

Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida

2007 Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

REPORT PREPARED BY: CONTROLLER DIVISION AND PUBLIC AFFAIRS SECTION

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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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Carlos Alvarez
Mayor



Board of County Commissioners

Bruno A. Barreiro
Chairman

Barbara J. Jordan
Vice Chairwoman

Barbara J. Jordan
District 1

Katy Sorenson
District 8

Dorrin D. Rolle
District 2

Dennis C. Moss
District 9

Audrey M. Edmonson
District 3

Senator Javier D. Souto
District 10

Sally A. Heyman
District 4

Joe A. Martínez
District 11

Bruno A. Barreiro
District 5

José "Pepe" Díaz
District 12

Rebeca Sosa
District 6

Natacha Seijas
District 13

Carlos A. Giménez
District 7

Harvey Ruvin
Clerk of Courts

George M. Burgess
County Manager

Robert A. Cuevas Jr.
County Attorney

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

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



Carlos Alvarez, Mayor

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

miamidade.gov

March 31, 2008

Honorable Carlos Alvarez, Mayor

Honorable Bruno A. Barreiro, Chairman and
Members of the Board of County Commissioners

Honorable Harvey Ruvin, Clerk

Mr. George M. Burgess, County Manager

Miami-Dade County, Florida

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the Miami-Dade Water and Sewer Department (the Department) for the fiscal year ended September 30, 2007 is submitted herewith. Management is responsible, in all material respects, both for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The data is reported in a manner designed to present fairly the financial position and the results of operations of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department's financial and operational activities are included. This report may also be accessed via the Internet at http://www.miamidade.gov/wasd/reports_financial.asp.

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.

Profile of Government

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

The Department's water system, considered the largest water utility in the Southeast United States, serves approximately 417,000 retail customers and 15 municipal wholesale customers within the County. Water is drawn primarily from the surficial Biscayne Aquifer, a non-artesian (or near surface) aquifer which underlies an area of about 3,200 square miles in Miami-Dade, Broward and Palm Beach counties.

The water system consists of three regional water treatment plants and five small auxiliary treatment facilities that service the southernmost area of the County. There are eight major wellfields comprised of 100 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 through 7,300 miles of water mains ranging in size from 2 inches to 72 inches in diameter.

The service area is subject to wide fluctuations in rainfall, not only in total annual amount, but also month-to-month. An extended dry period usually results in substantial water usage for residential irrigation and corresponding peak demands on the utility. In response the Department encourages water conservation through certain water use restrictions, rates and other methods. The conservation program includes: leak detection and repair; recycling the water used to backwash filters at treatment plants; reduction of transmission main pressure during periods of critical water shortage; brochures and public information included with bills giving advice on water conservation; and using wastewater treatment plant effluent for process water, cleanup and landscape irrigation.

The wastewater system serves approximately 334,000 retail customers and 13 wholesale customers, consisting of 12 municipal customers and the Homestead Air Force Base. It consists of 3 regional wastewater treatment plants and 1,011 (992 Department-owned, 19 maintained) sewage pump stations and nearly 6,048 miles of collection and transmission pipelines.

The disposal of the by-products of the treatment process (sludge and effluent or treated wastewater) is an important part of the Department's plan to improve and expand its sewer system. Disposal of treated wastewater at the North District Plant and the Central District Plant is accomplished by discharge into the Atlantic Ocean. While environmental studies conducted by the Environmental Protection Agency (EPA) and examinations by the State and the Department conducted in 1994 have shown "no irreparable harm" and "no unreasonable degradation"

to the environment as a result of the discharge of effluent into the Atlantic Ocean, this position has since been revised by the State where there is a movement to eliminate this type of effluent disposal. The South District Plant disposes of its effluent through deep injection wells below the Lower Floridian Aquifer at a depth below 2,400 feet. During the past 10 years, the Department constructed five additional deep-injection wells as part of its 112 million gallons per day (mgd) plant expansion project. At present one well has received an operational permit.

The Department continues to explore different ways to reuse effluent. The practicality of reuse is affected by the cost of the added treatment, the cost of transmission and distribution systems, the possibility of contaminating the drinking water system through inadvertent cross connection, public attitudes about using treated wastewater and the quality of the water available for reuse. The Department has constructed a 5.5 mgd filtering system. The Department has also constructed a transmission main to provide 95,000 gallons per day of treated effluent from the North District Plant to Florida International University Bay Vista Campus for use in land irrigation (the "FIU Project"). Finally, in order to meet the requirements of the in-kind reuse projects required by the Settlement Agreements and the EPA Second and Final Partial Consent Decree (which requires the expenditure of \$5.9 million in public access reuse), the Department has constructed and is using public access projects to provide irrigation water at two wastewater treatment plants and potable water replacement for processes at the three wastewater treatment plants. In April 2007, the Department completed an updated Reuse Feasibility Study.

Local Economy

The Miami-Dade County economy has performed well and enjoyed almost five years of sustained, positive economic growth. Two of the economic drivers of Miami-Dade's economy, the visitor industry and national and international trade and commerce, displayed healthy increases during fiscal year 2007 and, in fact, in some measures, reaching all-time

highs. Although on the domestic front there was a modest expansion of the economy, improving economic conditions in the overall global economy, particularly in Europe, Latin America, and Asia, coupled with relatively strong currencies against the dollar, continued to positively impact the number of visitors and the volume of exports. Total employment continued its steady expansion and there was a continued reduction in the unemployment rate. Throughout the immediate past year the area's key economic drivers provided counterbalancing effects to the slowdown in activity tied to the ailing housing sector.

After a year of mixed results, the economic outlook for fiscal year 2008 should remain on track for moderate growth for Miami-Dade County with prospects of positive, but weaker growth than for the last three years. There are some indications for concern in the near future, most of which center on the area's housing market. This is the market that will by and large define the local economy in the coming year. A slowdown in the U.S. economy, housing and credit problems, and continued uncertainties in the direction of energy prices may hinder any optimistic projections for a good performance. On the bright side, Miami-Dade County's economy is large and sufficiently diversified that even if some of these concerns, in fact, come to pass it will hold up relatively well. This is the consensus of most analysts and economists who are cautiously optimistic regarding Miami-Dade's economy in the year to come.

Long-term Financial Planning

As part of the FY 2007-08 adopted budget, a retail water and wastewater rate adjustment was approved, utilizing a Maintenance Index of 4.8% on a twenty-year historical average of the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index (CPI), All Urban Consumers, Water and Sewer Maintenance, U.S. City Average. This increase is required to cover the current operating and maintenance cost and the current level of capital expenditures. This Maintenance Index will be evaluated annually and applied in the proposed retail rate adjustment for FY 2008-09 through FY 2011-12. Wholesale water and sewer rates remained the same for fiscal year 2007-08.

The Department's current five year capital improvement plan is projected to be \$1.7 billion. Of this amount, the Department expects to finance \$1.5 billion through future bond issues.

Major Initiatives

Water System

20-Year Water Use Permit (WUP) and Alternative Water Supplies

One of the biggest issues the Department faces is having enough drinking water to supply Miami-Dade County in the future. As the County's population continues to increase, so does demand for drinking water. Like all natural resources, the Biscayne Aquifer, Miami-Dade County's main source of drinking water, is not limitless.

The South Florida Water Management District (SFWMD), a State agency, governs the Department's use of the Biscayne Aquifer and other water sources via the issuance of Water Use Permits (WUPs). In order to plan for future needs, the Department sought a 20-year WUP from SFWMD. However, SFWMD had raised the issue that no more water would be available from the Biscayne Aquifer than what the Department is currently using.

During FY 06 SFWMD and the County entered into an Interim Consumptive Use Authorization and Agreement while the Department prepared an Alternative Water Supply (AWS) Plan (as part of its Water Facilities Master Plan)—a condition to the Department's being granted a 20-year WUP. Although SFWMD would indeed grant the Department a 20-year WUP after the end of FY 07, the bulk of the work in identifying additional sources of drinking water took place during FY 07.

The alternative water supplies the Department is currently using, and will be using during the life of the 20-year WUP, are listed below.

Water-Use Efficiency Plan

Unanimously approved by the Board of County Commissioners during the previous fiscal year, the Department's Water-Use Efficiency Five-Year Plan was created as the least expensive form of conserving the water supply, based on the knowledge that reduced demand for water supply means reduced infrastructure costs.

The Department's Water-Use Efficiency plan was the first in the state developed using the Florida Department of Environmental Protection's (FDEP)

Conserve Florida "GUIDE," a web-based application that facilitates the development of goal-based water conservation planning. 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:

- ◆ Landscape irrigation evaluations and rebates
- ◆ High Efficiency Toilet (HET) Rebate Program
- ◆ Full retrofit project for senior citizens
- ◆ Enhancement of the public education and outreach campaign
- ◆ Audits and retrofits of County facilities
- ◆ Showerhead exchange project
- ◆ Rebate program for purchase of high-efficiency clothes washers
- ◆ A "Green Lodging and Restaurant" program

Water Reclamation

Reclaimed water is highly treated, filtered and disinfected wastewater that is reused for non-potable purposes. Reclaimed water can replace or supplement groundwater supplies.

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

In April 2007, the Department completed a Reuse Feasibility Study (RFS) Update to assess the feasibility of expanding its water reclamation program. Based on the RFS, several large- and medium-scale water reclamation projects will be implemented. The Department has made an unprecedented commitment to reclaim approximately 170 million gallons per day (MGD) of wastewater

over the next 20 years, through a number of projects. These projects include aquifer recharge, public-access irrigation, canal recharge, and coastal wetlands rehydration. The Department is also investigating the potential of using reclaimed water for cooling at FPL's Turkey Point power plant.

Floridan Aquifer

The Department is already tapping into the Upper Floridan Aquifer as an additional source of drinking water. The Upper Floridan Aquifer is considerably deeper than the Biscayne Aquifer and its water is brackish. Currently, Floridan Aquifer water from the County's West Wellfield Aquifer Storage and Recovery Wells is being operated in recovery mode to be blended with water from the Biscayne Aquifer at the Alexander Orr, Jr. Water Treatment Plant. Floridan Aquifer water is also available at the Southwest Wellfield but is not being pumped there at the present. By 2009, additional blending wells will be installed at the Miami Springs and Northwest Wellfields, to allow blending at the Hialeah and John E. Preston Water Treatment Plants. Pre-treatment of this "blended" water, prior to entering the water treatment plants, is not required. It is important to note the Department treats this blended water—indeed, all of its water—to meet or exceed all federal, state and local standards for drinking water.

The AWS plan also includes treating Floridan Aquifer water at a planned new reverse-osmosis (RO) Water Treatment Plant in Hialeah. This plant will be constructed in accordance with a joint participation agreement entered into in 2007 between Miami-Dade County and the City of Hialeah. The RO plant is expected to produce 10 MGD of drinking water by 2011; future expansion of the plant will allow water production to increase to 17.5 MGD by 2028.

Aquifer Storage and Recovery (ASR)

The Department has used ASR successfully in the past. ASR involves pumping water from the Biscayne Aquifer, when rainfall and groundwater are plentiful, into the deeper Upper Floridan Aquifer for the purpose of storing the water for later use. Although, as noted in the previous sub-section, Floridan Aquifer water is brackish, the fresher Biscayne Aquifer water forms a

freshwater "bubble" underground as it is pumped into the Floridan Aquifer for replenishment, augmentation or storing water for later recovery. Using ASR in this fashion, the Department was able to recover one billion gallons of freshwater during the drought of 2000-2001. To ensure efficient future operation of the ASR wells, located at the Southwest and West Wellfields, the Department is in the process of providing ultra-violet (UV) disinfection to Biscayne Aquifer water before it is stored at each of the subject wellfields.

Water Facilities Master Planning

The Department retained a consultant to update the Water Facilities Master Plan. As mentioned previously in this section, the first phase of this Plan was to obtain a 20-year WUP to establish the water supply source for the planning period. The next phase is to develop the treatment and transmission system requirements to meet projected demands.

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 entrance-way into the facility began in FY 05. The raw water transmission mains that will serve the plant from its future wellfields were completed in October 2007. Other portions of this substantial project include the combined wellfield construction and park improvements, and several finished (treated) water distribution 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 MGD. Plans call for recharging the groundwater that will supply this plant with highly treated reclaimed water, thereby mitigating any impacts on Everglades water supplies. The plant is expected to begin operation in 2012.

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. During the past year the Department obtained another 7.5 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.

Installation of Flow Meters on Production Wells

By the end of FY 07, the Department completed the installation of meters to measure the flow of water at each of its 98 drinking water production wells. These meters will now allow the Department to keep better track of the amount of raw water drawn from the Biscayne Aquifer, as well as comply with requirements of the SFWMD.

The meters were installed by Department staff, saving roughly half of the estimated installation cost of \$5 million. Additionally, the meters were outfitted with SCADA devices, in order to allow remote monitoring and collection of pumping data from the Department's wells.

Regulatory Compliance/Water Groundwater Under Direct Influence of Surface Water

On January 5, 2006, the EPA published the Final Long Term Enhanced Surface Water Rule (the "Surface Water Rule"), which does not apply to the Department because the Department does not use surface water and the groundwater used by the Department has not been determined to be under the direct influence of surface water. However, the Northwest Wellfield is located in an area designated by the Florida Legislature as the Miami-Dade County Lake Belt Area. In order to maximize the efficient recovery of limestone in such area, the Florida Legislature has approved a plan that will allow rock mining in the vicinity of the Northwest Wellfield. As excavations get closer to the Northwest Wellfield, there is an increased risk of the wells coming under the influence

of surface water, which would result in the Surface Water Rule applying to such wells.

In January 2006, the Florida Legislature recognized the risk to the Northwest Wellfield and imposed a "water treatment plant upgrade fee" equal to \$0.15 per ton of lime rock and sand sold within the Miami-Dade County Lake Belt Area. The fee became effective January 1, 2007 and will remain in effect until the total proceeds collected reach the actual amount necessary to design and construct the necessary water treatment plant upgrades; receipts for FY 07 exceeded \$4.9 million. The water treatment plant upgrade will consist of upgrading the filtration and disinfection processes to meet the requirements of the Surface Water Rule.

Wastewater System Wastewater Facilities Master Planning

In June 2007, the Department completed a Wastewater Facilities Master Plan Update, including an Interim Peak Flow Management Study, to address wastewater demands through the year 2025 and an interim evaluation of the peak flow requirements in the EPA Second and Final Partial Consent Decree (SFPCD). This plan incorporates the results of the April 2007 Reuse Feasibility Study as well as a new West District Water Reclamation Plant to be placed in service by the year 2020. One hundred percent of the average flows from both the South District Wastewater Treatment Plant (SDWWTP) and West District Plant will be used for water reclamation. Facilities for processing biosolids, increasing treatment levels to Class AA, were also included. The total cost for facilities identified in the plan needed through the year 2025 is \$3.8 billion. Completion of this Master Plan is a pre-requisite to the Department's receiving low-interest loans for the construction of wastewater facilities from the State Revolving Fund Loan Program.

Pump Station Optimization Program (PSOP)

This is an operational mode under which wastewater pump stations' operating levels are controlled to maximize the storage capacity available in the collection system and to limit infiltration increases during wet weather. Operating data was obtained from an ongoing pilot program of 15 stations which indicated flow reductions of approximately 20%. Projecting these reductions system-wide will result in substantial savings while complying with the peak flow requirements of the EPA SFPCD.

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 FDEP was superseded with a new agreement in 2004 that addresses concerns of fluid movement in injection wells at the Department's SDWWTP.

Due to the complexity of the new CO and the involvement of several of the Department's divisions as well as various 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 SDWWTP. 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 SDWWTP. 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, 32 milestones associated with this CO.

Consent Decrees and Settlement Agreements

The Department has, to date, successfully completed 92 percent of the mandated sanitary sewer collection and transmission system improvements under the first phase of its Consent Decrees and Settlement Agreement (CD/SA) program with the EPA and the FDEP.

The Department continues to be in compliance with all the provisions of the CD/SA and through FY 07 has not incurred any penalties for not completing tasks within deadlines. More than 1,559 milestones have been completed satisfactorily as prescribed by these enforcement actions on, or ahead of, schedule.

In FY 07, EPA representatives met again with the Department to discuss the status of the First Partial Consent Decree (FPCD) and SFPCD. The Department presented its accomplishments towards completion of the Peak Flow Study, the last phase of the CD/SA program. In addition, EPA staff conducted field inspections of the Central District Wastewater Treatment Plant (CDWWTP) and a review of historical files and documents compiled by the Department pertaining to the SFPCD.

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

Wastewater Treatment Plant Expansion Program

The Department has completed the requirements for wastewater treatment plant expansion and reuse included in the FDEP Settlement Agreement and the EPA FPCD.

In addition, a consultant has been retained to develop the Peak Flow Management Plan required by the SFPCD. This study will identify the necessary facilities to provide adequate transmission capacity, develop remedial plans for pumping stations needed to be upgraded, and treatment facilities for peak wet weather flows.

Related to this program, the FDEP on March 8, 2007 issued an operating permit for the SDWWTP along with an Administrative Order to establish a compliance schedule for submittal of an updated

Reuse Feasibility Study; design and construction of the HLD facilities and septage/grease receiving facilities; conduct studies for odor control; and develop a protocol to obtain proportionate composite sampling for the injection wells.

Pump Station Improvement Program

The Pump Station Improvement Program (PSIP) was created to evaluate and improve the operation and transmission capacity of the 1,011 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, 597 pump station projects and 210 force main projects have been completed.

Infiltration and Inflow (I & I) Reduction Program

The Department continues to perform sanitary sewer evaluation surveys on more than 31 million feet (6,048 miles) of sewage collection mains and laterals.

As part of the Department's various sewage collection system inspection and maintenance activities during FY 07, more than 2 million feet of sewer lines were evaluated. Additionally, more than 3.6 million feet of sewer lines were cleaned as part of regular maintenance. Other repairs and maintenance to the sewage collection system during FY 07 include the replacement of 647 laterals; 129 gravity and force main repairs; 1,906 manhole repairs; and 85 valve repairs.

In addition, the Department is in the process of completing a comprehensive lateral investigation program (CLIP) to evaluate reducing I & I in service laterals. The CLIP was submitted to the EPA in February 2007. The results obtained so far will be used to develop the final Peak Flow Management Plan Report, which must be submitted by May 8, 2008 in accordance with the SFPCD.

Other Departmental Functions

Water and Wastewater Transmission System Computer Models

The Department retained a consultant to upgrade its Water and Wastewater Transmission System Computer Models to operate with the Geographic Information System (GIS) data on the respective systems. These models are critical for planning and evaluating the availability of system capacity for new developments and system upgrades.

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.

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 an estimated total of \$28.8 million dollars in 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.

During FY 07, Department employees implemented 23 efficiency projects, resulting in \$4.5 million in estimated savings.

Facilities Security

The Department has implemented a number of proactive measures to enhance the security of its water facilities as well as its response capabilities. Ten staff members have been licensed in the Risk Assessment Methodology Method for Water (RAM-W) for conducting vulnerability assessments. The vulnerability assessment of the water system was completed in March 2003 and submitted to the

EPA as mandated. The Department has prepared its Emergency Response Plan (ERP) in accordance with EPA regulations. This was submitted to the EPA prior to September 30, 2003. In accordance with federal requirements, the Department continues to assess, identify and implement feasible opportunities to minimize the vulnerability of the Department's facilities. This program is anticipated to cost in excess of \$44 million when fully implemented. All major water plants are completed.

While the EPA has not yet mandated performing vulnerability assessments of wastewater systems, the Department has decided to perform a vulnerability assessment of its sewer system. This will encompass an assessment of its wastewater treatment facilities, the collection system, and the pumping and transmission system. However, the Department is addressing security of all facilities until the assessment is completed.

The Department has hired a manager and supervisor that are dedicated to security at the Department's facilities. A program of security checks for contractors, including background checks through the Miami-Dade Police department, has been implemented. Additionally, staff working in sensitive plant areas are subject to federal background checks.

Rate Increase

The Department increased its rates for water and sewer services to its retail customers; the increase was to take effect at the end of FY 07. Wholesale water and sewer rates remained unchanged. Despite the increase, the Department's rates remain among the lowest in the country.

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 and construction work for some of these projects has begun during FY 07. Future projects include water and wastewater main installations, pump station rehabilitation projects, and partial funding for a reverse osmosis water treatment plant in Hialeah.

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 Customer Information System

The Department added several new customer friendly features to its Customer Information System during FY 07. These features include e-mail bill notification and optional paperless billing.

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.

Woolpert, Inc. was selected to implement EAMS during FY 07. Important to note is that EAMS is expected to help the Department meet a specific County goal, to "provide timely and reliable public infrastructure services including road maintenance, storm water, solid waste and wastewater management, and a safe and clean water delivery system."

Automation of Plant Monthly Operating Reports (MORS)

The Department is currently developing an automated Plant Monthly Operating Reports (MORS). MORS will automate water plant readings required for monthly reporting, including Laboratory Information System readings. This process is currently done manually; MORS is expected to reduce reporting time drastically, improve the integrity of the data reporting process, and allow for more efficient monitoring of plant operations. As of the publication of this annual report, MORS was expected to be fully operational in 2008.

GIS Migration (GISM) Project

During FY 07, the Department began the GIS Migration (GISM) project, transferring the Department's existing GIS to a water/wastewater geodatabase model. Benefits of this project include the fact that the system will run on a stable and supported platform; improved data entry and drafting tools; better data management; scalability; easier integration to EAMS, PCTS, modeling, CIS and other systems the Department is or will be using in the near future; and a new, more user friendly GIS web viewer. The GISM project is scheduled to be completed by October 2009.

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 1,011 wastewater pump stations the Department is responsible for maintaining, 976 have SCADA installed. The Department's three regional water and three regional wastewater treatment plants have SCADA installed and operational. All water well fields are monitored and controlled by SCADA. During FY 07 additional large plant Remote Terminal Units were added to the SDWWTP and the Alexander Orr Water Treatment Plant SCADA systems. Also as part of new SFWMD regulations the Department installed flow metering on 98 production wells to monitor the consumptive use of water at each well. This flow data is automatically collected by SCADA for operational and reporting purposes.

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 07, 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 NDWWTP.

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, after undertaking an extensive review, selected Meridian Proliance to

track, monitor and control its CIP. The project plans to implement the system for the HLD project in May 2008.

Community Outreach

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

During FY 07, the Department continued its growing outreach efforts to Miami-Dade County's sizable Hispanic community. The Department conducted appearances on a number of Spanish-language radio shows, advocating for water conservation and other important issues, as well as advertising in small community newspapers.

The Department also improved its annual Water Quality Report/Consumer Confidence Report (CCR) and how it is delivered to customers. The Department's CCR, which both EPA and FDEP require all water utilities to provide to every billed customer annually, had in the past been delivered along with the bills during the third quarter of the year. Due to postage costs and the limited size of the Department's billing envelopes, the CCR was necessarily small, published in English only (with a required message noting interested customers could obtain a Spanish-language copy by contacting the Department), and sent to customers in lieu of the Department's quarterly customer newsletter, *The Pipeline*.

In FY 07, the Department created a larger CCR, which was mailed out to all customers independent of their bills. The larger, easier-to-read CCR contained more information than past reports, it was published in both English and Spanish so it would reach a larger portion of the Department's customers, and because it was mailed separate of the bills, the Department was able to provide customers with an additional issue of its newsletter.

Finance

Refunding of Series 1997 Water and Sewer Revenue Bonds

Earlier plans to refund these bonds had been delayed pending resolution of certain spend-down issues of the proceeds. Resolution of those issues in December 2006 cleared the way to proceed. The refunding was completed in September 2007, producing \$1.8 million in debt-service savings annually for the next 20 years, through the life of the bonds.

The Department has made substantial progress in managing its debt program during the past year. The immediate results include debt service savings, improved bond rating agencies' ratings which will benefit the Department in future financings and development of a spend-down program for CIP needs that will reduce the long-term cost through the timing of future bond issues combined with a strategy of seeking the lowest cost capital program.

Improved Municipal Bond Ratings

During FY 07, the Department received "improved" ratings from the bond rating agencies. As part of the refunding of its Series 1997 Revenue Bonds, the rating agencies reviewed the utility's financial, capital and regulatory status and projections, and assigned ratings for the refunding as well as all outstanding revenue bonds. In doing so, two of the three rating agencies' ratings reflected an improvement in rating by changing a "negative" outlook to "stable."

Rating Agency	Previous Rating		New Rating	
	Grade	Outlook	Grade	Outlook
Standard & Poor's	A+	Stable	A+	Stable
Moody's	A1	Negative	A1	Stable
Fitch	A+	Negative	A+	Stable

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, 2007 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 the last three fiscal years are shown in the following schedule (dollars in thousands):

	2007	2006	2005
Operating Revenues	\$428,620	\$440,315	\$391,960
Operating Expenses	310,627	292,886	258,379

CAPITAL IMPROVEMENTS

The following schedule presents a summary of capital improvements for the last three fiscal years (dollars in thousands):

	2007	2006	2005
Water	\$57,470	\$29,997	\$34,049
Wastewater	53,102	51,115	56,285

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.

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 the last three fiscal years is as follows (dollars in thousands):

	2007	2006	2005
Average portfolio balance	\$689,202	\$705,444	\$690,871
Average investment yield	5.2%	4.2%	2.5%
Interest earned on investments	\$35,860	\$29,390	\$17,388

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.

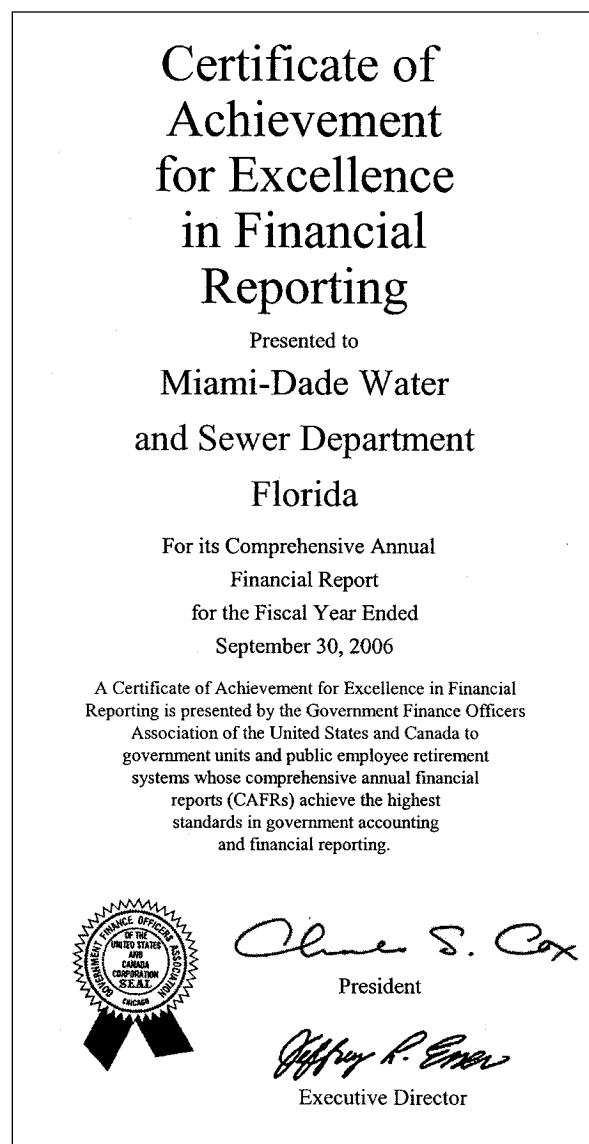
Awards

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, 2006. 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 25 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.



The 2006 National Association of Clean Water Agencies' (NACWA) Peak Performance Awards


In 2006, two of the Department's wastewater treatment plants won NACWA Peak Performance Awards: the CDWWTP and the NDWWTP.

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.

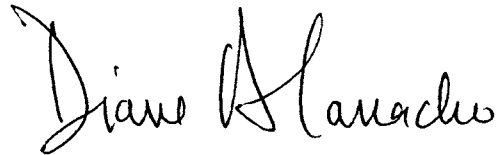
CDWWTP won a Gold Award, which honors treatment works that have achieved 100 percent compliance with their NPDES permit for an entire calendar year. NDWWTP won a Silver Award, which recognizes facilities that have received no more than five NPDES permit violations per calendar year.

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.

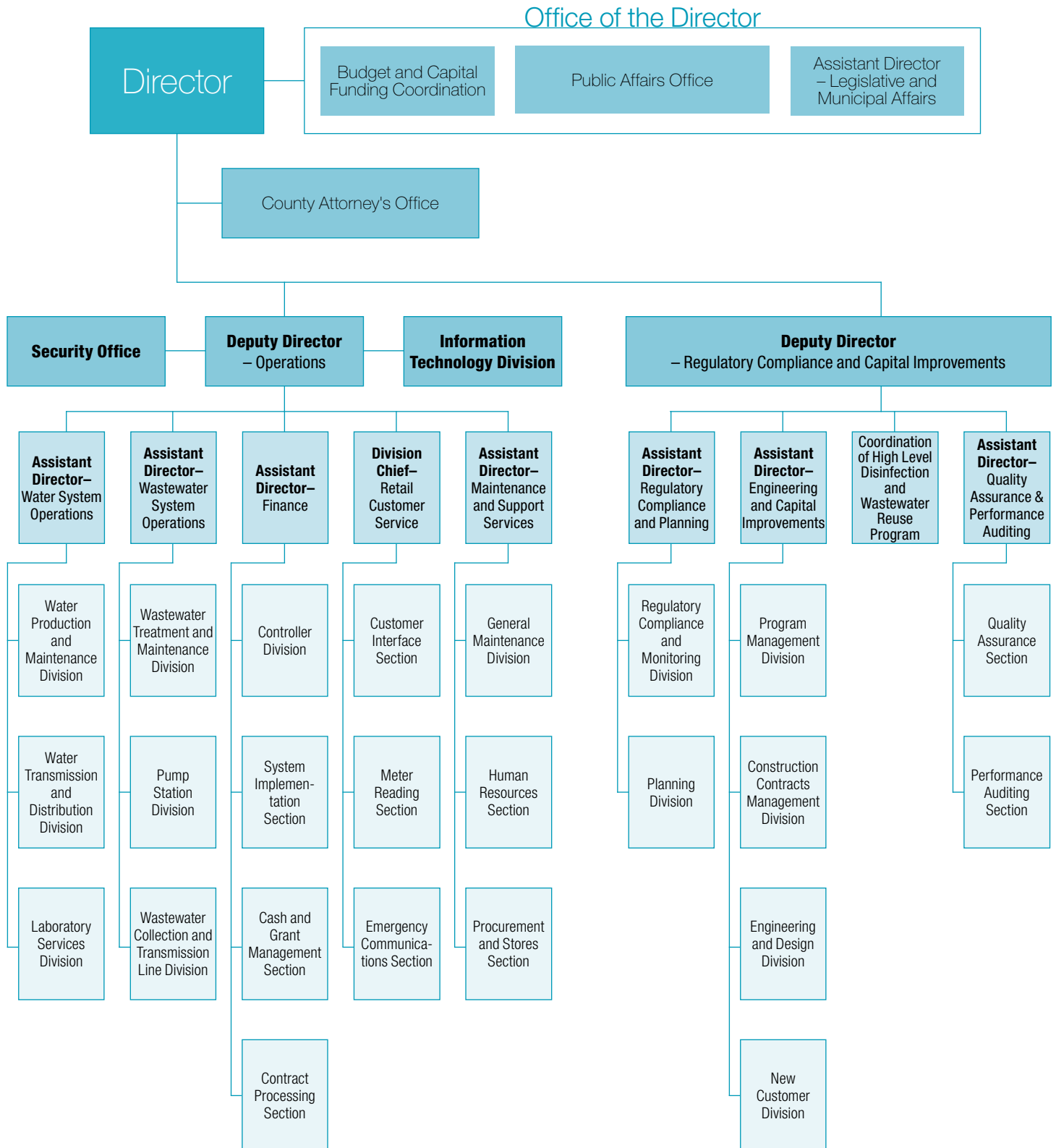


John W. Renfrow, P.E.
Director



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

Organizational Chart





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2007 and 2006 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, 2007 and 2006 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, 2007 and 2006, 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.



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 February 5, 2008, 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.



Miami, Florida
February 5, 2008

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, 2007. 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, 2007, 2006 and 2005 is shown below. Total net assets as of September 30, 2007, were approximately \$2.2 billion. The Department's total net assets increased by \$36.2 million, or by 1.7%, from prior year. The increase is primarily due to the elimination by the Board of County Commissioners of the annual general fund transfer combined with the addition of new rock mining fee revenue. In 2006, net assets increased by \$8.6 million, or by 0.4% from the prior year. The increase is primarily due to the impacts of unbudgeted financial transactions which provided additional cash. The unrestricted portion of net assets (available to meet ongoing and future obligations of the Department) had a decrease of \$3.2 million, or 0.5%, in 2007. In 2006, unrestricted net assets had an increase of \$478.9 million.

Operating and maintenance expenses increased by \$17.7 million, or by 6.1%, in 2007, and increased by \$34.5 million, or by 13.4%, in 2006. The 2007 increase is due to increased level of employee compensation with related fringe benefits and increased security services. The 2006 increase is primarily 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.

Management's Discussion & Analysis

	(in thousands)		
<u>SUMMARY OF NET ASSETS</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 975,807	\$ 990,916	\$ 958,914
Capital Assets, net	<u>2,918,944</u>	<u>2,910,939</u>	<u>2,958,020</u>
Total Assets	<u>3,894,751</u>	<u>3,901,855</u>	<u>3,916,934</u>
Long-term Liabilities	1,556,720	1,602,718	1,634,956
Other liabilities	<u>184,610</u>	<u>181,902</u>	<u>173,294</u>
Total Liabilities	<u>1,741,330</u>	<u>1,784,620</u>	<u>1,808,250</u>
Net Assets:			
Invested in capital assets, net of debt	1,018,489	1,063,709	1,670,373
Restricted	468,819	384,233	247,947
Unrestricted	<u>666,113</u>	<u>669,293</u>	<u>190,364</u>
Total Net Assets	<u>\$2,153,421</u>	<u>\$2,117,235</u>	<u>\$2,108,684</u>
<u>SUMMARY OF CHANGES IN NET ASSETS</u>			
Water operating revenues	\$ 190,710	\$ 198,162	\$ 170,905
Wastewater operating revenues	237,910	242,153	221,055
Interest Income	43,347	48,892	22,487
Other nonoperating revenues	<u>19,336</u>	<u>9,920</u>	<u>806</u>
Total revenues	<u>491,303</u>	<u>499,127</u>	<u>415,253</u>
Water source of supply	6,710	5,381	5,710
Water power and pumping	2,593	3,274	1,604
Water purification	55,925	56,164	50,221
Water transmission and distribution	25,747	23,081	21,900
Wastewater collection system	19,965	18,111	15,582
Wastewater pumping	32,054	30,331	26,196
Wastewater treatment	66,006	62,360	55,206
Customer accounting	8,724	5,121	5,992
Customer service	18,875	17,853	16,712
General and Administrative	74,028	71,210	59,256
Depreciation	158,691	184,820	118,261
Interest expense	63,507	68,905	72,405
Other nonoperating expenses	1,370	8,804	871
Transfers to County's General Fund	-	22,868	27,701
Total expenses	<u>534,195</u>	<u>578,283</u>	<u>477,617</u>
Loss before contributions	(42,892)	(79,156)	(62,364)
Capital Contributions	<u>79,078</u>	<u>87,707</u>	<u>54,898</u>
Increase in net assets	36,186	8,551	(7,466)
Net assets at beginning of year	<u>2,117,235</u>	<u>2,108,684</u>	<u>2,116,150</u>
Net assets at end of year	<u>\$2,153,421</u>	<u>\$2,117,235</u>	<u>\$2,108,684</u>

CAPITAL ASSETS

The following table summarizes the Department's capital assets, net of accumulated depreciation, for the fiscal years ended September 30, 2007, 2006 and 2005 (in thousands). Total capital assets increased by \$8.0 million, or 0.3%, in 2007. This increase is due to capital additions, net of plant retirements of \$155.5 million, offset by \$147.5 million net increase in accumulated depreciation. Total capital assets decreased by \$47.1 million, or 1.6%, in 2006. This decrease was due to capital additions, net of plant retirements of

Management's Discussion & Analysis

\$134.1 million, offset by \$181.2 million net increase in accumulated depreciation. Additional information on changes in capital assets can be found in Note 4 to the financial statements.

		(in thousands)		
	2007	2006	2005	
Land	\$ 38,274	\$ 35,420	\$ 35,020	
Structures and improvements	2,225,145	2,210,262	2,280,363	
Equipment	251,515	274,760	311,233	
Construction work in progress	404,010	390,497	331,404	
Total capital assets	<u>\$2,918,944</u>	<u>\$2,910,939</u>	<u>\$2,958,020</u>	

This year's major expenditures in capital assets included:

Water projects:

- Transmission mains, meters and services (\$20.0 million)
- Treatment facilities (\$11.9 million)
- Wellfields (\$7.9 million)
- Pumping facilities (\$1.8 million)
- System wide improvements (\$3.1 million)

Wastewater projects:

- Treatment facilities (\$21.0 million)
- Infiltration and inflow reduction program (\$7.1 million)
- Force mains (\$4.2 million)
- Pump stations (\$2.7 million)
- Gravity mains and services (\$2.6 million)
- System wide improvements (\$3.1 million)

Budgeted capital expenditures for fiscal year 2008 amount to \$221.3 million and include \$92.8 million in water projects and \$128.5 million in wastewater projects.

LONG-TERM DEBT

Long-term debt outstanding (including current portion) at September 30, 2007, 2006 and 2005 is presented in the following table (in thousands). The year 2007 shows a decrease of \$39.9 million from the previous year, and 2006 shows a decrease of \$42.5 from 2005.

		(in thousands)		
	2007	2006	2005	
Revenue Bonds	\$1,431,595	\$1,464,162	\$1,493,589	
State Loan Obligations	117,776	124,940	137,853	
Notes payable	-	140	345	
Total long-term debt	<u>\$1,549,371</u>	<u>\$1,589,242</u>	<u>\$1,631,787</u>	

During 2007 draws made on state revolving fund commitments and recorded as debt, including capitalized interest, were \$2.0 million. Current long-term debt maturities were met in the amount of \$45.1 million. Additional long-term debt details can be found in Note 5 to the financial statements.

Management's Discussion & Analysis

In July 2007, the Department entered into an amended and restated swap agreement with a counterparty to amend an existing swap agreement associated with the Series 1997 Bonds. In September 2007, the Department refunded part of its Miami-Dade County Water and Sewer System Revenue Bonds, Series 1997 by issuing the Miami-Dade County Water and Sewer System 2007 Fixed-Rate Refunding Bonds. Along with the refunding, certain swap arrangements were associated with different series of bonds.

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 1.33 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 2.21 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,	<u>2007</u>	<u>2006</u>
			(In thousands)
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	5,137	\$ 28,590
Investments		118,952	120,366
Accounts receivable (net of allowance for uncollectible accounts of \$25.4 million in 2007 and \$21.9 million in 2006)		98,095	95,441
Inventory of materials and supplies		26,720	25,535
Other current assets		10	771
Restricted cash and cash equivalents		<u>96,059</u>	<u>95,116</u>
Total current assets		<u>344,973</u>	<u>365,819</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		94,719	32,107
Investments		514,883	571,497
Contracts receivable		<u>30</u>	<u>216</u>
Total restricted assets		<u>609,632</u>	<u>603,820</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		15,029	15,639
Other deferred charges, net		<u>6,173</u>	<u>5,638</u>
Total other assets		<u>21,202</u>	<u>21,277</u>
<i>CAPITAL ASSETS:</i>			
Land		38,274	35,420
Structures and improvements		3,360,231	3,239,628
Equipment		<u>823,017</u>	<u>804,456</u>
Utility plant in service before depreciation		4,221,522	4,079,504
Less accumulated depreciation		<u>1,706,588</u>	<u>1,559,062</u>
Net utility plant in service		2,514,934	2,520,442
Construction work in progress		<u>404,010</u>	<u>390,497</u>
Total capital assets		<u>2,918,944</u>	<u>2,910,939</u>
Total noncurrent assets		<u>3,549,778</u>	<u>3,536,036</u>
Total assets		<u>\$ 3,894,751</u>	<u>\$ 3,901,855</u>

(Continued)

Balance Sheets

(Continued)	September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	43,805	\$ 44,969
Customer and developer deposits		22,303	21,810
Current portion of long-term debt		6,671	5,669
Rebatable arbitrage earnings		1,061	217
Liability for compensated absences		10,341	9,463
Other liabilities		4,257	4,659
Total current liabilities (payable from unrestricted current assets)		88,438	86,787
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		17,722	11,630
Retainage payable		2,574	3,078
Current portion of long-term debt		42,455	37,621
Accrued interest payable		29,443	39,572
Liability for self-insurance		3,978	3,214
Total current liabilities (payable from restricted current assets)		96,172	95,115
Total current liabilities		184,610	181,902
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,392,360	1,428,431
State loan obligations, net		107,885	117,521
Notes payable, net		-	-
Liability for self-insurance		1,842	1,671
Liability for compensated absences		22,698	21,386
Deferred revenues		31,935	33,709
Total noncurrent liabilities		1,556,720	1,602,718
Total liabilities		1,741,330	1,784,620
NET ASSETS			
Invested in capital assets, net of related debt		1,018,489	1,063,709
Restricted for:			
Capital projects		341,704	261,675
Debt service		127,115	122,558
Other		-	-
Unrestricted		666,113	669,293
Total net assets		2,153,421	2,117,235
Total liabilities and net assets		\$ 3,894,751	\$ 3,901,855

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>2007</u>	<u>2006</u>
	(In thousands)	
<i>OPERATING REVENUES:</i>		
Water	\$ 190,710	\$ 198,162
Wastewater	<u>237,910</u>	<u>242,153</u>
Total operating revenues	<u>428,620</u>	<u>440,315</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Water source of supply	6,710	5,381
Water power and pumping	2,593	3,274
Water purification	55,925	56,164
Water transmission and distribution	25,747	23,081
Wastewater collection system	19,965	18,111
Wastewater pumping	32,054	30,331
Wastewater treatment	66,006	62,360
Customer accounting	8,724	5,121
Customer service	18,875	17,853
General and administrative	<u>74,028</u>	<u>71,210</u>
Total operating and maintenance expenses	<u>310,627</u>	<u>292,886</u>
 Operating income before depreciation	117,993	147,429
 <i>DEPRECIATION</i>	<u>158,691</u>	<u>184,820</u>
 Operating loss	(40,698)	(37,391)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>		
Interest income	43,347	48,892
Interest expense	(63,507)	(68,905)
Amortization of debt issue costs	(1,003)	(796)
Operating grants	-	7,230
Other revenues	19,336	2,690
Transfers to County's General Fund	-	(22,868)
Other expenses	<u>(367)</u>	<u>(8,008)</u>
 Loss before contributions	(42,892)	(79,156)
 Capital contributions	<u>79,078</u>	<u>87,707</u>
 Increase in net assets	36,186	8,551
 Net assets at beginning of year	<u>2,117,235</u>	<u>2,108,684</u>
 Net assets at end of year	<u>\$ 2,153,421</u>	<u>\$ 2,117,235</u>

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

Statements of Cash Flows

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 440,371	\$ 428,686
Cash paid to suppliers for goods and services	(147,180)	(144,965)
Cash paid to employees for services	<u>(159,787)</u>	<u>(158,537)</u>
Net cash provided by operating activities	<u>133,404</u>	<u>125,184</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

Operating grants received	-	783
Transfers to County's General Fund	<u>-</u>	<u>(22,868)</u>
Net cash used in non-capital financing activities	<u>-</u>	<u>(22,085)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from bond issues, loan agreements and notes	346,727	4,099
Principal payments - bonds, loans and notes	(398,401)	(48,728)
Bond premium and issue costs	15,399	(873)
Proceeds from swap agreements	-	20,087
Interest paid	(83,946)	(73,120)
Proceeds from sale of property, plant and equipment	444	271
Acquisition and construction of capital assets	(114,580)	(81,317)
Contributions received	<u>38,835</u>	<u>45,451</u>
Net cash used in capital and related financing activities	<u>(195,522)</u>	<u>(134,130)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investment securities	(922,474)	(760,527)
Proceeds from sale and maturity of investment securities	981,586	761,711
Interest on investments	<u>43,108</u>	<u>30,826</u>
Net cash provided by investing activities	<u>102,220</u>	<u>32,010</u>

Net increase in cash and cash equivalents	40,102	979
Cash and cash equivalents at beginning of year	<u>155,813</u>	<u>154,834</u>
Cash and cash equivalents at end of year	<u>\$ 195,915</u>	<u>\$ 155,813</u>

(Continued)

Statements of Cash Flows

(Continued)	For the years ended September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (40,698)	\$ (37,391)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		158,691	184,820
Provision for uncollectible accounts		3,364	130
Amortization of deferred charges		-	148
Amortization of deferred revenues		(1,775)	(1,775)
Non-operating other, net		18,970	2,903
(Increase) decrease in assets:			
Accounts receivable		(6,241)	(21,487)
Inventory of materials and supplies		(1,185)	(534)
Other current assets		761	(771)
Other deferred charges		(536)	(4,015)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(1,163)	(1,731)
Customer and developer deposits		493	1,706
Liability for compensated absences		2,190	2,655
Other liabilities		(402)	86
Liability for self-insurance		935	440
Net cash provided by operating activities		<u>\$ 133,404</u>	<u>\$ 125,184</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$40.4 million and \$42.3 million in fiscal years 2007 and 2006, respectively.

The change in the fair value of investments were \$1.0 million decrease and \$3.5 million increase in fiscal years 2007 and 2006, respectively.

\$344.7 million of Miami-Dade County Water and Sewer System Revenue Refunding Fixed Rate Bonds, Series 2007 were issued to refund \$353.3 million of Dade County Water and Sewer System Revenue Bonds, Series 1997.

	<u>2007</u>	<u>2006</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 5,137	\$ 28,590
Restricted Current Cash and Cash Equivalents	96,059	95,116
Restricted Noncurrent Cash and Cash Equivalents	<u>94,719</u>	<u>32,107</u>
Total cash and cash equivalents at end of year	<u>\$ 195,915</u>	<u>\$ 155,813</u>

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

SEPTEMBER 30, 2007 AND 2006

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 require 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 \$27.2 million and \$28.3 million as of September 30, 2007 and 2006, respectively.

CAPITAL ASSETS

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

Annualized depreciation expense, expressed as a percent of depreciable capital assets, was 3.8% and 4.6% for the fiscal years ended September 30, 2007 and 2006, 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 the fiscal years ended September 30, 2007 and 2006 was \$159 million and \$185 million, respectively.

CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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 weighted 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 INDEBTNESS

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, 2007 and 2006 was \$70.0 million and \$83.0 million, respectively. Of these amounts, \$6.5 million and \$14.1 million were capitalized in fiscal years 2007 and 2006, respectively, net of interest earned on construction funds from tax-exempt borrowings of \$14.3 million and \$3.6 million in fiscal years 2007 and 2006, 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 up-front 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 capital-

ized 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 2006 financial statements have been modified to conform with the fiscal year 2007 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 -\$1.3 million and \$4.5 million as of September 30, 2007 and 2006, respectively. The bank balances at local depositories were \$7.7 million and \$17.9 million as of September 30, 2007 and 2006, 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 in-

Notes to Financial Statements

stitution. 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, 2007 were approximately \$7,923,487.

INVESTMENTS

The Department's investments at September 30, 2007, are shown in the following table (in thousands).

	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$155,268
Federal Home Loan Bank	116,011
Federal Farm Credit Bank	33,504
Federal National Mortgage Association	121,009
Federal Agricultural Mortgage Corporation	6,922
SBA	63,396
Time Deposits	1,524
Treasury Notes	10,108
Commercial Paper	255,222
Guaranteed Investment Contracts:	
MBIA	25,099
AIGMF	33,702
Total investments	<u>\$821,765</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, 2007.

	<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 govern-

ments 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, 2007 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 which 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 and 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 of 10% 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, 2007 the following issuers held 5% or more of the investment portfolio:

	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	20.35
Federal Home Loan Bank	15.21
Federal National Mortgage Association	15.86
SBA	8.31

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, 2007 the County had the following investments with the respective weighted average maturity in years.

	<u>Weighted Average in Years</u>
Federal Home Loan Mortgage Corporation	0.92
Federal Home Loan Bank	1.12
Federal Farm Credit Bank	1.93
Federal National Mortgage Association	0.40
Federal Agricultural Mortgage Corporation	0.25
SBA	0.00
Time Deposits	0.43
Treasury Notes	1.17
Commercial Paper	0.01

FOREIGN CURRENCY RISK

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

Notes to Financial Statements

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, 2007 and 2006 are presented in the following table (in thousands):

	<u>2007</u>	<u>2006</u>
Restricted Assets		
Debt Service	\$189,591	\$151,167
Construction	218,530	211,695
Renewal and Replacement	135,935	184,333
Plant Expansion	155,815	146,129
Self-Insurance	<u>5,820</u>	<u>5,612</u>
Total Assets	<u>\$705,691</u>	<u>\$698,936</u>

4. CAPITAL ASSETS

Capital asset activity during fiscal years 2006 and 2007 was as follows (in thousands):

	Balance 9/30/05	<u>2006</u>		Balance 9/30/06	<u>2007</u>		Balance 09/30/07
		Additions	Deletions		Additions	Deletions	
Capital assets, not being depreciated:							
Land	\$ 35,020	400	-	35,420	2,854	-	38,274
Construction work in progress	331,404	95,817	(36,724)	390,497	127,570	(114,057)	404,010
Total capital assets, not being depreciated	366,424	96,217	(36,724)	425,917	130,424	(114,057)	442,284
Capital assets, being depreciated:							
Structures and improvements	3,199,845	39,783	-	3,239,628	124,158	(3,555)	3,360,231
Equipment	769,657	38,796	(3,997)	804,456	26,626	(8,065)	823,017
Total capital assets, being depreciated	3,969,502	78,579	(3,997)	4,044,084	150,784	(11,620)	4,183,248
Less accumulated depreciation:							
Structures and improvements	(919,482)	(109,884)	-	(1,029,366)	(109,275)	3,555	(1,135,086)
Equipment	(458,424)	(74,936)	3,664	(529,696)	(49,759)	7,953	(571,502)
Total accumulated depreciation	(1,377,906)	(184,820)	3,664	(1,559,062)	(159,034)	11,508	(1,706,588)
Total capital assets, being depreciated, net	2,591,596	(106,241)	(333)	2,485,022	(8,250)	(112)	2,476,660
Total capital assets, net	\$ 2,958,020	(10,024)	(37,057)	2,910,939	122,174	(114,169)	2,918,944

5. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

A summary of the long-term liability activity during fiscal years 2006 and 2007 is presented in the following table (dollars in thousands):

Description	Outstanding Rate	Balance 09/30/05	2006		Balance 09/30/06	2007		Balance 09/30/07	Due in 2008
			Additions	Reductions		Additions	Reductions		
<i>Dade County Revenue Bonds</i>									
Series 1994	Variable*	417,760	-	820	416,940	-	865	416,075	915
Series 1995	4.10%-6.25%	30,265	-	3,625	26,640	-	3,795	22,845	4,030
Series 1997	4.50%-6.25%	397,325	-	7,785	389,540	-	361,605	27,935	8,790
Series 1999A	5.00%	150,000	-	-	150,000	-	-	150,000	-
Series 2003	2.00%-5.00%	236,845	-	19,280	217,565	-	22,795	194,770	25,500
Series 2005	Variable*	295,240	-	-	295,240	-	-	295,240	-
Series 2007	4.00%-5.00%	-	-	-	-	344,690	-	344,690	-
Less: Unamortized Discount		(14,534)	-	(754)	(13,780)	-	(10,318)	(3,462)	-
Deferred amounts on refunding		(33,376)	-	(3,087)	(30,289)	(18,187)	(3,151)	(45,325)	-
Plus: Unamortized Premium		14,064	-	1,758	12,306	18,279	1,758	28,827	-
Total revenue bonds		1,493,589	-	29,427	1,464,162	344,782	377,349	1,431,595	39,235
<i>State Loan Obligations</i>									
State Revolving Fund	2.56%-4.17%	137,853	4,100	17,013	124,940	2,037	9,202	117,776	9,892
<i>Notes Payable</i>									
City of North Miami	6.00%	345	-	205	140	-	140	-	-
Total long-term debt		1,631,787	4,100	46,645	1,589,242	346,819	386,691	1,549,371	49,127
<i>Other liabilities</i>									
Compensated absences		28,194	11,602	8,947	30,849	11,653	9,463	33,039	10,341
Self-insurance		4,445	1,348	908	4,885	1,544	609	5,820	3,978
Deferred revenues		24,559	10,924	1,774	33,709	-	1,774	31,935	-
Total long-term liabilities		\$ 1,688,985	27,974	58,274	1,658,685	360,016	398,537	1,620,165	63,446

* Variable rates range from 3.39%-4.01% and 3.37%-3.98% for Series 1994 and Series 2005, respectively.

DEBT SERVICE REQUIREMENTS

As of September 30, 2007, 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		Total			Debt
	Principal	Interest	Swaps	Principal	Interest	Principal	Interest	Swaps	
2008	\$ 39,235	65,576	3,968	9,892	3,543	49,127	69,119	3,968	122,214
2009	41,205	71,817	2,371	10,204	3,231	51,409	75,048	2,371	128,828
2010	43,160	69,982	2,634	10,530	2,904	53,690	72,886	2,634	129,210
2011	45,170	67,945	2,913	10,867	2,568	56,037	70,513	2,913	129,463
2012	47,205	65,856	3,209	11,215	2,220	58,420	68,076	3,209	129,705
2013-2017	272,740	291,464	15,104	42,328	6,547	315,068	298,011	15,104	628,183
2018-2022	352,895	208,891	5,382	21,672	1,803	374,567	210,694	5,382	590,643
2023-2027	459,945	99,922	3,611	1,068	34	461,013	99,956	3,611	564,580
2028-2030	150,000	11,494	(1,260)	-	-	150,000	11,494	(1,260)	160,234
	1,451,555	952,947	37,932	117,776	22,850	1,569,331	975,797	37,932	2,583,060
Unamortized Discount, Deferred & Premium Amounts	(19,960)	-	-	-	-	(19,960)	-	-	(19,960)
Total	\$ 1,431,595	952,947	37,932	117,776	22,850	1,549,371	975,797	37,932	2,525,168

Notes to Financial Statements

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, 2007.

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 2007.

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 2007.

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. On September 27, 2007, \$344.7 million of Dade County Water and Sewer System Revenue Refunding Bonds, Series 2007 were issued to refund the Series 1997 Bonds maturing after October 1, 2009.

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 2009 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 2007.

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 2007.

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.

Notes to Financial Statements

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 2007.

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.

MIAMI-DADE COUNTY REVENUE BONDS, SERIES 2007

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

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

The Series 2007 Refunding Bonds proceeds of \$344.7 million, along with other funds, were used to purchase \$357.9 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 \$19.1 million, the Department reduced its aggregate debt service payments by \$36.2 million. On October 29, 2007 the Department redeemed the outstanding principal amount of the defeased \$353.3 million of the County's Water and Sewer System Revenue Bonds, Series 1997.

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, 2007 are detailed in the following table (in thousands). Related payments of principal and interest are due through the year 2024.

<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	09/27/04
37789A	845	845	08/01/07
37789L	12,798	2,891	09/26/06
300010	39,534	39,534	active
300080	<u>4,691</u>	<u>4,691</u>	04/28/03
	<u>\$228,758</u>	<u>\$217,737</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 2007.

Notes to Financial Statements

INTEREST RATE SWAP AGREEMENTS

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

Associated Series of Bonds	Notional Amount as of 09/30/07	Counterparty	Counterparty Ratings as of 09/30/07*	Start Date	Termination Date	Counterparty Payment	County Payment	Fair Value at 09/30/07
Series 1994	\$416,075,000	AIG Financial Products Corp	Aa2,AA-,AA	02/02/94	10/05/22	Variable Bond Rate	Fixed- 5.28%	\$(63,923,130)
Series 2007	\$215,000,000	Merrill Lynch Capital Services, Inc.	Aa3,AA-,AA-	12/15/93	06/15/20 with option to terminate 06/15/08	Fixed - 4.902%	Variable - BMA	(118,648)
Series 2007	\$200,000,000	RFPC, Ltd.**- Guarantor- AMBAC	Guarantor- Aaa,AAA, AAA	07/18/02	10/01/26	Variable - (BMA/.604)	Variable - BMA + (BMA/.0604) - (USD - LIBOR - BBA + 1.455%)	2,679,709
Series 1999A	\$205,070,000	RFPC, Ltd.**- Guarantor- BNY	Guarantor- Aaa,AA-, AA	03/06/06	10/01/29	Variable - (BMA/.604)	Variable - BMA + (BMA/.604) - (90.15% of USD - ISDA Swap Rate + 1.58%)	5,430,544
Series 2005	\$295,240,000	Bank of America, N.A.	Aa1, AA, AA-	10/01/05	10/01/25	Variable - Bond Rate	Fixed - 5.27%	(47,357,375)

* Moody's, S&P, Fitch

** A subsidiary of Rice Financial Products Co., New York, New York.

NOTES PAYABLE

Outstanding notes payable as of September 30, 2006 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. This note matured 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. The fair value of swap is determined at September 30, 2007 based on an estimated mark-to-mid-market assessment. The fair value was developed by using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipates future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

On July 5, 2007, the Department entered into an amended and restated swap agreement with a counterparty to amend an existing swap agreement associated with the Series 2007 Bonds. This amendment provides for a second calculation of the counterparty payment based on ten year LIBOR and uses the same constant as the original continuing calculation. Additionally this amendment provides for a "collar" arrangement on the second calculation so that from July 5, 2007 through December 31, 2009 losses that would be incurred as a result of the second calculation will not be incurred by the Department, and earnings are capped at USDA-LIBOR-BBA, .40% when the product of the USDA-LIBOR-BBA-(90.15% of US-ISDA-Swap Rate) is greater than 40%. After December 31, 2009 all losses and gains on both calculations will be to the Department.

On September 11, 2007, the Department issued the Series 2007 Refunding Bonds to refund all of the Series 1997 Bonds that matures after October 1, 2018. Along with the refunding, certain swap arrangements were associated with different series of bonds. The Merrill Lynch

Capital Services, Inc. swap and the RFPC, Ltd. swap were moved from the Series 1995 and 1997 Bonds, respectively, to the Series 2007 Bonds. The RFPC, Ltd. swap formerly associated with both the Series 1994 Bonds and the Series 1999A Bonds was instead associated with the Series 1999A Bonds.

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, 2007, the BMA rate was 3.84%.

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 2005, the Department is not exposed to rollover risk. Because the swap for the Water and Sewer System Bonds, Series 1995, terminates prior to the maturity of such bonds, 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 variable rate on the underlying bonds if no new hedge is put in place.

6. RECEIVABLES

Receivables at September 30, 2007 and 2006, were as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Trade accounts	\$96,148	\$100,921
Non-retail accounts	14,591	6,505
Other County funds	12,551	9,805
Other governments	179	61
Gross receivables	<u>123,469</u>	<u>117,292</u>
Less: allowance for doubtful accounts	<u>(25,374)</u>	<u>(21,851)</u>
Net receivables	<u>\$98,095</u>	<u>\$95,441</u>

7. PAYABLES

Payables at September 30, 2007 and 2006, were as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Other County funds	\$9,321	\$10,745
Vendors	23,831	21,397
Other governments	14,184	12,773
Salaries and benefits	3,485	6,030
Contractors	9,183	3,946
Other	<u>1,523</u>	<u>1,708</u>
Total payables	<u>\$61,527</u>	<u>\$56,599</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.

Notes to Financial Statements

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

Benefits under the “FRS Pension Plan”, a defined benefit program, vest after six years of service. Employees who retire at or after age 62, with six years of credited service, are entitled to an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State of Florida statutes. Retirement benefits are pre-funded by employer contributions and participant contributions are not allowed.

The legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning June 2002. Formally created as the Public Employee Optional Retirement Program, the “FRS Investment Plan” is available as an option for all current and future members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan where the contribution amount is fixed by a set percentage determined by law and the contribution is made to an individual account in each participant’s name. Participant contributions are not allowed. With a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earnings less expenses and losses) distributed during retirement.

The covered payroll for Department employees in the FRS for the years ended September 30, 2007 and 2006 was \$138.4 million and \$133.1 million, respectively, while the Department's total payroll was \$143.4 million and \$138.4 million for fiscal 2007 and 2006, 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 2007 and 2006. For the years ended September 30, 2007, 2006, and 2005, the Department's actual contributions met all re-

quired contributions. These contributions aggregated \$13.6 million, \$11.3 million and \$10.0 million, respectively, which represented 9.9%, 8.5% and 7.6% of covered payroll, respectively, and 0.7%, 0.6% and 0.4% of the total contributions required of all participating agencies, respectively, for fiscal years 2007, 2006 and 2005.

Ten-year historical trend information is presented in the FRS' June 30, 2007 annual report. This information is useful in assessing the FRS' accumulation of sufficient assets to pay pension benefits as they become due. A copy of the Florida Retirement System' annual report can be obtained by writing to the Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, FL 32399-1560 or by calling (850) 488-5706.

9. RISK MANAGEMENT

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

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 2007 and 2006 were as follows (in thousands):

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$3,537	\$3,097
Claims and changes in estimates	1,175	1,348
Less: Payments	<u>(609)</u>	<u>(908)</u>
Balance at end of year	<u>\$4,103</u>	<u>\$3,537</u>

The Department participates in the workers' compensation self-insurance program of the County, administered by the Risk Management Division. Risk Management charges a "premium" to each County department based on amounts necessary to provide funding for expected payments during the fiscal year. The estimate of IBNR losses is performed by an independent actuary. The Department maintains a liability in the amount of \$1.7 million and \$1.3 million at September 30, 2007 and September 30, 2006, respectively, for possible funding of these IBNR losses. The County maintains no excess coverage with independent carriers for workers' compensation. The Department's total self-insurance liability was \$5.8 million and \$4.9 million as of September 30, 2007 and 2006, 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 2007 and 2006 is presented below (in thousands):

	<u>2007</u>	<u>2006</u>
Contributed Facilities		
Developers	\$40,977	\$43,383
Customers	2,575	2,178
Connection charges	35,426	42,089
Other		<u>57</u>
Total additions	<u>\$79,078</u>	<u>\$87,707</u>

11. RELATED PARTY TRANSACTIONS

The Department provides water and wastewater services to other County departments as part of the normal course of business, based on regular retail rates. The Department also provides billing services to other County departments. The County provides various services to the Department which are charged using direct and indirect cost allocation methods. The Department reimburses the County (General Fund) for certain administrative services. The following table presents a list of providers of services and respective payments for the years ended September 30, 2007 and 2006 (in thousands):

	<u>2007</u>	<u>2006</u>
General Services Administration	\$18,351	\$16,284
General Fund	13,790	13,737
Information Technology	10,073	6,547
Public Works	3,356	1,127
Solid Waste	1,165	1,464
Capital Improvements	1,153	
Environmental Resources Mgt.	672	781
Other County Departments	3,611	9,043

In addition to the above payments, the Department had related payables of \$9.3 million and \$8.2 million at September 30, 2007 and 2006, respectively. The Department also had receivables from other County departments amounting to \$12.8 million and \$7.5 million at September 30, 2007 and 2006, 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 to the General Fund in fiscal year 2006. The transfer to the General Fund

Notes to Financial Statements

has been classified in the financial statements as Transfers to County's General Fund. The transfer to the General Fund was eliminated effective fiscal year 2007.

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 \$73.9 million for plant and infrastructure construction at September 30, 2007.

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, 2007 and 2006, the Department recorded obligations to rebate approximately \$1.1 million and \$0.2 million, respectively, of interest earned on bond proceeds invested in taxable securities in excess of interest costs. These arbitrage rebates are payable five years from the date of the bond issuance and each five years

thereafter. The amount of the obligation, if any, will be determined based on actual interest earned.

SETTLEMENT AGREEMENTS

In 1993, the Department entered into a settlement agreement with the Florida Department of Environmental Protection (FDEP) resulting in very limited restrictions on new sewer construction in certain areas of the County until adequate capacity becomes available in the wastewater system. Subsequently, in 1994 and 1995, two consent decrees were entered into with the U.S. Environmental Protection Agency (EPA) whereby the Department accelerated its improvement program of the wastewater system, subject to a schedule of stipulated penalties if certain established completion dates are not met. The Department continues to be in compliance with all provisions and through fiscal year 2007 has not incurred any penalties for not completing tasks within deadlines.

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 \$600 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 20 year Consumptive Use Permit (CPU) was obtained in December 2007 and requires that all the water needed for future demands come from alternative sources.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

In April 2004, the Governmental Accounting Standards Board issued Statement 43 (GASB 43) for financial reporting for post-employment benefit (OPEB) plans other

that pension plans. GASB 43 applies to state and local governmental employers that have plans for fund OPEB cost such as health care and life insurance. The Department does not have OPEB plans and is not affected by GASB 43.

In June 2004, the Governmental Accounting Standards Board issued statement 45 (GASB 45) for other post-employment benefits (OPEB), which is effective for the Department beginning with the fiscal year ended September 30, 2008. This statement requires that the Department accrue the cost of the Department's retiree health subsidy and OPEB during the period of employees' active employment as the benefits are being earned. It requires the unfunded actuarial accrued liability be disclosed in order to accurately account for the total future cost of OPEB and the financial impact on the Department. The County has contracted for an actuarial study to estimate its OPEB liability, but as of the date of these financial statements the amount of liability has not been determined.

13. SUBSEQUENT EVENTS

On September 20, 2007, the Board of County Commissioners approved the County Budget Ordinance which provided for a 4.8% maintenance index increase to average water and sewer retail customer effective October 1, 2007. Wholesale rates were not increased at that time. The Ordinance also approved other miscellaneous fee charges effective October 1, 2007.

As discussed in Note 3, at September 30, 2007, the Department had \$63,395,647 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (the Pool). During the month of November 2007, the County began making withdrawals from the Pool until all funds were withdrawn by November 27, 2007.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool.

The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. These assets had an approximate value of \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable.

As of January 31, 2008, Miami-Dade County does not have investments in Pool A or B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Subsequent to year end, several of the bond insurers have been placed on ratings watch and some have been downgraded from AAA to AA or A by rating agencies due to their exposure to asset-backed securities. Auction rate se-

Notes to Financial Statements

curities and other variable rate debt obligations trade based on the insurance ratings. Since the bond insurers have been placed on ratings watch, the financial markets have experienced significant turmoil and the auction rate bonds have traded at much higher rates than normal.

As of September 30, 2007, the following variable rate bonds were outstanding:

- Water & Sewer Revenue Bonds Series 1994
- Water & Sewer Revenue Refunding Variable Rate Demand Bonds Series 2005

The County is looking at various options to reduce the risk of paying higher interest rates due to the continued instability in the variable rate market. These options include:

- The conversion of Variable Rate Bonds to a fixed rate mode
- The conversion of Variable Rate Bonds to a variable rate mode supported by a letter of credit from a financial institution
- The refunding of Variable Rate Bonds through a private placement or loan from a qualified banking institution
- Obtaining alternate bond insurance from an insurer that has stronger credit and is not on credit watch

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>2007</u>	<u>2006</u>
			(In thousands)
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	-	\$ -
Investments		86,082	110,685
Accounts receivable (net of allowance for uncollectible accounts of \$13.5 million in 2007 and \$11.9 million in 2006)		50,135	44,908
Inventory of materials and supplies		14,469	14,327
Other current assets		4	254
Restricted cash and cash equivalents		<u>40,635</u>	<u>36,329</u>
Total current assets		<u>191,325</u>	<u>206,503</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		25,825	(30,137)
Investments		188,337	227,619
Contracts receivable		<u>30</u>	<u>162</u>
Total restricted assets		<u>214,192</u>	<u>197,644</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		3,966	4,216
Other deferred charges, net		<u>4,431</u>	<u>4,334</u>
Total other assets		<u>8,397</u>	<u>8,550</u>
<i>CAPITAL ASSETS:</i>			
Land		15,681	13,034
Structures and improvements		1,263,181	1,209,626
Equipment		<u>260,848</u>	<u>254,651</u>
Utility plant in service before depreciation		1,539,710	1,477,311
Less accumulated depreciation		<u>499,067</u>	<u>442,803</u>
Net utility plant in service		1,040,643	1,034,508
Construction work in progress		<u>194,184</u>	<u>177,204</u>
Total capital assets		<u>1,234,827</u>	<u>1,211,712</u>
Total noncurrent assets		<u>1,457,416</u>	<u>1,417,906</u>
Total assets		<u>\$ 1,648,741</u>	<u>\$ 1,624,409</u>

(Continued)

(Continued)	September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	16,074	\$ 19,601
Customer and developer deposits		18,092	16,842
Current portion of long-term debt		1,444	1,450
Rebatable arbitrage earnings		705	144
Liability for compensated absences		3,354	3,099
Other liabilities		<u>3,610</u>	<u>3,343</u>
Total current liabilities (payable from unrestricted current assets)		<u>43,279</u>	<u>44,479</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		7,090	3,021
Retainage payable		1,623	1,886
Current portion of long-term debt		20,013	17,960
Accrued interest payable		8,044	10,248
Liability for self-insurance		<u>3,978</u>	<u>3,214</u>
Total current liabilities (payable from restricted current assets)		<u>40,748</u>	<u>36,329</u>
Total current liabilities		<u>84,027</u>	<u>80,808</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		362,579	381,071
State loan obligations, net		35,322	35,278
Liability for self-insurance		1,842	1,671
Liability for compensated absences		8,727	8,150
Deferred revenues		<u>5,068</u>	<u>5,350</u>
Total noncurrent liabilities		<u>413,538</u>	<u>431,520</u>
Total liabilities		<u>497,565</u>	<u>512,328</u>
NET ASSETS			
Invested in capital assets, net of related debt		642,194	634,183
Restricted for:			
Capital projects		102,343	75,740
Debt service		44,140	41,965
Unrestricted		<u>362,499</u>	<u>360,193</u>
Total net assets		<u>1,151,176</u>	<u>1,112,081</u>
Total liabilities and net assets		<u>\$ 1,648,741</u>	<u>\$ 1,624,409</u>

Water System

Schedules of Revenues, Expenses and Changes in Net Assets

	For the years ended September 30,	<u>2007</u>	<u>2006</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail		\$ 151,034	\$ 157,827
Wholesale		27,045	29,193
Other revenues		<u>12,631</u>	<u>11,142</u>
Total operating revenues		<u>190,710</u>	<u>198,162</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Source of supply		6,710	5,381
Power and pumping		2,593	3,274
Purification		55,925	56,164
Transmission and distribution		25,747	23,081
Customer accounting		4,692	2,968
Customer service		10,616	10,176
General and administrative		<u>33,299</u>	<u>31,967</u>
Total operating and maintenance expenses		<u>139,582</u>	<u>133,011</u>
 Operating income before depreciation		51,128	65,151
 <i>DEPRECIATION</i>		<u>61,349</u>	<u>79,708</u>
 Operating income (loss)		(10,221)	(14,557)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		17,489	21,841
Interest expense		(15,090)	(9,324)
Amortization of debt issue costs		(325)	(283)
Operating grants		-	4,007
Other revenues		13,796	2,488
Transfers to County's General Fund		-	(10,176)
Other expenses		<u>(45)</u>	<u>(7,811)</u>
 Loss before contributions and transfers		5,604	(13,815)
 Capital contributions		38,075	31,788
Transfer from reserves		<u>(4,584)</u>	<u>(40,720)</u>
 Increase (decrease) in net assets		39,095	(22,747)
 Net assets at beginning of year		<u>1,112,081</u>	<u>1,134,828</u>
 Net assets at end of year		<u>\$ 1,151,176</u>	<u>\$ 1,112,081</u>

Water System

Schedules of Cash Flows

For the years ended September 30,	<u>2007</u>	<u>2006</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 198,478	\$ 194,325
Cash paid to suppliers for goods and services	(77,012)	(70,711)
Cash paid to employees for services	(62,353)	(69,761)
Transfer (from) reserves	<u>(4,584)</u>	<u>(40,720)</u>
Net cash provided by operating activities	<u>54,529</u>	<u>13,133</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	-	783
Transfers to County's General Fund	<u>-</u>	<u>(10,176)</u>
Net cash used in non-capital financing activities	<u>-</u>	<u>(9,393)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	67,046	2,334
Principal payments - bonds, loans and notes	(86,014)	(16,670)
Bond premium and issue costs	2,904	(139)
Proceeds from swap agreements	-	5,399
Interest paid	(21,427)	(13,562)
Proceeds from sale of property, plant and equipment	255	133
Acquisition and construction of capital assets	(53,467)	(39,563)
Contributions received	<u>14,507</u>	<u>11,092</u>
Net cash used in capital and related financing activities	<u>(76,196)</u>	<u>(50,976)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(830,837)	(407,576)
Proceeds from sale and maturity of investment securities	894,628	376,336
Interest on investments	<u>18,144</u>	<u>12,302</u>
Net cash (used in) provided by investing activities	<u>81,935</u>	<u>(18,938)</u>
Net decrease in cash and cash equivalents	60,268	(66,174)
Cash and cash equivalents at beginning of year	<u>6,192</u>	<u>72,366</u>
Cash and cash equivalents at end of year	<u><u>\$ 66,460</u></u>	<u><u>\$ 6,192</u></u>

(Continued)

Water System

Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (10,221)	\$ (14,557)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		61,349	79,708
Provision for uncollectible accounts		1,682	130
Amortization of deferred revenues		(282)	(282)
Non-operating other, net		13,752	(1,818)
Transfer (from) reserves		(4,584)	(40,720)
(Increase) decrease in assets:			
Accounts receivable		(6,934)	(10,286)
Inventory of materials and supplies		(142)	(43)
Other current assets		250	(254)
Other deferred charges		(98)	(4,015)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(3,527)	1,898
Customer and developer deposits		1,250	1,723
Liability for compensated absences		832	1,009
Other liabilities		267	200
Liability for self-insurance		935	440
Net cash provided by operating activities		<u>\$ 54,529</u>	<u>\$ 13,133</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$23.7 million and \$20.7 million in fiscal years 2007 and 2006, respectively.

The change in the fair value of investments were \$0.6 million decrease and \$1.7 million increase in fiscal years 2007 and 2006, respectively.

\$344.7 million of Miami-Dade County Water and Sewer System Revenue Refunding Fixed Rate Bonds, Series 2007 were issued to refund \$353.3 million of Dade County Water and Sewer System Revenue Bonds, Series 1997.

	<u>2007</u>	<u>2006</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ -	\$ -
Restricted Current Cash and Cash Equivalents	40,635	36,329
Restricted Noncurrent Cash and Cash Equivalents	<u>25,825</u>	<u>(30,137)</u>
Total cash and cash equivalents at end of year	<u>\$ 66,460</u>	<u>\$ 6,912</u>

Schedule of Operating and Maintenance Expenses

Budget and Actual

For the year ended September 30, 2007

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Source of supply	\$ 7,319	\$ 6,710	\$ 609
Power and pumping	2,777	2,593	184
Purification	64,062	55,925	8,137
Transmission and distribution	27,255	25,747	1,508
Customer accounting	4,396	4,692	(296)
Customer service	11,557	10,616	941
General and administrative	<u>34,224</u>	<u>33,299</u>	<u>925</u>
Totals	<u>\$ 151,590</u>	<u>\$ 139,582</u>	<u>\$ 12,008</u>

Wastewater System

Balance Sheets

	September 30,	<u>2007</u>	<u>2006</u>
		(In thousands)	
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	5,137	\$ 28,590
Investments		32,870	9,681
Accounts receivable (net of allowance for uncollectible accounts of \$11.8 million in 2007 and \$10.0 million in 2006)		47,960	50,533
Inventory of materials and supplies		12,251	11,208
Other current assets		6	517
Restricted cash and cash equivalents		<u>55,424</u>	<u>58,787</u>
Total current assets		<u>153,648</u>	<u>159,316</u>
<i>NONCURRENT ASSETS:</i>			
<i>RESTRICTED ASSETS:</i>			
Cash and cash equivalents		68,894	62,244
Investments		326,546	343,878
Contracts receivable		<u>-</u>	<u>54</u>
Total restricted assets		<u>395,440</u>	<u>406,176</u>
<i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		11,063	11,423
Other deferred charges, net		<u>1,742</u>	<u>1,304</u>
Total other assets		<u>12,805</u>	<u>12,727</u>
<i>CAPITAL ASSETS:</i>			
Land		22,593	22,386
Structures and improvements		2,097,050	2,030,002
Equipment		<u>562,169</u>	<u>549,805</u>
Utility plant in service before depreciation		2,681,812	2,602,193
Less accumulated depreciation		<u>1,207,521</u>	<u>1,116,259</u>
Net utility plant in service		1,474,291	1,485,934
Construction work in progress		<u>209,826</u>	<u>213,293</u>
Total capital assets		<u>1,684,117</u>	<u>1,699,227</u>
Total noncurrent assets		<u>2,092,362</u>	<u>2,118,130</u>
Total assets		<u>\$ 2,246,010</u>	<u>\$ 2,277,446</u>

(Continued)

Wastewater System

Balance Sheets

(Continued)	September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses	\$	27,731	\$ 25,368
Customer and developer deposits		4,211	4,968
Current portion of long-term debt		5,227	4,219
Rebatable arbitrage earnings		356	73
Liability for compensated absences		6,987	6,364
Other liabilities		<u>647</u>	<u>1,316</u>
Total current liabilities (payable from unrestricted current assets)		<u>45,159</u>	<u>42,308</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		10,632	8,609
Retainage payable		951	1,192
Current portion of long-term debt		22,442	19,661
Accrued interest payable		<u>21,399</u>	<u>29,324</u>
Total current liabilities (payable from restricted current assets)		<u>55,424</u>	<u>58,786</u>
Total current liabilities		<u>100,583</u>	<u>101,094</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,029,781	1,047,360
State loan obligations, net		72,563	82,243
Liability for compensated absences		13,971	13,236
Deferred revenues		<u>26,867</u>	<u>28,359</u>
Total noncurrent liabilities		<u>1,143,182</u>	<u>1,171,198</u>
Total liabilities		<u>1,243,765</u>	<u>1,272,292</u>
NET ASSETS			
Invested in capital assets, net of related debt		376,295	429,526
Restricted for:			
Capital projects		239,361	185,935
Debt service		82,975	80,592
Unrestricted		<u>303,614</u>	<u>309,101</u>
Total net assets		<u>1,002,245</u>	<u>1,005,154</u>
Total liabilities and net assets		<u>\$ 2,246,010</u>	<u>\$ 2,277,446</u>

Wastewater System

Schedules of Revenues, Expenses and Changes in Net Assets

	For the years ended September 30,	<u>2007</u>	<u>2006</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Retail		\$ 179,441	\$ 183,728
Wholesale		48,645	49,117
Other revenues		<u>9,824</u>	<u>9,308</u>
Total operating revenues		<u>237,910</u>	<u>242,153</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Collection system		19,965	18,111
Pumping		32,054	30,331
Treatment		66,006	62,360
Customer accounting		4,032	2,153
Customer service		8,259	7,677
General and administrative		<u>40,729</u>	<u>39,243</u>
Total operating and maintenance expenses		<u>171,045</u>	<u>159,875</u>
 Operating income before depreciation		66,865	82,278
 <i>DEPRECIATION</i>		<u>97,342</u>	<u>105,112</u>
 Operating loss		(30,477)	(22,834)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		25,858	27,051
Interest expense		(48,417)	(59,581)
Amortization of debt issue costs		(678)	(513)
Operating grants		-	3,223
Other revenues		5,540	202
Transfers to County's General Fund		-	(12,692)
Other expense		<u>(322)</u>	<u>(197)</u>
 Loss before contributions and transfers		(48,496)	(65,341)
 Capital contributions		41,003	55,919
Transfer from reserves		<u>4,584</u>	<u>40,720</u>
 Increase (Decrease) in net assets		(2,909)	31,298
 Net assets at beginning of year		<u>1,005,154</u>	<u>973,856</u>
 Net assets at end of year		<u>\$ 1,002,245</u>	<u>\$ 1,005,154</u>

Wastewater System

Schedules of Cash Flows

For the years ended September 30,	<u>2007</u>	<u>2006</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 241,893	\$ 234,361
Cash paid to suppliers for goods and services	(70,168)	(74,254)
Cash paid to employees for services	(97,434)	(88,776)
Transfer from reserves	4,584	40,720
Net cash provided by operating activities	<u>78,875</u>	<u>112,051</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Transfers to County's General Fund	-	(12,692)
Net cash used in non-capital financing activities	<u>-</u>	<u>(12,692)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	279,681	1,765
Principal payments - bonds, loans and notes	(312,387)	(32,058)
Bond premium and issue costs	12,495	(734)
Proceeds from swap agreements	-	14,688
Interest paid	(62,519)	(59,558)
Proceeds from sale of property, plant and equipment	189	138
Acquisition and construction of capital assets	(61,113)	(41,754)
Contributions received	24,328	34,359
Net cash used in capital and related financing activities	<u>(119,326)</u>	<u>(83,154)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(91,637)	(352,951)
Proceeds from sale and maturity of investment securities	86,958	385,375
Interest on investments	24,964	18,524
Net cash provided by investing activities	<u>20,285</u>	<u>50,948</u>
Net decrease in cash and cash equivalents	(20,166)	67,153
Cash and cash equivalents at beginning of year	<u>149,621</u>	<u>82,468</u>
Cash and cash equivalents at end of year	<u>\$ 129,455</u>	<u>\$ 149,621</u>

(Continued)

Wastewater System

Schedules of Cash Flows

(Continued)	For the years ended September 30,	<u>2007</u>	<u>2006</u>
			(In thousands)
<i>RECONCILLATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (30,477)	\$ (22,834)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		97,342	105,112
Provision for uncollectible accounts		1,682	-
Amortization of deferred charges		-	148
Amortization of deferred revenues		(1,493)	(1,493)
Non-Operating Other, net		5,218	4,721
Transfer from reserves		4,584	40,720
(Increase) decrease in assets:			
Accounts receivable		693	(11,201)
Inventory of materials and supplies		(1,043)	(491)
Other current assets		511	(517)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		2,364	(3,629)
Customer and developer deposits		(757)	(17)
Liability for compensated absences		1,358	1,646
Other liabilities		<u>(669)</u>	<u>(114)</u>
Net cash provided by operating activities		\$ 78,875	\$ 112,051

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$16.7 million and \$21.6 million in fiscal years 2007 and 2006, respectively.

The change in the fair value of investments were \$0.4 million decrease and \$1.8 million increase in fiscal years 2007 and 2006, respectively.

\$344.7 million of Miami-Dade County Water and Sewer System Revenue Refunding Fixed Rate Bonds, Series 2007 were issued to refund \$353.3 million of Dade County Water and Sewer System Revenue Bonds, Series 1997.

	<u>2007</u>	<u>2006</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 5,137	\$ 28,590
Restricted Current Cash and Cash Equivalents	55,424	58,787
Restricted Noncurrent Cash and Cash Equivalents	<u>68,894</u>	<u>62,244</u>
Total cash and cash equivalents at end of year	<u>\$ 129,455</u>	<u>\$ 149,621</u>

Wastewater System

Schedule of Operating and Maintenance Expenses

Budget and Actual

For the year ended September 30, 2007

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under (over)
Collection system	\$ 19,203	\$ 19,965	\$ (762)
Pumping	30,345	32,054	(1,709)
Treatment	64,056	66,006	(1,950)
Customer accounting	3,413	4,032	(619)
Customer service	8,718	8,259	459
General and administrative	<u>42,122</u>	<u>40,729</u>	<u>1,393</u>
Totals	<u>\$ 167,857</u>	<u>\$ 171,045</u>	<u>\$ (3,188)</u>

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Statistical Section

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 - Last Ten Years

(in thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>COMBINED WATER AND WASTEWATER SYSTEMS:</i>										
Invested in capital assets, net of related debt	2,261,657	1,823,250	1,670,373	1,640,651	1,585,586	1,586,602	1,562,617	963,108	943,815	926,625
Restricted	97,968	151,847	247,947	306,469	373,628	337,273	298,345	391,816	335,208	189,714
Unrestricted	(206,207)	142,138	190,364	169,030	186,580	236,350	278,950	713,248	672,797	739,755
Total net assets	2,153,418	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
<i>WATER SYSTEM</i>										
Invested in capital assets, net of related debt	1,174,970	1,004,085	908,612	915,479	844,753	830,706	793,636	362,465	348,312	335,649
Restricted	22,200	39,504	78,232	96,186	148,120	129,278	108,362	209,625	178,246	94,337
Unrestricted	(45,995)	68,492	147,984	120,605	151,171	197,783	232,473	514,280	466,531	469,873
Total net assets	1,151,175	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
<i>WASTEWATER SYSTEM</i>										
Invested in capital assets, net of related debt	1,086,687	819,165	761,761	725,172	740,833	755,896	768,981	600,643	595,503	590,976
Restricted	75,768	112,343	169,715	210,283	225,508	207,995	189,983	182,191	156,962	95,377
Unrestricted	(160,212)	73,646	42,380	48,425	35,409	38,567	46,477	198,968	206,266	269,882
Total net assets	1,002,243	1,005,154	973,856	983,880	1,001,750	1,002,458	1,005,441	981,802	958,731	956,235

Combined Water and Wastewater Systems

Schedule of Revenues and Expenses - Last Ten Fiscal Years

(in thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>OPERATING REVENUES:</i>										
Retail	\$ 330,475	341,555	297,374	295,176	273,710	263,966	269,274	285,791	283,057	276,740
Wholesale	75,690	78,310	75,013	71,501	69,565	73,145	74,386	75,523	76,861	78,233
Other	22,455	20,450	19,573	18,896	18,827	16,996	16,963	18,078	17,834	17,649
Total operating revenues	428,620	440,315	391,960	385,573	362,102	354,107	360,623	379,392	377,752	372,622
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	6,710	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396
Collection system	19,965	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296
Pumping	34,647	33,605	27,800	26,095	25,785	24,631	22,267	21,680	26,161	33,064
Treatment	121,931	118,524	105,427	89,511	86,991	77,552	73,347	69,169	68,816	66,299
Transmission and distribution	25,747	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656
Customer accounting and service	27,599	22,974	22,704	22,505	19,915	22,083	21,197	17,619	23,813	23,530
General and administrative	74,028	71,210	59,256	53,706	46,173	35,728	27,473	26,914	32,091	30,190
Total operating and maintenance expenses	310,627	292,886	258,379	232,913	218,391	196,872	180,219	168,891	184,608	191,431
Operating income before depreciation	117,993	147,429	133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191
DEPRECIATION	158,691	184,820	118,261	122,800	117,780	114,642	109,270	94,489	89,025	68,170
Operating income	(40,698)	(37,391)	15,320	29,860	25,931	42,593	71,134	116,012	104,119	113,021
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	43,347	48,892	22,487	8,785	26,153	32,820	60,233	57,917	43,967	45,466
Interest expense	(63,510)	(68,905)	(73,276)	(73,652)	(76,349)	(80,722)	(83,165)	(83,151)	(75,815)	(65,118)
Other income	17,966	1,116	806	326	2,330	1,480	1,511	1,120	1,901	554
Transfers to County's General Fund	-	(22,868)	(27,701)	(37,899)	(39,996)	(33,035)	(25,547)	(24,788)	(25,849)	(31,471)
Income (loss) before contributions	(42,895)	(79,156)	(62,364)	(72,580)	(61,931)	(36,864)	24,166	67,110	48,323	62,452
Capital contributions	79,078	87,707	54,898	42,936	47,500	57,177	47,574	-	-	-
Increase (decrease) in net assets	\$ 36,183	8,551	(7,466)	(29,644)	(14,431)	20,313	71,740	67,110	48,323	62,452

Schedule of Revenues and Expenses - Last Ten Fiscal Years

(in thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>OPERATING REVENUES:</i>										
Retail	\$ 151,034	157,827	138,297	137,739	124,409	121,632	124,473	133,766	133,775	129,481
Wholesale	27,045	29,193	21,962	22,122	20,045	20,236	20,311	23,012	22,623	22,249
Other	12,631	11,142	10,646	10,230	10,302	9,227	9,525	10,068	9,436	9,313
Total operating revenues	190,710	198,162	170,905	170,091	154,756	151,095	154,309	166,846	165,834	161,043
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	6,710	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320	4,396
Pumping	2,593	3,274	1,604	2,257	2,670	1,803	1,558	1,532	1,630	1,471
Treatment	55,925	56,164	50,221	40,660	38,412	34,466	32,640	29,700	29,865	28,802
Transmission and distribution	25,747	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409	16,656
Customer accounting and service	15,308	13,144	13,915	12,546	12,135	12,578	12,431	10,024	13,235	13,055
General and administrative	33,299	31,967	25,776	20,349	15,183	11,412	9,430	10,227	12,239	11,800
Total operating and maintenance expenses	139,582	133,011	119,126	102,374	94,734	84,344	79,059	73,917	77,698	76,180
Operating income before depreciation	51,128	65,151	51,779	67,717	60,022	66,751	75,250	92,929	88,136	84,863
DEPRECIATION	61,349	79,708	35,488	34,251	32,371	32,347	30,916	21,851	22,520	14,796
Operating income (loss)	(10,221)	(14,557)	16,291	33,466	27,651	34,404	44,334	71,078	65,616	70,067
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	17,489	21,841	10,060	4,016	13,027	16,943	32,560	28,965	20,136	20,742
Interest expense	(15,091)	(9,324)	(18,862)	(19,657)	(21,039)	(21,397)	(21,240)	(22,869)	(18,324)	(18,774)
Other income (loss)	13,426	(1,599)	460	326	2,330	1,447	916	710	1,235	554
Transfers to County's General Fund	-	(10,176)	(12,188)	(11,865)	(13,146)	(10,855)	(8,235)	(9,419)	(9,823)	(12,274)
Income before contributions and transfers	5,603	(13,815)	(4,239)	6,286	8,823	20,542	48,335	68,465	58,840	60,315
Capital contributions	38,075	31,788	16,251	14,245	17,726	21,168	15,199	-	-	-
Transfer (from) to reserves	(4,584)	(40,720)	(9,454)	(32,305)	(40,272)	(18,414)	(15,432)	6,134	16,622	(26,765)
Increase (decrease) in net assets	\$ 39,094	(22,747)	2,558	(11,774)	(13,723)	23,296	48,102	74,599	75,462	33,550

Wastewater System

Schedule of Revenues and Expenses - Last Ten Fiscal Years

(in thousands)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>OPERATING REVENUES:</i>										
Retail	\$ 179,441	183,728	159,077	157,437	149,301	142,334	144,801	152,025	149,282	147,259
Wholesale	48,645	49,117	53,051	49,379	49,520	52,909	54,075	52,511	54,238	55,984
Other	9,824	9,308	8,927	8,666	8,525	7,769	7,438	8,010	8,398	8,336
Total operating revenues	237,910	242,153	221,055	215,482	207,346	203,012	206,314	212,546	211,918	211,579
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Collection system	19,965	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998	17,296
Pumping	32,054	30,331	26,196	23,838	23,115	22,828	20,709	20,148	24,531	31,593
Treatment	66,006	62,360	55,206	48,851	48,579	43,086	40,707	39,469	38,951	37,497
Customer accounting and service	12,291	9,830	8,789	9,959	7,780	9,505	8,766	7,595	10,578	10,475
General and administrative	40,729	39,243	33,480	33,357	30,990	24,316	18,043	16,687	19,852	18,390
Total operating and maintenance expenses	171,045	159,875	139,253	130,539	123,657	112,528	101,160	94,974	106,910	115,251
Operating income before depreciation	66,865	82,278	81,802	84,943	83,689	90,484	105,154	117,572	105,008	96,328
DEPRECIATION	97,342	105,112	82,773	88,549	85,409	82,295	78,354	72,638	66,505	53,374
Operating income (loss)	(30,477)	(22,834)	(971)	(3,606)	(1,720)	8,189	26,800	44,934	38,503	42,954
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	25,858	27,051	12,427	4,769	13,126	15,877	27,673	28,952	23,831	24,724
Interest expense	(48,419)	(59,581)	(54,414)	(53,995)	(55,310)	(59,325)	(61,925)	(60,282)	(57,491)	(46,344)
Other income (loss)	4,540	2,715	346	-	-	33	595	410	666	-
Transfers to County's General Fund	-	(12,692)	(15,513)	(26,034)	(26,850)	(22,180)	(17,312)	(15,369)	(16,026)	(19,197)
Income (loss) before contributions and transfers	(48,498)	(65,341)	(58,125)	(78,866)	(70,754)	(57,406)	(24,169)	(1,355)	(10,517)	2,137
Capital contributions	41,003	55,919	38,647	28,691	29,774	36,009	32,375	-	-	-
Transfer (from) to reserves	4,584	40,720	9,454	32,305	40,272	18,414	15,432	(6,134)	(16,622)	26,765
Increase (decrease) in net assets	\$ (2,911)	31,298	(10,024)	(17,870)	(708)	(2,983)	23,638	(7,489)	(27,139)	28,902

Water and Wastewater System Rates

Last Ten Fiscal Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>WATER RATES:</i>										
Lifeline (first 3,750 gallons)	\$					5.02	5.02	5.02	5.02	5.02
Base rate (meter size)										
5/8"	3.20	3.20	3.20	3.20	3.00					
1"	8.22	7.87	7.15	7.15	6.75					
1.5"	12.82	12.27	11.15	11.15	10.50					
2"	27.42	26.24	23.85	23.85	22.50					
3"	58.51	55.99	50.90	50.90	48.00					
4"	91.39	87.45	79.50	79.50	75.00					
6"	146.22	139.92	127.20	127.20	120.00					
8"	255.88	244.86	222.60	222.60	210.00					
10"	548.31	524.70	447.00	447.00	450.00					
12"	1,035.70	991.10	901.00	901.00	850.00					
14"	1,949.55	1,865.60	1,696.00	1,696.00	1,600.00					
16"	3,655.41	3,498.00	3,180.00	3,180.00	3,000.00					
Composite rate (revenues / flows)										
	2.24	2.20	1.97	1.97	1.73	1.77	1.93	1.95	1.98	1.87
<i>WASTEWATER RATES:</i>										
Base rate (per 1,000 gallons)										
	3.25	3.25	3.25	3.25	3.00	4.04	4.04	4.04	4.04	4.04
Composite rate (revenues / flows)										
	3.54	3.47	3.04	3.05	2.83	2.81	3.16	3.18	2.96	2.86

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

Water Usage

Last Ten Fiscal Years

(millions of gallons)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>WATER PUMPED:</i>										
Water treatment plants:										
Alexander Orr, Jr.	61,118	64,242	63,929	64,546	61,774	59,953	60,187	61,603	61,074	61,636
John E. Preston	29,456	32,602	31,367	29,715	28,453	29,631	27,939	33,207	33,507	32,414
Hialeah	25,573	25,926	26,154	27,555	30,204	27,238	26,317	26,016	26,000	25,920
Interim plants	2,407	2,380	2,580	2,433	2,483	2,484	2,406	2,439	2,429	2,222
Purchased water	538	493	1,767	2,000	2,340	2,026	2,136	2,233	2,057	1,972
Total water pumped	119,092	125,643	125,797	126,249	125,254	121,332	118,985	125,498	125,067	124,164
<i>WATER SOLD:</i>										
Wholesale:										
Hialeah	8,228	8,616	8,685	7,730	8,454	8,742	8,384	8,950	8,931	8,989
Miami Beach	7,931	8,107	7,898	7,994	7,802	7,456	7,853	8,714	8,102	7,901
North Miami Beach	2,588	3,888	4,633	4,652	4,450	4,411	4,350	5,368	5,232	5,232
North Miami	1,827	1,775	1,534	1,602	1,536	1,612	1,862	1,917	2,096	1,890
Opa-Locka	946	1,031	994	960	954	1,001	1,030	1,206	1,214	1,253
Miami Springs	870	704	758	1,016	906	918	852	918	953	882
Hialeah Gardens	703	716	713	655	619	687	741	669	590	690
Bal Harbour	462	476	526	552	564	542	522	596	592	550
Medley	433	496	488	577	506	434	441	528	630	430
Bay Harbor Islands	366	394	418	435	415	405	351	382	375	382
Surfside	371	395	385	369	349	336	328	341	342	348
North Bay Village	322	360	359	375	356	452	450	471	480	475
West Miami	267	300	284	283	286	292	280	285	267	243
Indian Creek Village	146	165	143	156	138	138	131	156	158	165
Virginia Gardens	60	77	44	10	14	8	10	11	55	105
Total wholesale	25,520	27,500	27,862	27,366	27,349	27,434	27,585	30,512	30,017	29,535
Retail	67,302	71,674	70,114	70,033	71,891	68,679	64,383	68,541	67,454	66,560
Total water sold	92,822	99,174	97,976	97,399	99,240	96,113	91,968	99,053	97,471	96,095
Non - account water	26,270	26,469	27,821	28,850	26,014	25,219	27,017	26,445	27,596	28,069
Non - account water as a percentage of total water pumped	22.06%	21.07%	22.12%	22.85%	20.77%	20.79%	22.71%	21.07%	22.06%	22.61%
Unaccounted for water as a percentage of total water pumped	6.20%	6.21%	10.56%	8.34%	6.45%	5.10%	6.23%	6.41%	11.02%	8.86%

Wastewater Treatment

Last Ten Fiscal Years

(millions of gallons)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>WASTEWATER PLANT FLOWS:</i>										
North District Plant	34,200	33,969	33,113	31,105	33,679	35,970	36,463	34,988	36,468	35,042
Central District Plant	40,469	40,866	44,705	41,968	39,847	44,581	44,061	44,858	44,017	46,766
South District Plant	33,257	33,214	34,491	30,409	34,446	35,149	33,479	32,398	33,041	29,817
Total wastewater plant flows	107,926	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625
<i>WASTEWATER TREATED:</i>										
Wholesale:										
Miami Beach	8,611	8,653	8,721	7,862	8,906	9,301	8,942	9,361	9,675	9,196
Hialeah	7,699	8,770	10,955	10,342	9,247	10,328	10,825	11,074	11,430	13,438
North Miami	3,764	3,963	4,080	3,885	4,025	4,116	4,032	4,071	4,057	3,608
Opa-Locka	1,389	1,121	783	711	706	1,101	2,287	1,135	1,204	1,267
Miami Springs	1,272	1,210	1,422	1,010	998	1,205	1,477	1,328	1,030	1,480
Coral Gables	1,199	1,334	1,956	2,503	2,724	2,537	2,031	1,844	2,370	1,991
North Miami Beach	799	806	812	888	994	1,125	1,141	1,208	1,171	1,194
Hialeah Gardens	612	596	542	144	443	197	94	137	166	147
Medley	601	689	667	862	742	628	469	514	536	469
Homestead	502	193	162	17	39	97	5	1	237	440
Florida City	462	457	420	416	376	367	317	255	216	173
Homestead Air Force Base ⁽¹⁾	168	114	236	357	209	197	280	241	188	-
West Miami	130	174	177	138	177	188	198	187	189	194
Total wholesale	27,208	28,080	30,933	29,135	29,586	31,387	32,098	31,356	32,469	33,597
Retail	50,609	53,020	52,261	51,682	52,757	50,619	45,862	47,862	50,445	51,440
Unaccounted for wastewater	30,109	26,949	29,115	22,665	25,629	33,694	36,043	33,026	30,612	26,588
Total wastewater treated	107,926	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526	111,625
Unaccounted for wastewater as a percentage of total wastewater treated	27.90%	24.94%	25.92%	21.90%	23.74%	29.12%	31.62%	29.42%	26.96%	23.82%
<i>ANNUAL RAINFALL (inches):⁽²⁾</i>	58.4	67.0	65.4	60.0	68.1	73.1	79.7	54.4	59.0	66.7

⁽¹⁾ Classified as retail customer in fiscal years 1998 through 1999.

⁽²⁾ 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)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Net operating revenues	\$ 117,993	147,429	133,581	152,660	143,711	157,235	180,404	210,501	193,144	181,191
Investment earnings ⁽¹⁾	32,170	19,324	13,781	3,489	18,923	19,337	38,989	31,489	23,678	24,232
Net transfers from (to) Rate Stabilization Fund	-	-	11,238	23,136	48,941	22,640	(16,000)	(12,000)	(37,000)	4,588
Net revenues available for debt service	\$ 150,163	166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011
Debt service requirements ⁽²⁾	\$ 113,291	110,848	104,123	114,196	115,629	115,654	115,632	114,976	102,501	99,802
Actual coverage	1.33	1.50	1.52	1.57	1.83	1.72	1.76	2.00	1.75	2.10
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	\$ 150,163	166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011
Less: Maximum principal and interest ⁽³⁾	124,620	121,933	115,032	115,272	115,629	115,654	115,653	115,654	115,654	108,184
Adjusted net revenues	\$ 25,543	44,820	43,568	64,013	95,946	83,558	87,740	114,336	64,168	101,827
Debt service and reserve requirements ⁽⁴⁾	\$ 11,563	15,328	15,205	14,053	15,348	13,129	11,641	10,349	9,997	8,717
Actual coverage	2.21	2.92	2.87	4.56	6.25	6.36	7.54	11.05	6.42	11.68
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	\$ 150,163	166,753	158,600	179,285	211,575	199,212	203,393	229,990	179,822	210,011
Less: revenue required for primary debt service coverage ⁽⁵⁾	124,620	121,933	114,536	125,615	127,192	127,219	127,195	126,473	112,751	108,184
Adjusted net revenues	\$ 25,543	44,820	44,064	53,670	84,383	71,993	76,198	103,517	67,071	101,827
Debt service requirements ⁽⁶⁾	\$ 11,563	15,328	15,205	13,966	14,870	12,417	10,782	10,252	9,490	8,717
Actual coverage	2.21	2.92	2.90	3.84	5.67	5.80	7.07	10.10	7.07	11.68
Required coverage	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

⁽¹⁾ Excludes interest income from Construction Fund.

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

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

⁽⁴⁾ Represents debt service and reserve requirements on subordinate obligations.

⁽⁵⁾ Represents 110% of primary debt service requirements.

⁽⁶⁾ Represents debt service requirements on outstanding State Revolving Fund Loans for such fiscal year.

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(in thousands)

Fiscal Year	Revenue Bonds	Loans	Notes	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
2007	1,431,595	117,776	-	1,549,371	2.06

Customer Statistics

Largest System Customers Current Year and Nine Years Ago October 2006 - September 2007

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$8,724	4.6 %
City of Hialeah	8,009	4.2
City of North Miami Beach	2,847	1.5
Dade County Aviation	2,500	1.3
City of North Miami	2,009	1.1
City of Opa Locka	1,041	0.5
Florida Power & Light Company	945	0.5
City of Miami Springs	846	0.4
Hialeah Gardens	773	0.4
Bal Harbour	582	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Miami Beach	\$15,029	6.3 %
City of Hialeah	13,378	5.6
City of North Miami	6,583	2.8
City of Opa Locka	2,395	1.0
City of Miami Springs	2,236	0.9
City of Homestead	2,127	0.9
City of Coral Gables	2,105	0.9
Dade County Aviation	1,576	0.7
City of North Miami Beach	1,406	0.6
Hialeah Gardens	1,069	0.4

October 1997 - September 1998

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$6,079	3.8 %
City of Hialeah	5,961	3.7
City of North Miami Beach	4,448	2.8
Dade County Aviation	2,304	1.4
City of North Miami	1,607	1.0
City of Opa Locka	964	0.6
Florida Power & Light Company	687	0.4
City of Miami Springs	585	0.4
Hialeah Gardens	531	0.3
Bal Harbour	423	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$22,440	10.6 %
City of Miami Beach	15,256	7.2
City of North Miami	6,020	2.8
City of Coral Gables	3,336	1.6
Dade County Aviation	2,858	1.4
City of Miami Springs	2,470	1.2
City of Opa Locka	2,098	1.0
City of North Miami Beach	1,979	0.9
City of Medley	788	0.4
City of Homestead	733	0.3

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

<u>Year</u>	<u>Number of Customers</u>		Ratio of Wastewater Customers to Water Customers
	<u>Water</u>	<u>Wastewater</u>	
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
2007	416,620	334,426	80.3

Population

Population Miami-Dade County, Florida Selected Years 1900-2007

<u>Year</u>	<u>Annual Resident Population</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
1900	4,955	-	-
1910	11,933	6,978	9.2 %
1920	42,752	30,819	13.6
1930	142,955	100,203	12.8
1940	267,739	124,784	6.5
1950	495,084	227,345	6.3
1960	935,047	439,963	6.5
1970	1,267,792	332,745	3.1
1980	1,625,781	357,989	2.5
1990	1,967,000	341,219	1.9
2000	2,253,485	286,485	1.4
2001	2,283,319	29,834	1.3
2002	2,313,047	29,728	1.3
2003	2,342,739	29,692	1.3
2004	2,372,418	29,679	1.3
2005	2,402,105	29,687	1.3
2006	2,431,819	29,714	1.2
2007	2,461,577	29,758	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
1995-2006**

Calendar Year	<u>Number of Permits Issued</u>		Value of Permits Issued
	Single Family <u>Houses</u>	Multi-family <u>Buildings</u>	Residential Construction (in thousands)
1995	7,364	7,425	\$1,213,966
1996	3,802	2,749	540,183
1997	5,146	4,592	817,140
1998	5,354	5,556	921,813
1999	6,669	7,018	1,064,119
2000	5,988	6,477	1,198,164
2001	6,829	7,168	1,291,357
2002	6,374	8,219	1,313,869
2003	8,740	6,793	1,697,337
2004	9,499	13,251	2,565,383
2005	9,918	16,198	3,750,203
2006	6,548	13,469	3,323,113

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

Construction Activity

Construction Activity Miami-Dade County, Florida 1996-2007

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
2007	288	295,413	2,404	315,586

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

Principal Employers

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

2007			Percentage of
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	Total County <u>Employment</u>
Miami-Dade County Public Schools	50,000	1	4.19 %
Miami-Dade County	32,000	2	2.68
U.S. Federal Government	19,800	3	1.66
Florida State Government	16,200	4	1.36
Baptist Health Systems	11,257	5	0.94
Publix Super Markets	11,000	6	0.92
University of Miami	10,170	7	0.85
Jackson Health Systems	10,000	8	0.84
American Airlines	9,000	9	0.75
United Parcel Service	6,123	10	0.51
Miami-Dade College	6,004	11	0.50
Precision Response Corporation	6,000	12	0.50
Bellsouth Corporation - Florida	5,500	13	0.46
Winn-Dixie Stores	4,833	14	0.41
City of Miami	<u>4,297</u>	15	<u>0.36</u>
Total	<u>202,184</u>		<u>16.96 %</u>

1998			Percentage of
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	Total County <u>Employment</u>
Miami-Dade County Public Schools	32,789	1	2.97 %
Miami-Dade County	28,000	2	2.54
Florida State Government	17,700	3	1.61
U.S. Federal Government	17,600	4	1.60
American Airlines	9,304	5	0.84
University of Miami	7,574	6	0.69
Jackson Health Systems	7,216	7	0.65
Miami-Dade College	5,700	8	0.52
Baptist Health Systems	5,285	9	0.48
Bellsouth Corporation - Florida	<u>5,200</u>	10	<u>0.47</u>
Total	<u>136,368</u>		<u>12.37%</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>
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
2007	3.6%	1,192,231

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

Employees by Identifiable Activity

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>WATER:</i>										
Water Distribution	202	205	214	220	212	213	205	196	192	195
Pump Station Maintenance	196	192	194	200	202	206	197	205	229	232
Water Production	98	89	92	95	91	95	93	90	92	97
<i>SEWER</i>										
Sewer Collection	182	184	184	185	185	179	185	184	173	184
Plant Maintenance	315	323	320	329	328	325	318	330	330	337
Wastewater Treatment	161	158	155	160	165	160	140	141	148	158
<i>ENGINEERING</i>										
Engineering	148	152	149	150	152	154	139	141	147	155
<i>ADMINISTRATION</i>										
Office of Director	32	29	28	21	15	15	16	17	7	10
Office of Deputy Director of Operations	12	11	10	9	-	-	-	-	-	-
Office of Assistant Director of Engineering	2	3	2	2	34	32	29	32	2	2
Office of Assistant Director of Finance	26	27	14	15	27	27	21	22	8	8
Office of Assistant Director of Administration	158	158	155	149	121	116	113	115	156	161
Office of Assistant Director of Water	151	147	147	156	174	169	163	147	124	125
Office of Assistant Director of Wastewater	3	2	1	-	2	2	2	-	2	2
Office of Assistant Director of Planning, Innovation and Compliance	43	52	51	47	-	-	-	-	23	25
Attorney's Office	3	3	4	4	4	4	4	4	4	4
Controller	125	127	128	132	132	128	122	111	125	130
Data Processing	69	62	62	62	65	63	64	57	64	66
Customer Service	258	261	271	275	237	236	238	227	262	261
Utilities Development	95	101	97	101	91	90	91	93	80	84
General Maintenance	140	133	138	124	131	129	123	117	60	65
Program Management	8	-	-	-	-	-	-	-	-	-
Total	2,427	2,419	2,416	2,436	2,368	2,343	2,263	2,229	2,228	2,301

Capital Indicators

Last 10 fiscal years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<i>WATER:</i>										
Water mains ⁽¹⁾ (miles)	5,624	5,575	5,519	5,426	5,421					
Water treatment plants	8	8	8	8	8	8	8	8	8	8
Permitted water treatment capacity (million gallons per day)	452	452	452	452	452	452	452	452	452	452
Water supply wells	100	97	92	92						
<i>WASTEWATER:</i>										
Sanitary sewers ⁽¹⁾ (miles)	3,919	3,858	3,803	3,724	3,722					
Wastewater treatment plants	3	3	3	3	3	3	3	3	3	3
Permitted wastewater treatment capacity (million gallons per day)	368	341	353	353	353	353	353	368	368	368
Wastewater pump stations	992	986	976	967	956	947	935	930	925	917

⁽¹⁾ Does not include laterals.

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Miami-Dade
Water and Sewer
Department
A Department of
Miami-Dade County, Florida

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



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