</u>	<u>(37,734)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	3,675	35,710
Principal payments - bonds, loans and notes	(34,516)	(40,887)
Interest paid	(100,800)	(74,825)
Proceeds from sale of property, plant and equipment	307	-
Acquisition and construction of capital assets	(90,774)	(106,846)
Contributions received	44,490	36,066
Net cash used in capital and related financing activities	<u>(177,618)</u>	<u>(150,782)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(646,831)	(373,911)
Proceeds from sale and maturity of investment securities	539,330	334,692
Interest on investments	22,113	15,399
Net cash used in investing activities	<u>(85,388)</u>	<u>(23,820)</u>
Net decrease in cash and cash equivalents	(160,212)	(68,046)
Cash and cash equivalents at beginning of year	<u>315,046</u>	<u>383,092</u>
Cash and cash equivalents at end of year	<u>\$ 154,834</u>	<u>\$ 315,046</u>

(Continued)

## Statements of Cash Flows

(Continued)	For the years ended September 30,	<u>2005</u>	<u>2004</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income	\$	15,320	\$ 29,860
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		118,261	122,800
Provision for uncollectible accounts		1,306	2,297
Amortization of deferred charges		296	296
(Increase) decrease in assets:			
Accounts receivable		(1,278)	(7,468)
Inventory of materials and supplies		(2,599)	(2,324)
Other deferred charges		1,295	449
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		569	4,302
Customer and developer deposits		905	932
Accrued interest payable		(174)	(210)
Liability for compensated absences		2,363	2,702
Other liabilities		1,022	(567)
Liability for self-insurance		<u>(6,791)</u>	<u>(8,779)</u>
Net cash provided by operating activities	\$	130,495	\$ 144,290

*NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:*

Property, plant and equipment contributions were received in amounts of \$10.1 million and \$7.0 million in fiscal years 2005 and 2004, respectively.

The decrease in the fair value of investments were \$1.9 million and \$8.8 million in fiscal years 2005 and 2004, respectively.

\$295.2 million of Miami-Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 were issued to refund \$295.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1995.

	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 32,625	\$ 65,822
Restricted Current Cash and Cash Equivalents	85,924	91,957
Restricted Noncurrent Cash and Cash Equivalents	<u>36,285</u>	<u>157,267</u>
Total cash and cash equivalents at end of year	<u>\$ 154,834</u>	<u>\$ 315,046</u>

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



## Notes to Financial Statements

### SEPTEMBER 30, 2005 AND 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *BASIS OF ACCOUNTING AND PRESENTATION*

The Miami-Dade Water and Sewer Department (the Department) functions as a self-supporting governmental enterprise fund of Miami-Dade County, Florida (the 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.

During fiscal year 2002, the Department adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements: No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*; and No. 38, *Certain Financial Statement Note Disclosures*.

These GASB statements required the presentation of a Management's Discussion and Analysis which precedes the financial statements, in addition to several changes to the financial statements such as: (1) the classification of the Equity section of the balance sheet into Net Assets with categories of Invested in capital assets, net of related debt, Restricted and Unrestricted; (2) the statement of revenues, expenses and changes in net assets formatted to report changes in net assets in place of changes in retained earnings; and (3) additional note disclosures to the financial statements.

##### *APPLICATION OF FASB STANDARDS*

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the option of following all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The Department elected the option not to follow FASB standards.

##### *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 not related 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 \$26.6 million and \$26.4 million as of September 30, 2005 and 2004, 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.

Annualized depreciation expense, expressed as a percent of depreciable capital assets, was 3.0% and 3.2% for the fiscal years ended September 30, 2005 and 2004, respectively. The Department utilizes the composite straight-line depreciation method with normal retirements charged to accumulated depreciation, and no gain

## Notes to Financial Statements

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	50	15-50
Equipment	3-30	3-20
Transmission mains and accessories	50-100	25-100

### INVESTMENTS

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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 market.

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

### INVENTORY

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

### STATEMENTS OF CASH FLOWS

For purposes of the statements of cash flows, the Department considers all highly liquid pooled investments with a maturity of three months or less when purchased to be cash equivalents.

### 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, 2005 and 2004 was \$83.5 million and \$85.1 million, respectively. Of these amounts, \$11.1 million and \$12.3 million were capitalized in fiscal years 2005 and 2004, respectively, net of interest earned on construction funds from tax-exempt borrowings of \$2.4

million and \$2.2 million in fiscal years 2005 and 2004, 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 a liability for the swap option and will amortize the upfront payment shown as net of interest expense in the financial statements.

During fiscal year 2003 the Department adopted the provisions of GASB Technical Bulletin No. 2003-1 (T.B. 2003-1), *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, which requires new disclosure requirements related to derivatives such as interest rate swap agreements and swap options.

### BOND DISCOUNT, PREMIUM AND ISSUANCE COSTS

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 since the results are not significantly different from the interest method of amortization. Bond issuance costs are capitalized and amortized over the life of the bonds in a manner similar to discounts and premiums.

### CAPITAL CONTRIBUTIONS

Effective October 1, 2000, the Department adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires recognition of external capital contributions to proprietary funds as revenues, not contributed capital.

### 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.

### PENSION PLAN

The Department has adopted the provisions, pertaining to pension transactions, of GASB Technical Bulletin No. 2004-2, *Recognition of Pension Benefit Expenditures /*

## Notes to Financial Statements

*Expenses and Liabilities by Cost Sharing Employers* (“the Bulletin”). The adoption of the Bulletin did not have an impact on the financial statements of the Department. The provisions of the Bulletin pertaining to OPEB transactions will be applied simultaneously with the adoption of GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

### COMPENSATED ABSENCES

The Department accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines of GASB Statement No. 16, *Accounting for Compensated 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 \$13.5 million and \$14.7 million as of September 30, 2005 and 2004, respectively. The bank balances at local depositories were \$22.9 million and \$24.4 million as of September 30, 2005 and 2004, 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.

Cash on hand and cash held by other parties as of September 30, 2005 were approximately \$150,100.

### INVESTMENTS

The Department's investments at September 30, 2005, are shown in the following table (in thousands).

	Fair Value
Federal Home Loan Mortgage Corporation	\$103,429
Federal Home Loan Bank	141,422
Federal Farm Credit Bank	85,494
Federal National Mortgage Association	99,748
Federal Agricultural Mortgage Corporation	11,336
SBA	74,825
Treasury Notes	30,991
Commercial Paper	199,300
Guaranteed Investment Contracts:	
MBIA	25,094
SARCO	21,788
AIGMF	33,702
Total investments	<u>\$827,129</u>

### CREDIT RISK

The County's Investment Policy (the Policy), minimizes credit risk by restricting authorized investments to: Local

## Notes to Financial Statements

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 quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, pursuant to Florida Statutes §280.02, which are defined as banks, savings bank, or savings association 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, any 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 to repurchase agreements 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 one nationally recognized rating service; Bankers Acceptances which have a stated maturity of 180 days or less from the date of its issuance, and have the highest letter and numerical rating as provided for by at least one nationally recognized rating service, 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. 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 loaned upon initiation of the transaction.

The following table summarizes the investments by type and credit ratings at September 30, 2005.

	<u>Credit Rating</u>
Federal Home Loan Mortgage Corporation	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
Federal National Mortgage Association	AAA
Federal Agricultural Mortgage Corporation	AAA
SBA	N/A
Treasury Notes	N/A
Commercial Paper	A1/P1

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, 2005 all of 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 and shall be held for the 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 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 savings accounts with no more than 5% deposited with any one issuer; a maximum 75% of the total portfolio may be invested in federal agencies and instrumentalities; a maximum of 5% of the portfolio may be invested in open-end or closed-end funds; a



## Notes to Financial Statements

maximum of 50% of the portfolio may be invested in prime commercial paper with a maximum of 5% to with any one issuer; a maximum of 25% of the portfolio may be invested in bankers acceptance with a maximum with any one issuer; a maximum of 60% of the portfolio may be invested in both commercial paper and bankers acceptance; a maximum of 10% of the portfolio may be invested with any one institution.

As of September 30, 2005 the following issuers held 5% or more of the investment portfolio:

	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	13.85
Federal Home Loan Bank	18.94
Federal Farm Credit Bank	11.45
Federal National Mortgage Association	13.36
SBA	10.02

The above 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 1 year. Investments for bond reserves, construction funds and other non-operating fund 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 5 years

As of September 30, 2005 the County had the following investments with the respective weighted average maturity in years.

	<u>Weighted Average in Years</u>
Federal Home Loan Mortgage Corporation	0.68
Federal Home Loan Bank	0.92
Federal Farm Credit Bank	0.74
Federal National Mortgage Association	0.72
Federal Agricultural Mortgage Corporation	0.58
SBA	0.003
Treasury Notes	0.84
Commercial Paper	0.23

### FOREIGN CURRENCY RISK

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

## 3. CAPITAL ASSETS

Capital asset activity during fiscal years 2004 and 2005 was as follows (in thousands):

	Balance 9/30/03	2004		Balance 9/30/04	2005		Balance 09/30/05
		Additions	Deletions		Additions	Deletions	
Capital assets, not being depreciated:							
Land	\$ 34,519	255	-	34,774	246	-	35,020
Construction work in progress	340,335	128,244	(112,897)	355,682	111,489	(135,767)	331,404
Total capital assets, not being depreciated	374,854	128,499	(112,897)	390,456	111,735	(135,767)	366,424
Capital assets, being depreciated:							
Structures and improvements	3,038,441	59,271	(5,674)	3,092,038	110,268	(2,461)	3,199,845
Equipment	710,751	53,626	(8,475)	755,902	25,253	(11,498)	769,657
Total capital assets, being depreciated	3,749,192	112,897	(14,149)	3,847,940	135,521	(13,959)	3,969,502
Less accumulated depreciation:							
Structures and improvements	(779,384)	(77,296)	5,675	(851,005)	(70,934)	2,457	(919,482)
Equipment	(384,193)	(45,504)	7,402	(422,295)	(47,328)	11,199	(458,424)
Total accumulated depreciation	(1,163,577)	(122,800)	13,077	(1,273,300)	(118,262)	13,656	(1,377,906)
Total capital assets, being depreciated, net	2,585,615	(9,903)	(1,072)	2,574,640	17,259	(303)	2,591,596
Total capital assets, net	\$ 2,960,469	118,596	(113,969)	2,965,096	128,994	(136,070)	2,958,020

## Notes to Financial Statements

### 4. 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 on 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, 2005 and 2004 are presented in the following table (in thousands):

	<u>2005</u>	<u>2004</u>
Restricted Assets		
Debt Service	\$170,741	\$175,598
Construction	427,636	455,193
Renewal and Replacement	48,058	70,948
Plant Expansion	48,838	17,565
Self-Insurance	4,814	11,236
Total Assets	<u>\$700,087</u>	<u>\$730,540</u>

### 5. LONG-TERM DEBT

Long-term debt includes various bonds, loans and notes payable 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 below. See Note 3, 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, 2005.

#### *DADE COUNTY REVENUE BONDS, SERIES 1994*

On February 4, 1994, \$431.7 million of Dade County Water and Sewer System Revenue Bonds, Series 1994, with vari-

able interest rates, were issued to finance capital improvements to the water and wastewater systems. The variable rate is set by the Remarketing Agent (Smith Barney Shearson Inc.) based on the weekly rate the bond is sold for in that time period.

The Series 1994 Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on the first Wednesday of October through the year 2022, with semi-annual interest due on the first Wednesday of April and October of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2005.

#### *DADE COUNTY REVENUE BONDS, SERIES 1995*

On October 19, 1995, \$346.8 million of Dade County Water and Sewer System Revenue Bonds, Series 1995 were issued to finance capital improvements to the water and wastewater systems. On September 29, 2005, \$295.2 million of Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 were issued to refund the Series 1995 Bonds maturing after October 1, 2011.

The Series 1995 Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 through the year 2011 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 2005.

#### *DADE COUNTY REVENUE BONDS, SERIES 1997*

On January 30, 1997, \$437.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1997 were issued to finance capital improvements to the water and wastewater systems.

The Series 1997 Revenue Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 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 2005.

# Notes to Financial Statements

## CHANGES IN LONG-TERM LIABILITIES

A summary of the long-term liability activity during fiscal years 2004 and 2005 is presented in the following table (dollars in thousands):

Description	Outstanding Rate	Balance 09/30/03	2004		Balance 09/30/04	2005		Balance 09/30/05	Due in 2006
			Additions	Reductions		Additions	Reductions		
<i>Dade County Revenue Bonds</i>									
Series 1993	4.40%-5.00%	\$ 277,200	-	277,200	-	-	-	-	-
Series 1994	Variable*	419,275	-	735	418,540	-	780	417,760	820
Series 1995	4.10%-6.25%	332,265	-	3,305	328,960	-	298,695	30,265	3,625
Series 1997	4.50%-6.25%	411,870	-	7,110	404,760	-	7,435	397,325	7,785
Series 1999A	5.00%	150,000	-	-	150,000	-	-	150,000	-
Series 2003	2.00%-5.00%	-	248,890	-	248,890	-	12,045	236,845	19,280
Series 2005	Variable*	-	-	-	-	295,240	-	295,240	-
Less: Unamortized Discount		(25,542)	-	(3,460)	(22,082)	-	(7,548)	(14,534)	-
Deferred amounts on refunding		(11,775)	(21,393)	(11,775)	(21,393)	(14,350)	(2,367)	(33,376)	-
Plus: Unamortized Premium		-	17,580	1,758	15,822	-	1,758	14,064	-
Total revenue bonds		1,553,293	245,077	274,873	1,523,497	280,890	310,798	1,493,589	31,510
<i>State Loan Obligations</i>									
State Revolving Fund	2.56%-4.17%	146,699	7,250	9,331	144,618	3,842	10,607	137,853	10,574
<i>Notes Payable</i>									
City of North Miami	6.00%	754	-	215	539	-	194	345	224
Total long-term debt		1,700,746	252,327	284,419	1,668,654	284,732	321,599	1,631,787	42,308
<i>Other liabilities</i>									
Compensated absences		23,129	10,104	7,402	25,831	10,642	8,279	28,194	8,947
Self-insurance		20,015	3,731	12,510	11,236	5,087	11,878	4,445	2,774
Swap option liability		-	26,012	565	25,447	-	25,447	-	-
Deferred revenues		-	-	-	-	24,559	-	24,559	-
Total long-term liabilities		\$ 1,743,890	292,174	304,896	1,731,168	325,020	367,203	1,688,985	54,029

\* Variable rates range from 0.83%-3.0% and 2.75% for Series 1994 and Series 2005, respectively.

## DEBT SERVICE REQUIREMENTS

As of September 30, 2005, the Department's debt service requirements to maturity and net swap payments, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Maturing in Fiscal Year	Revenue Bonds			State Loans		Notes Payable		Total		
	Principal	Interest	Swaps	Principal	Interest	Principal	Interest	Principal	Interest	Swaps
2006	\$ 31,510	62,927	21,578	10,574	4,345	224	15	42,308	67,287	21,578
2007	35,730	61,182	21,549	11,300	3,988	121	2	47,151	65,172	21,549
2008	39,235	59,453	19,809	10,703	3,626	-	-	49,938	63,079	19,809
2009	41,015	57,709	15,658	11,061	3,269	-	-	52,076	60,978	15,658
2010	42,780	55,925	15,623	11,431	2,901	-	-	54,211	58,826	15,623
2011-2015	246,650	247,986	99,658	50,228	9,020	-	-	296,878	257,006	99,658
2016-2020	320,060	201,195	88,061	22,775	3,133	-	-	342,835	204,328	88,061
2021-2025	419,030	142,383	39,800	9,781	659	-	-	428,811	143,042	39,800
2026-2030	351,425	37,264	234	-	-	-	-	351,425	37,264	234
	1,527,435	926,024	321,970	137,853	30,941	345	17	1,665,633	956,982	321,970
Unamortized Discount, Deferred & Premium Amounts	(33,846)	-	-	-	-	-	-	(33,846)	-	-
Total	\$ 1,493,589	926,024	321,970	137,853	30,941	345	17	1,631,787	956,982	321,970

## Notes to Financial Statements

### *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.

The Series 1999A Revenue Bonds are collateralized by the net operating revenues of the Department and are 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 2005.

### *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 the net operating revenues of the Department and are due serially on October 1 through the year 2013 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 2005.

The Series 2003 Refunding Bonds proceeds of \$263.5 million were used to purchase \$263.5 million in U.S. Treasury securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded obligations. Accordingly, these refunded obligations are considered to be defeased and the assets held in trust have not been included in the accompanying financial statements. Although the refunding resulted in a deferred charge of \$23.7 million, the Department reduced its aggregate debt service payments by \$19.5 million and received an economic gain of \$18.6 million. On November 14, 2003, the Department redeemed the outstanding principal amount of \$257.1 million of the County's Water and Sewer System Revenue Refunding Bonds, Series 1993.

### *MIAMI-DADE COUNTY REVENUE BONDS, SERIES 2005*

On September 29, 2005, \$295.2 million of Miami-Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 were issued to refund the County's Water and Sewer System Revenue Refunding Bonds, Series 1995 maturing after October 1, 2011, and to pay issue costs.

The Series 2005 Refunding Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 through the year 2025 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 2005.

The Series 2005 Refunding Bonds proceeds of \$295.2 million, along with other funds, were used to purchase \$301.6 million in U.S. Treasury securities. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded obligations. Accordingly, these refunded obligations are considered to be defeased and the assets held in trust have not been included in the accompanying financial statements. Although the refunding resulted in a deferred charge of \$14.3 million, the Department reduced its aggregate debt service payments by \$31.1 million and received an economic gain of \$31.8 million. On October 31, 2005 the Department redeemed the outstanding principal amount of the defeased \$295.2 million of the County's Water and Sewer System Revenue Bonds, Series 1995.

### *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, 2005 are detailed in the following table (in thousands). Related payments of principal and interest are due through the year 2024.



## Notes to Financial Statements

<u>Loan #</u>	<u>Commitments</u>	<u>Draws to date</u>	<u>Closed out Loans</u>
375310	\$ 45,906	\$ 45,906	06/07/99
377400	36,402	36,402	06/07/99
377450	27,831	27,831	05/18/01
377470	11,959	11,959	08/21/00
377490	3,098	3,098	05/02/01
377500	25,874	25,874	12/01/03
377650	2,618	2,618	08/08/03
377670	3,604	3,604	10/27/03
377860	6,200	3,627	active
377870	6,093	4,462	active
37788P	3,252	3,252	active
37789A	845	862	active
37789L	12,798	2,270	active
300010	35,163	35,242	active
300080	<u>4,691</u>	<u>4,691</u>	04/28/03
	<u>\$226,334</u>	<u>\$211,698</u>	

No further draws will be made against closed loans.

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 2005.

### NOTES PAYABLE

Outstanding notes payable represents a non-collateralized note issued in 1979 in connection with the acquisition of the North Miami sanitary sewage ocean outfall line. Such note is subordinate debt maturing in 2007.

### INTEREST RATE SWAP AGREEMENTS

The Department is currently a party to three interest rate swap agreements: one swap relating to the Series 1994 Revenue Bonds, one swap relating to the Series 1995 Revenue Bonds and another swap relating to the Series 1997 Revenue Bonds. The debt service requirements to maturity presented in the above related table are shown net of these agreements.

#### Series 1994 Interest Rate Swap

The swap agreement relating to the Series 1994 Bonds is between the Department and AIG Financial Products Cor-

poration, and it's a variable to fixed rate swap (bonds issued as variable, swapped to fixed rate mode). The Department's objective with this swap was to obtain a lower fixed rate than was available at the time of issuance of the related bonds.

*Terms of the Agreement.* The swap calculations are based on a notional amount which amortizes with the Series 1994 Bonds and is set at \$418.5 million for the current fiscal year. The Department owes interest to the counterparty, calculated at a 5.28% annual fixed rate on the notional amount, and in return the counterparty owes the Department interest at a variable rate that matches the variable rate payable on the bonds. The swap became effective on February 4, 1994 and it terminates on October 5, 2022, same date as for the Series 1994 Bonds.

*Fair Value.* As of September 30, 2005, based on an estimated mark-to-market assessment, the swap had a negative fair value of \$100.1 million. The negative fair value may be countered by a reduction in total interest payments required under the variable-rate bond, creating a lower synthetic interest rate.

*Credit Risk.* AIG Financial Products Corporation is rated AAA by Fitch Ratings. The Department is not exposed to credit risk on this swap.

*Basis Risk.* Counterparty is paying the same variable rate as the Department's obligation to the bondholders. The Department is not exposed to basis risk. However, in the event that the variable rate index were no longer issued then the rate would convert to an alternate rate, based on a percentage of LIBOR. In that event, the Department would be exposed to basis risk.

#### Series 1995 Interest Rate Swap

The swap relating to the Series 1995 Bonds is between the Department and Merrill Lynch Capital Services, Inc., and it is a fixed to variable rate swap (bonds issued as fixed, swapped to variable after June 15, 2008; with option to terminate on such date). The Department entered in this interest rate swap to lower its overall cost of borrowing.

## Notes to Financial Statements

*Terms of the Agreement.* The swap became effective on December 15, 1993 and amended on August 26, 1998. It initially provided for the Department to receive payments at a fixed rate of 4.85% and to make payments at a variable rate based on the BMA index. The swap included an option, exercisable by the counterparty, for the Department to receive payments at a variable rate based on the BMA index and to make payments at a fixed rate of 4.40%.

This agreement was further amended on February 26, 2001 to provide for: (i) the extension of the termination date to June 15, 2020; (ii) the association of the swap with the Department's Series 1995 Bonds from the Series 1993 Refunding Bonds; (iii) an option in favor of the counterparty to terminate the agreement on June 15, 2008; (iv) an increased fixed rate of 4.902%; (v) an additional fixed rate of 0.323% which survives the one day termination option; and (vi) a notional amount declining from \$215 million commencing September 25, 2015, to \$154 million as of September 19, 2019, in step with the Series 1995 Bonds.

On September 20, 2001, the counterparty exercised the option to receive payments from the Department at the fixed rate of 4.40% and make payments at a variable rate based on the BMA index. The net effect of the exercised option was for the Department to pay a fixed rate of 4.40% until June 15, 2008, and then a variable rate to the termination date. The Department receives from the counterparty a fixed rate of 5.225% of the notional amount.

*Fair Value.* As of September 30, 2005, based on an estimated mark-to-mid-market assessment, the fair value of the swap was a positive \$6.7 million.

*Credit Risk.* Merrill Lynch Capital Services, Inc. is rated A1 by Moody's Investor Service, Inc., and A+ by Standard and Poor's Rating Services. Credit risk is presumed to be minimal, or no greater than at the swap start date.

*Termination Risk.* Counterparty has the option to partially terminate the swap on June 15, 2008. No amounts shall be payable by either party in respect of such termination.

*Interest Rate Risk.* Through June 15, 2008, the Department receives a net payment of 0.825%, therefore there is no interest rate risk through that date. After June 15, 2008, should the counterparty exercise the option and terminate, the counterparty will pay the Department 0.323% on the notional amount until June 15, 2020. If the counterparty does not terminate on June 15, 2008; then the Department will make payments based on the BMA index, thereby the Department will be exposed to interest rate risk that short term interest rates will rise over the next twenty years to the point where the variable interest rates paid by the Department would exceed the new fixed rate received by the Department.

*Rollover Risk.* The Department is exposed to this kind of risk. Upon termination of the swap with the counterparty Merrill Lynch Capital Services, Inc., the Department will no longer realize the synthetic rate on the bonds and will be exposed to the full fixed rate on the bonds.

### *Series 1997 Interest Rate Swap*

The swap agreement relating to the Series 1997 Bonds is between the Department and RFPC Ltd., a division of Rice Financial Products Company. It is a variable to variable swap (bonds issued as fixed, enhanced by basis swap). The Department entered in this interest rate swap to lower its overall cost of borrowing.

*Terms of the Agreement.* The swap became effective on August 27, 1998, and initially provided for the Department to pay BMA divided by 0.604 of the outstanding notional amount of \$114.5 million and the counterparty to pay the Department LIBOR + 1.28% of the outstanding notional amount, with such notional amount to be reduced each October 1, commencing on October 1, 2010 as set forth in a schedule attached to the confirmation.

The swap had a termination date of October 1, 2013. On July 18, 2002, said swap was amended to provide: (i) the association of the swap with the Department's Series 1997 Bonds from the Series 1993 Refunding Bonds; (ii) an increase of the notional amount from \$114.5 million to \$200 million to be reduced each October 1, commencing on October 1, 2021 as set forth in a predetermined reduction schedule; (iii) the extension of

## Notes to Financial Statements

the termination date to October 1, 2026, and (iv) an increase to the constant from 1.28% to 1.455%.

*Fair Value.* As of September 30, 2005, based on an estimated mark-to-mid-market assessment, the fair value of the swap was a negative \$7.5 million.

*Credit Risk.* RFPC Ltd., a division of Rice Financial Products Company, is guaranteed by AMBAC, rated Aaa by Moody's Investor Service, Inc. and AAA by Standard and Poor's Ratings Services. Credit Risk is presumed to be minimal or no greater than at the swap start date.

*Interest Rate Risk.* The principal risk associated with the swap is the relationship between the tax-exempt and the taxable markets, specifically the changes in the ratio between tax-exempt and taxable interest rates. If federal income tax rates are reduced during the term of the transaction, BMA (the tax exempt interest rate) would rise to levels that trade closer to taxable rates, i.e. LIBOR, and thus increase the payments owed by the Department to RFPC.

*Basis Risk.* LIBOR and BMA are independent variable rate indexes, the Department is exposed to basis risk.

### *Series 1995 Swap Option Agreement*

*Terms of the Agreement.* On March 12, 2004, the Department entered into a swap option transaction that locked in the current interest rate savings associated with the Water and Sewer Revenue Bonds, Series 1995. The Department sold an option to a counterparty, Bank of America Securities, to cause the Department to issue variable rate bonds and then to swap the variable rate bonds to a fixed rate of 5.27%. In exchange for the option, the Department received approximately \$26 million, and the counterparty exercised the option to effectuate the swap on August 15, 2005. The Department received an additional \$10.9 million at the time of issuance of the variable rate bonds and variable to fixed rate swap.

*Fair Value.* As of September 30, 2005, based on an estimated mark-to-mid-market assessment, the fair value of the swap option was a negative \$32.3 million.

*Interest Rate Risk.* The counterparty exercised its option and the Department has issued the variable rate bonds and the variable to fixed rate swap became effective October 3, 2005.

*Credit Risk.* If the counterparty fails to fulfil its contractual obligations, the Department will be exposed to this risk. To mitigate this risk, the County maintains strict credit standards for the counterparty. The County requires all counterparties for longer term swaps to be rated in the double-A category by both Moody's and Standard & Poor's. In addition, the County's swap documents require counterparties to post collateral for the Department's benefit if they are downgraded below a designated threshold. Bank of America Securities is rated Aa1 by Moody's Investors Service, Inc., and AA by Standard and Poor's Rating Services.

*Basis Risk.* The Department would be exposed to basis risk if the variable rate on the new variable rate bonds do not match the variable rate received on the swap. Should the variable rate the Department receives on the swap fall short of the variable rate on the new variable rate bonds, the expected savings will not be realized.

## 6. RECEIVABLES

Receivables at September 30, 2005 and 2004, were as follows (in thousands):

	<u>2005</u>	<u>2004</u>
Trade accounts	\$84,871	\$87,124
Nonretail accounts	11,299	8,127
Other County funds	3,359	2,673
Other governments	28	216
Gross receivables	<u>99,557</u>	<u>98,140</u>
Less: allowance for doubtful accounts	<u>(24,459)</u>	<u>(23,127)</u>
Net receivables	<u>\$75,098</u>	<u>\$75,013</u>

## 7. PAYABLES

Payables at September 30, 2005 and 2004, were as follows (in thousands):

## Notes to Financial Statements

	<u>2005</u>	<u>2004</u>
Other County funds	\$11,121	\$11,772
Vendors	16,636	13,783
Other governments	16,888	16,295
Salaries and benefits	6,737	9,035
Contractors	5,384	7,530
Other	242	242
Total payables	<u>\$57,008</u>	<u>\$58,657</u>

**8. PENSION PLAN**

The Department, as an agency of the County, participates in the Florida Retirement System (the FRS), a cost-sharing multi-employer 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 it 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.

Benefits under the "FRS Pension Plan", a defined benefit program, vest after six years of service. Employees who retire at or after age 62, with six years of credited service, 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 of Florida statutes. Retirement benefits are pre-funded by employer contributions and participant contributions are not allowed.

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 covered payroll for Department employees in the FRS for the years ended September 30, 2005 and 2004 was \$130.6 million and \$120.6 million, respectively, while the Department's total payroll was \$130.6 million and \$119.4 million for fiscal 2005 and 2004, respectively. Pension costs of the Department as required and defined by Florida statute ranged between 7.8% and 18.5% of gross salaries during fiscal 2005 and between 7.4% and 18.5% during fiscal 2004. For the years ended September 30, 2005, 2004, and 2003, the Department's actual contributions met all required contributions. These contributions aggregated \$10.0 million, \$8.7 million and \$6.8 million, respectively, which represented 7.6%, 7.2% and 6.3% 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 2005, 2004 and 2003.

Ten-year historical trend information is presented in the FRS' June 30, 2005 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' annual report can be obtained by writing to the Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, FL 32399-1560 or by calling (850) 488-5706.

**9. 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, provided by Section 706 of County Ordinance 78-82, as amended.



## Notes to Financial Statements

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 probable 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 liabilities 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 2005 and 2004 were as follows (in thousands):

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$9,933	\$14,753
Claims and changes in estimates	(6,052)	(3,960)
Less: Payments	<u>(784)</u>	<u>(860)</u>
Balance at end of year	<u>\$3,097</u>	<u>\$9,933</u>

The Department participates in the workers' compensation self-insurance program of the County, administered by the Risk Management Division. Risk Management charges a "premium" to each County department based on amounts necessary to provide funding for expected payments during the fiscal year. The estimate of IBNR losses is performed by an independent actuary. The Department maintains a liability in the amount of \$1.3 million as of September 30, 2005 and 2004 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 \$4.4 million and \$11.2 million as of September 30, 2005 and 2004, 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 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.

### 10. CONTRIBUTIONS

A schedule of contributions during fiscal years 2005 and 2004 is presented below (in thousands):

	<u>2005</u>	<u>2004</u>
Contributed Facilities		
Developers	\$11,642	\$8,230
Customers	2,679	2,099
Connection charges	<u>40,577</u>	<u>32,607</u>
Total additions	<u>\$54,898</u>	<u>\$42,936</u>

### 11. 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, 2005 and 2004 (in thousands):

	<u>2005</u>	<u>2004</u>
General Services Administration	\$15,715	\$14,501
General Fund	11,052	11,091
Public Works	4,500	3,176
Information Technology	7,270	8,866
Environmental Resources Mgmt.	1,369	482
Solid Waste	1,211	1,321
Fire Department	1,000	6
Parks and Recreation	7	6,215
Management and Budget	174	1,449
Other County Departments	<u>2,668</u>	<u>2,266</u>

## Notes to Financial Statements

In addition to the above payments, the Department had related payables of \$12.2 million and \$13 million at September 30, 2005 and 2004, respectively. The Department also had receivables from other County departments amounting to \$1.4 million and \$0.9 million at September 30, 2005 and 2004, 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 transferred \$27.7 million and \$37.9 million to the General Fund in fiscal years 2005 and 2004, respectively. The transfers to the General Fund have been classified in the financial statements as Transfers to County's General Fund.

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.

### 12. COMMITMENTS AND CONTINGENCIES

#### *CONSTRUCTION*

The Department had contractual commitments of \$26.7 million for plant and infrastructure construction at September 30, 2005.

#### *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, 2005 and 2004, the Department recorded obligations to rebate approximately \$0.2 million and \$0.5 million, respectively, 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 the 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 restrictions on new sewer construction in certain areas of the County until adequate capacity becomes available in the wastewater system. Subsequently, in 1994 and 1995, two consent decrees were entered into with the U.S. Environmental Protection Agency (EPA) 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.

In December 1997, an Administrative Order on Consent (AOC) with the EPA became effective, which addressed alleged violations of federal and state laws regarding underground injection of treated wastewater. On April 16, 2002, the EPA notified the County that it was terminating the existing AOC effective August 1, 2002; based on the EPA's determination that the purpose of the decree had been fulfilled. The EPA further directed the County to negotiate a new consent order with the FDEP to address the continued use of the injection wells. The County negotiated a new consent order with the FDEP and on July 22, 2003, the Board of County Commissioners approved the draft consent order. On April 29, 2004, the Consent Order, OGC File

## Notes to Financial Statements

No. 03-1376, was entered into between the State of Florida Department of Environment Protection and Miami-Dade County. It requires the County to provide high level disinfection for the effluent prior to injection, by April 2009. The capital cost of these improvements is approximately \$250 million.

### 13. SUBSEQUENT EVENTS

In September 2005, the Board of County Commissioners approved an increase in rates and fees for retail and wholesale customers as part of the County Budget Ordinance effective October 1, 2005.

In February 2006, the Board of County Commissioners adopted a resolution authorizing the partial termination of certain components of the swap agreement with Merrill Lynch Capital Services, Inc., associated with the Water and Sewer System Revenue Bonds, Series 1997, on a notional amount of \$215 million, provided the economic benefit to the County is not less than \$8.5 million. In March 2006, the monetization of the Merrill Swap was completed with the Department receiving a cash payment of \$9.1 million

Also in February 2006, the Board adopted a resolution authorizing the County Manager or his designee to enter into a basis swap with Rice Financial Products Company and guaranteed by the Bank of New York, associated with the Water and Sewer System Revenue Bonds, Series 1994 and Series 1999 on a notional amount not to exceed \$205.1 million provided it is determined to be a of economic benefit to the County. Based on expected BMA/LIBOR relationships, it is expected that the swap would generate approximately \$1.7 million annually in debt service savings for a present value over the life of the transaction of \$22 million. Actual savings will not be determined until they occur.

## Supplementary Financial Data

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

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





# Water System

## Balance Sheets

	September 30,	2005	2004
			(In thousands)
<b>ASSETS</b>			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	25,404	\$ 43,218
Investments		81,317	65,967
Accounts receivable (net of allowance for uncollectible accounts of \$13.6 million in 2005 and \$11.8 million in 2004)		34,901	34,116
Inventory of materials and supplies		14,284	12,890
Restricted cash and cash equivalents		36,078	34,117
Total current assets		191,984	190,308
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		10,884	49,309
Investments		220,156	202,628
Contracts receivable		265	29
Total restricted assets		231,305	251,966
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		4,373	5,080
Other deferred charges, net		318	1,614
Total other assets		4,691	6,694
<i>CAPITAL ASSETS:</i>			
Land		12,651	12,453
Structures and improvements		1,184,414	1,138,439
Equipment		240,733	235,778
Utility plant in service before depreciation		1,437,798	1,386,670
Less accumulated depreciation		365,178	334,629
Net utility plant in service		1,072,620	1,052,041
Construction work in progress		154,523	165,271
Total capital assets		1,227,143	1,217,312
Total noncurrent assets		1,463,139	1,475,972
Total assets		\$ 1,655,123	\$ 1,666,280

(Continued)

# Water System

## Balance Sheets

(Continued)	September 30,	2005	2004
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	17,729	\$ 18,445
Customer and developer deposits		15,119	12,433
Current portion of long-term debt		1,125	1,091
Current portion of swap option		-	141
Accrued interest payable		61	204
Rebatable arbitrage earnings		144	86
Liability for compensated absences		3,031	2,879
Other liabilities		3,143	2,488
Total current liabilities (payable from unrestricted current assets)		40,352	37,767
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		4,919	4,729
Retainage payable		1,897	2,170
Current portion of long-term debt		15,387	10,466
Accrued interest payable		9,301	10,610
Liability for self-insurance		2,774	6,141
Total current liabilities (payable from restricted current assets)		34,278	34,116
Total current liabilities		74,630	71,883
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		397,854	413,491
State loan obligations, net		35,033	33,180
Liability for self-insurance		1,671	5,095
Liability for compensated absences		7,209	6,463
Liability for swap option		-	3,898
Deferred revenues		3,898	-
Total noncurrent liabilities		445,665	462,127
Total liabilities		520,295	534,010
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		908,612	915,479
Restricted for:			
Capital projects		28,461	52,795
Debt service		49,771	43,391
Unrestricted		147,984	120,605
Total net assets		1,134,828	1,132,270
Total liabilities and net assets		\$ 1,655,123	\$ 1,666,280

## Water System

## Schedules of Revenues, Expenses and Changes in Net Assets

	For the years ended September 30,	<u>2005</u>	<u>2004</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail		\$ 138,297	\$ 137,739
Wholesale		21,962	22,122
Other revenues		<u>10,646</u>	<u>10,230</u>
Total operating revenues		<u>170,905</u>	<u>170,091</u>
<i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Source of supply		5,710	5,110
Power and pumping		1,604	2,257
Purification		50,221	40,660
Transmission and distribution		21,900	21,452
Customer accounting		4,389	3,735
Customer service		9,526	8,811
General and administrative		<u>25,776</u>	<u>20,349</u>
Total operating and maintenance expenses		<u>119,126</u>	<u>102,374</u>
Operating income before depreciation		51,779	67,717
<i>DEPRECIATION</i>		<u>35,488</u>	<u>34,251</u>
Operating income		16,291	33,466
<i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		10,060	4,016
Interest expense		(18,558)	(19,353)
Amortization of debt issue costs		(304)	(304)
Operating grants		114	326
Other revenues		346	-
Transfers to County's General Fund		<u>(12,188)</u>	<u>(11,865)</u>
Income (loss) before contributions and transfers		(4,239)	6,286
Capital contributions		16,251	14,245
Transfer from reserves		<u>(9,454)</u>	<u>(32,305)</u>
Increase (decrease) in net assets		2,558	(11,774)
Net assets at beginning of year		<u>1,132,270</u>	<u>1,144,044</u>
Net assets at end of year		<u>\$ 1,134,828</u>	<u>\$ 1,132,270</u>

# Water System

## Schedules of Cash Flows

For the years ended September 30,	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 171,544	\$ 175,942
Cash paid to suppliers for goods and services	(69,751)	(65,614)
Cash paid to employees for services	(56,084)	(49,427)
Transfer (from) reserves	(9,454)	(32,305)
Net cash provided by operating activities	<u>36,255</u>	<u>28,596</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	-	165
Transfers to County's General Fund	(12,188)	(11,865)
Net cash used in non-capital financing activities	<u>(12,188)</u>	<u>(11,700)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	3,304	9,924
Principal payments - bonds, loans and notes	(11,657)	(16,871)
Interest paid	(24,434)	(26,765)
Proceeds from sale of property, plant and equipment	186	-
Acquisition and construction of capital assets	(34,104)	(50,570)
Contributions received	10,773	9,271
Net cash used in capital and related financing activities	<u>(55,932)</u>	<u>(75,011)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(277,290)	(127,878)
Proceeds from sale and maturity of investment securities	250,863	124,941
Interest on investments	4,014	6,800
Net cash (used in) provided by investing activities	<u>(22,413)</u>	<u>3,863</u>
Net decrease in cash and cash equivalents	(54,278)	(54,252)
Cash and cash equivalents at beginning of year	<u>126,644</u>	<u>180,896</u>
Cash and cash equivalents at end of year	<u>\$ 72,366</u>	<u>\$ 126,644</u>

(Continued)



# Water System

## Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2005</u>	<u>2004</u>
		(In thousands)	
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income		\$ 16,291	\$ 33,466
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		35,488	34,251
Provision for uncollectible accounts		1,718	1,130
Transfer (from) reserves		(9,454)	(32,305)
(Increase) decrease in assets:			
Accounts receivable		(2,392)	(1,682)
Inventory of materials and supplies		(1,394)	(760)
Other deferred charges		1,295	449
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(716)	1,228
Customer and developer deposits		758	1,151
Accrued interest payable		(101)	(122)
Liability for compensated absences		898	1,018
Other liabilities		655	(449)
Liability for self-insurance		<u>(6,791)</u>	<u>(8,779)</u>
Net cash provided by operating activities		\$ 36,255	\$ 28,596

### *NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:*

Property, plant and equipment contributions were received in amounts of \$5.2 million and \$5.1 million in fiscal years 2005 and 2004, respectively.

The decrease in the fair value of investments were \$0.9 million and \$4.1 million in fiscal years 2005 and 2004, respectively.

\$295.2 million of Miami-Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 were issued to refund \$295.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1995.

	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 25,404	\$ 43,218
Restricted Current Cash and Cash Equivalents	36,078	34,117
Restricted Noncurrent Cash and Cash Equivalents	<u>10,884</u>	<u>49,309</u>
Total cash and cash equivalents at end of year	\$ 72,366	\$ 126,644

# Water System

## Schedule of Operating and Maintenance Expenses

Budget and Actual

For the year ended September 30, 2005

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Source of supply	\$ 6,244	\$ 5,710	\$ 534
Power and pumping	2,847	1,604	1,243
Purification	47,163	50,221	(3,058)
Transmission and distribution	23,205	21,900	1,305
Customer accounting	4,599	4,389	210
Customer service	10,820	9,526	1,294
General and administrative	<u>23,039</u>	<u>25,776</u>	<u>(2,737)</u>
Totals	<u>\$ 117,917</u>	<u>\$ 119,126</u>	<u>\$(1,209)</u>



# Wastewater System

## Balance Sheets

	September 30,	<u>2005</u>	<u>2004</u>
			(In thousands)
<b>ASSETS</b>			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	7,221	\$ 22,604
Investments		27,137	30,570
Accounts receivable (net of allowance for uncollectible accounts of \$10.9 million in 2005 and \$11.3 million in 2004)		40,197	40,897
Inventory of materials and supplies		10,717	9,512
Restricted cash and cash equivalents		<u>49,846</u>	<u>57,840</u>
Total current assets		<u>135,118</u>	<u>161,423</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		25,401	107,958
Investments		357,310	278,512
Contracts receivable		<u>147</u>	<u>147</u>
Total restricted assets		<u>382,858</u>	<u>386,617</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		11,506	10,129
Other deferred charges, net		<u>1,452</u>	<u>1,749</u>
Total other assets		<u>12,958</u>	<u>11,878</u>
<i>CAPITAL ASSETS:</i>			
Land		22,369	22,321
Structures and improvements		2,015,431	1,953,599
Equipment		<u>528,924</u>	<u>520,124</u>
Utility plant in service before depreciation		2,566,724	2,496,044
Less accumulated depreciation		<u>1,012,728</u>	<u>938,671</u>
Net utility plant in service		1,553,996	1,557,373
Construction work in progress		<u>176,881</u>	<u>190,411</u>
Total capital assets		<u>1,730,877</u>	<u>1,747,784</u>
Total noncurrent assets		<u>2,126,693</u>	<u>2,146,279</u>
Total assets		<u>\$ 2,261,811</u>	<u>\$ 2,307,702</u>

(Continued)

# Wastewater System

## Balance Sheets

(Continued)	September 30,	<u>2005</u>	<u>2004</u>
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	28,995	\$ 27,710
Customer and developer deposits		4,985	4,838
Current portion of long-term debt		6,571	6,386
Current portion of swap option		-	747
Accrued interest payable		74	147
Rebatable arbitrage earnings		73	455
Liability for compensated absences		5,916	5,400
Other liabilities		<u>1,430</u>	<u>1,064</u>
Total current liabilities (payable from unrestricted current assets)		<u>48,044</u>	<u>46,747</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		5,365	7,773
Retainage payable		2,241	2,298
Current portion of long-term debt		19,225	16,555
Accrued interest payable		<u>23,789</u>	<u>31,214</u>
Total current liabilities (payable from restricted current assets)		<u>50,620</u>	<u>57,840</u>
Total current liabilities		<u>98,664</u>	<u>104,587</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,064,225	1,086,291
State loan obligations, net		92,246	100,849
Notes payable, net		121	345
Liability for compensated absences		12,038	11,089
Liability for swap option		-	20,661
Deferred revenues		<u>20,661</u>	<u>-</u>
Total noncurrent liabilities		<u>1,189,291</u>	<u>1,219,235</u>
Total liabilities		<u>1,287,955</u>	<u>1,323,822</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		761,761	725,172
Restricted for:			
Capital projects		84,950	124,805
Debt service		84,765	85,478
Unrestricted		<u>42,380</u>	<u>48,425</u>
Total net assets		<u>973,856</u>	<u>983,880</u>
Total liabilities and net assets	\$	<u>2,261,811</u>	<u>\$ 2,307,702</u>



# Wastewater System

## Schedules of Revenues, Expenses and Changes in Net Assets

	For the years ended September 30,	<u>2005</u>	<u>2004</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail	\$	159,077	\$ 157,437
Wholesale		53,051	49,379
Other revenues		<u>8,927</u>	<u>8,666</u>
Total operating revenues		<u>221,055</u>	<u>215,482</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Collection system		15,582	14,534
Pumping		26,196	23,838
Treatment		55,206	48,851
Customer accounting		1,603	3,132
Customer service		7,186	6,827
General and administrative		<u>33,480</u>	<u>33,357</u>
Total operating and maintenance expenses		<u>139,253</u>	<u>130,539</u>
 Operating income before depreciation		81,802	84,943
 <i>DEPRECIATION</i>		<u>82,773</u>	<u>88,549</u>
Operating loss		(971)	(3,606)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		12,427	4,769
Interest expense		(53,847)	(53,428)
Amortization of debt issue costs		(567)	(567)
Other revenues		346	-
Transfers to County's General Fund		<u>(15,513)</u>	<u>(26,034)</u>
Loss before contributions and transfers		(58,125)	(78,866)
Capital contributions		38,647	28,691
Transfer from reserves		<u>9,454</u>	<u>32,305</u>
Decrease in net assets		(10,024)	(17,870)
Net assets at beginning of year		<u>983,880</u>	<u>1,001,750</u>
Net assets at end of year		<u>\$ 973,856</u>	<u>\$ 983,880</u>

## Wastewater System

### Schedules of Cash Flows

For the years ended September 30,	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 222,198	\$ 212,653
Cash paid to suppliers for goods and services	(54,982)	(55,121)
Cash paid to employees for services	(82,430)	(74,143)
Transfer from reserves	<u>9,454</u>	<u>32,305</u>
Net cash provided by operating activities	<u>94,240</u>	<u>115,694</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Transfers to County's General Fund	<u>(15,513)</u>	<u>(26,034)</u>
Net cash used in non-capital financing activities	<u>(15,513)</u>	<u>(26,034)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	371	25,786
Principal payments - bonds, loans and notes	(22,859)	(24,016)
Interest paid	(76,366)	(48,060)
Proceeds from sale of property, plant and equipment	121	-
Acquisition and construction of capital assets	(56,670)	(56,276)
Contributions received	<u>33,717</u>	<u>26,795</u>
Net cash used in capital and related financing activities	<u>(121,686)</u>	<u>(75,771)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(369,541)	(246,033)
Proceeds from sale and maturity of investment securities	288,467	209,751
Interest on investments	<u>18,099</u>	<u>8,599</u>
Net cash used in investing activities	<u>(62,975)</u>	<u>(27,683)</u>
Net decrease in cash and cash equivalents	(105,934)	(13,794)
Cash and cash equivalents at beginning of year	<u>188,402</u>	<u>202,196</u>
Cash and cash equivalents at end of year	<u>\$ 82,468</u>	<u>\$ 188,402</u>

(Continued)

# Wastewater System

## Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2005</u>	<u>2004</u>
		(In thousands)	
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income (loss)	\$	(971)	\$ (3,606)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation		82,773	88,549
Provision for uncollectible accounts		(412)	1,167
Amortization of deferred charges		296	296
Transfer from reserves		9,454	32,305
(Increase) decrease in assets:			
Accounts receivable		1,114	(5,786)
Inventory of materials and supplies		(1,205)	(1,564)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		1,285	3,074
Customer and developer deposits		147	(219)
Accrued interest payable		(73)	(88)
Liability for compensated absences		1,465	1,684
Other liabilities		<u>367</u>	<u>(118)</u>
Net cash provided by operating activities	\$	<u>94,240</u>	\$ 115,694

### NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$4.9 million and \$1.9 million in fiscal years 2005 and 2004, respectively.

The decrease in the fair value of investments were \$1.0 million and \$4.7 million in fiscal years 2005 and 2004, respectively.

\$295.2 million of Miami-Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005 were issued to refund \$295.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1995.

	<u>2005</u>	<u>2004</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 7,221	\$ 22,604
Restricted Current Cash and Cash Equivalents	49,846	57,840
Restricted Noncurrent Cash and Cash Equivalents	<u>25,401</u>	<u>107,958</u>
Total cash and cash equivalents at end of year	<u>\$ 82,468</u>	<u>\$ 188,402</u>

## Wastewater System

### Schedule of Operating and Maintenance Expenses

Budget and Actual

For the year ended September 30, 2005

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Collection system	\$ 15,988	\$ 15,582	\$ 406
Pumping	27,417	26,196	1,221
Treatment	54,235	55,206	(971)
Customer accounting	3,360	1,603	1,757
Customer service	8,503	7,186	1,317
General and administrative	<u>34,669</u>	<u>33,480</u>	<u>1,189</u>
Totals	<u>\$144,172</u>	<u>\$139,253</u>	<u>\$ 4,919</u>





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A photograph of a sunset over the ocean. The sun is low on the horizon, partially obscured by clouds, with bright rays of light shining through. The sky is a deep blue, and the water is a lighter blue with a shimmering reflection of the sun. The text "Statistical Section" is overlaid in white on the right side of the image.

# **Statistical Section**

# Combined Water and Wastewater Systems

## Schedule of Revenues and Expenses – Last Ten Fiscal Years

(in thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>OPERATING REVENUES:</i>										
Retail	\$ 297,374	295,176	273,710	263,966	269,274	285,791	283,057	276,740	283,447	263,285
Wholesale	75,013	71,501	69,565	73,145	74,386	75,523	76,861	78,233	82,507	72,480
Other	19,573	18,896	18,827	16,996	16,963	18,078	17,834	17,649	16,651	15,293
Total operating revenues	391,960	385,573	362,102	354,107	360,623	379,392	377,752	372,622	382,605	351,058
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396	3,757	3,643
Collection system	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296	37,040	28,596
Pumping	27,800	26,095	25,785	24,631	22,267	21,680	26,161	33,064	31,979	33,440
Treatment	105,427	89,511	86,991	77,552	73,347	69,169	68,816	66,299	78,605	86,497
Transmission and distribution	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656	29,675	24,157
Customer accounting and service	22,704	22,505	19,915	22,083	21,197	17,619	23,813	23,530	25,012	21,313
General and administrative	59,256	53,706	46,173	35,728	27,473	26,914	32,091	30,190	27,845	38,549
Total operating and maintenance expenses	258,379	232,913	218,391	196,872	180,219	168,891	184,608	191,431	233,913	236,195
Operating income before depreciation	133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191	148,692	114,863
DEPRECIATION	118,261	122,800	117,780	114,642	109,270	94,489	89,025	68,170	65,703	57,185
Operating income	15,320	29,860	25,931	42,593	71,134	116,012	104,119	113,021	82,989	57,678
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	22,487	8,785	26,153	32,820	60,233	57,917	43,967	45,466	41,867	32,341
Interest expense	(73,276)	(73,652)	(76,349)	(80,722)	(83,165)	(83,151)	(75,815)	(65,118)	(55,638)	(38,156)
Other income	806	326	2,330	1,480	1,511	1,120	1,901	554	694	541
Transfers to County's General Fund	(27,701)	(37,899)	(39,996)	(33,035)	(25,547)	(24,788)	(25,849)	(31,471)	(18,319)	-
Income (loss) before contributions	(62,364)	(72,580)	(61,931)	(36,864)	24,166	67,110	48,323	62,452	51,593	52,404
Capital contributions	54,898	42,936	47,500	57,177	47,574	-	-	-	-	-
Increase (decrease) in net assets	\$ (7,466)	(29,644)	(14,431)	20,313	71,740	67,110	48,323	62,452	51,593	52,404

## Water System

### Schedule of Revenues and Expenses – Last Ten Fiscal Years

(in thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>OPERATING REVENUES:</i>										
Retail	\$ 138,297	137,739	124,409	121,632	124,473	133,766	133,775	129,481	133,559	122,528
Wholesale	21,962	22,122	20,045	20,236	20,311	23,012	22,623	22,249	20,217	21,392
Other	10,646	10,230	10,302	9,227	9,525	10,068	9,436	9,313	8,950	7,952
Total operating revenues	170,905	170,091	154,756	151,095	154,309	166,846	165,834	161,043	162,726	151,872
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396	3,757	3,643
Pumping	1,604	2,257	2,670	1,803	1,558	1,532	1,630	1,471	1,596	2,003
Treatment	50,221	40,660	38,412	34,466	32,640	29,700	29,865	28,802	35,611	35,262
Transmission and distribution	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656	29,675	24,157
Customer accounting and service	13,915	12,546	12,135	12,578	12,431	10,024	13,235	13,055	14,006	12,031
General and administrative	25,776	20,349	15,183	11,412	9,430	10,227	12,239	11,800	10,227	13,295
Total operating and maintenance expenses	119,126	102,374	94,734	84,344	79,059	73,917	77,698	76,180	94,872	90,391
Operating income before depreciation	51,779	67,717	60,022	66,751	75,250	92,929	88,136	84,863	67,854	61,481
DEPRECIATION	35,488	34,251	32,371	32,347	30,916	21,851	22,520	14,796	17,660	16,740
Operating income	16,291	33,466	27,651	34,404	44,334	71,078	65,616	70,067	50,194	44,741
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	10,060	4,016	13,027	16,943	32,560	28,965	20,136	20,742	16,764	14,862
Interest expense	(18,862)	(19,657)	(21,039)	(21,397)	(21,240)	(22,869)	(18,324)	(18,774)	(18,260)	(17,456)
Other income	460	326	2,330	1,447	916	710	1,235	554	697	541
Transfers to County's General Fund	(12,188)	(11,865)	(13,146)	(10,855)	(8,235)	(9,419)	(9,823)	(12,274)	(6,778)	-
Income before contributions and transfers	(4,239)	6,286	8,823	20,542	48,335	68,465	58,840	60,315	42,617	42,688
Capital contributions	16,251	14,245	17,726	21,168	15,199	-	-	-	-	-
Transfer (from) to reserves	(9,454)	(32,305)	(40,272)	(18,414)	(15,432)	6,134	16,622	(26,765)	9,164	(6,418)
Increase (decrease) in net assets	\$ 2,558	(11,774)	(13,723)	23,296	48,102	74,599	75,462	33,550	51,781	36,270



# Wastewater System

## Schedule of Revenues and Expenses – Last Ten Fiscal Years

(in thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>OPERATING REVENUES:</i>										
Retail	\$ 159,077	157,437	149,301	142,334	144,801	152,025	149,282	147,259	149,888	140,757
Wholesale	53,051	49,379	49,520	52,909	54,075	52,511	54,238	55,984	62,290	51,088
Other	8,927	8,666	8,525	7,769	7,438	8,010	8,398	8,336	7,701	7,341
Total operating revenues	221,055	215,482	207,346	203,012	206,314	212,546	211,918	211,579	219,879	199,186
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Collection system	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296	37,040	28,596
Pumping	26,196	23,838	23,115	22,828	20,709	20,148	24,531	31,593	30,383	31,437
Treatment	55,206	48,851	48,579	43,086	40,707	39,469	38,951	37,497	42,994	51,235
Customer accounting and service	8,789	9,959	7,780	9,505	8,766	7,595	10,578	10,475	11,006	9,282
General and administrative	33,480	33,357	30,990	24,316	18,043	16,687	19,852	18,390	17,618	25,254
Total operating and maintenance expenses	139,253	130,539	123,657	112,528	101,160	94,974	106,910	115,251	139,041	145,804
Operating income before depreciation	81,802	84,943	83,689	90,484	105,154	117,572	105,008	96,328	80,838	53,382
DEPRECIATION	82,773	88,549	85,409	82,295	78,354	72,638	66,505	53,374	48,043	40,445
Operating income (loss)	(971)	(3,606)	(1,720)	8,189	26,800	44,934	38,503	42,954	32,795	12,937
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	12,427	4,769	13,126	15,877	27,673	28,952	23,831	24,724	25,103	17,479
Interest expense	(54,414)	(53,995)	(55,310)	(59,325)	(61,925)	(60,282)	(57,491)	(46,344)	(37,378)	(20,700)
Other income (loss)	346	-	-	33	595	410	666	-	(3)	-
Transfers to County's General Fund	(15,513)	(26,034)	(26,850)	(22,180)	(17,312)	(15,369)	(16,026)	(19,197)	(11,541)	-
Income (loss) before contributions and transfers	(58,125)	(78,866)	(70,754)	(57,406)	(24,169)	(1,355)	(10,517)	2,137	8,976	9,716
Capital contributions	38,647	28,691	29,774	36,009	32,375	-	-	-	-	-
Transfer (from) to reserves	9,454	32,305	40,272	18,414	15,432	(6,134)	(16,622)	26,765	(9,164)	6,418
Increase (decrease) in net assets	\$ (10,024)	(17,870)	(708)	(2,983)	23,638	(7,489)	(27,139)	28,902	(188)	16,134

## Debt Service Coverage

Last Ten Fiscal Years

(in thousands)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Net operating revenues	\$ 133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191	148,692	114,863
Investment earnings <sup>(1)</sup>	13,781	3,489	18,923	19,337	38,989	31,489	23,678	24,232	19,869	15,535
Net transfers from (to) Rate Stabilization Fund	11,238	23,136	48,941	22,640	(16,000)	(12,000)	(37,000)	4,588	(17,254)	(3,620)
Net revenues available for debt service	\$ 158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307	126,778
Debt service requirements <sup>(2)</sup>	\$ 104,123	114,196	115,629	115,654	115,632	114,976	102,501	99,802	81,781	70,518
Actual coverage	1.52	1.57	1.83	1.72	1.76	2.00	1.75	2.10	1.85	1.80
Required coverage	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
<i>SUBORDINATE DEBT SERVICE COVERAGE</i>										
Net revenues available for debt service	\$ 158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307	126,778
Less: Maximum principal and interest <sup>(3)</sup>	115,032	115,272	115,629	115,654	115,653	115,654	115,654	108,184	108,184	79,444
Adjusted net revenues	\$ 43,568	64,013	95,946	83,558	87,740	114,336	64,168	101,827	43,123	47,334
Debt service and reserve requirements <sup>(4)</sup>	\$ 15,205	14,053	15,348	13,129	11,641	10,349	9,997	8,717	8,152	6,033
Actual coverage	2.87	4.56	6.25	6.36	7.54	11.05	6.42	11.68	5.29	7.85
Required coverage	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<i>STATE REVOLVING FUND LOANS DEBT SERVICE COVERAGE</i>										
Net revenues available for debt service	\$ 158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307	126,778
Less: revenue required for primary debt service coverage <sup>(5)</sup>	114,536	125,615	127,192	127,219	127,195	126,473	112,751	108,184	108,184	79,444
Adjusted net revenues	\$ 44,064	53,670	84,383	71,993	76,198	103,517	67,071	101,827	43,123	47,334
Debt service requirements <sup>(6)</sup>	\$ 15,205	13,966	14,870	12,417	10,782	10,252	9,490	8,717	8,152	6,033
Actual coverage	2.90	3.84	5.67	5.80	7.07	10.10	7.07	11.68	5.29	7.85
Required coverage	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

<sup>(1)</sup> Excludes interest income from Construction Fund.<sup>(2)</sup> Represents debt service requirements on outstanding Bonds for such fiscal year.<sup>(3)</sup> Maximum principal and interest requirements on the Bonds for such fiscal year.<sup>(4)</sup> Represents debt service and reserve requirements on subordinate obligations.<sup>(5)</sup> Represents 110% of primary debt service requirements.<sup>(6)</sup> Represents debt service requirements on outstanding State Revolving Fund Loans for such fiscal year.

# Water Usage

*Last Ten Fiscal Years*

(millions of gallons)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>WATER PUMPED:</i>										
Water treatment plants:										
Alexander Orr, Jr.	63,929	64,546	61,774	59,953	60,187	61,603	61,074	61,636	62,308	62,071
John E. Preston	31,367	29,715	28,453	29,631	27,939	33,207	33,507	32,414	32,675	33,322
Hialeah	26,154	27,555	30,204	27,238	26,317	26,016	26,000	25,920	25,471	25,458
Interim plants	2,580	2,433	2,483	2,484	2,406	2,439	2,429	2,222	2,116	2,165
Purchased water	1,767	2,000	2,340	2,026	2,136	2,233	2,057	1,972	1,954	2,120
Total water pumped	125,797	126,249	125,254	121,332	118,985	125,498	125,067	124,164	124,524	125,136
<i>WATER SOLD:</i>										
Wholesale:										
Hialeah	8,685	7,730	8,454	8,742	8,384	8,950	8,931	8,989	9,124	9,734
Miami Beach	7,898	7,994	7,802	7,456	7,853	8,714	8,102	7,901	8,404	8,612
North Miami Beach	4,633	4,652	4,450	4,411	4,350	5,368	5,232	5,232	4,970	5,230
North Miami	1,534	1,602	1,536	1,612	1,862	1,917	2,096	1,890	2,117	2,510
Opa-Locka	994	960	954	1,001	1,030	1,206	1,214	1,253	1,276	1,359
Miami Springs	758	1,016	906	918	852	918	953	882	863	943
Hialeah Gardens	713	655	619	687	741	669	590	690	614	146
Bal Harbour	526	552	564	542	522	596	592	550	555	545
Medley	488	577	506	434	441	528	630	430	399	492
Bay Harbor Islands	418	435	415	405	351	382	375	382	371	382
Surfside	385	369	349	336	328	341	342	348	353	358
North Bay Village	359	375	356	452	450	471	480	475	477	474
West Miami	284	283	286	292	280	285	267	243	327	343
Indian Creek Village	143	156	138	138	131	156	158	165	151	156
Virginia Gardens	44	10	14	8	10	11	55	105	101	113
Total wholesale	27,862	27,366	27,349	27,434	27,585	30,512	30,017	29,535	30,102	31,397
Retail	70,114	70,033	71,891	68,679	64,383	68,541	67,454	66,560	66,935	67,514
Total water sold	97,976	97,399	99,240	96,113	91,968	99,053	97,471	96,095	97,037	98,911
Non - account water	27,821	28,850	26,014	25,219	27,017	26,445	27,596	28,069	27,487	26,225
Non - account water as a percentage of total water pumped	22.12%	22.85%	20.77%	20.79%	22.71%	21.07%	22.06%	22.61%	22.07%	20.96%
Unaccounted for water as a percentage of total water pumped	10.56%	8.34%	6.45%	5.10%	6.23%	6.41%	11.02%	8.86%	8.93%	8.57%

## Wastewater Treatment

Last Ten Fiscal Years

(millions of gallons)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>WASTEWATER PLANT FLOWS:</i>										
North District Plant	33,113	31,105	33,679	35,970	36,463	34,988	36,468	35,042	37,594	35,679
Central District Plant	44,705	41,968	39,847	44,581	44,061	44,858	44,017	46,766	45,741	47,403
South District Plant	34,491	30,409	34,446	35,149	33,479	32,398	33,041	29,817	34,536	33,346
Total wastewater plant flows	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625	117,871	116,428
<i>WASTEWATER TREATED:</i>										
Wholesale:										
Hialeah	10,955	10,342	9,247	10,328	10,825	11,074	11,430	13,438	15,988	13,906
Miami Beach	8,721	7,862	8,906	9,301	8,942	9,361	9,675	9,196	10,076	9,697
North Miami	4,080	3,885	4,025	4,116	4,032	4,071	4,057	3,608	4,184	3,521
Coral Gables	1,956	2,503	2,724	2,537	2,031	1,844	2,370	1,991	1,969	1,605
Miami Springs	1,422	1,010	998	1,205	1,477	1,328	1,030	1,480	1,799	1,396
North Miami Beach	812	888	994	1,125	1,141	1,208	1,171	1,194	1,350	1,475
Opa-Locka	783	711	706	1,101	2,287	1,135	1,204	1,267	1,382	829
Medley	667	862	742	628	469	514	536	469	418	541
Hialeah Gardens	542	144	443	197	94	137	166	147	154	123
Florida City	420	416	376	367	317	255	216	173	115	113
Homestead Air Force Base <sup>(1)</sup>	236	357	209	197	280	241	188	-	-	382
West Miami	177	138	177	188	198	187	189	194	188	165
Homestead	162	17	39	97	5	1	237	440	600	689
Total wholesale	30,933	29,135	29,586	31,387	32,098	31,356	32,469	33,597	38,223	34,442
Retail	52,261	51,682	52,757	50,619	45,862	47,862	50,445	51,440	51,071	51,209
Unaccounted for wastewater	29,115	22,665	25,629	33,694	36,043	33,026	30,612	26,588	28,577	30,777
Total wastewater treated	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625	117,871	116,428
Unaccounted for wastewater as a percentage of total wastewater treated	25.92%	21.90%	23.74%	29.12%	31.62%	29.42%	26.96%	23.82%	24.24%	26.43%
ANNUAL RAINFALL (inches): <sup>(2)</sup>	65.4	60.0	68.1	73.1	79.7	54.4	59.0	66.7	71.7	59.2

<sup>(1)</sup> Classified as retail customer in fiscal years 1996 through 1999.<sup>(2)</sup> Source: National Weather Service Forecast Office in Miami for rainfall recorded in inches at Miami International Airport.



## Customer Statistics

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

<u>Year</u>	<u>Number of Customers</u>		Ratio of Wastewater Customers to Water Customers
	<u>Water</u>	<u>Wastewater</u>	
1996	353,526	263,649	74.6 %
1997	359,559	270,639	75.3
1998	364,957	273,576	75.0
1999	369,924	280,594	75.9
2000	372,973	283,656	76.1
2001	388,169	294,000	75.7
2002	398,073	306,061	76.9
2003	408,172	315,180	77.2
2004	401,181	316,170	78.8
2005	407,601	322,513	79.1

### Largest System Customers October 2004 - September 2005

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$6,713	3.9 %
City of Hialeah	6,253	3.7
City of North Miami Beach	3,937	2.3
Dade County Aviation	2,244	1.3
City of North Miami	1,294	0.8
City of Opa-Locka	844	0.5
Florida Power & Light Company	806	0.5
Hialeah Gardens	606	0.4
City of Miami Springs	546	0.3
Bal Harbour	447	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$18,754	8.5 %
City of Miami Beach	14,905	6.7
City of North Miami	6,971	3.2
City of Coral Gables	3,327	1.5
City of Miami Springs	2,426	1.1
City of North Miami Beach	1,414	0.6
City of Opa-Locka	1,365	0.6
City of Medley	1,166	0.5
Dade County Aviation	1,065	0.5
Hialeah Gardens	947	0.4

## Insurance in Force

<u>Type of Coverage and Insurance Company</u>	<u>Policy Number / Policy Period</u>	<u>Details of Coverage</u>	<u>Limits of Liability</u>
Public Employees Blanket Bond: Fidelity & Deposit Co. of Maryland	CCP001342110 / 08/19/05 - 08/19/08	Employee dishonesty	\$1,000,000 blanket bond \$50,000 deductible
Money and Securities: Fidelity & Deposit Co. of Maryland	CCP001936109 / 11/25/04 - 11/25/05	Loss inside premises  Loss outside premises  Forgery or alteration	Various \$250 deductible Various \$250 deductible \$100,000
Accidental Death: Hartford Life Insurance Co.	ETB-105355 / 08/29/05 - 08/29/06	Accidental death and dismemberment	\$25,000
Property Insurance: Various	Various 10/31/04 - 10/31/05	“All risk” coverage on real and personal property and outfalls	Various
Automobile Liability:	N/A / continuous	Self-insured	\$100,000 per person/ \$200,000 per occurrence pursuant to F.S. 768.28
General Liability:	N/A / continuous	Self-insured	\$100,000 per person/ \$200,000 per occurrence pursuant to F.S. 768.28
Workers' Compensation: Miami-Dade County Self- Insurance Fund	N/A / continuous	Self-insured	Statutory coverage pursuant to F.S. 440

## Miscellaneous Statistics

**Population**  
**Miami-Dade County, Florida**  
**Selected Years**  
**1900-2005**

<u>Annual Resident Year</u>	<u>Increase Population</u>	<u>Percent (Decrease)</u>	<u>Change</u>
1900	4,955	-	-
1910	11,933	6,978	9.2 %
1920	42,752	30,819	13.6
1930	142,955	100,203	12.8
1940	267,739	124,784	6.5
1950	495,084	227,345	6.3
1960	935,047	439,963	6.5
1970	1,267,792	332,745	3.1
1980	1,625,781	357,989	2.5
1990	1,967,000	341,219	1.9
2000	2,253,485	286,485	1.4
2001	2,283,319	29,834	1.3
2002	2,313,047	29,728	1.3
2003	2,342,739	29,692	1.3
2004	2,372,418	29,679	1.3
2005	2,402,105	29,687	1.3

Source: U.S. Bureau of the Census figures 1900-2000; Planning Research Section, Miami-Dade County Department of Planning and Zoning estimates for other years.

## Miscellaneous Statistics

**Number of Building Permits Issued for Housekeeping Units  
and Value of Permits for Housekeeping and Total Units  
Miami-Dade County, Florida  
1995-2004**

Calendar Year	<u>Number of Permits Issued</u>		Value of Permits Issued
	Single Family Houses	Multi-family Buildings	Residential Construction (in thousands)
1995	7,364	7,425	\$1,213,966
1996	3,802	2,749	540,183
1997	5,146	4,592	817,140
1998	5,354	5,556	921,813
1999	6,669	7,018	1,064,119
2000	5,988	6,477	1,198,164
2001	6,829	7,168	1,291,357
2002	6,374	8,219	1,313,869
2003	8,740	6,793	1,697,337
2004	9,499	13,251	2,565,383

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



## Miscellaneous Statistics

**Construction Activity**  
**Miami-Dade County, Florida**  
**1996-2005**

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Buildings	Value (in thousands)	Number of Units	Value (in thousands)
1996	698	299,347	6,629	455,715
1997	596	325,797	10,422	643,489
1998	495	442,924	8,597	679,105
1999	600	489,353	9,998	781,734
2000	601	513,457	8,360	687,205
2001	525	616,442	9,882	845,123
2002	498	722,077	8,805	751,960
2003	397	697,100	9,373	819,753
2004	794	359,033	9,603	982,420
2005	914	273,735	8,893	1,031,757

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





## **Miami-Dade Water and Sewer Department**

A Department of  
Miami-Dade County, Florida

3071 S.W. 38 Avenue  
Miami, Florida 33146  
305-665-7471



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