

# **2006** **Miami-Dade** **Water and Sewer** **Department**

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A Department of Miami-Dade County, Florida  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended September 30, 2006

## 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*

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# 2006

## Miami-Dade Water and Sewer Department

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

For the Fiscal Year Ended September 30, 2006. Report prepared by: Controller Division and Public Affairs Section.

## Table of Contents

### introductory section

<b>Board of County Commissioners</b> . . . . .	4
<b>Transmittal Letters</b> . . . . .	5
<b>Organizational Chart</b> . . . . .	20

### financial section

<b>Report of Independent Certified Public Accountants</b> . . . . .	22
<b>Management's Discussion and Analysis</b> . . . . .	24
<b>Financial Statements</b>	
Balance Sheets . . . . .	28
Statements of Revenues, Expenses and Changes in Net Assets . . . . .	30
Statements of Cash Flows . . . . .	31
Notes to Financial Statements . . . . .	33

### Supplementary Financial Data

#### **Water System**

Balance Sheets . . . . .	50
Schedules of Revenues, Expenses and Changes in Net Assets . . . . .	52
Schedules of Cash Flows . . . . .	53
Schedule of Operating and Maintenance Expenses . . . . .	55

#### **Wastewater System**

Balance Sheets . . . . .	56
Schedules of Revenues, Expenses and Changes in Net Assets . . . . .	58
Schedules of Cash Flows . . . . .	59
Schedule of Operating and Maintenance Expenses . . . . .	61

### statistical section

<b>Financial Trends</b> . . . . .	65
<b>Revenue Capacity</b> . . . . .	69
<b>Debt Capacity</b> . . . . .	72
<b>Demographic and Economic Information</b> . . . . .	74
<b>Operating Information</b> . . . . .	81



**Carlos Alvarez**  
Mayor

## **Board of County Commissioners**

**Bruno A. Barreiro**  
Chairman

**Barbara J. Jordan**  
Vice Chairwoman

**Barbara J. Jordan**  
District 1

**Dorrin D. Rolle**  
District 2

**Audrey M. Edmonson**  
District 3

**Sally A. Heyman**  
District 4

**Bruno A. Barreiro**  
District 5

**Rebeca Sosa**  
District 6

**Carlos A. Giménez**  
District 7

**Katy Sorenson**  
District 8

**Dennis C. Moss**  
District 9

**Senator Javier D. Souto**  
District 10

**Joe A. Martínez**  
District 11

**José "Pepe" Díaz**  
District 12

**Natacha Seijas**  
District 13

**Harvey Ruvin**  
Clerk of Courts

**George M. Burgess**  
County Manager

**Murray A. Greenberg**  
County Attorney



## Water and Sewer Department

P.O. Box 330316

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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, 2006 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 [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 southeastern United States, serves approximately 412,000 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 97 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.

The wastewater system serves approximately 330,000 retail customers and 13 wholesale customers. It consists of 3 regional wastewater treatment plants and 992 sewage pump stations and nearly 3,858 miles of collection and transmission pipelines.

# major initiatives

## Alternative Water Supplies

During FY 06, the State of Florida raised the issue that in order for Miami-Dade County to continue economic development essential to sustain the County's population growth, the Department would need to identify new sources of drinking water. The County's sole source of drinking water is currently the Biscayne Aquifer, and the South Florida Water Management District (SFWMD) has said the County will not be allowed to increase its current daily allocation from this source, as it also serves two national parks (the Everglades and Biscayne National Park).

In cooperation with SFWMD, the Department began work in FY 06 on a long-term water supply plan. Some of the alternatives the Department is considering or already implementing are listed below.

## Water-Use Efficiency Plan

The Board of County Commissioners unanimously approved the Department's Water-Use Efficiency Five-Year Plan in April of 2006. The plan was developed using the Florida Department of Environmental Protection's (FDEP) Conserve Florida "GUIDE," a web-based application that facilitates the development of goal-based water conservation planning. The Department is the first utility in the state to use this tool. Through the implementation of best management practices the County will be able to quantify the water savings as a result of the plan's implementation.

The plan's objectives include improving water-use efficiency, reducing the loss and waste of water, and complying with the State's legislative criteria and water-conservation initiatives.

The following best management practices are currently being implemented:

- ◆ Strict enforcement of the County's existing lawn-irrigation restriction ordinance
- ◆ Landscape irrigation evaluations and rebates
- ◆ Incentives for the replacement of high volume toilets with High Efficiency Toilets (HET)
- ◆ Enhancement of the public education and outreach campaign
- ◆ Showerhead exchange project
- ◆ Rebates for purchase of high-efficiency clothes washers
- ◆ A "Green Lodging and Restaurant" program

## Wastewater-Reuse Feasibility Study

As part of updates to its Wastewater Facilities Master Plan, the Department began working on a Wastewater Reuse Feasibility Study during FY 06. The study should be completed in March 2007. The study is looking at various ways the Department may be able to reuse treated wastewater to supplant some of the water currently being used from the Biscayne Aquifer. Some of the possibilities include recharging the Biscayne Aquifer, rehydrating wetlands, and irrigation with reused wastewater for large users such as golf courses.

## Floridan Aquifer

The Department is already tapping into the Floridan Aquifer as an additional source of drinking water. The Floridan Aquifer is considerably deeper than the Biscayne Aquifer, and its water is somewhat brackish; currently, water from the Floridan is being blended with water from the Biscayne Aquifer at the County's West Wellfield.

Water from the Floridan Aquifer is more difficult to access and more expensive to treat than water from the shallow Biscayne Aquifer. Future plans call for the Department to treat Floridan Aquifer water using the reverse-osmosis process.

### **Aquifer Storage and Recovery (ASR)**

The Department has used ASR successfully in the past. ASR involves pumping water from the Biscayne Aquifer when rainfall is plentiful, into the deeper Floridan Aquifer for the purpose of storing it for later use. Although, as noted in the previous sub-section, Floridan Aquifer water is brackish, the fresher Biscayne Aquifer water creates a “bubble” underground as it is pumped into the Floridan Aquifer. Using ASR in this fashion, the Department was able to recover one billion gallons of fresh water during the drought of 2000-2001. Additionally, ASR can be used to blend Floridan Aquifer water with Biscayne Aquifer water, as noted in the previous sub-section, to enhance water supplies without requiring more-expensive treatment.

### **Ocean Water Desalination**

Ocean water desalination, like all other forms of alternative water supply, has a number of advantages and disadvantages. The biggest advantage is that with the Atlantic Ocean at the County’s doorstep, the Department would have a virtually unlimited supply of water. But one of the biggest disadvantages of using ocean water for potable purposes is that desalination is one of the most expensive treatment processes for water. For this reason, although the Department is considering this process, the Department views it as a long-term option to meet future needs.

## **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 (source: 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. Additionally, during FY 06, the State of Florida raised the issue that in order for Miami-Dade County to continue growing, the County must find water sources other than the Biscayne Aquifer to supply the corresponding increase in demand.

The Department is currently updating its Water and Wastewater Master Plans to identify water treatment and distribution, sewage collection and disposal, as well as alternative water supply source needs.

### **The New South Miami-Dade Water Treatment Plant**

The first stages of construction began with the completion of the perimeter wall and other sections of the exterior and the surroundings of 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). Plans call for recharging the groundwater that will supply this plant with highly treated reclaimed wastewater, thereby mitigating any impacts on Everglades water supplies. The plant is expected to be available for service in 2012, subject to permitting by the State of the reclaimed wastewater plan.

## Hurricane Wilma

The last few hurricane seasons have been rather busy statewide. The hurricane season that began during FY 05 and ended in FY 06 (2005 hurricane season) was no exception.

Hurricane Katrina—which would end up becoming one of the deadliest and costliest hurricanes in U.S. history after it hit several Gulf coast states—first made landfall in South Florida during FY 05 and cut a path of destruction through Miami-Dade County. Fortunately for Miami-Dade, the damage caused by Katrina was fairly light, although some residents were left without electrical power for a number of days.

In FY 06, Hurricane Wilma hit the west coast of Florida but its effects were felt throughout a large portion of the State, including Miami-Dade

County. Unlike Hurricane Andrew, which focused most of its wrath on south Miami-Dade, Wilma affected nearly everyone in Miami-Dade in some way. Roof and other structural damage was spread throughout the County. Thousands of County residents were left without power for days; in some cases, for weeks. Lack of electrical power left many motorists without gasoline for their vehicles as well, as gas stations were without electrical power for their pumps.

The Department's experience following Hurricane Andrew in 1992 led it to outfit its most important facilities with generators, in the event of a loss of electrical power from commercial providers. This paid off after Hurricane Wilma hit, as water and sewer services were available at all times during and after the storm throughout nearly all of Miami-Dade County, and no boil water orders were issued for the County.

Although the Department was able to provide uninterrupted service to County residents during the aftermath of Wilma, the storm proved costly to the Department. The Department had to use a number of resources it does not often need during normal operations, such as: extra fuel for generators and vehicles, overtime, extra supplies and even food for employees who had to work long hours under adverse conditions; and repairs to damaged facilities. Fuel and chemical supplies presented challenges, due to damage to sources for these supplies as well as delivery problems. Nevertheless, the Department managed to keep supplies intact. All told, Wilma is estimated to have cost the Department \$8.4 million.

## 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.

## Efficiency Program

POWER (Partnership Optimizing WASD's Efficiency and Reengineering), the Department's efficiency program, has continued to succeed in improving the Department's operations and ultimately providing savings for the Department's customers.

Now in its ninth year, POWER began in 1998 when the Department's management and employee unions joined forces to empower the Department's employees to innovate and implement a number of efficiency initiatives, resulting in a total of \$23.6 million dollars in documented savings over the life of the program.

POWER has been recognized as a model program by the National Association of Counties; the Association of Metropolitan Sewer Agencies; the AFL-CIO Working for America Institute; and Harvard University's John F. Kennedy School of Government; which highlighted the POWER Program in its "Working Better Together" book. POWER has also been recognized as a model program by Miami-Dade County. In 2006, Department employees won the County

Manager's Employee Suggestion Grand Award and First Runner-Up for their innovative ideas that provided savings in operations and maintenance expenditures.

In FY 06, POWER was honored in the 16th Annual Sterling Showcase Performance Excellence Awards for "Superior Teamwork and People's Choice Award" in the Storyboard Competition, and the Safety Process Improvement Project Team "SPLASH" won the award for "Greatest Financial Impact" in the Team Showcase Competition. Additionally during FY 06, Department employees implemented 27 efficiency projects as part of POWER, resulting in \$1,334,498 in projected savings.

## Injection Wells Consent Order

The Consent Order (CO) governing the use of deep injection wells for effluent disposal entered into between the 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 of the Department's 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 South District Plant. The treatment method will

be High Level Disinfection (HLD), which requires filtration and disinfection with chlorine. The HLD facilities are expected to be part of a larger system that will ultimately enable the Department to reuse all of the average daily wastewater flows to the South District Plant. In addition to the HLD 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 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 06 has not incurred any penalties for not completing tasks within deadlines. More than 1,504 milestones have been satisfactorily completed as prescribed by these enforcement actions on, or ahead, of schedule.

In FY 06, EPA representatives met again 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 voiced 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 Department continues to work on the last major milestone of the SFPCD, completing a peak flow study.

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 this 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. Current planning efforts will increase the rate of reuse very steadily in the future.

### **Pump Station Improvement Program**

The Pump Station Improvement Program (PSIP) was created to evaluate and improve the operation and transmission capacity of the 1,006 wastewater pump stations the Miami-Dade Water and Sewer Department is responsible for maintaining. Projects include sewer pump station refurbishing, installation of new pumps, electrical upgrades and the installation of new force mains.

To date, 591 pump station projects and 206 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 Departmental 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 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 14 MGD during FY 06, resulting in a reduction of more than 161 MGD since the beginning of the program.

In addition, the Department continues to decrease the frequency of sanitary sewer overflows. But even though 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 repairs; repairs to defective laterals is currently ongoing.

### **Creation of New Capital Improvement Division**

The Department created a new Capital Improvement Division during FY 06, in order to put its Capital Plan into action more smoothly and rapidly. The Capital Improvement Division will be responsible for implementing Miami-Dade County's first major in-house program management initiative to handle Building Better Communities General Obligation Bonds/Needs Assessment Program (GOB/NAP) projects resulting in improved efficiency and a reduction in the need for outside consultants, as mandated by the Mayor and the BCC.

### **Building Better Communities General Obligation Bonds (GOB)**

In November 2004, Miami-Dade County voters approved a \$2.9 billion bond program which allows the County to issue long-term bonds to fund numerous neighborhood and regional capital projects to be completed over the next 15 years. The General Obligation Bonds are legally backed by the full faith and credit of the County which has committed future taxes over the next 40 years to repay the bonds. General Obligation bonds typically are the least expensive type of debt available to government.

Among the capital projects are several created to address current and future water and wastewater needs. Design work for some of these projects began during FY 06. Future projects include water and wastewater main installations,

pump station rehabilitation projects, and a planned reverse osmosis water treatment plant for Hialeah.

## **Rate Increase**

The Department increased its rates for water and sewer services to its retail customers. The increase was to take effect after the end of the fiscal year, in January 2007. This marks only the third such rate increase since 1998.

On October 1, 2006, wholesale water rates for the cities of Hialeah and Miami Springs will go up by 0.34 percent. Rates for the Department's other wholesale customers remained the same; they had previously been raised in January 2006 (FY 05).

Despite the increases, the Department's rates remain among the lowest in the country.

## **Growing with Information Technology**

The 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 Enterprise Resource Planning Project**

The Department, along with the County's Aviation Department, implemented Oracle PeopleSoft Enterprise Resource Planning (ERP) system during FY 06. ERP was put into service at the two departments under the direction of the CIO and the County Manager's Office, in order to replace older financial accounting software.

ERP is intended to allow for easier control, access and management of financial data. The Department implemented the following PeopleSoft modules: time and labor; commitment and control; procurement; general ledger; asset management; accounts payable; project costing; and travel expense. This implementation includes interfaces with the County's ADPICS procurement system, payroll processing, capital project approval process, internal barcode inventory system and the Department's Customer Information system billing.

### **The Customer Information System**

Following the Department's successful upgrade of its Customer Information system (CIS) in FY 05, the Department during FY 06 worked on new customer friendly features. Among these features is electronic bill payment, which has already seen an increase of 33 percent in usage. Other new features—e-mail bill notification and paperless billing—were added shortly after the end of the fiscal year.

### **The Enterprise**

#### **Asset Management System**

The Department is also a leader in 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.

A contractor for integrator services was selected after the end of the fiscal year, in late 2006.

### **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 manage plant functions from remote control panels, providing an increased level of efficiency.

Of the 1,006 wastewater pump stations the Department is responsible for maintaining, 988 have been retrofitted with the 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 80 percent complete.

### **Voice Over Internet Protocol (VOIP) Telecommunications Technology**

Voice Over Internet Protocol (VOIP) is the routing of voice communications over the Internet or computer networks that use Internet protocols, rather than through standard phone lines or over the air (like cellular phones). There are a number of advantages to using VOIP, including lower costs and as a back-up should regular or cellular telephone systems fail (such as could happen during or immediately after a hurricane).

During FY 06, the Department expanded its implementation of VOIP to a number of sites, including the Hialeah and John E. Preston Water Treatment Plants; the Westwood Lakes Maintenance Facility; the 36th Street Maintenance Facility; the Medley Yard; and the North District (Interama) Wastewater Treatment Plant.

### **Project Control & Tracking System (PCTS)**

The Department began work on a Project Control & Tracking System (PCTS) several years ago. The purpose of the PCTS is to standardize tracking of capital projects across the Department's various divisions involved in these projects.

The Department's divisions had been using a number of different databases and software to keep track of its capital projects. As a result, the different divisions were not able to share information efficiently. So the Department has undertaken an extensive review, design and documentation of its business processes for capital projects management. Market research is being conducted to determine what solutions are available.

## Community Outreach

The Department's Public Affairs Office sponsors and participates in several programs aimed at educating the public on 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, radio shows, outdoor advertising, the distribution of water conservation kits, departmental brochures and other publications.

The Department's low-flow showerhead exchange program continued to be a success during FY 06. The program provides customers with a new low-flow showerhead to replace old showerheads. The low-flow varieties are designed to save approximately five gallons of water per minute. Nearly 6,000 were given away during FY 06. 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.

Also during FY 06, the Department increased its outreach efforts to Miami-Dade County's sizable Hispanic community. The Department began a program of appearances on Spanish-language radio shows, advocating for water conservation and other important issues, as well as advertising in small community newspapers.

## Customer Service

The Department implemented Nortel Networks Symposium Call Center Server shortly before the beginning of FY 06. Symposium was implemented so the Department could improve its telephone-based customer service functions. Symposium allows calls to be routed to specific customer service representatives based on the caller's specific needs; for example, callers are currently routed by language of choice (English or Spanish) to representatives who can speak the preferred language.

The system is flexible and can be modified according to the Department's future needs. Currently, the Department's Customer Service and Communications Center use Symposium; plans call to implement it within the New Business section as well.

# 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, 2006 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 2004, 2005 and 2006 are shown in the following schedule (dollars in thousands):

	2006	2005	2004
Operating Revenues	\$440,315	\$391,960	\$385,573
Operating Expenses	292,886	258,379	232,913

## CAPITAL IMPROVEMENTS

The following schedule presents a summary of capital improvements for fiscal years 2004, 2005 and 2006 (dollars in thousands):

	2006	2005	2004
Water	\$29,997	\$34,049	\$53,404
Wastewater	51,115	56,285	53,092

## 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 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, 2006, 2005 and 2004 is as follows (dollars in thousands):

	2006	2005	2004
Average portfolio balance	\$705,444	\$690,871	\$679,555
Average investment yield	4.2%	2.5%	1.8%
Interest earned on investments	\$29,390	\$17,388	\$12,138

## 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.

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# other information

## Independent Audit

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

## Awards

### Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005. 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 24 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.

## 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, 2005

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.



President

Executive Director

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

For the third 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.

**The 2005 National Association of  
Clean Water Agencies' (NACWA) Peak  
Performance Silver Awards**

In 2005, two of the Department's wastewater treatment plants won NACWA Peak Performance Silver Awards: the Central District Plant and the North District Plant.

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. 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, and the County's General Services Administration's Printing and Graphics Section, for their tireless efforts and professionalism in preparing this report, as well as our external auditors for their invaluable assistance. Finally, a special acknowledgement is extended to the Mayor, Board of County Commissioners and County Manager for their continued leadership in enabling the Department to fulfill its role.

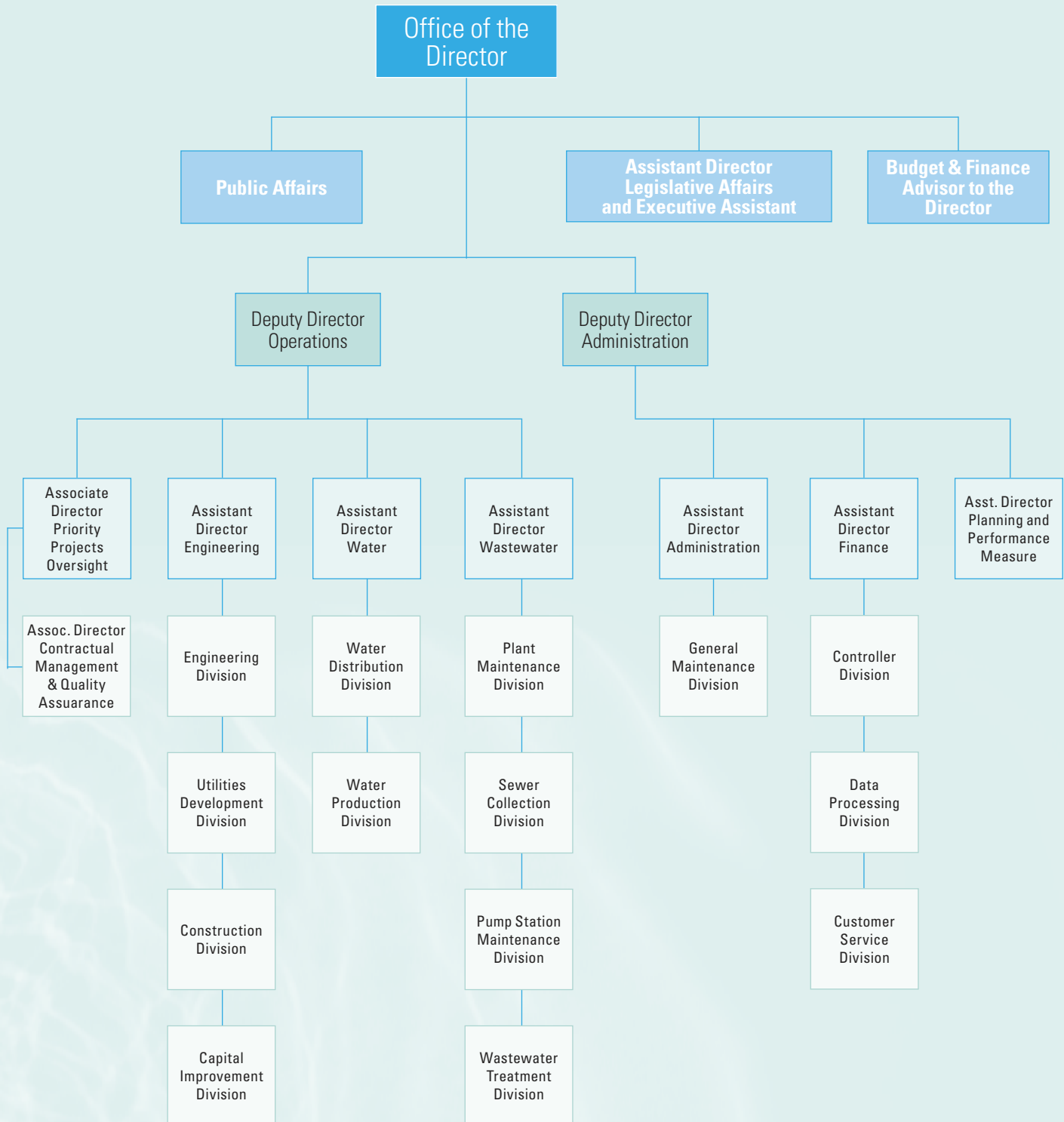


John W. Renfrow, P.E.  
Director



Diane A. Camacho, C.P.A.  
Assistant Director - Finance

# organizational chart





# **Financial Section**

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**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, 2006 and 2005 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 audits.

We conducted our audits 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide 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, 2006 and 2005 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, 2006 and 2005, 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 8, 2007, 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 27, 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 8, 2007

# 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, 2006. 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, 2006, 2005 and 2004 is shown below. Total net assets as of September 30, 2006, were \$2.1 billion. The Department's total net assets increased by \$8.6 million, or by 0.4%, from last year. The increase was primarily due to the impacts of unbudgeted financial transactions which provided additional cash. In 2005, net assets decreased by \$7.5 million, or by 0.4% from the prior year. The unrestricted portion of net assets (available to meet ongoing and future obligations of the Department) had an increase of \$38 million, or 20%, in 2006. In 2005, unrestricted net assets had an increase of \$21.3 million, or 12.6%.

Operating and maintenance expenses increased by \$34.5 million, or by 13.4%, in 2006, and increased by \$25.5 million, or by 10.9%, in 2005. The 2006 increase is due to an increased employee level of compensation with related fringe benefits, increased contractual services and general and administrative costs related to several large programs underway for water and wastewater as well as the implementation of an enterprise-wide financial system.

	(in thousands)		
<u>SUMMARY OF NET ASSETS</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$ 989,635	\$ 958,914	\$1,008,886
Capital Assets, net	<u>2,910,939</u>	<u>2,958,020</u>	<u>2,965,096</u>
Total Assets	<u>3,900,574</u>	<u>3,916,934</u>	<u>3,973,982</u>

## Management's Discussion & Analysis

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Long-term Liabilities	1,602,718	1,634,956	1,681,362
Other liabilities	180,621	173,294	176,470
Total Liabilities	<u>1,783,339</u>	<u>1,808,250</u>	<u>1,857,832</u>
Net Assets:			
Invested in capital assets, net of debt	1,823,250	1,670,373	1,640,651
Restricted	151,847	247,947	306,469
Unrestricted	142,138	190,364	169,030
Total Net Assets	<u>\$2,117,235</u>	<u>\$2,108,684</u>	<u>\$2,116,150</u>
<b><u>SUMMARY OF CHANGES IN NET ASSETS</u></b>			
Water operating revenues	\$ 198,162	\$ 170,905	\$ 170,091
Wastewater operating revenues	242,153	221,055	215,482
Interest Income	48,892	22,487	8,785
Other nonoperating revenues	9,920	806	326
Total revenues	<u>499,127</u>	<u>415,253</u>	<u>394,684</u>
Water source of supply	5,381	5,710	5,110
Water power and pumping	3,274	1,604	2,257
Water purification	56,164	50,221	40,660
Water transmission and distribution	23,081	21,900	21,452
Wastewater collection system	18,111	15,582	14,534
Wastewater pumping	30,331	26,196	23,838
Wastewater treatment	62,360	55,206	48,851
Customer accounting	5,121	5,992	6,867
Customer service	17,853	16,712	15,638
General and Administrative	71,210	59,256	53,706
Depreciation	184,820	118,261	122,800
Interest expense	68,905	72,405	72,781
Other nonoperating expenses	8,804	871	871
Transfers to County's General Fund	22,868	27,701	37,899
Total expenses	<u>578,283</u>	<u>477,617</u>	<u>467,264</u>
Loss before contributions	(79,156)	(62,364)	(72,580)
Capital Contributions	<u>87,707</u>	<u>54,898</u>	<u>42,936</u>
Increase in net assets	8,551	(7,466)	(29,644)
Net assets at beginning of year	<u>2,108,684</u>	<u>2,116,150</u>	<u>2,145,794</u>
Net assets at end of year	<u>\$2,117,235</u>	<u>\$2,108,684</u>	<u>\$2,116,150</u>

### ***CAPITAL ASSETS***

The following table summarizes the Department's capital assets, net of accumulated depreciation, for the fiscal years ended September 30, 2006, 2005 and 2004 (in thousands). Total capital assets decreased by \$47.1 million, or 1.6%, in 2006. This decrease is due to capital additions, net of plant retirements of \$134.1 million, offset by \$181.2 million net increase in accumulated depreciation. Total capital assets decreased by \$7.1 million, or 0.2%, in 2005. This decrease was due to capital additions, net of plant retirements of \$97.5 million, offset by \$104.6 million net increase in accumulated depreciation. Additional information on changes in capital assets can be found in Note 4 to the financial statements.

## Management's Discussion & Analysis

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Land	\$ 35,420	\$ 35,020	\$ 34,774
Structures and improvements	2,210,262	2,280,363	2,241,033
Equipment	274,760	311,233	333,607
Construction work in progress	390,497	331,404	355,682
Total capital assets	<u>\$2,910,939</u>	<u>\$2,958,020</u>	<u>\$2,965,096</u>

This year's major expenditures in capital assets included:

*Water projects:*

- Transmission mains, meters and services (\$12.7 million)
- Treatment facilities (\$7.1 million)
- Pumping facilities (\$1.3 million)
- Wellfields (\$1.1 million)
- System wide improvements (\$1.1 million)

*Wastewater projects:*

- Treatment facilities (\$17.3 million)
- Pump stations (\$6.1 million)
- Force mains (\$5.8 million)
- Infiltration and inflow reduction program (\$5.0 million)
- Gravity mains and services (\$3.9 million)

Budgeted capital expenditures for fiscal year 2007 amount to \$221 million and include \$98.9 million in water projects and \$122.1 million in wastewater projects.

### **LONG-TERM DEBT**

Long-term debt outstanding (including current portion) at September 30, 2006, 2005 and 2004 is presented in the following table (in thousands). The year 2006 shows a decrease of \$42.5 million from the previous year, and 2005 shows a decrease of \$36.9 from 2004.

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenue Bonds	\$1,464,162	\$1,493,589	\$1,523,497
State Loan Obligations	124,940	137,853	144,618
Notes payable	140	345	539
Total long-term debt	<u>\$1,589,242</u>	<u>\$1,631,787</u>	<u>\$1,668,654</u>

During 2006 an amendment to the state revolving fund loan agreements increased the related commitments by \$2.4 million. Draws made on state revolving fund commitments and recorded as debt, including capitalized interest, were \$4.1 million in 2006. Current long-term debt maturities were met in the amount of \$46.6 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. In association with the issuance

on the Series 2005 Refunding Bonds, the Department entered into a swap agreement with Bank of America Securities, effective October 1, 2005, and received a cash payment of \$10.9 million.

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., which is associated with the Water and Sewer System Revenue Bonds, Series 1997, on a notional amount of \$215 million. In March 2006, the monetization of the Merrill swap was completed with the Department receiving a cash payment of \$9.1 million.

In March 2006, the Department entered into a basis swap with Rice Financial Products Company and guaranteed by Bank of New York, which was associated with the Water and Revenue Bonds, Series 1994 and Series 1999A on a notional amount of \$205.1 million. Based on expected BMA/LIBOR relationships, it is expected that the swap could generate approximately \$1.7 million annually in debt service savings.

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. The Department met the primary debt coverage for the year with a ratio of 1.50 percent. 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 2.92 percent.

### ***REQUEST FOR INFORMATION***

Questions concerning this report or requests for additional information should be directed to Diane A. Camacho, Assistant Director - Finance at 786-552-8104 or at her office located at 3071 S.W. 38th Ave., Miami, Florida 33146.

## Balance Sheets

	September 30,	2006	2005
			(In thousands)
<b>ASSETS</b>			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	27,309	\$ 32,625
Investments		120,366	108,454
Accounts receivable (net of allowance for uncollectible accounts of \$21.9 million in 2006 and \$24.5 million in 2005)		95,441	75,098
Inventory of materials and supplies		25,535	25,001
Other current assets		771	-
Restricted cash and cash equivalents		95,116	85,924
Total current assets		364,538	327,102
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		32,107	36,285
Investments		571,497	577,466
Contracts receivable		216	412
Total restricted assets		603,820	614,163
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		15,639	15,879
Other deferred charges, net		5,638	1,770
Total other assets		21,277	17,649
<i>CAPITAL ASSETS:</i>			
Land		35,420	35,020
Structures and improvements		3,239,628	3,199,845
Equipment		804,456	769,657
Utility plant in service before depreciation		4,079,504	4,004,522
Less accumulated depreciation		1,559,062	1,377,906
Net utility plant in service		2,520,442	2,626,616
Construction work in progress		390,497	331,404
Total capital assets		2,910,939	2,958,020
Total noncurrent assets		3,536,036	3,589,832
Total assets		\$ 3,900,574	\$ 3,916,934

(Continued)

## Balance Sheets

(Continued)	September 30,	2006	2005
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	43,688	\$ 46,859
Customer and developer deposits		21,810	20,104
Current portion of long-term debt		5,669	7,696
Rebatable arbitrage earnings		217	217
Liability for compensated absences		9,463	8,947
Other liabilities		4,659	4,573
Total current liabilities (payable from unrestricted current assets)		85,506	88,396
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		11,630	10,284
Retainage payable		3,078	4,138
Current portion of long-term debt		37,621	34,612
Accrued interest payable		39,572	33,090
Liability for self-insurance		3,214	2,774
Total current liabilities (payable from restricted current assets)		95,115	84,898
Total current liabilities		180,621	173,294
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,428,431	1,462,079
State loan obligations, net		117,521	127,279
Notes payable, net		-	121
Liability for self-insurance		1,671	1,671
Liability for compensated absences		21,386	19,247
Deferred revenues		33,709	24,559
Total noncurrent liabilities		1,602,718	1,634,956
Total liabilities		1,783,339	1,808,250
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,823,250	1,670,373
Restricted for:			
Capital projects		33,609	113,411
Debt service		118,238	134,536
Other		-	-
Unrestricted		142,138	190,364
Total net assets		2,117,235	2,108,684
Total liabilities and net assets		\$ 3,900,574	\$ 3,916,934

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>2006</u>	<u>2005</u>
			(In thousands)
<i>OPERATING REVENUES:</i>			
Water		\$ 198,162	\$ 170,905
Wastewater		<u>242,153</u>	<u>221,055</u>
Total operating revenues		<u>440,315</u>	<u>391,960</u>
<i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Water source of supply		5,381	5,710
Water power and pumping		3,274	1,604
Water purification		56,164	50,221
Water transmission and distribution		23,081	21,900
Wastewater collection system		18,111	15,582
Wastewater pumping		30,331	26,196
Wastewater treatment		62,360	55,206
Customer accounting		5,121	5,992
Customer service		17,853	16,712
General and administrative		<u>71,210</u>	<u>59,256</u>
Total operating and maintenance expenses		<u>292,886</u>	<u>258,379</u>
Operating income before depreciation		147,429	133,581
<i>DEPRECIATION</i>		<u>184,820</u>	<u>118,261</u>
Operating income (loss)		(37,391)	15,320
<i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		48,892	22,487
Interest expense		(68,905)	(72,405)
Amortization of debt issue costs		(796)	(871)
Operating grants		7,230	114
Other revenues		2,690	692
Transfers to County's General Fund		(22,868)	(27,701)
Other expenses		<u>(8,008)</u>	<u>-</u>
Loss before contributions		(79,156)	(62,364)
Capital contributions		<u>87,707</u>	<u>54,898</u>
Increase (Decrease) in net assets		8,551	(7,466)
Net assets at beginning of year		<u>2,108,684</u>	<u>2,116,150</u>
Net assets at end of year		<u>\$ 2,117,235</u>	<u>\$ 2,108,684</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>2006</u>	<u>2005</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 428,686	\$ 393,742
Cash paid to suppliers for goods and services	(146,246)	(124,733)
Cash paid to employees for services	(158,537)	(138,514)
Net cash provided by operating activities	<u>123,903</u>	<u>130,495</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	783	-
Transfers to County's General Fund	(22,868)	(27,701)
Net cash used in non-capital financing activities	<u>(22,085)</u>	<u>(27,701)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	4,099	3,675
Principal payments - bonds, loans and notes	(48,728)	(34,516)
Bond premium and issue costs	(873)	-
Proceeds from swap agreements	20,087	-
Interest paid	(73,120)	(100,800)
Proceeds from sale of property, plant and equipment	271	307
Acquisition and construction of capital assets	(81,317)	(90,774)
Contributions received	45,451	44,490
Net cash used in capital and related financing activities	<u>(134,130)</u>	<u>(177,618)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(760,527)	(646,831)
Proceeds from sale and maturity of investment securities	761,711	539,330
Interest on investments	30,826	22,113
Net cash used in investing activities	<u>32,010</u>	<u>(85,388)</u>
Net decrease in cash and cash equivalents	(302)	(160,212)
Cash and cash equivalents at beginning of year	<u>154,834</u>	<u>315,046</u>
Cash and cash equivalents at end of year	<u>\$ 154,532</u>	<u>\$ 154,834</u>

(Continued)

# Statements of Cash Flows

(Continued)

For the years ended September 30,

2006

2005

(In thousands)

*RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:*

Operating income	\$ (37,391)	\$ 15,320
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	184,820	118,261
Provision for uncollectible accounts	130	1,306
Amortization of deferred charges	148	296
Amortization of deferred revenues	(1,775)	-
Non-operating other, net	2,903	-
(Increase) decrease in assets:		
Accounts receivable	(21,487)	(1,278)
Inventory of materials and supplies	(534)	(2,599)
Other current assets	(771)	-
Other deferred charges	(4,015)	1,295
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,012)	569
Customer and developer deposits	1,706	905
Accrued interest payable	-	(174)
Liability for compensated absences	2,655	2,363
Other liabilities	86	1,022
Liability for self-insurance	440	(6,791)
Net cash provided by operating activities	<u>\$ 123,903</u>	<u>\$ 130,495</u>

*NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:*

Property, plant and equipment contributions were received in amounts of \$42.3 million and \$10.1 million in fiscal years 2006 and 2005, respectively.

The change in the fair value of investments were \$3.5 million increase and \$1.9 million decrease in fiscal years 2006 and 2005, 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>2006</u>	<u>2005</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 27,309	\$ 32,625
Restricted Current Cash and Cash Equivalents	95,116	85,924
Restricted Noncurrent Cash and Cash Equivalents	32,107	36,285
Total cash and cash equivalents at end of year	<u>\$ 154,532</u>	<u>\$ 154,834</u>

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

## SEPTEMBER 30, 2006 AND 2005

### 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 \$28.3 million and \$26.6 million as of September 30, 2006 and 2005, 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 4.6% and 3.0% for the fiscal years ended September 30, 2006 and 2005, 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. During 2006 the Department began using single-unit straight-line depreciation for tagable capital assets. Gain or loss is recognized on retirement of single-unit capital assets. 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:

	<u>Water System</u>	<u>Wastewater System</u>
	(Years)	
Structures and improvements	25-45	25-45
Equipment	3-20	3-20
Transmission mains and accessories	25-45	30-40

During 2006, as a result of the implementation of a new financial system, the Department changed the estimated useful lives of capital assets reflected in the preceding table. The effect of this change in estimate is an increase in depreciation expense and a decrease in operating income in fiscal year 2006 of \$63 million. Total depreciation expense for fiscal year 2006 was \$185 million.

### 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, 2006 and 2005 was \$83.0 million and \$83.5 million, respectively. Of these amounts, \$14.1 million and \$11.1 million were capitalized in fiscal years 2006 and 2005, respectively, net of interest earned on construction funds from tax-exempt borrowings of \$3.6 million and \$2.4 million in fiscal years 2006 and 2005, 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 / 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.

## RECLASSIFICATIONS

Certain amounts in the fiscal year 2005 financial statements have been reclassified to conform with the fiscal year 2006 presentation.

## 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 \$4.5 million and \$13.5 million as of September 30, 2006 and 2005, respectively. The bank balances at local depositories were \$17.9 million and \$22.9 million as of September 30, 2006 and 2005, 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, 2006 were approximately \$150,391.

## Notes to Financial Statements

### INVESTMENTS

The Department's investments at September 30, 2006, are shown in the following table (in thousands).

	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$118,879
Federal Home Loan Bank	127,817
Federal Farm Credit Bank	52,089
Federal National Mortgage Association	147,379
Federal Agricultural Mortgage Corporation	166
SBA	57,691
Time Deposits	980
Treasury Notes	40,901
Commercial Paper	237,001
Guaranteed Investment Contracts:	
MBIA	25,099
AIGMF	33,704
Total investments	<u>\$841,706</u>

### CREDIT RISK

The County's Investment Policy (the Policy), minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission (SEC) registered money market funds with the highest credit 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, 2006.

	<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
Time Deposits	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, 2006 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 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, 2006 the following issuers held 5% or more of the investment portfolio:

	% of Portfolio
Federal Home Loan Mortgage Corporation	15.18
Federal Home Loan Bank	16.33
Federal Farm Credit Bank	6.65
Federal National Mortgage Association	18.82
SBA	7.37

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, 2006 the County had the following investments with the respective weighted average maturity in years.

	Weighted Average in Years
Federal Home Loan Mortgage Corporation	0.68
Federal Home Loan Bank	0.73
Federal Farm Credit Bank	0.60
Federal National Mortgage Association	0.84
Federal Agricultural Mortgage Corporation	0.53
SBA	0.003
Time Deposits	0.23
Treasury Notes	0.29
Commercial Paper	0.14

## FOREIGN CURRENCY RISK

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

## 3. 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, 2006 and 2005 are presented in the following table (in thousands):

	2006	2005
Restricted Assets		
Debt Service	\$151,167	\$170,741
Construction	211,695	427,636
Renewal and Replacement	184,333	48,058
Plant Expansion	146,129	48,838
Self-Insurance	5,612	4,814
Total Assets	<u>\$698,936</u>	<u>\$700,087</u>

## Notes to Financial Statements

### 4. CAPITAL ASSETS

Capital asset activity during fiscal years 2005 and 2006 was as follows (in thousands):

	Balance 9/30/04	2005		Balance 9/30/05	2006		Balance 09/30/06
		Additions	Deletions		Additions	Deletions	
Capital assets, not being depreciated:							
Land	\$ 34,774	246	-	35,020	400	-	35,420
Construction work in progress	355,682	111,489	(135,767)	331,404	95,817	(36,724)	390,497
Total capital assets, not being depreciated	390,456	111,735	(135,767)	366,424	96,217	(36,724)	425,917
Capital assets, being depreciated:							
Structures and improvements	3,092,038	110,268	(2,461)	3,199,845	39,783	-	3,239,628
Equipment	755,902	25,253	(11,498)	769,657	38,796	(3,997)	804,456
Total capital assets, being depreciated	3,847,940	135,521	(13,959)	3,969,502	78,579	(3,997)	4,044,084
Less accumulated depreciation:							
Structures and improvements	(851,005)	(70,934)	2,457	(919,482)	(109,884)	-	(1,029,366)
Equipment	(422,295)	(47,328)	11,199	(458,424)	(74,936)	3,664	(529,696)
Total accumulated depreciation	(1,273,300)	(118,262)	13,656	(1,377,906)	(184,820)	3,664	(1,559,062)
Total capital assets, being depreciated, net	2,574,640	17,259	(303)	2,591,596	(106,241)	(333)	2,485,022
Total capital assets, net	\$ 2,965,096	128,994	(136,070)	2,958,020	(10,024)	(37,057)	2,910,939

### 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 4, 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, 2006.

#### *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 variable 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 2006.

#### *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, 2006, \$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 2006.

## Notes to Financial Statements

### CHANGES IN LONG-TERM LIABILITIES

A summary of the long-term liability activity during fiscal years 2005 and 2006 is presented in the following table (dollars in thousands):

Description	Outstanding Rate	Balance 09/30/04	2005		Balance 09/30/05	2006		Balance 09/30/06	Due in 2006
			Additions	Reductions		Additions	Reductions		
<i>Dade County Revenue Bonds</i>									
Series 1994	Variable*	\$ 418,540	-	780	417,760	-	820	416,940	865
Series 1995	4.10%-6.25%	328,960	-	298,695	30,265	-	3,625	26,640	3,795
Series 1997	4.50%-6.25%	404,760	-	7,435	397,325	-	7,785	389,540	8,275
Series 1999A	5.00%	150,000	-	-	150,000	-	-	150,000	-
Series 2003	2.00%-5.00%	248,890	-	12,045	236,845	-	19,280	217,565	22,795
Series 2005	Variable*	-	295,240	-	295,240	-	-	295,240	-
Less: Unamortized Discount		(22,082)	-	(7,548)	(14,534)	-	(754)	(13,780)	-
Deferred amounts on refunding		(21,393)	(14,350)	(2,367)	(33,376)	-	(3,087)	(30,289)	-
Plus: Unamortized Premium		15,822	-	1,758	14,064	-	1,758	12,306	-
Total revenue bonds		1,523,497	280,890	310,798	1,493,589	-	29,427	1,464,162	35,730
<i>State Loan Obligations</i>									
State Revolving Fund	2.56%-4.17%	144,618	3,842	10,607	137,853	4,100	17,013	124,940	7,420
<i>Notes Payable</i>									
City of North Miami	6.00%	539	-	194	345	-	205	140	140
Total long-term debt		1,668,654	284,732	321,599	1,631,787	4,100	46,645	1,589,242	43,290
<i>Other liabilities</i>									
Compensated absences		25,831	10,642	8,279	28,194	11,602	8,947	30,849	9,463
Self-insurance		11,236	5,087	11,878	4,445	1,348	908	4,885	3,214
Swap option liability		25,447	-	25,447	-	-	-	-	-
Deferred revenues		-	24,559	-	24,559	10,924	1,774	33,709	-
Total long-term liabilities		\$ 1,731,168	325,020	367,203	1,688,985	27,974	58,274	1,658,685	55,967

\* Variable rates range from 2.60%-3.96% and 2.60%-3.97% for Series 1994 and Series 2005, respectively.

### DEBT SERVICE REQUIREMENTS

As of September 30, 2006, the Department's debt service requirements to maturity, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments will vary.

Maturing in Fiscal Year	Revenue Bonds		State Loans		Notes Payable		Total		Debt
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 35,730	77,561	7,420	3,528	140	3	43,290	81,092	124,382
2008	39,235	75,798	9,990	3,823	-	-	49,225	79,621	128,846
2009	41,015	74,014	10,326	3,486	-	-	51,341	77,500	128,841
2010	42,780	72,190	10,674	3,139	-	-	53,454	75,329	128,783
2011	44,775	70,137	11,034	2,779	-	-	55,809	72,916	128,725
2012-2016	259,165	314,222	46,597	8,718	-	-	305,762	322,940	628,702
2017-2021	337,810	233,292	24,224	2,867	-	-	362,034	236,159	598,193
2022-2026	442,035	126,906	4,675	163	-	-	446,710	127,069	573,779
2027-2030	253,380	21,708	-	-	-	-	253,380	21,708	275,088
	1,495,925	1,065,828	124,940	28,503	140	3	1,621,005	1,094,334	2,715,339
Unamortized Discount, Deferred & Premium Amounts	(31,763)	-	-	-	-	-	(31,763)	-	(31,763)
Total	\$ 1,464,162	1,065,828	124,940	28,503	140	3	1,589,242	1,094,334	2,683,576

## Notes to Financial Statements

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### *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 2006.

### *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 2006.

### *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 2006.

### *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 2006.

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, 2006 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	4,253	4,253	09/20/06
377870	6,093	4,979	09/20/06
37788P	3,252	3,252	active
37789A	845	845	active
37789L	12,798	2,891	09/20/06
300010	39,534	37,497	active
300080	<u>4,691</u>	<u>4,691</u>	04/28/03
	<u>\$228,758</u>	<u>\$215,700</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 2006.

### 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 five interest rate swap agreements related to the various revenue bonds issued by the Department.

#### Series 1994 Interest Rate Swap

The swap agreement relating to the Series 1994 Bonds is between the Department and AIG Financial Products Corporation, and it is 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.

*Date of Execution.* February 4, 1994

*Notional Amount.* \$416.9 million for the current fiscal year, amortizing in step with the Series 1994 Bonds.

*Termination Date.* October 5, 2022, same date as the Series 1994 Bonds.

*Department Payment.* 5.28% annual fixed rate on the notional amount.

*Counterparty Payment.* Variable rate that matches the variable rate payable on the bonds.

*Counterparty Credit Rating.* AIG Financial Products Corporation is rated AAA.

*Fair Value.* As of September 30, 2006, based on an estimated mark-to-mid-market assessment, the swap had a negative fair market value of \$82 million.

Using rates as of September 30, 2006 debt services requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands).

<u>Fiscal Year</u>	<u>Variable Rate Bonds</u>		<u>Interest</u>
	<u>Ending 9/30</u>	<u>Principal</u>	<u>Rate Swap Net Payments<sup>(2)(3)</sup></u>
2007		\$865	\$15,552
2008		915	15,520
2009		970	15,485
2010		1,020	15,449
2011		1,080	15,411
2012-2023		412,090	126,424
Total		<u>\$416,940</u>	<u>\$203,841</u>
			<u>\$84,706</u>

(1) Interest rate on the Bonds on September 30, 2006 was 3.730%.

(2) The rate is calculated as the difference between the variable rate paid by the counterparty to the County (3.730%) and the fixed rate paid by the County to the counterparty (5.28%) as of September 30, 2006.

(3) The total net payments of \$84.7 million have a negative fair market value of \$82 million.

#### Series 1997 Merrill Lynch Interest Rate Swap

The swap relating to the Series 1997 Bonds is between the Department and Merrill Lynch Capital Services, Inc., and it is a fixed to variable rate swap

## Notes to Financial Statements

(bonds issued as fixed, swapped to variable after June 15, 2008; with option to terminate on such date). The swap has been amended three times and a partial termination of the agreement was exercised on March of 2006. The monetization of this partial termination resulted in the Department receiving a cash payment of \$9.1 million. The Department entered into this interest rate swap to lower its overall cost of borrowing.

*Date of Execution.* December 15, 1993

*Notional Amount.* \$215 million

*Termination Date.* June 15, 2020 with an option to terminate the agreement on June 15, 2008.

*Department Payment.* 4.40% annual fixed rate until June 15, 2008, and if the termination option is not exercised then BMA to the termination date.

*Counterparty Payment.* 4.902% annual fixed rate until June 15, 2008 and if the termination option is not exercised then the fixed rate continues until the termination date.

*Counterparty Credit Rating.* Merrill Lynch Capital Services, Inc. is rated AA.

*Fair Value.* As of September 30, 2006, based on an estimated mark-to-mid-market assessment, the swap had a negative fair market value of \$0.7 million.

Using the rates as of September 30, 2006, debt service requirements of the fixed-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands).

Fiscal Year Ending 9/30	Fixed Rate Bonds		Interest Rate Swap Net
	Principal	Interest <sup>(1)</sup>	Payments <sup>(2)(3)</sup>
2007	\$8,275	\$20,402	
2008	8,790	19,869	(\$739)
2009	9,335	19,356	(2,520)
2010	9,810	18,866	(2,520)
2011	10,320	18,344	(2,520)
2012-2026	343,010	190,727	(22,678)
Total	<u>\$389,540</u>	<u>\$287,564</u>	<u>(\$30,977)</u>

<sup>(1)</sup> Interest rate on the Bonds is the actual fixed rate on the Bonds.

<sup>(2)</sup> The rate is calculated as the difference between the fixed rate paid by the counterparty to the County (4.902%) and the variable rate paid by the County to the counterparty (3.730%) commencing on June 16, 2008 until the termination of the swap on June 15, 2021.

<sup>(3)</sup> The total net receipts of \$31 million have a negative fair market value of \$0.7 million.

### *Series 1997 RFPC 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 into this interest rate swap to lower its overall cost of borrowing.

*Date of Execution.* August 27, 1998 and amended on July 18, 2002.

*Notional Amount.* \$200 million amortizing as set forth in a predetermined reduction schedule, commencing on October 1, 2021.

*Termination date.* October 1, 2026

*Department Payment.* Variable BMA plus (BMA divided by 0.604) minus (USD- LIBOR-BBA plus 1.455%).

*Counterparty Payment.* BMA

*Counterparty Credit Rating.* RFPC is backed an "AAA" guarantor. The swap's rating is based on the rating of the guarantor.

*Fair Value.* As of September 30, 2006, based on an estimated mark-to-mid-market assessment, the swap had a positive fair market value of \$1.9 million.

Using rates as of September 30, 2006, debt service requirements of the fixed-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands). As rates vary, fixed-rate bond interest payments remain the same and net swap payments may vary.

Fiscal Year Ending 9/30	Fixed Rate Bonds		Interest Rate Swap Net
	Principal	Interest <sup>(1)</sup>	Payments <sup>(2)(3)</sup>
2007	\$8,275	\$20,402	(\$2,121)
2008	8,790	19,869	(2,120)
2009	9,335	19,356	(2,121)
2010	9,810	18,866	(2,120)
2011	10,320	18,344	(2,121)
2012-2027	343,010	190,727	(31,059)
Total	<u>\$389,540</u>	<u>\$287,564</u>	<u>(\$41,662)</u>

(1) Interest rate on the Bonds is the actual fixed rate on the Bonds..

(2) The rate is calculated as the difference between the taxable variable rate paid by the counterparty to the County (5.508130% + 1.455% = 6.96313%) and the tax-exempt variable rate paid by the County to the counterparty (3.56533% / .604 = 5.9029%) as of September 30, 2006.

(3) The total net receipts of \$41.7 million have a positive fair market value of \$1.9 million.

## Series 2005 Interest Rate Swap

In March 2004 the Department sold an option to Bank of America Securities to require the Department to issue variable rate bonds to refund the Series 1995 Bonds maturing October 1, 2011, 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. This option was exercised on August 15, 2005 and the Series 1995 Bonds were refunded September 29, 2005 with the issuance of the Series 2005 Refunding Bonds. The Department entered into a swap with the counterparty effective October 1, 2005 and received an additional \$10.9 million.

*Date of Execution.* October 1, 2005

*Notional Amount.* \$295.2 million for the current fiscal year, amortizing in step with the Series 2005 Bonds.

*Termination Date.* October 1, 2025, same date as for the Series 2005 Refunding Bonds.

*Department Payment.* 5.27% annual fixed rate on the notional amount.

*Counterparty Payment.* Variable rate that matches the variable rate payable on the bonds.

*Counterparty Credit Rating.* Bank of America Securities is rated AAA.

*Fair Value.* As of September 30, 2006, based on an estimated mark-to-mid-market assessment, the swap had a positive fair market value of \$48.7 million.

Using rates as of September 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands).

Fiscal Year Ending 9/30	Variable Rate Bonds		Interest Rate Swap Net
	Principal	Interest <sup>(1)</sup>	Payments <sup>(2)(3)</sup>
2007	\$0	\$11,042	\$2,369
2008	0	11,042	2,369
2009	0	11,042	2,369
2010	0	11,042	2,645
2011	0	11,042	2,939
2012-2026	295,240	135,606	50,039
Total	<u>\$295,240</u>	<u>\$190,816</u>	<u>\$62,730</u>

(1) Interest rate on the Bonds on September 30, 2006 was 3.534%.

(2) The rate is calculated as the difference between the variable rate paid by the counterparty to the County (3.534%) and the fixed rate paid by the County to the counterparty (5.27%) as of September 30, 2006.

(3) The total net receipts of \$62.7 million have a negative fair market value of \$48.7 million.

## Series 1994 and Series 1999A Interest Rate Swap

The swap agreement relating to the Series 1994 Bonds and Series 1999A Bonds is between the Department and RFPC Ltd., a division of Rice Financial Products Company. The Department entered into this rate swap to lower its overall cost of borrowing.

*Date of Execution.* March 6, 2006

*Notional Amount.* \$205.1 million based on principal balance of each series as of March 6, 2006 (\$416.9 million Series 1994 and \$150 million Series 1999A), and amortizing in step with the Bonds commencing on October 1, 2022.

*Termination Date.* October 1, 2029

*Department Payment.* Variable BMA plus (BMA divided by 0.604) minus (USD-LIBOR-BBA plus 1.58%)

*Counterparty Payment.* BMA

## Notes to Financial Statements

**Counterparty Credit Rating.** The counterparty is backed by an "AA" guarantor. The swap's rating is based on the retaining of the guarantor.

**Fair Value.** As of September 30, 2006, based on an estimated mark-to-mid-market assessment, the swap had a positive fair market value of \$2.2 million.

Using rates as of September 30, 2006, debt service requirements of the fixed-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands). As rates vary, fixed-rate bond interest payments remain the same and net swap payments may vary.

Fiscal Year Ending 9/30	Fixed Rate Bonds		Interest Rate Swap Net
	Principal	Interest <sup>(1)</sup>	Payments <sup>(2)(3)</sup>
2007	\$865	\$15,552	(\$2,431)
2008	915	15,520	(2,430)
2009	970	15,485	(2,431)
2010	1,020	15,449	(2,430)
2011	1,080	15,411	(2,431)
2012-2030	562,090	167,918	(37,462)
Total	<u>\$566,940</u>	<u>\$245,335</u>	<u>(\$49,615)</u>

<sup>(1)</sup> Interest rate on the 1994 Bonds on September 30, 2006 was 3.730%. Interest rate on the Series 1999A Bonds is the actual fixed rate on the bonds.

<sup>(2)</sup> The rate is calculated as the difference between the taxable variable rate paid by the counterparty to the County ( $5.508130\% + 1.5800 = 7.08813\%$ ) and the tax exempt variable rate paid by the County to the counterparty ( $3.56533\% / .604 = 5.9029\%$ ) as of September 30, 2006.

<sup>(3)</sup> The total net receipts of \$49.6 million have a positive fair market value of \$2.2 million.

### Risk Disclosure

**Credit Risk.** Because all of the swaps rely upon the performance of the third parties who serve as swap counterparties, the Department is exposed to credit risk or the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown and labeled fair value above. All fair values have been calculated using the mark-to-mid-market method. To mitigate credit risk, the County maintains strict credit standards for swap counterparties. All swap counterparties for longer term swaps are rated at least in

the double-A category by both Moody's and Standard & Poor's. To further mitigate credit risk, the Department swap documents require counterparties to post collateral for the Departments benefit if they are downgraded below a designated threshold.

**Basis Risk.** The Department swaps expose the County to basis risk. Should the relationship between the variable rate the Department receives on the swap fall short of the variable rate on the associated bonds, the expected savings may not be realized. As of September 30, 2006, the BMA rate was 3.5633%.

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

**Termination Risk.** The Department swap agreements do not contain any out-of-the-ordinary terminating events that would expose it to significant termination risk. In keeping with the market standards the Department or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The Department views such events to be remote at this time. If at the time of the termination, a swap has a negative value, the Department would be liable to the counterparty for a payment equal to the fair value of such a swap unless the counterparty is the defaulting party.

**Rollover Risk.** With the exception of the swap on the Water and Sewer System Bonds, Series 1995, the Department is not exposed to rollover risk. Because the swap for the Water and Sewer System Bonds, Series 1995, terminate prior to the maturity of such bond, the County is exposed to rollover risk. Upon the termination of the swap, the Department will no longer realize the synthetic rate on the bonds and will be exposed to the full fixed rate on the underlying bonds if no new hedge is put in place.

## 6. RECEIVABLES

Receivables at September 30, 2006 and 2005, were as follows (in thousands):

	2006	2005
Trade accounts	\$100,921	\$84,871
Nonretail accounts	6,505	11,299
Other County funds	9,805	3,359
Other governments	61	28
Gross receivables	117,292	99,557
Less: allowance for doubtful accounts	(21,851)	(24,459)
Net receivables	<u>\$95,441</u>	<u>\$75,098</u>

## 7. PAYABLES

Payables at September 30, 2006 and 2005, were as follows (in thousands):

	2006	2005
Other County funds	\$10,745	\$11,121
Vendors	21,397	16,636
Other governments	12,773	16,888
Salaries and benefits	6,030	6,737
Contractors	3,946	5,384
Other	427	377
Total payables	<u>\$55,318</u>	<u>\$57,143</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 es-

tablished 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, 2006 and 2005 was \$133.1 million and \$130.6 million, respectively, while the Department's total payroll was \$138.4 million and \$130.6 million for fiscal 2006 and 2005, respectively. Pension costs of the Department as required and defined by Florida statute ranged between 9.9% and 20.9% of gross salaries during fiscal 2006 and between 7.8% and 18.5% during fiscal 2005. For the years ended September 30, 2006, 2005, and 2004, the Department's actual contributions met all required contributions. These contributions aggregated \$11.3 million, \$10.0 million and \$8.7 million, respectively, which represented 8.5%, 7.6% and 7.2% of covered payroll, respectively, and 0.6%, 0.4% and 0.4% of the total contributions required of all participating agencies, respectively, for fiscal years 2006, 2005 and 2004.

Ten-year historical trend information is presented in the FRS' June 30, 2006 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 Man-

## Notes to Financial Statements

agement 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.

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 2006 and 2005 were as follows (in thousands):

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$3,097	\$9,933
Claims and changes in estimates	1,348	(6,052)
Less: Payments	<u>(908)</u>	<u>(784)</u>
Balance at end of year	<u>\$3,537</u>	<u>\$3,097</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, 2006 and 2005 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 \$4.9 million and \$4.4 million as of September 30, 2006 and 2005, 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 2006 and 2005 is presented below (in thousands):

	<u>2006</u>	<u>2005</u>
Contributed Facilities		
Developers	\$43,383	\$11,642
Customers	2,178	2,679
Connection charges	42,089	40,577
Other	57	
Total additions	<u>\$87,707</u>	<u>\$54,898</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 De-

partment 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, 2006 and 2005 (in thousands):

	<u>2006</u>	<u>2005</u>
General Services Administration	\$16,284	\$15,715
General Fund	13,737	11,052
Information Technology	6,547	7,270
Management and Budget	3,056	174
Fire Department	1,508	1,000
Solid Waste	1,464	1,211
Procurement	1,201	650
Public Works	1,127	4,500
Environmental Resources Mgmt.	781	1,369
Other County Departments	3,278	2,675

In addition to the above payments, the Department had related payables of \$8.2 million and \$12.2 million at September 30, 2006 and 2005, respectively. The Department also had receivables from other County departments amounting to \$7.5 million and \$1.4 million at September 30, 2006 and 2005, 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 \$22.8 million and \$27.7 million to the General Fund in fiscal years 2006 and 2005, 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 \$18.9 million for plant and infrastructure construction at September 30, 2006.

### 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, 2006 and 2005, the Department recorded obligations to rebate approximately \$0.2 million of interest earned on bond proceeds invested in taxable securities in excess of interest costs. These arbitrage rebates are payable five years from the date of 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

## Notes to Financial Statements

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penalties if certain established completion dates are not met.

On April 29, 2004, the Consent Order, OGC File 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 total project cost of these improvements is approximately \$505 million.

On May 10, 2006, Miami-Dade County and the South Florida Water Management District entered into an Interim Consumption Use Authorization and Agreement to authorize the withdrawal of up to 349.75 million gallons of water per day from the existing wellfields, for a duration of 18 months, to allow the County time to complete all the tasks required to complete a pending permit application for a twenty year consumptive use permit. The Agreement requires that all the water needed for future demands come from alternative sources.

### **13. SUBSEQUENT EVENTS**

In September 2006, the Board of County Commissioners approved the County Budget Ordinance which provided for increases to the Hialeah and Miami Springs wholesale water rate effective on October 1, 2006 and also approved retail rate increases effective January 1, 2007. The Ordinance also approved other miscellaneous fee changes effective October 1, 2006.

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,	<u>2006</u>	<u>2005</u>
			(In thousands)
<b>ASSETS</b>			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	(1,281)	\$ 25,404
Investments		110,685	81,317
Accounts receivable (net of allowance for uncollectible accounts of \$11.9 million in 2006 and \$13.6 million in 2005)		44,908	34,901
Inventory of materials and supplies		14,327	14,284
Other current assets		254	-
Restricted cash and cash equivalents		<u>36,329</u>	<u>36,078</u>
Total current assets		<u>205,222</u>	<u>191,984</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		(30,137)	10,884
Investments		227,619	220,156
Contracts receivable		<u>162</u>	<u>265</u>
Total restricted assets		<u>197,644</u>	<u>231,305</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		4,216	4,373
Other deferred charges, net		<u>4,334</u>	<u>318</u>
Total other assets		<u>8,550</u>	<u>4,691</u>
<i>CAPITAL ASSETS:</i>			
Land		13,034	12,651
Structures and improvements		1,209,626	1,184,414
Equipment		<u>254,651</u>	<u>240,733</u>
Utility plant in service before depreciation		1,477,311	1,437,798
Less accumulated depreciation		<u>442,803</u>	<u>365,178</u>
Net utility plant in service		1,034,508	1,072,620
Construction work in progress		<u>177,204</u>	<u>154,523</u>
Total capital assets		<u>1,211,712</u>	<u>1,227,143</u>
Total noncurrent assets		<u>1,417,906</u>	<u>1,463,139</u>
Total assets		<u>\$ 1,623,128</u>	<u>\$ 1,655,123</u>

(Continued)

(Continued)	September 30,	<u>2006</u>	<u>2005</u>
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	18,320	\$ 17,790
Customer and developer deposits		16,842	15,119
Current portion of long-term debt		1,450	1,125
Rebatable arbitrage earnings		144	144
Liability for compensated absences		3,099	3,031
Other liabilities		<u>3,343</u>	<u>3,143</u>
Total current liabilities (payable from unrestricted current assets)		<u>43,198</u>	<u>40,352</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		3,021	4,919
Retainage payable		1,886	1,897
Current portion of long-term debt		17,960	15,387
Accrued interest payable		10,248	9,301
Liability for self-insurance		<u>3,214</u>	<u>2,774</u>
Total current liabilities (payable from restricted current assets)		<u>36,329</u>	<u>34,278</u>
Total current liabilities		<u>79,527</u>	<u>74,630</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		381,071	397,854
State loan obligations, net		35,278	35,033
Liability for self-insurance		1,671	1,671
Liability for compensated absences		8,150	7,209
Deferred revenues		<u>5,350</u>	<u>3,898</u>
Total noncurrent liabilities		<u>431,520</u>	<u>445,665</u>
Total liabilities		<u>511,047</u>	<u>520,295</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		1,004,085	908,612
Restricted for:			
Capital projects		-	28,461
Debt service		39,504	49,771
Unrestricted		<u>68,492</u>	<u>147,984</u>
Total net assets		<u>1,112,081</u>	<u>1,134,828</u>
Total liabilities and net assets		<u>\$ 1,623,128</u>	<u>\$ 1,655,123</u>

# Water System

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

	For the years ended September 30,	<u>2006</u>	<u>2005</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail		\$ 157,827	\$ 138,297
Wholesale		29,193	21,962
Other revenues		<u>11,142</u>	<u>10,646</u>
Total operating revenues		<u>198,162</u>	<u>170,905</u>
<i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Source of supply		5,381	5,710
Power and pumping		3,274	1,604
Purification		56,164	50,221
Transmission and distribution		23,081	21,900
Customer accounting		2,968	4,389
Customer service		10,176	9,526
General and administrative		<u>31,967</u>	<u>25,776</u>
Total operating and maintenance expenses		<u>133,011</u>	<u>119,126</u>
Operating income before depreciation		65,151	51,779
<i>DEPRECIATION</i>		<u>79,708</u>	<u>35,488</u>
Operating income (loss)		(14,557)	16,291
<i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		21,841	10,060
Interest expense		(9,324)	(18,558)
Amortization of debt issue costs		(283)	(304)
Operating grants		4,007	114
Other revenues		2,488	346
Transfers to County's General Fund		(10,176)	(12,188)
Other expenses		<u>(7,811)</u>	<u>-</u>
Loss before contributions and transfers		(13,815)	(4,239)
Capital contributions		31,788	16,251
Transfer from reserves		<u>(40,720)</u>	<u>(9,454)</u>
Increase (decrease) in net assets		(22,747)	2,558
Net assets at beginning of year		<u>1,134,828</u>	<u>1,132,270</u>
Net assets at end of year		<u>\$ 1,112,081</u>	<u>\$ 1,134,828</u>

For the years ended September 30,	<u>2006</u>	<u>2005</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 194,325	\$ 171,544
Cash paid to suppliers for goods and services	(71,992)	(69,751)
Cash paid to employees for services	(69,761)	(56,084)
Transfer (from) reserves	(40,720)	(9,454)
Net cash provided by operating activities	<u>11,852</u>	<u>36,255</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	783	-
Transfers to County's General Fund	(10,176)	(12,188)
Net cash used in non-capital financing activities	<u>(9,393)</u>	<u>(12,188)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	2,334	3,304
Principal payments - bonds, loans and notes	(16,670)	(11,657)
Bond premium and issue costs	(139)	-
Proceeds from swap agreements	5,399	-
Interest paid	(13,562)	(24,434)
Proceeds from sale of property, plant and equipment	133	186
Acquisition and construction of capital assets	(39,563)	(34,104)
Contributions received	11,092	10,773
Net cash used in capital and related financing activities	<u>(50,976)</u>	<u>(55,932)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(407,576)	(277,290)
Proceeds from sale and maturity of investment securities	376,336	250,863
Interest on investments	12,302	4,014
Net cash (used in) provided by investing activities	<u>(18,938)</u>	<u>(22,413)</u>
Net decrease in cash and cash equivalents	(67,455)	(54,278)
Cash and cash equivalents at beginning of year	<u>72,366</u>	<u>126,644</u>
Cash and cash equivalents at end of year	<u>\$ 4,911</u>	<u>\$ 72,366</u>

(Continued)

# Water System

## Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2006</u>	<u>2005</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income (loss)	\$	(14,557)	\$ 16,291
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		79,708	35,488
Provision for uncollectible accounts		130	1,718
Amortization of deferred revenues		(282)	-
Non-operating other, net		(1,818)	-
Transfer (from) reserves		(40,720)	(9,454)
(Increase) decrease in assets:			
Accounts receivable		(10,286)	(2,392)
Inventory of materials and supplies		(43)	(1,394)
Other current assets		(254)	-
Other deferred charges		(4,015)	1,295
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		617	(716)
Customer and developer deposits		1,723	758
Accrued interest payable		-	(101)
Liability for compensated absences		1,009	898
Other liabilities		200	655
Liability for self-insurance		440	(6,791)
Net cash provided by operating activities	\$	11,852	\$ 36,255

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

Property, plant and equipment contributions were received in amounts of \$20.7 million and \$5.2 million in fiscal years 2006 and 2005, respectively.

The change in the fair value of investments were \$1.7 million increase and \$0.9 million decrease in fiscal years 2006 and 2005, 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>2006</u>	<u>2005</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ (1,281)	\$ 25,404
Restricted Current Cash and Cash Equivalents	36,329	36,078
Restricted Noncurrent Cash and Cash Equivalents	<u>(30,137)</u>	<u>10,884</u>
Total cash and cash equivalents at end of year	\$ 4,911	\$ 72,366

**Schedule of Operating and Maintenance Expenses**

Budget and Actual

For the year ended September 30, 2006

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Source of supply	\$ 6,455	\$ 5,351	\$ 1,104
Power and pumping	2,640	3,193	(553)
Purification	55,076	55,830	(754)
Transmission and distribution	24,449	22,134	2,315
Customer accounting	4,260	2,956	1,304
Customer service	11,943	10,170	1,773
General and administrative	<u>31,054</u>	<u>31,408</u>	<u>(354)</u>
Totals	<u>\$ 135,877</u>	<u>\$131,042</u>	<u>\$ 4,835</u>

# Wastewater System

## Balance Sheets

	September 30,	<u>2006</u>	<u>2005</u>
			(In thousands)
<b>ASSETS</b>			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	28,590	\$ 7,221
Investments		9,681	27,137
Accounts receivable (net of allowance for uncollectible accounts of \$10.0 million in 2006 and \$10.9 million in 2005)		50,533	40,197
Inventory of materials and supplies		11,208	10,717
Other current assets		517	-
Restricted cash and cash equivalents		58,787	49,846
Total current assets		<u>159,316</u>	<u>135,118</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		62,244	25,401
Investments		343,878	357,310
Contracts receivable		54	147
Total restricted assets		<u>406,176</u>	<u>382,858</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		11,423	11,506
Other deferred charges, net		1,304	1,452
Total other assets		<u>12,727</u>	<u>12,958</u>
<i>CAPITAL ASSETS:</i>			
Land		22,386	22,369
Structures and improvements		2,030,002	2,015,431
Equipment		549,805	528,924
Utility plant in service before depreciation		2,602,193	2,566,724
Less accumulated depreciation		<u>1,116,259</u>	<u>1,012,728</u>
Net utility plant in service		1,485,934	1,553,996
Construction work in progress		213,293	176,881
Total capital assets		<u>1,699,227</u>	<u>1,730,877</u>
Total noncurrent assets		<u>2,118,130</u>	<u>2,126,693</u>
Total assets		<u>\$ 2,277,446</u>	<u>\$ 2,261,811</u>

(Continued)

# Wastewater System

## Balance Sheets

(Continued)	September 30,	2006	2005
			(In thousands)
<b>LIABILITIES</b>			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	25,368	\$ 29,069
Customer and developer deposits		4,968	4,985
Current portion of long-term debt		4,219	6,571
Rebatable arbitrage earnings		73	73
Liability for compensated absences		6,364	5,916
Other liabilities		1,316	1,430
Total current liabilities (payable from unrestricted current assets)		<u>42,308</u>	<u>48,044</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		8,609	5,365
Retainage payable		1,192	2,241
Current portion of long-term debt		19,661	19,225
Accrued interest payable		29,324	23,789
Total current liabilities (payable from restricted current assets)		<u>58,786</u>	<u>50,620</u>
Total current liabilities		<u>101,094</u>	<u>98,664</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,047,360	1,064,225
State loan obligations, net		82,243	92,246
Notes payable, net		-	121
Liability for compensated absences		13,236	12,038
Deferred revenues		28,359	20,661
Total noncurrent liabilities		<u>1,171,198</u>	<u>1,189,291</u>
Total liabilities		<u>1,272,292</u>	<u>1,287,955</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		819,165	761,761
Restricted for:			
Capital projects		33,609	84,950
Debt service		78,734	84,765
Unrestricted		73,646	42,380
Total net assets		<u>1,005,154</u>	<u>973,856</u>
Total liabilities and net assets		<u>\$ 2,277,446</u>	<u>\$ 2,261,811</u>

# Wastewater System

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

	For the years ended September 30,	<u>2006</u>	<u>2005</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail	\$	183,728	\$ 159,077
Wholesale		49,117	53,051
Other revenues		<u>9,308</u>	<u>8,927</u>
Total operating revenues		<u>242,153</u>	<u>221,055</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Collection system		18,111	15,582
Pumping		30,331	26,196
Treatment		62,360	55,206
Customer accounting		2,153	1,603
Customer service		7,677	7,186
General and administrative		<u>39,243</u>	<u>33,480</u>
Total operating and maintenance expenses		<u>159,875</u>	<u>139,253</u>
 Operating income before depreciation		82,278	81,802
 <i>DEPRECIATION</i>		<u>105,112</u>	<u>82,773</u>
Operating loss		(22,834)	(971)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		27,051	12,427
Interest expense		(59,581)	(53,847)
Amortization of debt issue costs		(513)	(567)
Operating grants		3,223	-
Other revenues		202	346
Transfers to County's General Fund		(12,692)	(15,513)
Other expense		<u>(197)</u>	<u>-</u>
Loss before contributions and transfers		(65,341)	(58,125)
Capital contributions		55,919	38,647
Transfer from reserves		<u>40,720</u>	<u>9,454</u>
Increase (Decrease) in net assets		31,298	(10,024)
Net assets at beginning of year		<u>973,856</u>	<u>983,880</u>
Net assets at end of year		<u><u>\$ 1,005,154</u></u>	<u><u>\$ 973,856</u></u>

# Wastewater System

## Schedules of Cash Flows

For the years ended September 30,	<u>2006</u>	<u>2005</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 234,361	\$ 222,198
Cash paid to suppliers for goods and services	(74,254)	(54,982)
Cash paid to employees for services	(88,776)	(82,430)
Transfer from reserves	40,720	9,454
Net cash provided by operating activities	<u>112,051</u>	<u>94,240</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Transfers to County's General Fund	<u>(12,692)</u>	<u>(15,513)</u>
Net cash used in non-capital financing activities	<u>(12,692)</u>	<u>(15,513)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	1,765	371
Principal payments - bonds, loans and notes	(32,058)	(22,859)
Bond premium and issue costs	(734)	-
Proceeds from swap agreements	14,688	-
Interest paid	(59,558)	(76,366)
Proceeds from sale of property, plant and equipment	138	121
Acquisition and construction of capital assets	(41,754)	(56,670)
Contributions received	34,359	33,717
Net cash used in capital and related financing activities	<u>(83,154)</u>	<u>(121,686)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(352,951)	(369,541)
Proceeds from sale and maturity of investment securities	385,375	288,467
Interest on investments	18,524	18,099
Net cash used in investing activities	<u>50,948</u>	<u>(62,975)</u>
Net decrease in cash and cash equivalents	67,153	(105,934)
Cash and cash equivalents at beginning of year	<u>82,468</u>	<u>188,402</u>
Cash and cash equivalents at end of year	<u>\$ 149,621</u>	<u>\$ 82,468</u>

(Continued)

# Wastewater System

## Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2006</u>	<u>2005</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating income (loss)		\$ (22,834)	\$ (971)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation		105,112	82,773
Provision for uncollectible accounts		-	(412)
Amortization of deferred charges		148	296
Amortization of deferred revenues		(1,493)	-
Non-Operating Other, net		4,721	-
Transfer from reserves		40,720	9,454
(Increase) decrease in assets:			
Accounts receivable		(11,201)	1,114
Inventory of materials and supplies		(491)	(1,205)
Other current assets		(517)	-
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(3,629)	1,285
Customer and developer deposits		(17)	147
Accrued interest payable		-	(73)
Liability for compensated absences		1,646	1,465
Other liabilities		(114)	367
Net cash provided by operating activities		<u>\$ 112,051</u>	<u>\$ 94,240</u>

### NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$21.6 million and \$4.9 million in fiscal years 2006 and 2005, respectively.

The change in the fair value of investments were \$1.8 million increase and \$1.0 million decrease in fiscal years 2006 and 2005, 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>2006</u>	<u>2005</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 28,590	\$ 7,221
Restricted Current Cash and Cash Equivalents	58,787	49,846
Restricted Noncurrent Cash and Cash Equivalents	<u>62,244</u>	<u>25,401</u>
Total cash and cash equivalents at end of year	<u>\$ 149,621</u>	<u>\$ 82,468</u>

# Wastewater System

## Schedule of Operating and Maintenance Expenses

Budget and Actual

For the year ended September 30, 2006

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Collection system	\$ 19,180	\$ 18,000	\$ 1,180
Pumping	28,280	29,753	(1,473)
Treatment	57,250	61,547	(4,297)
Customer accounting	3,316	2,144	1,172
Customer service	9,384	7,672	1,712
General and administrative	<u>39,562</u>	<u>38,560</u>	<u>1,002</u>
Totals	<u>\$ 156,972</u>	<u>\$ 157,676</u>	<u>\$ (704)</u>



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# **Statistical Section**

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This part of the Department's comprehensive annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Department's overall financial health.

### **Contents**

#### ***Financial Trends***

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time. These schedules are found on pages 65-68.

#### ***Revenue Capacity***

These schedules contain information to help the reader assess the factors affecting the Department's ability to generate revenue. These schedules are found on pages 69-71.

#### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future. These schedules are found on pages 72-73.

#### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place. These schedules are found on pages 74-80.

#### ***Operating and Capital Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the Department's financial report relates to the services the Department provides and the activities it performs. These schedules are found on pages 81-82.

## Net Assets by Component

(in thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>COMBINED WATER AND WASTEWATER SYSTEMS:</i>										
Invested in capital assets, net of related debt	\$1,823,250	1,670,373	1,640,651	1,585,586	1,586,602	1,562,617	963,108	943,815	926,625	905,921
Restricted	151,847	247,947	306,469	373,628	337,273	298,345	391,816	335,208	189,714	146,031
Unrestricted	142,138	190,364	169,030	186,580	236,350	278,950	713,248	672,797	739,755	694,572
Total net assets	\$2,117,235	2,108,684	2,116,150	2,145,794	2,160,225	2,139,912	2,068,172	1,951,820	1,856,094	1,746,524
<i>WATER SYSTEM</i>										
Invested in capital assets, net of related debt	\$1,004,085	908,612	915,479	844,753	830,706	793,636	362,465	348,312	335,649	323,829
Restricted	39,504	78,232	96,186	148,120	129,278	108,362	209,625	178,246	94,337	78,140
Unrestricted	68,492	147,984	120,605	151,171	197,783	232,473	514,280	466,531	469,873	448,710
Total net assets	\$1,112,081	1,134,828	1,132,270	1,144,044	1,157,767	1,134,471	1,086,370	993,089	899,859	850,679
<i>WASTEWATER SYSTEM</i>										
Invested in capital assets, net of related debt	\$ 819,165	761,761	725,172	740,833	755,896	768,981	600,643	595,503	590,976	582,092
Restricted	112,343	169,715	210,283	225,508	207,995	189,983	182,191	156,962	95,377	67,891
Unrestricted	73,646	42,380	48,425	35,409	38,567	46,477	198,968	206,266	269,882	245,862
Total net assets	\$1,005,154	973,856	983,880	1,001,750	1,002,458	1,005,441	981,802	958,731	956,235	895,845

# Combined Water and Wastewater Systems

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

(in thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>OPERATING REVENUES:</i>										
Retail \$	341,555	297,374	295,176	273,710	263,966	269,274	285,791	283,057	276,740	283,447
Wholesale	78,310	75,013	71,501	69,565	73,145	74,386	75,523	76,861	78,233	82,507
Other	20,450	19,573	18,896	18,827	16,996	16,963	18,078	17,834	17,649	16,651
Total operating revenues	440,315	391,960	385,573	362,102	354,107	360,623	379,392	377,752	372,622	382,605
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396	3,757
Collection system	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296	37,040
Pumping	33,605	27,800	26,095	25,785	24,631	22,267	21,680	26,161	33,064	31,979
Treatment	118,524	105,427	89,511	86,991	77,552	73,347	69,169	68,816	66,299	78,605
Transmission and distribution	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656	29,675
Customer accounting and service	22,974	22,704	22,505	19,915	22,083	21,197	17,619	23,813	23,530	25,012
General and administrative	71,210	59,256	53,706	46,173	35,728	27,473	26,914	32,091	30,190	27,845
Total operating and maintenance expenses	292,886	258,379	232,913	218,391	196,872	180,219	168,891	184,608	191,431	233,913
Operating income before depreciation	147,429	133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191	148,692
DEPRECIATION	184,820	118,261	122,800	117,780	114,642	109,270	94,489	89,025	68,170	65,703
Operating income	(37,391)	15,320	29,860	25,931	42,593	71,134	116,012	104,119	113,021	82,989
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	48,892	22,487	8,785	26,153	32,820	60,233	57,917	43,967	45,466	41,867
Interest expense	(68,905)	(73,276)	(73,652)	(76,349)	(80,722)	(83,165)	(83,151)	(75,815)	(65,118)	(55,638)
Other income	1,116	806	326	2,330	1,480	1,511	1,120	1,901	554	694
Transfers to County's General Fund	(22,868)	(27,701)	(37,899)	(39,996)	(33,035)	(25,547)	(24,788)	(25,849)	(31,471)	(18,319)
Income (loss) before contributions	(79,156)	(62,364)	(72,580)	(61,931)	(36,864)	24,166	67,110	48,323	62,452	51,593
Capital contributions	87,707	54,898	42,936	47,500	57,177	47,574	-	-	-	-
Increase (decrease) in net assets \$	8,551	(7,466)	(29,644)	(14,431)	20,313	71,740	67,110	48,323	62,452	51,593

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

(in thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>OPERATING REVENUES:</i>										
Retail \$	157,827	138,297	137,739	124,409	121,632	124,473	133,766	133,775	129,481	133,559
Wholesale	29,193	21,962	22,122	20,045	20,236	20,311	23,012	22,623	22,249	20,217
Other	11,142	10,646	10,230	10,302	9,227	9,525	10,068	9,436	9,313	8,950
Total operating revenues	198,162	170,905	170,091	154,756	151,095	154,309	166,846	165,834	161,043	162,726
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396	3,757
Pumping	3,274	1,604	2,257	2,670	1,803	1,558	1,532	1,630	1,471	1,596
Treatment	56,164	50,221	40,660	38,412	34,466	32,640	29,700	29,865	28,802	35,611
Transmission and distribution	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656	29,675
Customer accounting and service	13,144	13,915	12,546	12,135	12,578	12,431	10,024	13,235	13,055	14,006
General and administrative	31,967	25,776	20,349	15,183	11,412	9,430	10,227	12,239	11,800	10,227
Total operating and maintenance expenses	133,011	119,126	102,374	94,734	84,344	79,059	73,917	77,698	76,180	94,872
Operating income before depreciation	65,151	51,779	67,717	60,022	66,751	75,250	92,929	88,136	84,863	67,854
DEPRECIATION	79,708	35,488	34,251	32,371	32,347	30,916	21,851	22,520	14,796	17,660
Operating income	(14,557)	16,291	33,466	27,651	34,404	44,334	71,078	65,616	70,067	50,194
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	21,841	10,060	4,016	13,027	16,943	32,560	28,965	20,136	20,742	16,764
Interest expense	(9,324)	(18,862)	(19,657)	(21,039)	(21,397)	(21,240)	(22,869)	(18,324)	(18,774)	(18,260)
Other income (loss)	(1,599)	460	326	2,330	1,447	916	710	1,235	554	697
Transfers to County's General Fund	(10,176)	(12,188)	(11,865)	(13,146)	(10,855)	(8,235)	(9,419)	(9,823)	(12,274)	(6,778)
Income before contributions and transfers	(13,815)	(4,239)	6,286	8,823	20,542	48,335	68,465	58,840	60,315	42,617
Capital contributions	31,788	16,251	14,245	17,726	21,168	15,199	-	-	-	-
Transfer (from) to reserves	(40,720)	(9,454)	(32,305)	(40,272)	(18,414)	(15,432)	6,134	16,622	(26,765)	9,164
Increase (decrease) in net assets \$	(22,747)	2,558	(11,774)	(13,723)	23,296	48,102	74,599	75,462	33,550	51,781

# Wastewater System

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

(in thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>OPERATING REVENUES:</i>										
Retail \$	183,728	159,077	157,437	149,301	142,334	144,801	152,025	149,282	147,259	149,888
Wholesale	49,117	53,051	49,379	49,520	52,909	54,075	52,511	54,238	55,984	62,290
Other	9,308	8,927	8,666	8,525	7,769	7,438	8,010	8,398	8,336	7,701
Total operating revenues	242,153	221,055	215,482	207,346	203,012	206,314	212,546	211,918	211,579	219,879
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Collection system	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296	37,040
Pumping	30,331	26,196	23,838	23,115	22,828	20,709	20,148	24,531	31,593	30,383
Treatment	62,360	55,206	48,851	48,579	43,086	40,707	39,469	38,951	37,497	42,994
Customer accounting and service	9,830	8,789	9,959	7,780	9,505	8,766	7,595	10,578	10,475	11,006
General and administrative	39,243	33,480	33,357	30,990	24,316	18,043	16,687	19,852	18,390	17,618
Total operating and maintenance expenses	159,875	139,253	130,539	123,657	112,528	101,160	94,974	106,910	115,251	139,041
Operating income before depreciation	82,278	81,802	84,943	83,689	90,484	105,154	117,572	105,008	96,328	80,838
DEPRECIATION	105,112	82,773	88,549	85,409	82,295	78,354	72,638	66,505	53,374	48,043
Operating income (loss)	(22,834)	(971)	(3,606)	(1,720)	8,189	26,800	44,934	38,503	42,954	32,795
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	27,051	12,427	4,769	13,126	15,877	27,673	28,952	23,831	24,724	25,103
Interest expense	(59,581)	(54,414)	(53,995)	(55,310)	(59,325)	(61,925)	(60,282)	(57,491)	(46,344)	(37,378)
Other income (loss)	2,715	346	-	-	33	595	410	666	-	(3)
Transfers to County's General Fund	(12,692)	(15,513)	(26,034)	(26,850)	(22,180)	(17,312)	(15,369)	(16,026)	(19,197)	(11,541)
Income (loss) before contributions and transfers	(65,341)	(58,125)	(78,866)	(70,754)	(57,406)	(24,169)	(1,355)	(10,517)	2,137	8,976
Capital contributions	55,919	38,647	28,691	29,774	36,009	32,375	-	-	-	-
Transfer (from) to reserves	40,720	9,454	32,305	40,272	18,414	15,432	(6,134)	(16,622)	26,765	(9,164)
Increase (decrease) in net assets \$	31,298	(10,024)	(17,870)	(708)	(2,983)	23,638	(7,489)	(27,139)	28,902	(188)

## Water and Wastewater System Rates

*Last Ten Fiscal Years*

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>WATER RATES:</i>										
Lifeline (first 3,500 gallons)	\$				5.02	5.02	5.02	5.02	5.02	5.02
Base rate (meter size)										
5/8"	3.20	3.20	3.20	3.00						
1"	7.87	7.15	7.15	6.75						
1.5"	12.27	11.15	11.15	10.50						
2"	26.24	23.85	23.85	22.50						
3"	55.99	50.90	50.90	48.00						
4"	87.45	79.50	79.50	75.00						
6"	139.92	127.20	127.20	120.00						
8"	244.86	222.60	222.60	210.00						
10"	524.70	447.00	447.00	450.00						
12"	991.10	901.00	901.00	850.00						
14"	1,865.60	1,696.00	1,696.00	1,600.00						
16"	3,498.00	3,180.00	3,180.00	3,000.00						
Usage rate (per 1,000 gallons)										
	2.20	1.97	1.97	1.73	1.77	1.93	1.95	1.98	1.87	2.00
<i>WASTEWATER RATES:</i>										
Base rate (per 1,000 gallons)	3.25	3.25	3.25	3.00	4.04	4.04	4.04	4.04	4.04	4.04
Usage rate (per 1,000 gallons)	3.47	3.04	3.05	2.83	2.81	3.16	3.18	2.96	2.86	2.93

Increases in water and wastewater rates must be approved by the Board of County Commissioners.

# Water Usage

Last Ten Fiscal Years

(millions of gallons)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>WATER PUMPED:</i>										
Water treatment plants:										
Alexander Orr, Jr.	64,242	63,929	64,546	61,774	59,953	60,187	61,603	61,074	61,636	62,308
John E. Preston	32,602	31,367	29,715	28,453	29,631	27,939	33,207	33,507	32,414	32,675
Hialeah	25,926	26,154	27,555	30,204	27,238	26,317	26,016	26,000	25,920	25,471
Interim plants	2,380	2,580	2,433	2,483	2,484	2,406	2,439	2,429	2,222	2,116
Purchased water	493	1,767	2,000	2,340	2,026	2,136	2,233	2,057	1,972	1,954
Total water pumped	125,643	125,797	126,249	125,254	121,332	118,985	125,498	125,067	124,164	124,524
<i>WATER SOLD:</i>										
Wholesale:										
Hialeah	8,616	8,685	7,730	8,454	8,742	8,384	8,950	8,931	8,989	9,124
Miami Beach	8,107	7,898	7,994	7,802	7,456	7,853	8,714	8,102	7,901	8,404
North Miami Beach	3,888	4,633	4,652	4,450	4,411	4,350	5,368	5,232	5,232	4,970
North Miami	1,775	1,534	1,602	1,536	1,612	1,862	1,917	2,096	1,890	2,117
Opa-Locka	1,031	994	960	954	1,001	1,030	1,206	1,214	1,253	1,276
Miami Springs	704	758	1,016	906	918	852	918	953	882	863
Hialeah Gardens	716	713	655	619	687	741	669	590	690	614
Bal Harbour	476	526	552	564	542	522	596	592	550	555
Medley	496	488	577	506	434	441	528	630	430	399
Bay Harbor Islands	394	418	435	415	405	351	382	375	382	371
Surfside	395	385	369	349	336	328	341	342	348	353
North Bay Village	360	359	375	356	452	450	471	480	475	477
West Miami	300	284	283	286	292	280	285	267	243	327
Indian Creek Village	165	143	156	138	138	131	156	158	165	151
Virginia Gardens	77	44	10	14	8	10	11	55	105	101
Total wholesale	27,500	27,862	27,366	27,349	27,434	27,585	30,512	30,017	29,535	30,102
Retail	71,674	70,114	70,033	71,891	68,679	64,383	68,541	67,454	66,560	66,935
Total water sold	99,174	97,976	97,399	99,240	96,113	91,968	99,053	97,471	96,095	97,037
Non - account water	26,469	27,821	28,850	26,014	25,219	27,017	26,445	27,596	28,069	27,487
Non - account water as a percentage of total water pumped	21.07%	22.12%	22.85%	20.77%	20.79%	22.71%	21.07%	22.06%	22.61%	22.07%
Unaccounted for water as a percentage of total water pumped	6.21%	10.56%	8.34%	6.45%	5.10%	6.23%	6.41%	11.02%	8.86%	8.93%

# Wastewater Treatment

Last Ten Fiscal Years

(millions of gallons)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>WASTEWATER PLANT FLOWS:</i>										
North District Plant	33,969	33,113	31,105	33,679	35,970	36,463	34,988	36,468	35,042	37,594
Central District Plant	40,866	44,705	41,968	39,847	44,581	44,061	44,858	44,017	46,766	45,741
South District Plant	33,214	34,491	30,409	34,446	35,149	33,479	32,398	33,041	29,817	34,536
Total wastewater plant flows	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625	117,871
<i>WASTEWATER TREATED:</i>										
Wholesale:										
Hialeah	8,770	10,955	10,342	9,247	10,328	10,825	11,074	11,430	13,438	15,988
Miami Beach	8,653	8,721	7,862	8,906	9,301	8,942	9,361	9,675	9,196	10,076
North Miami	3,963	4,080	3,885	4,025	4,116	4,032	4,071	4,057	3,608	4,184
Coral Gables	1,334	1,956	2,503	2,724	2,537	2,031	1,844	2,370	1,991	1,969
Miami Springs	1,210	1,422	1,010	998	1,205	1,477	1,328	1,030	1,480	1,799
North Miami Beach	806	812	888	994	1,125	1,141	1,208	1,171	1,194	1,350
Opa-Locka	1,121	783	711	706	1,101	2,287	1,135	1,204	1,267	1,382
Medley	689	667	862	742	628	469	514	536	469	418
Hialeah Gardens	596	542	144	443	197	94	137	166	147	154
Florida City	457	420	416	376	367	317	255	216	173	115
Homestead Air Force Base <sup>(1)</sup>	114	236	357	209	197	280	241	188	-	-
West Miami	174	177	138	177	188	198	187	189	194	188
Homestead	193	162	17	39	97	5	1	237	440	600
Total wholesale	28,080	30,933	29,135	29,586	31,387	32,098	31,356	32,469	33,597	38,223
Retail	53,020	52,261	51,682	52,757	50,619	45,862	47,862	50,445	51,440	51,071
Unaccounted for wastewater	26,949	29,115	22,665	25,629	33,694	36,043	33,026	30,612	26,588	28,577
Total wastewater treated	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625	117,871
Unaccounted for wastewater as a percentage of total wastewater treated	24.94%	25.92%	21.90%	23.74%	29.12%	31.62%	29.42%	26.96%	23.82%	24.24%
<i>ANNUAL RAINFALL (inches):<sup>(2)</sup></i>	67.0	65.4	60.0	68.1	73.1	79.7	54.4	59.0	66.7	71.7

<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.

# Debt Service Coverage

Last Ten Fiscal Years

(in thousands)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Net operating revenues	\$ 147,429	133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191	148,692
Investment earnings <sup>(1)</sup>	19,324	13,781	3,489	18,923	19,337	38,989	31,489	23,678	24,232	19,869
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)
Net revenues available for debt service	\$ 166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307
Debt service requirements <sup>(2)</sup>	\$ 110,848	104,123	114,196	115,629	115,654	115,632	114,976	102,501	99,802	81,781
Actual coverage	1.50	1.52	1.57	1.83	1.72	1.76	2.00	1.75	2.10	1.85
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	\$ 166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307
Less: Maximum principal and interest <sup>(3)</sup>	121,933	115,032	115,272	115,629	115,654	115,653	115,654	115,654	108,184	108,184
Adjusted net revenues	\$ 44,820	43,568	64,013	95,946	83,558	87,740	114,336	64,168	101,827	43,123
Debt service and reserve requirements <sup>(4)</sup>	\$ 15,328	15,205	14,053	15,348	13,129	11,641	10,349	9,997	8,717	8,152
Actual coverage	2.92	2.87	4.56	6.25	6.36	7.54	11.05	6.42	11.68	5.29
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	\$ 166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011	151,307
Less: revenue required for primary debt service coverage <sup>(5)</sup>	121,933	114,536	125,615	127,192	127,219	127,195	126,473	112,751	108,184	108,184
Adjusted net revenues	\$ 44,820	44,064	53,670	84,383	71,993	76,198	103,517	67,071	101,827	43,123
Debt service requirements <sup>(6)</sup>	\$ 15,328	15,205	13,966	14,870	12,417	10,782	10,252	9,490	8,717	8,152
Actual coverage	2.92	2.90	3.84	5.67	5.80	7.07	10.10	7.07	11.68	5.29
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.

## Ratio of Outstanding Debt by Type

(in thousands)

Fiscal Year	Revenue Bonds	Loans	Notes	Total Outstanding Debt	Total Per Customer
1997	1,541,817	107,088	1,726	1,650,631	2.62
1998	1,527,645	104,496	1,587	1,633,728	2.56
1999	1,656,991	111,755	1,440	1,770,186	2.72
2000	1,633,001	120,105	1,284	1,754,390	2.67
2001	1,607,766	133,130	1,118	1,742,014	2.57
2002	1,581,183	146,965	941	1,729,089	2.51
2003	1,553,293	146,699	754	1,700,746	2.43
2004	1,523,497	144,618	539	1,668,654	2.34
2005	1,493,589	137,853	345	1,631,787	2.24
2006	1,464,162	124,940	140	1,589,242	2.14

## Customer Statistics

### Largest System Customers Current Year and Nine Years Ago October 2005 - September 2006

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$8,918	4.5 %
City of Hialeah	8,358	4.2
City of North Miami Beach	4,276	2.2
Dade County Aviation	2,063	1.0
City of North Miami	1,952	1.0
Florida Power & Light Company	1,422	0.7
City of Opa Locka	1,134	0.6
Hialeah Gardens	788	0.4
City of Miami Springs	683	0.3
Bal Harbour	524	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$15,275	6.3 %
City of Miami Beach	15,117	6.2
City of North Miami	6,924	2.9
City of Coral Gables	2,339	1.0
City of Miami Springs	2,125	0.9
City of Opa Locka	2,010	0.8
City of North Miami Beach	1,428	0.6
City of Medley	1,196	0.5
Dade County Aviation	1,049	0.4
Hialeah Gardens	1,030	0.4

### October 1996 - September 1997

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Hialeah	\$5,749	3.5 %
City of Miami Beach	5,621	3.5
City of North Miami Beach	3,654	2.2
Dade County Aviation	1,873	1.2
City of North Miami	1,557	1.0
City of Opa Locka	854	0.5
Florida Power & Light Company	721	0.4
City of Miami Springs	544	0.3
Dade County Parks & Recreation	477	0.3
Hialeah Gardens	411	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$26,178	11.9 %
City of Miami Beach	16,444	7.5
City of North Miami	6,565	3.0
City of Coral Gables	3,249	1.5
City of Miami Springs	2,979	1.4
Dade County Aviation	2,899	1.3
City of Opa Locka	2,256	1.0
City of North Miami Beach	2,212	1.0
City of Homestead	1,032	0.5
Dade County Parks & Recreation	839	0.4

### 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 <u>Customers</u>
	<u>Water</u>	<u>Wastewater</u>	
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	379,144	298,226	78.7
2002	385,441	304,104	78.9
2003	391,227	309,480	79.1
2004	398,318	316,257	79.4
2005	406,059	323,615	79.7
2006	412,121	329,615	80.0

## Population

### Population Miami-Dade County, Florida Selected Years 1900-2006

Annual Resident Year	Increase Population	Percent (Decrease)	Change
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
2006	2,431,819	29,714	1.2

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.

**Number of Building Permits Issued for Housekeeping Units  
and Value of Permits for Housekeeping and Total Units  
Miami-Dade County, Florida  
1995-2005**

Calendar Year	<u>Number of Permits Issued</u>		Value of Permits Issued Residential Construction (in thousands)
	Single Family Houses	Multi-family Buildings	
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
2005	9,918	16,198	3,750,203

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

## Construction Activity

### Construction Activity Miami-Dade County, Florida 1996-2006

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
2006	394	327,729	8,001	899,980

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

## Principal Employers

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

<i>2006</i>			Percentage of
			Total County
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
Miami-Dade County Public Schools	50,000	1	4.31 %
Miami-Dade County	32,000	2	2.76
U.S. Federal Government	20,400	3	1.76
Florida State Government	17,000	4	1.47
Baptist Health South Florida	10,826	5	0.93
Jackson Health Systems	10,500	6	0.91
University of Miami	9,874	7	0.85
American Airlines	9,000	8	0.78
Miami-Dade College	6,500	9	0.56
Precision Response Corporation	6,000	10	0.52
Bellsouth Corporation	5,500	11	0.47
Winn- Dixie Stores	4,833	12	0.42
City of Miami	4,034	13	0.35
Publix Super Markets	4,000	14	0.35
Florida Power & Light Company	<u>3,900</u>	15	<u>0.35</u>
Total	<u>194,367</u>		<u>16.78</u> %

<i>1997</i>			Percentage of
			Total County
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employment</u>
Miami-Dade County Public Schools	33,658	1	3.08 %
Miami-Dade County	28,000	2	2.56
U.S. Federal Government	17,600	3	1.61
Florida State Government	17,700	4	1.62
Jackson Health Systems	7,216	7	0.66
University of Miami	7,574	6	0.69
American Airlines	9,000	5	0.82
Bellsouth Corporation	5,000	8	0.46
Florida Power & Light	3,400	9	0.31
Burdines Department Stores	<u>3,400</u>	10	<u>0.31</u>
Total	<u>132,548</u>		<u>12.12</u> %

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

## Economic Statistics

### Unemployment Rate and Labor Force

*Last 10 fiscal years*

<u>Year</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>
1997	7.6%	1,093,568
1998	7.0%	1,102,294
1999	5.9%	1,100,623
2000	5.1%	1,103,485
2001	6.1%	1,098,226
2002	6.6%	1,079,850
2003	5.9%	1,083,357
2004	5.4%	1,097,454
2005	4.3%	1,113,560
2006	3.8%	1,158,801

## Employees by Identifiable Activity

*Last 10 fiscal years*

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>WATER</i>										
Water Distribution	205	214	220	212	213	205	196	192	195	202
Pump Station Maintenance	192	194	200	202	206	197	205	229	232	235
Water Production	89	92	95	91	95	93	90	92	97	98
<i>SEWER</i>										
Sewer Collection	184	184	185	185	179	185	184	173	184	189
Plant Maintenance	323	320	329	328	325	318	330	330	337	347
Wastewater Treatment	158	155	160	165	160	140	141	148	158	163
<i>ENGINEERING</i>										
Engineering	152	149	150	152	154	139	141	147	155	162
<i>ADMINISTRATION</i>										
Office of Director	29	28	21	15	15	16	17	7	10	9
Office of Deputy Director of Operation	11	10	9	-	-	-	-	-	-	-
Office of Assistant Director of Engineering	3	2	2	34	32	29	32	2	2	2
Office of Assistant Director of Finance	27	14	15	27	27	21	22	8	8	15
Office of Assistant Director of Administration	158	155	149	121	116	113	115	156	161	161
Office of Assistant Director of Water	147	147	156	174	169	163	147	124	125	130
Office of Assistant Director of Wastewater	2	1	-	2	2	2	-	2	2	2
Office of Assistant Director of Planning, Innovation and Compliance	52	51	47	-	-	-	-	23	25	21
Attorney's Office	3	4	4	4	4	4	4	4	4	5
Controller	127	128	132	132	128	122	111	125	130	128
Data Processing	62	62	62	65	63	64	57	64	66	66
Customer Service	261	271	275	237	236	238	227	262	261	266
Utilities Development	101	97	101	91	90	91	93	80	84	84
General Maintenance	133	138	124	131	129	123	117	60	65	66
Total	2,419	2,416	2,436	2,368	2,343	2,263	2,229	2,228	2,301	2,351

## Capital Indicators

*Last 10 fiscal years*

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i><b>WATER:</b></i>										
Water mains (miles)	5,575	5,519	5,426	5,421						
Water treatment plants	8	8	8	8	8	8	8	8	8	8
Water treatment capacity (million gallons per day)	452	452	452	452	452	452	452	452	452	452
Water supply wells	97	92	92							
<i><b>WASTEWATER:</b></i>										
Sanitary sewers (miles)	3,858	3,803	3,724	3,722						
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Wastewater treatment capacity (million gallons per day)	341	353	353	353	353	353	368	368	368	368
Wastewater pump stations	986	976	967	956	947	935	930	925	917	902

**Miami-Dade  
Water and Sewer  
Department**

A Department of  
Miami-Dade County, Florida

3071 S.W. 38 Avenue  
Miami, Florida 33146  
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*Delivering Excellence Every Day*

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