



Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2008
Prepared by: Controller Division and Public Affairs Section



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VISION STATEMENT

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

MISSION STATEMENT

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



Delivering Excellence Every Day

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Table of Contents

INTRODUCTORY SECTION

Board of County Commissioners	4
Transmittal Letters	5
Organizational Chart	26

FINANCIAL SECTION

Report of Independent

Certified Public Accountants	28
Management's Discussion and Analysis	30

Financial Statements

Balance Sheets	34
Statements of Revenues, Expenses and Changes in Net Assets	36
Statements of Cash Flows	37
Notes to Financial Statements	39
Required Supplementary Information	56

Supplementary Financial Data

Water System

Balance Sheets	58
Schedules of Revenues, Expenses and Changes in Net Assets	60
Schedules of Cash Flows	61
Schedule of Operating and Maintenance Expenses	63

Wastewater System

Balance Sheets	64
Schedules of Revenues, Expenses and Changes in Net Assets	66
Schedules of Cash Flows	67
Schedule of Operating and Maintenance Expenses	69

STATISTICAL SECTION

Net Assets

by Components - Last Ten Fiscal Years	73
--	----

Combined Water and Sewer

Schedule of Revenues

and Expenses - Last Ten Fiscal Years	74
---	----

Water System Schedule of Revenues

and Expenses - Last Ten Fiscal Years	75
---	----

Wastewater System Schedule of

Revenues and Expenses - Last Ten Fiscal Years ..	76
---	----

Water and Wastewater

System Rates - Last Ten Fiscal Years	77
---	----

Water Usage - Last Ten Fiscal Years	78
--	----

Wastewater Treatment - Last Ten Fiscal Years ..	79
--	----

Debt Service Coverage - Last Ten Fiscal Years ..	80
---	----

Ratio of Outstanding

Debt by Type - Last Ten Fiscal Years	81
---	----

Customer Statistics - Largest System

<i>Customers</i>	82
------------------------	----

Customer Statistics - Number of Customers	83
--	----

Population	84
-------------------------	----

Building Permits	85
-------------------------------	----

Construction Activity	86
------------------------------------	----

Principal Employers	87
----------------------------------	----

Economic Statistics	88
----------------------------------	----

Employees by Identifiable Activity	89
---	----

Capital Indicators	90
---------------------------------	----

Insurance in Force	91
---------------------------------	----

MIAMI-DADE COUNTY

Carlos Alvarez
Mayor



BOARD OF COUNTY COMMISSIONERS

Dennis C. Moss
Chairman

José “Pepe” Díaz
Vice Chairman

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

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March 31, 2009

Honorable Carlos Alvarez, Mayor
Honorable Dennis C. Moss, 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, 2008 (FY 08) 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.

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

The Department's water system, considered the largest water utility in the Southeast United States, serves approximately 418,000 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 7,490 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 and treatment plants; reduction of transmission main pressure during periods of critical water shortage; brochures and public information mailed with bills giving advice on water conservation; rebate programs designed to improve the efficient use of water by retrofitting older fixtures; and using wastewater treatment plant effluent for process water, cleanup and landscape irrigation.

The wastewater system serves approximately 336,000 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 1,035 sewage pump stations and nearly 6,169 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 from the North District Plant and the Central District Plant into the Atlantic Ocean, this position has since been revised by the State where, during 2008, legislation was passed mandating a phase out of all ocean outfall flows in an effort to terminate this process. The South District Plant disposes of its effluent through deep injection wells to the Lower 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, but only one of these wells 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 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 \$5,885,000 for 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.

LOCAL ECONOMY

The Miami-Dade County economy has experienced a slowdown following the effects of the same adverse economic conditions driving the national economy. Energy prices soared to record levels in the third quarter of 2008 negatively impacting consumer spending and greatly accelerating the economic downturn. Although energy prices retreated considerably in the latter part of the year, they get a share of the blame for causing the national economy to decline steeply and bringing on a recession. Nonetheless, the nation still managed to continue its positive trend on the growth of real gross domestic product (GPD), but at a slower pace than the level reported in the previous year, advancing at an estimated annual rate of 1.9% over the fiscal year. The effects of the recession were felt throughout the County's economy as most of the leading economic indicators closed with poor performance and some indications for concern in the year to come. The only positive developments were in the areas of international trade and to some extent the visitor industry.

The two engines powering the Miami-Dade's economy, the visitor industry and national and international trade and commerce, displayed, for the most part, healthy increases during FY 08 and, in fact, in some measures, reaching all time highs. Although, on the domestic front, there was a modest expansion of the economy, sustained robust growth in the global economy, particularly in Europe and South America, coupled with relatively strong currencies against the dollar, continued to positively impact the number of visitors and the volume of exports. However, these activities were simply not sufficient to maintain the positive economic momentum going forward.

Total employment growth was virtually

flat and the unemployment rate climbed significantly higher. Despite the losses in total employment, increases in the number of businesses topped the 2007 level, as they recorded a gain of about 2,600 new establishments during the FY 08, up by 3.1 percent. Trying to cope with job losses, more unemployed people are entering self-employment, which might explain the higher number of business establishments. At the same time, the median family income was reported at \$49,200, representing an increase of \$4,000 or 8.8 percent from prior year.

After a year of mostly disappointing results, the economic outlook for FY 09 is on track for another year of constrained expectations for Miami-Dade County with prospects most likely on the downside. FY 09 is foreseen as a year of low expectations for the Miami-Dade County economy and its most vital industries, including trade, transportation, tourism, and real estate. Given the current recession and the negative economic forces weighing on consumers and businesses, it would take time for a meaningful recovery to occur. Assuming that, even in the best-case scenario, a turnaround of the economy takes place sometime in the second half of the year, the Miami-Dade economy will in all likelihood perform at a level appreciably lower than in the previous year.



LONG-TERM FINANCIAL PLANNING

As part of the FY 09 adopted budget, a retail water and wastewater rate adjustment was approved utilizing a Maintenance Index of 5.2% 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 2009-10 through FY 2011-12. The County Budget Ordinance also increased the rate to water wholesale customers, other miscellaneous fees and charges, and slightly decreased wastewater wholesale rates effective October 1, 2008.

The Department's current five year capital improvement plan is projected to be \$4.8 billion. Of this amount, the Department expects to finance \$2.6 billion through future bond issues.

major initiatives

WATER SYSTEM **20-Year Water Use Permit (WUP)**

Perhaps one of the biggest accomplishments ever in the Department's history came about during FY 08. On November 15, 2007, the Governing Board of the South Florida Water Management District (SFWMD) approved the Department's consolidated application for a 20-year Water Use Permit. The Permit allows the Department to draw an allocation of 347 million gallons per day (MGD) of drinking water from the Biscayne Aquifer, the County's primary source, through 2027.

Prior to this approval, permits from SFWMD had been issued for five years. The new Permit allows the Department to plan for water needs over a longer time horizon.

The Permit does come with several conditions, chief among them is the requirement that the Department develop alternative water supply sources in addition to the Biscayne Aquifer to cover the County's future water demands above the 347 MGD allocation. To that end, the Department has already begun planning for, and using, a number of alternative water supply sources.

Water-Use Efficiency Plan

Unanimously approved by the Board of County Commissioners during FY 06, the Department's Water-Use Efficiency Five-Year Plan (the 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. In FY 07, the Plan was expanded to cover a period of 20 years, as part of the 20-year Water Use Permit application.

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

Coming up during the next fiscal year is the Automated Meter Reading (AMR) pilot test project. A great deal of the groundwork for AMR was performed during FY 08. AMR involves the use of electronic devices that read water and other meters automatically. The Department's AMR pilot system, which was installed in 1,000 homes shortly after the end of FY 08—includes transmitters to convey data from individual meters to a central database housed by WASD. Some of the benefits of using AMR include reduced costs due to a decrease in the need for meter readers, and the ability to identify

leaks in a customer's property much sooner than the current 90-day billing cycle allows.

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.

Currently, 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.

Moving forward, 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:

- ◆ Construction of the South District Water Reclamation Plant which will recharge the Biscayne Aquifer and the regional water system in the vicinity of the Miami Metrozoo;
- ◆ Providing public access quality reclaimed water for irrigation projects at the Crandon Golf Course and the Village of Key Biscayne;
- ◆ Providing highly reclaimed water for the rehydration of Biscayne Bay Coastal Wetlands;
- ◆ Construction of the West District Water Reclamation Plant in western Miami-Dade, which will recharge the Biscayne Aquifer and the regional water system.

The Department is also nearing an agreement to provide reclaimed water for cooling at Florida Power and Light's Turkey Point power plant in south Miami-Dade.

Floridan Aquifer

The Department, in cooperation with the City of Hialeah, is working on the design and construction of a new reverse-osmosis (RO) Water Treatment Plant in Hialeah. The plant will be supplied solely with water from the Floridan Aquifer, a source that is deeper than the Biscayne Aquifer and is brackish. The RO plant is expected to produce 10 MGD of drinking water by 2011.

Aquifer Storage and Recovery (ASR)

Although not now specified as an allocation in the WUP, the WUP does allow for use of 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. 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 ultraviolet (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 Heights Water Treatment Plant

The first stages of construction began in FY 04 with the completion of the perimeter wall and other sections of the exterior and the surroundings of the Department's newest water treatment plant. Installation of traffic lights and turn lanes comprising the entranceway into the facility began in FY 05. The raw water transmission mains that will serve the plant from its future wellfields were completed early during FY 08. 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.

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 outside of the wellfield protection area, with highly treated reclaimed water, thereby mitigating any impacts on regional water supplies. The plant is expected to begin operation in 2012.

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 Supervisory Control and Data Acquisition System (SCADA) devices, in order to allow remote monitoring and collection of pumping data from the Department's wells.

Miami Springs Transfer

By the end of FY 08, the City of Miami Springs transferred its water and sewer utilities to Miami-Dade County. Until the transfer was complete, the City of Miami Springs had been one of the Department's wholesale customers. This transfer is the first such transaction the Department has participated in since the 1980's.

The transfer brings more than 4,000 new retail customers to the Department. The transfer was authorized by both the City of Miami Springs City Council and the Miami-Dade County Board of County Commissioners.

As part of the transfer, the Department added three employees from the City of Miami Springs, and it will make a number of system improvements over the next several years.

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 approximately 22 acres of land surrounding the wellfields and is continuing to pursue the acquisition of more property in the area. The Department is in the process of sending offer letters to the remaining owners. The land purchase will increase the protection area around the wellfield to the current 60-day line.

Regulatory Compliance/Water Groundwater Under the 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 to 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 08 exceeded \$4.6 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 (the "Plan"), 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 prerequisite to qualify for 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 more than 20%. Projecting these reductions system-wide will result in substantial savings while complying with the peak flow requirements of the EPA SFPCD.

Florida Outfall Legislation

In 2008, the Legislature passed and the Governor signed Senate Bill 1302, which requires that the six ocean outfalls used to dispose of treated wastewater along the southeast coast of Florida be abandoned by 2025 and that at least 60% of the water formerly being discharged be further treated and reused. The Department operates two of these ocean outfalls.

The legislation requires the Department to submit a plan to the FDEP by July 2013, describing how the outfalls will be removed from use for wastewater disposal. The areas served by the North and Central District Wastewater Plants that utilize these outfalls are highly developed, and the collection system has been designed to move wastewater from the west to the east towards these very large plants.

This legislation will require a complete change in the Department's wastewater collection system, which has more than 6,169 miles of pipe and 1,035 pump stations. It will also require substantial changes in the treatment process to make the reclaimed water suitable for either irrigation, power plant cooling, or ground water replenishment to enhance the Everglades water management system.

The capital costs associated with all of these changes is expected to exceed \$4 billion, including planning, design, land acquisition, and construction. The legislation also commits the State to providing financial assistance to this program.

Injection Wells Consent Order and High-Level Disinfection

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

Under the CO, the Department is to treat wastewater at the SDWWTP to a higher level than the current secondary treatment. Wastewater at the SDWWTP will undergo an additional treatment process, known as High Level Disinfection (HLD). This process will add filtration and disinfection with chlorine to wastewater before it is disposed of via the SDWWTP's deep injection wells. Ultimately, the HLD facilities will be part of a larger system that will enable the Department to reuse all of the average daily wastewater flows to the SDWWTP.

Ground was broken and construction began on the new HLD facility during FY 08. In addition to the aforementioned HLD treatment process, the construction program at SDWWTP, which is broken down into 14 separate projects, will also expand the plant's peak flow treatment capacity to 285 MGD from 225 MGD.

The HLD projects are among the largest, most ambitious capital projects ever done by the Department. The projects are expected to cost approximately \$628 million and take five and a half years to complete. Thus far, the Department's progress has been excellent on

the HLD projects and it is currently ahead of the contract schedule and under budget.

During this fiscal year, the Department completed, on or ahead of schedule, 30 milestones associated with this CO.

Related to the Consent Order, on March 8, 2007, the FDEP 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.

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 08 has not incurred any penalties for not completing tasks within deadlines. More than 1,589 milestones have been completed satisfactorily as prescribed by these enforcement actions on, or ahead of, schedule.

In February 2008, the Department completed the Rainfall Dependent Peak Flow Management Study. A report of the results was submitted in May 2008, in compliance with the Second and Final Partial Consent Order (SFPCO).

The CD/SA program is divided into three major subprograms: 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 First Partial Consent Decree (FPCD).

Pump Station Improvement Program

The Pump Station Improvement Program (PSIP) was created to evaluate and improve the operation and transmission capacity of the 1,035 wastewater pump stations the Miami-Dade Water and Sewer Department owns and/or operates. Projects include sewer pump station refurbishing, installation of new pumps, electrical upgrades and the installation of new force mains. To date, 608 pump station projects and 217 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 32 million feet (6,169 miles) of sewage collection mains and laterals.

As part of the Department's various sewage collection system inspection and maintenance activities during FY 08, more than 1.17 million feet of sewer lines were evaluated. Additionally, more than 3 million feet of sewer lines were cleaned as part of regular maintenance. Other repairs, maintenance and inspections of the sewage collection system

during FY 08 include the replacement of 634 laterals; 147 gravity and force main repairs; 6,887 manhole repairs; 85 valve repairs; smoke testing of 932,948 feet of gravity mains; evaluation of 675,719 feet of sanitary sewer lines located within a wellfield cone of influence; and inspection of 5,357 manholes.

Of the repair total, 8,261 were made within a wellfield cone of influence area, as required by the County's Wellfield Protection Program.

In addition to repairs and inspections, 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 were used to develop the final Peak Flow Management Study Report, which was submitted by May 8, 2008 in accordance with the Second Final and Partial Consent Decree (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. The wastewater model was used to develop the Peak Flow Management Study Report submitted to the EPA.

Efficiency Program

The Department has been a leader and a model for implementing innovative employee ideas resulting in significant cost savings to the Department and, in turn, to customers. POWER (Partnership Optimizing WASD's Efficiency and Reengineering), the Department's efficiency program, has completed its tenth year of operations. The POWER program began in 1998 when the Department's management and employee unions joined forces to empower the Department's employees to innovate and implement efficiency initiatives. An estimated total of \$32 million in savings has been achieved over the life of the program. During FY 08, Department employees implemented 20 efficiency projects, resulting in approximately \$3.675 million in estimated savings.

POWER has been recognized as a model program by Miami-Dade County and several organizations, including the National Association of Counties; the Association of Metropolitan 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.

An employee of the Department's New Customer Division was recognized at the County's Employee Suggestion Program (ESP) Ceremony on June 8, 2008. He received First Runner-Up for the ESP Grand Award for his suggestion of Sewage System Capacity Evaluations, which saved \$128,667. In addition to the cost savings, his idea has prevented costly spillage clean-ups, fines, and additional system upgrading costs.

The Department was also actively involved in several Sterling Performance Excellence initiatives during FY 08, including cascading the Department's performance measurement system

to division and section levels in the County's Active Strategy Enterprise strategic planning and management system, and development of an Employee Satisfaction Survey. The Employee Satisfaction Survey, which was deployed to all employees, will be useful in obtaining feedback from employees on measuring satisfaction levels, identifying gaps and making improvements.

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. 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 appropriate

staff 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

On September 18, 2008, the Board of County Commissioners approved the County Budget Ordinance, which included the adoption of the FY 2008-09 Resource Allocation Plan, to become effective October 1, 2008. The Resource Allocation Plan will utilize a Maintenance Index of 5.2% for the average water and sewer residential customer. The Board also adopted various rate structures changes to residential, multi-family dwelling and non-residential retail revenue customers to more equitably distribute the recovery of fixed costs. Additionally, a SFWMD water restriction surcharge was adopted to incentivize water conservation by penalizing large volume users in accordance with SFWMD strategies.

Wholesale rates were also adjusted by the Board, which adopted a "True-Up" Methodology to provide actual cost recovery from wholesale customers while eliminating the smoothing mechanism previously in effect. Additionally, starting in FY 2008-09 the transmission credit to the City of Hialeah will be phased-out during a 5-year period.

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 continued through FY 08. Future projects include water and wastewater main installations; pump station rehabilitation projects; reclaimed water facilities and infrastructure; and partial funding for a reverse osmosis water treatment plant in Hialeah.

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

The Customer Information System

The Department made the following changes or modifications to its Customer Information System (CIS) during FY 08:

- ◆ Incorporated City of Miami Springs accounts into the CIS.
- ◆ Implemented a new rate structure for all accounts in the CIS.
- ◆ Assisted in the AMI/MDM (Automated Meter Reading) analysis for a pilot project of 1,000 accounts.
- ◆ Successfully changed out the Itron FS3 handheld meter reading units to the G5.

The Enterprise Asset Management System (EAMS)

During FY 08, the Department initiated implementation of the Infor EAMS software to track maintenance on the Department's assets.

The Department's implementation of EAMS is a multi-year project, spanning 34 months and divided into three tracks or phases.

In FY 08 the system standards and asset hierarchies were developed, and a change management program was defined. Areas of the Department that completed business process designs and system configuration during Track 1 include: Procurement & Stores; Emergency Communications; Fleet Management; and Pump Station Maintenance. 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 implemented an automated Plant Monthly Operating Reports (MORS) system for water production at the Alexander Orr, Jr. Water Treatment Plant during FY 08. MORS offers streamlined data collection and it automates water plant readings required for monthly reporting to regulatory agencies, including Laboratory Information System readings. This process is currently done manually at the Department's two other water treatment plants.

When MORS is fully implemented at all three of the Department's water treatment plants during early FY 2008-2009, this system is expected to save WASD approximately \$413,000 annually.

Geographic Information System (GIS) and Applications

The Department's GIS and its related applications are used Department-wide in a variety of ways. During FY 08 a number of improvements and useful new applications were deployed.

The Water Allocation Portal, which keeps track of water supplies allotted to various retail and wholesale customers, was completed. Additionally, the Department started working with municipal wholesale customers to receive information monthly from their respective permits and local business tax receipts, in order to track project continuity and terminate water reservations if conditions are not met. The Water Allocation Portal allows management to ensure the Department meets Water Use Permit requirements.

The Permit Database System (PDS) was enhanced with new features that will allow all the Department's divisions to track their permits

in one system and receive email notification that a permit is about to expire, based on conditions defined by the user. A web-viewer version of PDS was also deployed, allowing all Department employees to query any permit easily.

The New Business Reporting Portal was launched. This system allows staff from the Department's New Customer Division to choose from a list of key reports, based on user-defined criteria, to process new customer requests effectively, improve quality controls and facilitate management requests. Users can choose from more than 20 custom reports and letters.

The GIS Migration Project began during FY 07 and continued through FY 08. This major undertaking involves migrating the Department's existing GIS into an Enterprise multi-user Geodatabase environment, creating data maintenance applications and browser-based GIS applications to replace and enhance the Department's current GIS applications environment. An additional GIS initiative was started to complete a backlog of approximately 3,000 donations and system betterment projects missing from the existing GIS. This initiative and the Migration Project are essential for the successful implementation of EAMS.

Supervisory Control and Data Acquisition System (SCADA)

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 SCADA system is at the heart of this capability and is one of the largest of its kind in the country.

The SCADA system, which is particularly important in cases of emergency operations and as a tool in meeting requirements of the

CD/SA program, has allowed workers in the Department's 24-hour emergency call center to continuously oversee the operations at its pump stations. It has also allowed water and wastewater treatment plant operators to manage plant functions from remote control panels, providing an increased level of efficiency.

Of the 1,035 wastewater pump stations the Department owns and/or operates, 997 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, and all 98 production wells have flow meters installed with SCADA monitoring for compliance with SFWMD regulations.

During the previous fiscal year additional large plant Remote Terminal Units (RTU) were added to the SDWWTP and the Alexander Orr Water Treatment Plant SCADA systems; RTUs were added to the remaining water and wastewater treatment plants during FY 08.

Voice Over Internet Protocol (VoIP) Telecommunications Technology

Voiceover 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 08, the Department expanded its implementation of VoIP to include the LeJeune and South Miami Heights facilities. This adds to 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; which had VoIP installed in prior years.

Enterprise Resource Planning and Web Technologies

In December 2007, the Department launched eReview, an electronic review service for development and construction projects. The eReview system allows pre-registered customers to submit plans electronically to the Department for review and approval. Reviews, markups, and changes can be conducted electronically, improving efficiency.

A custom Budget Application for the Department's ERP system was developed and put into use in January 2008. The system is completely integrated with ERP and provides staff the ability to upload data from spreadsheets, justify budget requests and track budget revisions.

In order to become more environmentally friendly, the Department began to encourage and track environmentally preferred purchases (EPP). The ERP system was modified to identify both inventory items and one-time purchases that would qualify as EPP. When staff enters a requisition into ERP, the system displays a message reminding employees to think "green."

The Department implemented a new correspondence tracking feature for items that come from the Mayor's Office, the County Commissioners, the County Manager's Office and customers. The new system provides a secured central repository for all pertinent requests, email notification of assignments, and follow-up due dates.

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. So the Department, after undertaking an extensive review, selected Meridian Proliance to track, monitor and control its CIP.

To better serve the needs of users, some key interfaces to ERP were developed into the PCTS. All detailed cost transactions, contractor payment information and vendor contact info are supplied from ERP to PCTS.

PCTS was put to use on the HLD construction project. Modules include meeting minutes, daily work journals and Requests For Information.

Community Outreach

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

This fiscal year saw the beginning of a major effort to provide public outreach on the 20-year Water Use Permit granted by SFWMD to the Department. The Water Use Permit Communications plan implemented by the Department included radio and newspaper advertising; presentations before various audiences (including community councils, homeowners associations and business groups); outreach to media via news releases and story ideas; articles written by Department staff and published in local newspapers; and articles in the Department's own newsletters.

The Department continued its growing outreach efforts to Miami-Dade County's sizable Hispanic community during FY 08. The Department conducted appearances on a number of Spanish-language radio shows, advocating for water reclamation 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), which won an award in FY 08. The CCR for this fiscal year was printed in the form of a booklet, incorporating information in both English and Spanish. The CCR was mailed out by itself, allowing it to include more important information than past issues which were limited in order to fit into the Department's billing envelopes.

Customer Service

A number of customer service improvements were made during FY 08.

The Department's Interactive Voice Response (IVR) unit was upgraded to better serve customers without having to transfer them to a representative. For example, customers can request a two-week payment extension through the IVR, without having to wait for a representative.

Related to the IVR upgrade, the Symposium Call Center Management System (CCMS) was also upgraded. The upgrade permits the Department to better route and manage customer calls, resulting in shorter call waiting times for customers.

The Department also implemented an automated outbound call pilot project to remind customers automatically to pay their late water bills before service is disconnected for non-payment. The Department plans to implement the system fully after analysis of the results of the pilot.

Wholesale Agreements

As one of the 20-year Water Use Permit conditions, the Department sought 20-year wholesale contracts with its 14 municipal water customers. By the end of FY 08, 13 of the Department's wholesale customers had indeed signed 20-year contracts for water service.

Finance

This past year has seen sweeping changes in the financial markets. The impact to government finance was primarily to variable rate issuers who saw the market dry up. As a result of this liquidity crisis in the financial markets, the Department was forced to address its two variable rate bond issues during calendar year 2008.

Refunding of Dade County, Florida Water and Sewer System Revenue Bonds, Series 1994

The Department refunded the Series 1994 bonds, which had been sold as variable rate bonds and terminated the related variable to fixed rate swap which had produced a fixed rate of 5.28% on the Series 1994 bonds. The effect of this refunding was to permanently eliminate this variable rate exposure. Payment of a swap termination payment was necessary and funded through the sale of bonds and other available revenues, and savings from the new lower interest rate of 4.29%. In all, the financial impact of this refunding and swap termination was to remove any further interest rate risk from the bonds with a net increase in debt service costs of approximately \$1 up to \$2 million annually.

Additionally, at year end the Department began working to refund the remaining variable

rate debt, the *Dade County, Florida Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005*.

This refunding and termination of the related swap was completed in November 2008. At that time, market interest was not as strong and the rate on the new bonds was 5.72% with the termination payment funded from legally available funds of the Department.

Imposed water restrictions continued to play havoc with the Department's revenues and yet, the Department, through prudent cost savings combined with support from the Board of County Commissioners, was able to maintain its bond ratings from all three rating agencies for both refundings.

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 FY 08 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):

	2008	2007	2006
Operating Revenues	\$437,476	\$428,620	\$440,315
Operating Expenses	321,964	310,627	292,886

CAPITAL IMPROVEMENTS

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

	2008	2007	2006
Water	\$50,575	\$57,470	\$29,997
Wastewater	111,324	53,102	51,115

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):

	2008	2007	2006
Average portfolio balance	\$629,934	\$689,202	\$705,444
Average investment yield	3.8%	5.2%	4.2%
Interest earned on investments	\$24,264	\$35,860	\$29,390

RISK MANAGEMENT

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

other information

INDEPENDENT AUDIT

The accompanying financial statements have been audited by the Department's independent auditors 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, 2007. 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 26 fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and are submitting it to GFOA.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Miami-Dade Water and Sewer Department
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



President

Executive Director

2008 Blue Pencil Award from the National Association of Government Communicators (NAGC)

The Department's 2006 Water Quality Report won a Blue Pencil Award from NAGC. The report won in the category of "Most Improved Publication." NAGC's Blue Pencil & Gold Screen Awards program is an annual international awards program recognizing superior government communication products and those who produce them.

2008 Engineering Excellence "Diamond" Award from the American Council of Engineering Companies of New York (ACEC)

Miami-Dade's Water Reuse Feasibility Study won a 2008 Engineering Excellence Award from ACEC New York. The Diamond Award—the highest given by ACEC New York—was presented to Ecology and Environment Engineering, P.C., the firm that prepared the study for the Department. The award was presented "for Excellence in the Category of Studies, Research and Consulting Engineering Services."

The 2007 National Association of Clean Water Agencies' (NACWA) Peak Performance Awards

In 2007, the Department's CDWWTP won a Gold Peak Performance Award from NACWA. 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.

The Gold Award honors treatment works that have achieved 100 percent compliance with their NPDES permit for an entire calendar year. Since 1997, at least one of the Department's wastewater treatment facilities has won either a Gold or Silver Peak Performance Award from NACWA every 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.



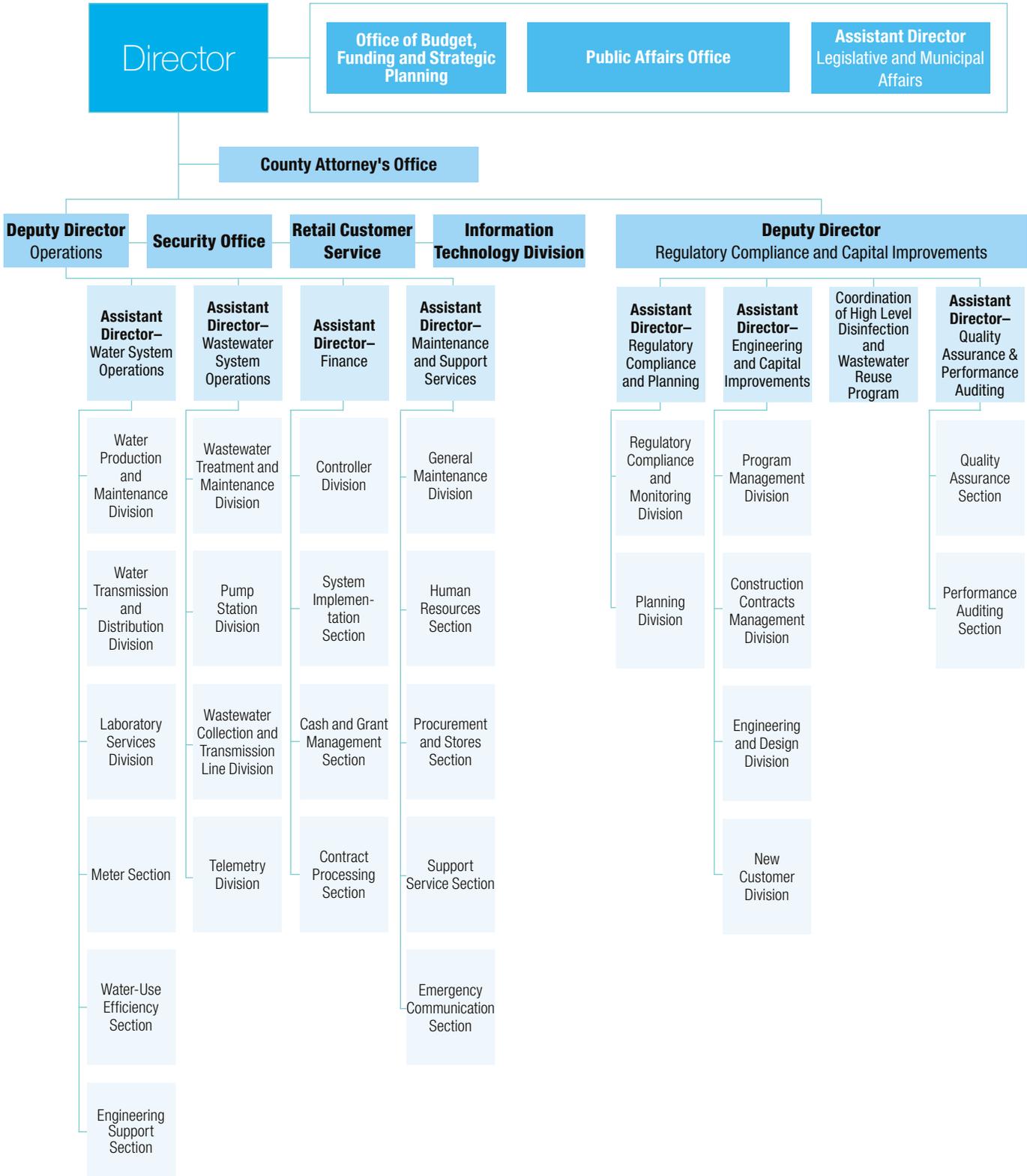
John W. Renfrow, P.E.
Director

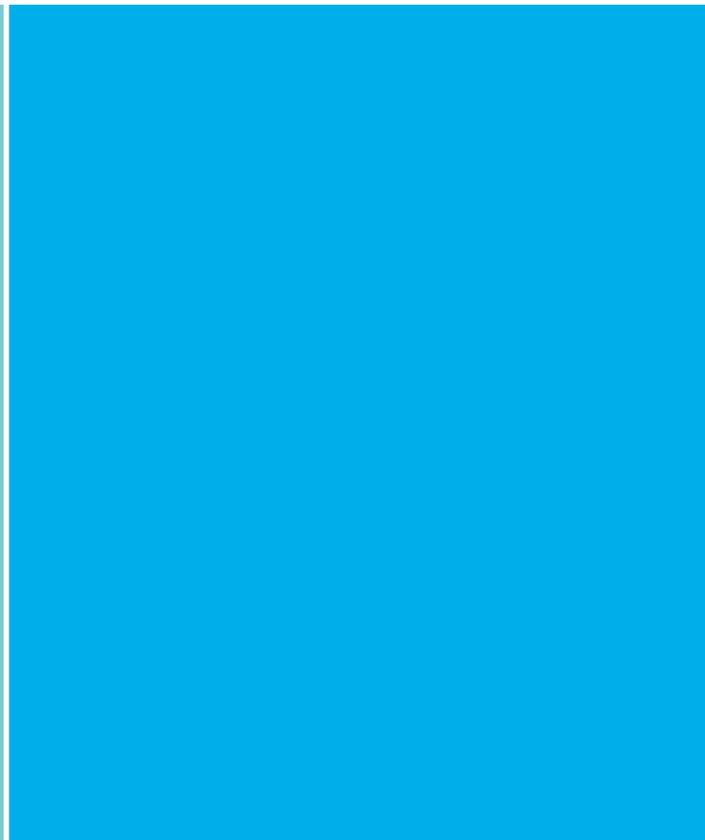
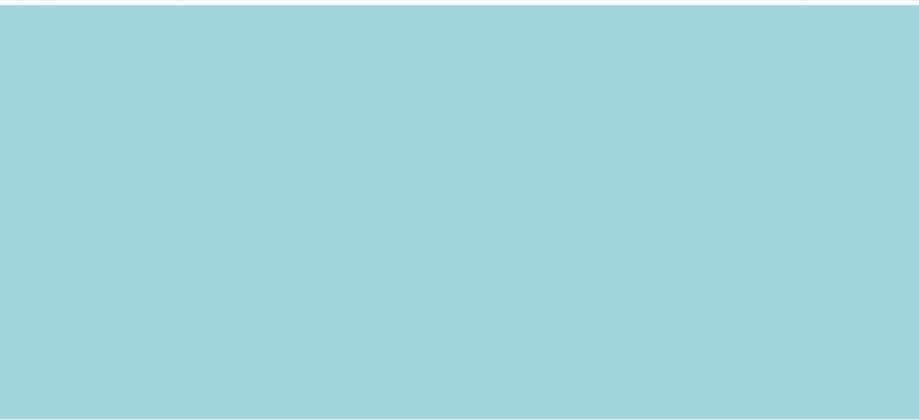


Diane A. Camacho, C.P.A.
Assistant Director - Finance

organizational chart

Office of the Director





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 business-type activities and each major fund 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, 2008 and 2007 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.

As discussed in Note 1, the financial statements referred to above are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities and each major fund of the County that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida as of September 30, 2008 and 2007, 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 respective financial position of the business-type activities and each major fund of the Department as of September 30, 2008 and 2007, and the respective changes in 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 March 5, 2009, 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 audits.

Management's Discussion and Analysis on pages 30 through 33, is not a required part of the basic 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 taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rachlin LLP

Miami, Florida
March 5, 2009

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, 2008. 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, 2008, 2007 and 2006 is shown below. Total net assets as of September 30, 2008, were approximately \$2.1 billion. The Department's total net assets decreased by \$13.9 million, or by 0.6%, from prior year. The decrease is primarily due to a decrease in interest income. In 2007, net assets increased by \$36.2 million, or by 1.7% from the prior year. The increase is primarily due to the elimination by the Board of County Commissioners of an annual general fund transfer combined with the addition of new rock mining revenue. The unrestricted portion of net assets (available to meet ongoing and future obligations of the Department) increased by of \$63.1 million, or 2.2%, in 2008. In 2007, unrestricted net assets had a decrease of \$12.0 million, or 0.4%.

Operating and maintenance expenses increased by \$11.3 million, or by 3.6%, in 2008, and increased by \$17.7 million, or by 6.1%, in 2007. The 2008 and 2007 increases are due primarily to increased level of employee compensation with related fringe benefits and security service.

Management's Discussion & Analysis

	(in thousands)		
<u>SUMMARY OF NET ASSETS</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 931,644	\$ 975,807	\$ 990,916
Capital Assets, net	<u>2,974,603</u>	<u>2,918,944</u>	<u>2,910,939</u>
Total Assets	<u>3,906,247</u>	<u>3,894,751</u>	<u>3,901,855</u>
Long-term Liabilities	1,567,009	1,556,720	1,602,718
Other liabilities	<u>199,739</u>	<u>184,610</u>	<u>181,902</u>
Total Liabilities	<u>1,766,748</u>	<u>1,741,330</u>	<u>1,784,620</u>
Net Assets:			
Invested in capital assets, net of debt	1,396,153	1,402,138	1,438,567
Restricted	<u>397,803</u>	<u>468,819</u>	<u>384,233</u>
Unrestricted	<u>345,543</u>	<u>282,464</u>	<u>294,435</u>
Total Net Assets	<u>\$2,139,499</u>	<u>\$2,153,421</u>	<u>\$2,117,235</u>
<u>SUMMARY OF CHANGES IN NET ASSETS</u>			
Water operating revenues	\$ 190,544	\$ 190,710	\$ 198,162
Wastewater operating revenues	246,932	237,910	242,153
Interest Income	28,489	43,347	48,892
Other nonoperating revenues	<u>40,406</u>	<u>57,984</u>	<u>55,538</u>
Total revenues	<u>506,371</u>	<u>529,951</u>	<u>544,745</u>
Water source of supply	12,006	6,710	5,381
Water power and pumping	2,134	2,593	3,274
Water purification	61,317	55,925	56,164
Water transmission and distribution	26,528	25,747	23,081
Wastewater collection system	19,293	19,965	18,111
Wastewater pumping	30,656	32,054	30,331
Wastewater treatment	67,902	66,006	62,360
Customer accounting	7,026	8,724	5,121
Customer service	18,880	18,875	17,853
General and Administrative	76,222	74,028	71,210
Depreciation	154,881	158,691	184,820
Interest expense	66,320	63,507	68,905
Other nonoperating expenses	3,889	1,370	8,804
Transfers to County's General Fund	-	-	22,868
Total expenses	<u>547,054</u>	<u>534,195</u>	<u>578,283</u>
Loss before contributions	(40,683)	(4,244)	(33,538)
Capital Contributions	<u>26,761</u>	<u>40,430</u>	<u>42,089</u>
Increase (Decrease) in net assets	<u>(13,922)</u>	<u>36,186</u>	<u>8,551</u>
Net assets at beginning of year	<u>2,153,421</u>	<u>2,117,235</u>	<u>2,108,684</u>
Net assets at end of year	<u>\$2,139,499</u>	<u>\$2,153,421</u>	<u>\$2,117,235</u>

CAPITAL ASSETS

The following table summarizes the Department's capital assets, net of accumulated depreciation, for the fiscal years ended September 30, 2008, 2007 and 2006 (in thousands). Total capital assets increased by \$55.7 million, or 1.9%, in 2008. This increase is due to capital additions, net of plant retirements of \$198.5 million, offset by \$142.9 million net increase in accumulated depreciation. Total capital assets increased by \$8.0 million, or 0.3%, in 2007. This increase was due to capital additions, net of plant retire-

Management's Discussion & Analysis

ments of \$155.5 million, offset by \$147.5 million net increase in accumulated depreciation. Additional information on changes in capital assets can be found in Note 4 to the financial statements on page 44.

	(in thousands)		
	2008	2007	2006
Land	\$ 37,671	\$ 38,274	\$ 35,420
Structures and improvements	2,280,524	2,225,145	2,210,262
Equipment	229,937	251,515	274,760
Construction work in progress	426,471	404,010	390,497
Total capital assets	<u>\$2,974,603</u>	<u>\$2,918,944</u>	<u>\$2,910,939</u>

This year's major expenditures in capital assets included:

Water projects:

- Transmission mains, meters and services (\$22.3 million)
- Wellfields (\$8.1 million)
- Treatment facilities (\$4.1 million)
- Pumping facilities (\$0.8 million)
- System wide improvements (2.3 million)

Wastewater projects:

- Treatment facilities (\$53.2 million)
- Infiltration and inflow reduction program (\$10.4 million)
- Force mains (\$9.3 million)
- Pump stations (\$6.2 million)
- Gravity mains and services (\$6.0 million)
- System wide improvements (\$7.2 million)

Budgeted capital expenditures for fiscal year 2009 amount to \$245.1 million and include \$100.8 million in water projects and \$144.3 million in wastewater projects.

LONG-TERM DEBT

Long-term debt outstanding (including current portion) at September 30, 2008, 2007 and 2006 is presented in the following table (in thousands). The year 2008 shows an increase of \$10.7 million from the previous year, and 2007 shows a decrease of \$39.9 from 2006.

	(in thousands)		
	2008	2007	2006
Revenue Bonds	\$1,452,127	\$1,431,595	\$1,464,162
State Loan Obligations	107,943	117,776	124,940
Notes payable	-	-	140
Total long-term debt	<u>\$1,560,070</u>	<u>\$1,549,371</u>	<u>\$1,589,242</u>

During 2007, no draws were made on state revolving fund commitments. Current long-term debt maturities were met in the amount of \$49.1 million. Additional long-term debt details can be found in Note 5 on pages 44-49 of this report.

Management's Discussion & Analysis

In July 2008, the Department issued \$68.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2008A and \$374.6 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008B. The Series 2008B Series Bonds were issued to refund all of the Dade County Water and Sewer System Revenue Bonds, Series 1994.

The Series 2008A Bonds were issued to terminate the Interest Rate Swap Agreement associated with the Series 1994 Bonds.

The Department also terminated an Interest Rate Swap Option associated with the 2007 Bonds at no cost to either party.

The Department is required to maintain rates and charges sufficient to meet two tiers of debt service coverage requirements. First, adjusted annual net operating revenues must equal or exceed 110 percent of the debt service on senior lien revenue bonds. The Department met the primary debt coverage for the year with a ratio of 1.27 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 subordinate state loan obligations. The Department met the secondary debt service coverage with a ratio of 1.47 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>2008</u>	<u>2007</u>
			(In thousands)
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	24,487	\$ 5,137
Investments		55,327	82,483
Accounts receivable (net of allowance for uncollectible accounts of \$24.4 million in 2008 and \$25.4 million in 2007)		89,176	98,095
Inventory of materials and supplies		29,433	26,720
Other current assets		-	10
Restricted cash and cash equivalents		<u>109,633</u>	<u>96,059</u>
Total current assets		<u>308,056</u>	<u>308,504</u>
 <i>NONCURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents		9,926	94,719
Investments		514,561	551,352
Contracts receivable		<u>25</u>	<u>30</u>
Total restricted assets		<u>524,512</u>	<u>646,101</u>
 <i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		19,844	15,029
Other deferred charges, net		<u>79,232</u>	<u>6,173</u>
Total other assets		<u>99,076</u>	<u>21,202</u>
 <i>CAPITAL ASSETS:</i>			
Land		37,671	38,274
Structures and improvements		3,523,644	3,360,231
Equipment		<u>836,258</u>	<u>823,017</u>
Utility plant in service before depreciation		4,397,573	4,221,522
Less accumulated depreciation		<u>(1,849,441)</u>	<u>(1,706,588)</u>
Net utility plant in service		2,548,132	2,514,934
Construction work in progress		<u>426,471</u>	<u>404,010</u>
Total capital assets		<u>2,974,603</u>	<u>2,918,944</u>
Total noncurrent assets		<u>3,598,191</u>	<u>3,586,247</u>
Total assets		<u>\$ 3,906,247</u>	<u>\$ 3,894,751</u>

(Continued)

Balance Sheets

(Continued)	September 30,	<u>2008</u>	<u>2007</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		\$ 41,265	\$ 43,805
Customer and developer deposits		20,834	22,303
Current portion of long-term debt		6,955	6,671
Rebatable arbitrage earnings		1,505	1,061
Liability for compensated absences		11,688	10,341
Other liabilities		<u>7,860</u>	<u>4,257</u>
Total current liabilities (payable from unrestricted current assets)		<u>90,107</u>	<u>88,438</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		27,274	17,722
Retainage payable		5,401	2,574
Current portion of long-term debt		43,468	42,455
Accrued interest payable		30,277	29,443
Liability for self-insurance		<u>3,212</u>	<u>3,978</u>
Total current liabilities (payable from restricted current assets)		<u>109,632</u>	<u>96,172</u>
Total current liabilities		<u>199,739</u>	<u>184,610</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,411,891	1,392,360
State loan obligations, net		97,756	107,885
Liability for self-insurance		2,185	1,842
Liability for compensated absences		23,919	22,698
Liability other post-employment benefits		1,098	-
Deferred revenues		<u>30,160</u>	<u>31,935</u>
Total noncurrent liabilities		<u>1,567,009</u>	<u>1,556,720</u>
Total liabilities		<u>1,766,748</u>	<u>1,741,330</u>
NET ASSETS			
Invested in capital assets, net of related debt		1,396,153	1,402,138
Restricted for:			
Capital projects		286,036	341,704
Debt service		111,767	127,115
Unrestricted		<u>345,543</u>	<u>282,464</u>
Total net assets		<u>2,139,499</u>	<u>2,153,421</u>
Total liabilities and net assets		<u>\$ 3,906,247</u>	<u>\$ 3,894,751</u>

Statements of Revenues, Expenses, and Changes in Net Assets

	For the years ended September 30,	<u>2008</u>	<u>2007</u>
		(In thousands)	
<i>OPERATING REVENUES:</i>			
Water		\$ 190,544	\$ 190,710
Wastewater		<u>246,932</u>	<u>237,910</u>
Total operating revenues		<u>437,476</u>	<u>428,620</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>			
Water source of supply		12,006	6,710
Water power and pumping		2,134	2,593
Water purification		61,317	55,925
Water transmission and distribution		26,528	25,747
Wastewater collection system		19,293	19,965
Wastewater pumping		30,656	32,054
Wastewater treatment		67,902	66,006
Customer accounting		7,026	8,724
Customer service		18,880	18,875
General and administrative		<u>76,222</u>	<u>74,028</u>
Total operating and maintenance expenses		<u>321,964</u>	<u>310,627</u>
Operating income before depreciation		115,512	117,993
<i>DEPRECIATION</i>		<u>154,881</u>	<u>158,691</u>
Operating loss		(39,369)	(40,698)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>			
Interest income		28,489	43,347
Interest expense		(66,320)	(63,507)
Amortization of debt issue costs		(2,278)	(1,003)
Operating grants		103	-
Customer connection fees		32,327	38,649
Other revenues		7,976	19,335
Other expenses		<u>(1,611)</u>	<u>(367)</u>
Loss before contributions		(40,683)	(4,244)
Capital contributions		<u>26,761</u>	<u>40,430</u>
(Decrease) Increase in net assets		(13,922)	36,186
Net assets at beginning of year		<u>2,153,421</u>	<u>2,117,235</u>
Net assets at end of year		<u>\$ 2,139,499</u>	<u>\$ 2,153,421</u>

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

Statements of Cash Flows

For the years ended September 30,	<u>2008</u>	<u>2007</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 482,456	\$ 479,206
Cash paid to suppliers for goods and services	(137,682)	(147,180)
Cash paid to employees for services	<u>(180,582)</u>	<u>(159,787)</u>
Net cash provided by operating activities	<u>164,192</u>	<u>172,239</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	<u>103</u>	<u>-</u>
Net cash used in non-capital financing activities	<u>103</u>	<u>-</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	442,855	346,727
Principal payments - bonds, loans and notes	(464,228)	(398,401)
Swap termination payment	24,464	15,399
Proceeds from swap agreements	(73,600)	-
Interest paid	(76,781)	(83,946)
Proceeds from sale of property, plant and equipment	347	444
Acquisition and construction of capital assets	<u>(162,104)</u>	<u>(114,580)</u>
Net cash used in capital and related financing activities	<u>(309,047)</u>	<u>(234,357)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(1,006,987)	(922,474)
Proceeds from sale and maturity of investment securities	1,065,697	981,586
Interest on investments	<u>34,173</u>	<u>43,108</u>
Net cash provided by investing activities	<u>92,883</u>	<u>102,220</u>
Net (decrease) increase in cash and cash equivalents	<u>(51,869)</u>	40,102
Cash and cash equivalents at beginning of year	<u>195,915</u>	<u>155,813</u>
Cash and cash equivalents at end of year	<u>\$ 144,046</u>	<u>\$ 195,915</u>

(Continued)

Statements of Cash Flows

(Continued)	For the years ended September 30,	<u>2008</u>	<u>2007</u>
			(In thousands)
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (39,369)	\$ (40,698)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		154,881	158,691
Provision for uncollectible accounts		1,458	3,364
Amortization of deferred charges		1,878	-
Amortization of deferred revenues		(1,775)	(1,775)
Non-operating other, net		38,692	57,805
(Increase) decrease in assets:			
Accounts receivable		7,962	(6,241)
Inventory of materials and supplies		(2,713)	(1,185)
Other current assets		10	761
Other deferred charges		329	(536)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(2,539)	(1,163)
Customer and developer deposits		(1,469)	493
Liability for compensated absences		2,568	2,190
Other liabilities		3,602	(402)
Liability for other post-employment benefits		1,098	-
Liability for self-insurance		(421)	935
Net cash provided by operating activities		<u>\$ 164,192</u>	<u>\$ 172,239</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$26.7 million and \$40.4 million in fiscal years 2008 and 2007, respectively.

The change in the fair value of investments were \$0.5 million and \$1.0 million decrease in fiscal years 2008 and 2007, respectively.

\$68.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2008A were issued to fund a \$74.4 million termination payment for the AIG Swap related to the Series 1994 Bonds.

\$374.6 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008B were issued to refund \$415.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1994.

	<u>2008</u>	<u>2007</u>
		(In thousands)
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 24,487	\$ 5,137
Restricted Current Cash and Cash Equivalents	109,633	96,059
Restricted Noncurrent Cash and Cash Equivalents	<u>9,926</u>	<u>94,719</u>
Total cash and cash equivalents at end of year	<u>\$ 144,046</u>	<u>\$ 195,915</u>

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

Notes to Financial Statements

SEPTEMBER 30, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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.

BASIS OF ACCOUNTING

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 \$29.5 million and \$27.2 million as of September 30, 2008 and 2007, 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 3.6% and 3.8% for the fiscal years ended September 30, 2008 and 2007, re-

Notes to Financial Statements

spectively. The Department utilizes the single-unit straight-line depreciation method with normal retirements charged to accumulated depreciation, and no gain or loss is recognized on retirements. Assets with a change in estimated life are depreciated based on net book value over the remaining life of the asset. Estimated useful lives of capital assets in service are as follows:

	<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

Total depreciation expense for the fiscal years ended September 30, 2008 and 2007 was \$155 million and \$159 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 or decrease 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.

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.

INVENTORY

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

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, 2008 and 2007 was \$76.0 million and \$70.0 million, respectively. Of these amounts, \$9.6 million and \$6.5 million were capitalized in fiscal years 2008 and 2007, respectively, net of interest earned on construction funds from tax-exempt borrowings of \$2.9 million and \$14.3 million in fiscal years 2008 and 2007, 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. Bond issuance costs are capitalized and amortized over the life of the bonds in a manner similar to discounts and premiums.

CAPITAL CONTRIBUTIONS

Effective October 1, 2000, the Department adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which re-

Notes to Financial Statements

quires 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 has been 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 2007 financial statements have been modified to conform with the fiscal year 2008 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 \$7.4 million and -\$1.3 million as of September 30, 2008 and 2007, respectively. The bank balances at local depositories were \$23.3 million and \$7.7 million as of September 30, 2008 and 2007, respectively, consisting of demand deposit accounts only. All deposits are fully insured by Federal Depository Insurance and a multiple financial institution collateral pool required by Chapter 280 Florida Statutes, “Florida Security for Public Deposits Act”. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with a State-approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Cash on hand and cash held by other parties as of September 30, 2008 was approximately \$7,735,076.

Notes to Financial Statements

INVESTMENTS

The Department's investments at September 30, 2008, are shown in the following table (in thousands).

	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$ 41,971
Federal Home Loan Bank	219,967
Federal Farm Credit Bank	111,232
Federal National Mortgage Association	92,094
Time Deposits	784
Treasury Notes	88,361
Commercial Paper	110,279
Guaranteed Investment Contracts:	
AIGMF	<u>33,705</u>
Total investments	<u>\$ 698,393</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 banks, or savings associations organized under the laws of the United States with an office in this state that is authorized to receive deposits, and has deposit insurance under the provisions of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interests in, 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, 2008.

	<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
Time Deposits	N/A
Treasury Notes	N/A
Commercial Paper	A1/P1

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

CUSTODIAL CREDIT RISK

The Policy requires that bank deposits be secured per Chapter 280, Florida Statutes. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2008 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 ac-

Notes to Financial Statements

count 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% 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, 2008 the following issuers held 5% or more of the investment portfolio:

	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	6.31
Federal Home Loan Bank	33.09
Federal Farm Credit Bank	16.73
Federal National Mortgage Association	13.76

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 one year.

Investments for bond reserves, construction funds and other non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of five years.

As of September 30, 2008 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	0.88
Federal Home Loan Bank	0.61
Federal Farm Credit Bank	1.47
Federal National Mortgage Association	0.75
Time Deposits	0.34
Treasury Notes	11.13
Commercial Paper	0.11

FOREIGN CURRENCY RISK

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

3. RESTRICTED ASSETS

Certain bond ordinances and loan agreements require the Department to establish accounts to be used in accounting for proceeds and collateral pledged as a result of the various issues of debt. In many cases, the applicable ordinances refer to the restricted accounts as "funds". Such accounts are not "funds" as defined by the National Council on Governmental Accounting (*NCGA Statement No. 1: Governmental Accounting and Financial Reporting Principles*) and, therefore, are not funds for financial reporting purposes, but are maintained as separate accounts. Restricted assets at September 30, 2008 and 2007 are presented in the following table (in thousands):

	<u>2008</u>	<u>2007</u>
Restricted Assets		
Debt Service	\$146,163	\$162,075
Construction	116,709	218,530
Renewal and Replacement	94,019	135,935
Plant Expansion	177,284	155,815
Self-Insurance	5,397	5,820
Other	94,573	63,985
Total Assets	<u>\$634,145</u>	<u>\$742,160</u>

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity during fiscal years 2007 and 2008 was as follows (in thousands):

	Balance 9/30/06	2007		Balance 9/30/07	2008		Balance 09/30/08
		Additions	Deletions		Additions	Deletions	
Capital assets, not being depreciated:							
Land	\$ 35,420	\$ 2,854	\$ -	\$ 38,274	\$ 136	\$ (739)	\$ 37,671
Construction work in progress	390,497	127,570	(114,057)	404,010	183,860	(161,399)	426,471
Total capital assets, not being depreciated	425,917	130,424	(114,057)	442,284	183,996	(162,138)	464,142
Capital assets, being depreciated:							
Structures and improvements	3,239,628	124,158	(3,555)	3,360,231	165,751	(2,338)	3,523,644
Equipment	804,456	26,626	(8,065)	823,017	23,010	(9,769)	836,258
Total capital assets, being depreciated	4,044,084	150,784	(11,620)	4,183,248	188,761	(12,107)	4,359,902
Less accumulated depreciation:							
Structures and improvements	(1,029,366)	(109,275)	3,555	(1,135,086)	(110,371)	2,337	(1,243,120)
Equipment	(529,696)	(49,759)	7,953	(571,502)	(44,712)	9,893	(606,321)
Total accumulated depreciation	(1,559,062)	(159,034)	11,508	(1,706,588)	(155,083)	12,230	(1,849,441)
Total capital assets, being depreciated, net	2,485,022	(8,250)	(112)	2,476,660	33,678	123	2,510,461
Total capital assets, net	\$ 2,910,939	\$122,174	\$ (114,169)	\$ 2,918,944	\$ 217,674	\$(162,015)	\$2,974,603

5. LONG-TERM DEBT

Long-term debt includes various bonds and loans which have been issued or approved by the County for the improvement of the Department's water and wastewater infrastructure, and defeasance of outstanding debt. General covenants, along with debt service requirements, are disclosed below. See Note 3, Restricted Assets, for a discussion of the accounts used in accounting for proceeds and collateral pledged as a result of the issuance of the various forms of debt.

The Department's debt instruments contain various covenants and restrictions, which among other things, (1) prohibit the Department from taking any action that could jeopardize its tax-exempt status, and (2) require the Department to meet certain financial tests. Management believes that the Department was in compliance with all such covenants and restrictions at September 30, 2008.

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. On July 15, 2008, \$374.6 million of Miami-Dade County, Florida Water and Sewer

System Revenue Refunding Bonds, Series 2008B were issued to refund all of the remaining Series 1994 Bonds.

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 2008.

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

Notes to Financial Statements

CHANGES IN LONG-TERM LIABILITIES

A summary of the long-term liability activity during fiscal years 2007 and 2008 is presented in the following table (dollars in thousands):

Description	Outstanding Rate	Balance 09/30/06	2007		Balance 09/30/07	2008		Balance 09/30/08	Due in 2009
			Additions	Reductions		Additions	Reductions		
<i>Dade County Revenue Bonds</i>									
Series 1994	Variable*	\$ 416,940	\$ -	\$ 865	\$ 416,075	\$ -	\$ 416,075	\$ -	\$ -
Series 1995	4.10%-6.25%	26,640	-	3,795	22,845	-	4,030	18,815	4,285
Series 1997	4.50%-6.25%	389,540	-	361,605	27,935	-	8,790	19,145	9,335
Series 1999A	5.00%	150,000	-	-	150,000	-	-	150,000	-
Series 2003	2.00%-5.00%	217,565	-	22,795	194,770	-	25,500	169,270	26,425
Series 2005	Variable*	295,240	-	-	295,240	-	-	295,240	-
Series 2007	4.00%-5.00%	-	344,690	-	344,690	-	-	344,690	190
Series 2008A & B	3.25%-5.25%	-	-	-	-	442,855	-	442,855	-
Less: Unamortized Discount		(13,780)	-	(10,318)	(3,462)	-	(749)	(2,713)	-
Deferred amounts on refunding		(30,289)	(18,187)	(3,151)	(45,325)	(1,395)	(4,068)	(42,652)	-
Plus: Unamortized Premium		12,306	18,279	1,758	28,827	31,940	3,290	57,477	-
Total revenue bonds		\$ 1,464,162	\$ 344,782	\$ 377,349	\$ 1,431,595	\$ 473,400	\$ 452,868	\$ 1,452,127	\$ 40,235
<i>State Loan Obligations</i>									
State Revolving Fund	2.56%-4.17%	124,940	2,037	9,202	117,776	-	9,833	107,943	10,186
<i>Notes Payable</i>									
City of North Miami	6.00%	140	-	140	-	-	-	-	-
Total long-term debt		\$ 1,589,242	\$ 346,819	\$ 386,691	\$ 1,549,371	\$ 473,400	\$ 462,701	\$ 1,560,070	\$ 50,421
<i>Other liabilities</i>									
Compensated absences		30,849	11,653	9,463	33,039	12,909	10,341	35,607	11,688
Self-insurance		4,885	1,544	609	5,820	3,555	3,978	5,397	3,212
Other post-employment benefits		-	-	-	-	1,098	-	1,098	-
Deferred revenues		33,709	-	1,774	31,935	-	1,775	30,160	-
Total long-term liabilities		\$ 1,658,685	\$ 360,016	\$ 398,537	\$ 1,620,165	\$ 490,962	\$ 478,795	\$ 1,632,332	\$ 65,321

* Variable rates range from 2.95%-10.00% and 1.24%-8.40% for Series 1994 and Series 2005, respectively.

DEBT SERVICE REQUIREMENTS

As of September 30, 2008, 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	
2009	\$ 40,235	\$ 64,425	\$ 1,129	\$ 10,186	\$ 3,284	\$ 50,421	\$ 67,709	\$ 1,129	\$ 119,259
2010	44,955	69,071	1,405	10,515	2,955	55,470	72,026	1,405	128,901
2011	47,035	66,995	1,698	10,855	2,616	57,890	69,611	1,698	129,199
2012	49,175	64,854	2,010	11,205	2,265	60,380	67,119	2,010	129,509
2013	51,490	62,541	2,321	9,455	1,903	60,945	64,444	2,321	127,710
2014-2018	297,430	272,699	9,699	38,207	5,479	335,637	278,178	9,699	623,514
2019-2023	382,360	187,778	6,030	17,121	1,242	399,481	189,020	6,030	594,531
2024-2028	424,915	76,704	(146)	399	9	425,314	76,713	(146)	501,881
2029-2030	102,420	5,184	(3,055)	-	-	102,420	5,184	(3,055)	104,549
	\$ 1,440,015	\$ 870,251	\$ 21,091	\$ 107,943	\$ 19,753	\$ 1,547,958	\$ 890,004	\$ 21,091	\$ 2,459,053
Unamortized Discount, Deferred & Premium Amounts	12,112	-	-	-	-	12,112	-	-	12,112
Total	\$ 1,452,127	\$ 870,251	\$ 21,091	\$ 107,943	\$ 19,753	\$ 1,560,070	\$ 890,004	\$ 21,091	\$ 2,471,165

Notes to Financial Statements

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 2008.

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 2008.

MIAMI-DADE COUNTY REVENUE BONDS, SERIES 2003

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

The Series 2003 Refunding Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 through the year 2013 with semi-annual interest due on April 1 and October 1 of each year. Net revenue requirements of at least 1.10 times the current year's debt service requirements were met in fiscal year 2008.

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 2008.

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 2008.

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

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

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

Notes to Financial Statements

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

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

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

Although the refunding resulted in a deferred charge of \$1.4 million, the Department reduced its aggregate debt service payments by \$13.7 million.

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, 2008 are detailed in the following table (in thousands). Related payments of principal and interest are due through the year 2024.

<u>Loan #</u>	<u>Draws</u>	<u>Closed out Date</u>
375310	\$ 45,906	06/07/99
377400	36,402	06/07/99
377450	27,831	05/18/01
377470	11,959	08/21/00
377490	3,098	05/02/01
377500	25,874	12/01/03
377650	2,618	08/08/03
377670	3,604	10/27/03
377860	4,253	09/20/06
377870	4,979	09/20/06
37788P	3,252	09/27/04
37789A	845	08/01/07
37789L	2,891	09/26/06
300010	39,534	08/04/08
300080	<u>4,691</u>	04/28/03
	<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 2008.

NOTES PAYABLE

Outstanding notes payable as of September 30, 2007 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 three interest rate swap agreements related to the various revenue bonds issued by the Department. The fair value of a swap is determined at September 30, 2008 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 anticipate 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 June 15, 2008, Merrill Lynch Capital Services, Inc. exercised their option to terminate a fixed to variable rate swap option with a notional amount of \$215 million with respect to the Series 2007 Bonds at no cost to either party.

On July 15, 2008, the Department issued fixed rate bonds refunding the Water and Sewer System Revenue Bonds, Series 1994, which were issued as variable rate bonds. The Series 1994 Bonds were associated with a variable to fixed rate swap agreement with AIG Financial Products Corporation, which effectively fixed the rate on the variable rate bonds at 5.28% plus liquidity and remarketing costs. With the refunding of all outstanding obligations of the Series 1994 Bonds by the issuance of the fixed rate debt, the Series 2008B Bonds, the Department terminated

Notes to Financial Statements

INTEREST RATE SWAP AGREEMENTS

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

Associated Series of Bonds	Notional Amount as of 09/30/08	Counterparty	Counterparty Ratings as of 09/30/08 ⁽¹⁾	Start Date	Termination Date	Counterparty Payment	County Payment	Fair Value at 09/30/08
Series 2007	\$200,000,000	RFPC, Ltd. ⁽²⁾ - Guarantor- AMBAC	Guarantor- Aa3 ⁽³⁾ ,AA, No rating	07/18/02	10/01/26	Variable - (SIFMA/.604)	Variable - SIFMA + (BMA/.0604) - (USD - LIBOR - BBA + 1.455%)	\$(7,776,279)
Series 1999A	\$205,070,000	RFPC, Ltd. ⁽²⁾ - Guarantor- BNY	Guarantor- Aaa,AA, AA-	03/06/06	10/01/29	Variable - (SIFMA/.604)	Variable ⁽⁴⁾	\$(3,102,286)
Series 2005	\$295,240,000	Bank of America, N.A.	Aaa, AA+, AA+	10/01/05	10/01/25	Variable - Bond Rate	Fixed - 5.27%	\$(53,042,681)

⁽¹⁾ Moody's, S&P, Fitch

⁽²⁾ A subsidiary of Rice Financial Products Co., New York, New York.

⁽³⁾ Moody's recent downgrade of AMBAC requires certain action by the Counterparty under the swap. The County has contacted the Counterpart, which has indicated that it will take appropriate action under the document.

⁽⁴⁾ (i) From July 5, 2007 to, but excluding January 1, 2009 (a) if the difference obtained by subtracting USD-LIBOR-BBA from the product of 90.15% multiplied by USD-ISDA-Swap Rate is greater than 0.4% USD-LIBOR-BBA plus 1.98%, or (b) if the product of 90.15% multiplied by USD-ISDA-Swap Rate is less than USD-LIBOR-BBA, then USD-LIBOR-BBA, plus 1.58%, otherwise, (c) USD-ISDA-Swap Rate multiplied by 90.15%, plus 1.58%; and (ii) from January 1, 2009 and thereafter, USD-ISDA-Swap Rate multiplied by 90.15% plus 1.58%.

the AIG swap agreement at a termination value of \$76.4 million (including accrued interest of \$2.8 million). The Department issued \$68.3 million of Water and Sewer System Revenue Bonds, Series 2008A to pay a portion of the termination value. The balance was paid from the revenues of the Department.

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's swap agreements expose the County to basis risk. Should the relationship between the variable rate the Department receives on the swap fall short of the variable rate on the associated bonds, the expected savings may not be realized. As of September 30, 2008, the SIFMA rate was 7.96%.

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. If at the time of the termination, a swap has a negative value, the Department would be liable to the counterparty for a

Notes to Financial Statements

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, 2008 and 2007, were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Trade accounts	\$ 97,318	\$ 96,148
Non-retail accounts	10,911	14,591
Other County funds	5,353	12,551
Other governments	<u>5</u>	<u>179</u>
Gross receivables	113,587	123,469
Less: allowance for doubtful accounts	<u>(24,411)</u>	<u>(25,374)</u>
Net receivables	<u>\$ 89,176</u>	<u>\$ 98,095</u>

7. PAYABLES

Payables at September 30, 2008 and 2007, were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Other County funds	\$ 8,010	\$ 9,321
Vendors	22,771	23,831
Other governments	13,429	14,184
Salaries and benefits	5,601	3,485
Contractors	16,711	9,183
Other	<u>2,017</u>	<u>1,523</u>
Total payables	<u>\$ 68,539</u>	<u>\$ 61,527</u>

8. PENSION PLAN

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

The FRS was created in 1970 by consolidating several employee retirement systems and 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, or have 30 years of credited service (no age requirement), 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, 2008 and 2007 was \$146.9 million and \$138.4 million, respectively, while the Department's total payroll was \$152.0 million and \$143.4 million for fiscal 2008 and 2007, 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 2008 and 2007. For the years ended September 30, 2008, 2007, and 2006, the Department's actual contributions met all required contributions. These contributions aggregated

Notes to Financial Statements

\$14.5 million, \$13.6 million and \$11.3 million, respectively, which represented 9.9%, 9.9% and 8.5% of covered payroll, respectively, and 0.7%, 0.7% and 0.6% of the total contributions required of all participating agencies, respectively, for fiscal years 2008, 2007 and 2006.

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

Ten-year historical trend information is presented in the FRS' June 30, 2008 annual report. This information is useful in assessing the FRS' accumulation of sufficient assets to pay pension benefits as they become due. A copy of the Florida Retirement System's annual report can be obtained by writing to the Department of Management Services, Division of Retirement, P.O.Box 9000, Tallahassee, FL 32315-9000, by calling (877) 377-1737 or by visiting their website at <http://FRS.myFlorida.com>.

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. Liabili-

ties 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 liability depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the balance of claim liabilities for the general and automobile self-insurance program during fiscal years 2008 and 2007 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$4,103	\$3,537
Claims and changes in estimates	40	1,175
Less: Payments	<u>(484)</u>	<u>(609)</u>
Balance at end of year	<u>\$3,659</u>	<u>\$4,103</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 \$1.7 million at September 30, 2008 and September 30, 2007, 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 \$5.4 million and \$5.8 million as of September 30, 2008 and 2007, 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

Notes to Financial Statements

year premiums are adjusted for County-wide prior year actual claims experience.

The Department purchases a master property insurance covering most properties. For windstorm losses, the policy carries a deductible of 5% of the total insured value of the damaged building(s), including contents, subject to a minimum of \$250,000 and a maximum of \$30,000,000 per occurrence. A \$1,000,000 deductible applies to most other perils. The current limit of the policy is \$200,000,000 per occurrence.

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

10. CONTRIBUTIONS

Contributions during fiscal years 2008 and 2007 is presented below (in thousands):

	<u>2008</u>	<u>2007</u>
Contributed Facilities		
Developers	<u>\$26,761</u>	<u>\$40,977</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, 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
General Services Administration	\$21,858	\$18,351
General Fund	14,984	13,790
Information Technology	12,662	10,073
Public Works	1,876	3,356
Solid Waste	1,759	1,165
Environmental Resources Mgt.	1,033	672
Other County Departments	2,909	4,764

In addition to the above payments, the Department had related payables of \$8.0 million and \$9.3 million at September 30, 2008 and 2007, respectively. The Department also had receivables from other County departments amounting to \$5.4 million and \$12.6 million at September 30, 2008 and 2007, respectively. The Department has every intention of paying the outstanding payables on a timely basis, and is confident it will collect the outstanding receivables.

The Department has also entered into other transactions with various County entities. These transactions arise from the normal course of business and in connection with the management of ongoing projects.

12. COMMITMENTS AND CONTINGENCIES

CONSTRUCTION

The Department had contractual commitments of \$277.8 million for plant and infrastructure construction at September 30, 2008.

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

Notes to Financial Statements

government qualifies for an exemption. As of September 30, 2008 and 2007, the Department recorded obligations to rebate approximately \$1.5 million and \$1.1 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 2008 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. The total project cost of these improvements is approximately \$600 million and completion is anticipated in 2013.

On November 15, 2007, the South Florida Water Management District (the District) issued a consolidated 20-year Water Use Permit, which sets limits on the use of the Biscayne Aquifer and the Floridian Aquifer. In addition, the permit includes a schedule for the construction of the alternative water supply projects needed to meet demand. The plan developed by the Department and submitted to the District includes the use of the Biscayne Aquifer to meet current demands and also for future growth, but also

provides that additional amounts will be offset by providing ground water replenishment with highly treated reclaimed water. The plan also includes the use of the Floridian Aquifer to blend with water from the Biscayne Aquifer to be treated with reverse osmosis.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

PLAN DESCRIPTION

Miami-Dade County administers a single-employer defined benefit healthcare plan (the Plan) that provides postemployment medical and dental coverage to retirees as well as their eligible spouses and dependents. Benefits are provided through the County's group health insurance plan, which covers both active and retired members. Benefits are established and may be amended by the Miami-Dade County Board of County Commissioners ("the BCC"), whose powers derive from F.S. 125.01(3)(a). The Plan does not issue a publicly available financial report.

To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the Florida Retirement System (FRS) and pay required contributions. Refer to note 8, Pension Plan, for a description of eligibility requirements.

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

- AvMed POS
- AvMed HMO High Option
- AvMed HMO Low Option
- JMH HMO High Option
- JMH HMO Low Option

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

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

Notes to Financial Statements

FUNDING POLICY

The County contributes to both the pre-65 and post-65 retiree medical coverage. Retirees pay the full cost of dental coverage. Medical contributions vary based on the plan and tier. For pre-65 retirees, the County explicitly contributed an average of 21% of the cost for the AvMed POS plan, 41% total for the AvMed HMO High and AvMed HMO Low plans in fiscal year 2008. The JMHS HMO plans receive no explicit contribution. However, it is the County's policy that after fiscal year 2008, its per capita contribution for retiree health care benefits will remain at the 2008 dollar level.

The pre-65 retirees also receive an implicit subsidy from the County since they are underwritten with the active employees. The implicit contribution is approximately 5% of the cost. The pre-65 cost is approximately 57% greater than the combined pre-65 and active cost. The post-65 retiree contributions also vary by plan and tier with the County contributing an average of 28% of the entire plan cost.

The postretirement medical and dental benefits are currently funded on a pay-as-you-go basis. No assets have been segregated and restricted to provide postretirement benefits. For fiscal year 2008, the Department contributed \$928,000 to the plan.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

The Department's annual OPEB cost for the fiscal year 2008 is as follows (dollar amounts in thousands):

Annual required contribution	\$2,026
Interest on net OPEB obligation	-
Adjustment of annual required contribution	-
Annual OPEB Cost	<u>2,026</u>
Contributions made	928
Increase in net OPEB obligation	1,098
Net OPEB obligation- beginning of year	-
Net OPEB obligation- end of year	<u>\$1,098</u>

The Department's annual OPEB cost, the percentage of annual cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 were as follows (dollars in thousands):

Annual OPEB cost	\$2,026
Percentage of Annual OPEB Cost Contributed	45.8%
Net OPEB Obligation	\$1,098

FUNDED STATUS AND FUNDING PROGRESS

The schedule below shows the balance of the County's actuarial accrued liability (AAL), all of which was unfunded as of September 30, 2008. An estimated 9% of this liability can be attributed to the Department (dollar amounts in thousands).

Actuarial Valuation Date	10/01/2007
Actuarial Value of Assets (a)	-
Actuarial Accrued Liability (AAL) (b)	\$242,331
Unfunded AAL (UAAL) (b-a)	\$242,331
Funded Ratio (a/b)	0%
Estimated Covered Payroll (c)	\$1,483,072
UAAL as % of Covered Payroll ([b-a]/c)	16%

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

Notes to Financial Statements

ACTUARIAL METHODS AND ASSUMPTION

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

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

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

Actuarial valuation date	01/01/2006
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	4.75%
Payroll growth assumption	3.00%
Health care trend rates	10% initial to 5.25% ultimate
Mortality table	RP 2000*

*Prepared by the Department of Treasury under the Retirement Protection Act of 1994.

Further, the valuation assumes that the County will continue to fund the liability on a pay-as-you-go basis and that the County's policy is that its per-capita contribution for retiree benefits will remain at the 2008 level. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed County contributions.

13. SUBSEQUENT EVENTS

On September 20, 2008, the Board of County Commissioners approved the County Budget Ordinance effective October 1, 2008. The adopted County Budget Ordinance provides for a 5.2% maintenance index increase to the average water and sewer retail customer and provides a South Florida Water Management Restriction Surcharge for retail water customers with consumption on the fourth tier of the rate schedule to encourage water conservation. The adopted budget also includes a change to the retail revenue rate structure that more equitably distributes the recovery of fixed costs by retail customer type (residential, multi-family and non-residential). In addition, the County Budget Ordinance increased the rate to the water wholesale customer, other miscellaneous fees and charges and slightly decreased wastewater wholesale rates effective October 1, 2008.

Notes to Financial Statements

On December 19, 2008, \$306.8 million of Miami-Dade Florida Water and Sewer System Revenue Refunding Bonds, Series 2008C were issued to refund all of the outstanding Miami-Dade County Water and Sewer System Revenue Refunding Variable Rate Demand Bonds, Series 2005. The Series 2008C Bonds are collateralized by the net operating revenues of the Department and are due serially on October 1 beginning 2009 through the year 2025 with semi-annual interest due on April 1 and October 1 of each year.

On November 19, 2008, the County terminated the \$295.2 million notional amount, variable to fixed rate swap with Bank of America, N.A. related to the Series 2005 Bonds. The termination was a result of the County's inability to replace the standby bond purchase agreement that was scheduled to expire in December 2008. The termination value of the Bank of America Swap was \$67.2 million, with accrued interest of \$1.9, making the total termination amount \$69.1 million, which the County paid from legally available funds of the Department. The County does not believe that such payment will have an adverse effect on the operation of the Department.

Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as % of Covered Payroll ([b-a]/c)
10/01/2007	\$0	\$242,331	\$242,331	0%	\$1,483,072	16%

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

Supplementary Financial Data

Bond Ordinance 93-134 requires the Department to establish 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>2008</u>	<u>2007</u>
			(In thousands)
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents	\$	13,359	\$ -
Investments		31,899	49,614
Accounts receivable (net of allowance for uncollectible accounts of \$12.8 million in 2008 and \$13.5 million in 2007)		43,982	50,135
Inventory of materials and supplies		16,117	14,469
Other current assets		-	4
Restricted cash and cash equivalents		<u>38,709</u>	<u>40,635</u>
Total current assets		<u>144,066</u>	<u>154,857</u>
 <i>NONCURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents		8,173	25,825
Investments		237,455	224,805
Contracts receivable		<u>25</u>	<u>30</u>
Total restricted assets		<u>245,653</u>	<u>250,660</u>
 <i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		4,729	3,966
Other deferred charges, net		<u>16,820</u>	<u>4,431</u>
Total other assets		<u>21,549</u>	<u>8,397</u>
 <i>CAPITAL ASSETS:</i>			
Land		15,229	15,681
Structures and improvements		1,372,661	1,263,181
Equipment		<u>268,018</u>	<u>260,848</u>
Utility plant in service before depreciation		1,655,908	1,539,710
Less accumulated depreciation		<u>(556,245)</u>	<u>(499,067)</u>
Net utility plant in service		1,099,663	1,040,643
Construction work in progress		<u>137,894</u>	<u>194,184</u>
Total capital assets		<u>1,237,557</u>	<u>1,234,827</u>
Total noncurrent assets		<u>1,504,759</u>	<u>1,493,884</u>
Total assets		<u>\$ 1,648,825</u>	<u>\$ 1,648,741</u>

(Continued)

Water System

BALANCE SHEETS

(Continued)	September 30,	<u>2008</u>	<u>2007</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		\$ 15,165	\$ 16,074
Customer and developer deposits		17,059	18,092
Current portion of long-term debt		1,559	1,444
Rebatable arbitrage earnings		1,000	705
Liability for compensated absences		3,792	3,354
Other liabilities		<u>4,169</u>	<u>3,610</u>
Total current liabilities (payable from unrestricted current assets)		<u>42,744</u>	<u>43,279</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		5,845	7,090
Retainage payable		1,193	1,623
Current portion of long-term debt		20,561	20,013
Accrued interest payable		7,898	8,044
Liability for self-insurance		<u>3,212</u>	<u>3,978</u>
Total current liabilities (payable from restricted current assets)		<u>38,709</u>	<u>40,748</u>
Total current liabilities		<u>81,453</u>	<u>84,027</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		354,002	362,579
State loan obligations, net		33,302	35,322
Liability for self-insurance		2,185	1,842
Liability for compensated absences		9,265	8,727
Liability for other post-employment benefits		1,098	-
Deferred revenues		<u>4,786</u>	<u>5,068</u>
Total noncurrent liabilities		<u>404,638</u>	<u>413,538</u>
Total liabilities		<u>486,091</u>	<u>497,565</u>
NET ASSETS			
Invested in capital assets, net of related debt		830,671	832,337
Restricted for:			
Capital projects		99,013	102,343
Debt service		41,090	44,140
Unrestricted		<u>191,960</u>	<u>172,356</u>
Total net assets		<u>1,162,734</u>	<u>1,151,176</u>
Total liabilities and net assets		<u>\$ 1,648,825</u>	<u>\$ 1,648,741</u>

Water System

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
		(In thousands)
<i>OPERATING REVENUES:</i>		
Retail	\$ 154,796	\$ 151,034
Wholesale	22,909	27,045
Other revenues	<u>12,839</u>	<u>12,631</u>
Total operating revenues	<u>190,544</u>	<u>190,710</u>
<i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Source of supply	12,006	6,710
Power and pumping	2,134	2,593
Purification	61,317	55,925
Transmission and distribution	26,528	25,747
Customer accounting	3,764	4,692
Customer service	10,573	10,616
General and administrative	<u>34,864</u>	<u>33,299</u>
Total operating and maintenance expenses	<u>151,186</u>	<u>139,582</u>
Operating income before depreciation	39,358	51,128
<i>DEPRECIATION</i>	<u>60,859</u>	<u>61,349</u>
Operating loss	(21,501)	(10,221)
<i>NON-OPERATING REVENUES (EXPENSES):</i>		
Interest income	12,273	17,489
Interest expense	(15,035)	(15,090)
Amortization of debt issue costs	(565)	(325)
Operating grants	103	-
Customer connection fees	6,514	14,375
Other revenues	8,146	13,795
Other expenses	<u>(1,201)</u>	<u>(45)</u>
(Loss) Income before contributions and transfers	(11,266)	19,978
Capital contributions	14,518	23,701
Transfer from reserves	<u>8,306</u>	<u>(4,584)</u>
Increase in net assets	11,558	39,095
Net assets at beginning of year	<u>1,151,176</u>	<u>1,112,081</u>
Net assets at end of year	<u>\$ 1,162,734</u>	<u>\$ 1,151,176</u>

Water System

SCHEDULE OF CASH FLOWS

For the years ended September 30,	<u>2008</u>	<u>2007</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 209,565	\$ 212,985
Cash paid to suppliers for goods and services	(70,997)	(77,012)
Cash paid to employees for services	(79,199)	(62,353)
Transfer (from) reserves	<u>8,306</u>	<u>(4,584)</u>
Net cash provided by operating activities	<u>67,675</u>	<u>69,036</u>
<i>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</i>		
Operating grants received	<u>103</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>103</u>	<u>-</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	82,725	67,046
Principal payments - bonds, loans and notes	(98,951)	(86,014)
Bond premium and issue costs	4,570	2,904
Swap termination payment	(13,772)	-
Interest paid	(19,375)	(21,427)
Proceeds from sale of property, plant and equipment	248	255
Acquisition and construction of capital assets	<u>(47,077)</u>	<u>(53,467)</u>
Net cash used in capital and related financing activities	<u>(91,632)</u>	<u>(90,703)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(526,950)	(830,837)
Proceeds from sale and maturity of investment securities	529,945	894,628
Interest on investments	<u>14,640</u>	<u>18,144</u>
Net cash provided by investing activities	<u>17,635</u>	<u>81,935</u>
Net (decrease) increase in cash and cash equivalents	(6,219)	60,268
Cash and cash equivalents at beginning of year	<u>66,460</u>	<u>6,192</u>
Cash and cash equivalents at end of year	<u>\$ 60,241</u>	<u>\$ 66,460</u>

(Continued)

Water System

SCHEDULES OF CASH FLOWS

(Continued)	For the years ended September 30,	<u>2008</u>	<u>2007</u>
		(In thousands)	
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (21,501)	\$ (10,221)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		60,859	61,349
Provision for uncollectible accounts		649	1,682
Amortization of deferred charges		1,606	-
Amortization of deferred revenues		(282)	(282)
Non-operating other, net		13,459	28,259
Transfer (from) reserves		8,306	(4,584)
(Increase) decrease in assets:			
Accounts receivable		5,675	(6,934)
Inventory of materials and supplies		(1,648)	(142)
Other current assets		4	250
Other deferred charges		277	(98)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(908)	(3,527)
Customer and developer deposits		(1,033)	1,250
Liability for compensated absences		976	832
Other liabilities		559	267
Liability for other post-employment benefits		1,098	-
Liability for self-insurance		(421)	935
Net cash provided by operating activities		<u>\$ 67,675</u>	<u>\$ 69,036</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$26.7 million and \$40.4 million in fiscal years 2008 and 2007, respectively.

The change in the fair value of investments were \$0.5 million and \$1.0 million decrease in fiscal years 2008 and 2007, respectively.

\$68.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2008A were issued to fund a \$74.4 million termination payment for the AIG Swap related to the Series 1994 Bonds.

\$374.6 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008B were issued to refund \$415.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1994.

	<u>2008</u>	<u>2007</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 13,359	\$ -
Restricted Current Cash and Cash Equivalents	38,709	40,635
Restricted Noncurrent Cash and Cash Equivalents	<u>8,173</u>	<u>25,825</u>
Total cash and cash equivalents at end of year	<u>\$ 60,241</u>	<u>\$ 66,460</u>

Water System

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Budget and Actual

For the year ended September 30, 2008

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under <u>(over)</u>
Source of supply	\$ 8,366	\$ 12,006	\$ (3,640)
Power and pumping	3,340	2,134	1,206
Purification	56,586	61,317	(4,731)
Transmission and distribution	33,658	26,528	7,130
Customer accounting	3,327	3,764	(437)
Customer service	10,936	10,573	363
General and administrative	<u>39,417</u>	<u>34,864</u>	<u>4,553</u>
Totals	<u>\$ 155,630</u>	<u>\$ 151,186</u>	<u>\$ 4,444</u>

Wastewater System

BALANCE SHEETS

	September 30,	<u>2008</u>	<u>2007</u>
			(In thousands)
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash and cash equivalents		\$ 11,128	\$ 5,137
Investments		23,428	32,870
Accounts receivable (net of allowance for uncollectible accounts of \$11.6 million in 2008 and \$11.8 million in 2007)		45,194	47,960
Inventory of materials and supplies		13,316	12,251
Other current assets		-	6
Restricted cash and cash equivalents		<u>70,924</u>	<u>55,424</u>
Total current assets		<u>163,990</u>	<u>153,648</u>
 <i>NONCURRENT RESTRICTED ASSETS:</i>			
Cash and cash equivalents		1,753	68,894
Investments		<u>277,106</u>	<u>326,546</u>
Total restricted assets		<u>278,859</u>	<u>395,440</u>
 <i>OTHER ASSETS:</i>			
Deferred debt issue costs, net		15,115	11,063
Other deferred charges, net		<u>62,412</u>	<u>1,742</u>
Total other assets		<u>77,527</u>	<u>12,805</u>
 <i>CAPITAL ASSETS:</i>			
Land		22,442	22,593
Structures and improvements		2,150,983	2,097,050
Equipment		<u>568,240</u>	<u>562,169</u>
Utility plant in service before depreciation		2,741,665	2,681,812
Less accumulated depreciation		<u>(1,293,196)</u>	<u>(1,207,521)</u>
Net utility plant in service		1,448,469	1,474,291
Construction work in progress		<u>288,577</u>	<u>209,826</u>
Total capital assets		<u>1,737,046</u>	<u>1,684,117</u>
Total noncurrent assets		<u>2,093,432</u>	<u>2,092,362</u>
Total assets		<u><u>\$ 2,257,422</u></u>	<u><u>\$ 2,246,010</u></u>

(Continued)

Wastewater System

BALANCE SHEETS

(Continued)	September 30,	<u>2008</u>	<u>2007</u>
			(In thousands)
LIABILITIES			
<i>CURRENT LIABILITIES (PAYABLE FROM UNRESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		\$ 26,100	\$ 27,731
Customer and developer deposits		3,775	4,211
Current portion of long-term debt		5,396	5,227
Rebatable arbitrage earnings		505	356
Liability for compensated absences		7,896	6,987
Other liabilities		<u>3,691</u>	<u>647</u>
Total current liabilities (payable from unrestricted current assets)		<u>47,363</u>	<u>45,159</u>
<i>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED CURRENT ASSETS):</i>			
Accounts payable and accrued expenses		21,429	10,632
Retainage payable		4,208	951
Current portion of long-term debt		22,907	22,442
Accrued interest payable		<u>22,379</u>	<u>21,399</u>
Total current liabilities (payable from restricted current assets)		<u>70,923</u>	<u>55,424</u>
Total current liabilities		<u>118,286</u>	<u>100,583</u>
<i>NONCURRENT LIABILITIES:</i>			
Revenue bonds payable, net		1,057,889	1,029,781
State loan obligations, net		64,454	72,563
Liability for compensated absences		14,654	13,971
Deferred revenues		<u>25,374</u>	<u>26,867</u>
Total noncurrent liabilities		<u>1,162,371</u>	<u>1,143,182</u>
Total liabilities		<u>1,280,657</u>	<u>1,243,765</u>
NET ASSETS			
Invested in capital assets, net of related debt		565,482	569,801
Restricted for:			
Capital projects		187,023	239,361
Debt service		70,677	82,975
Unrestricted		<u>153,583</u>	<u>110,108</u>
Total net assets		<u>976,765</u>	<u>1,002,245</u>
Total liabilities and net assets		<u>\$ 2,257,422</u>	<u>\$ 2,246,010</u>

Wastewater System

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
For the years ended September 30,		
		(In thousands)
<i>OPERATING REVENUES:</i>		
Retail	\$ 187,507	\$ 179,441
Wholesale	49,337	48,645
Other revenues	<u>10,088</u>	<u>9,824</u>
Total operating revenues	<u>246,932</u>	<u>237,910</u>
 <i>OPERATING AND MAINTENANCE EXPENSES:</i>		
Collection system	19,293	19,965
Pumping	30,656	32,054
Treatment	67,902	66,006
Customer accounting	3,262	4,032
Customer service	8,307	8,259
General and administrative	<u>41,358</u>	<u>40,729</u>
Total operating and maintenance expenses	<u>170,778</u>	<u>171,045</u>
Operating income before depreciation	76,154	66,865
<i>DEPRECIATION</i>	<u>94,022</u>	<u>97,342</u>
Operating loss	(17,868)	(30,477)
 <i>NON-OPERATING REVENUES (EXPENSES):</i>		
Interest income	16,216	25,858
Interest expense	(51,285)	(48,417)
Amortization of debt issue costs	(1,713)	(678)
Customer connection fees	25,812	24,274
Other revenues	(169)	5,540
Other expense	<u>(410)</u>	<u>(322)</u>
Loss before contributions and transfers	(29,417)	(24,222)
Capital contributions	12,243	16,729
Transfer from reserves	<u>(8,306)</u>	<u>4,584</u>
Decrease in net assets	(25,480)	(2,909)
Net assets at beginning of year	<u>1,002,245</u>	<u>1,005,154</u>
Net assets at end of year	<u>\$ 976,765</u>	<u>\$ 1,002,245</u>

Wastewater System

SCHEDULES OF CASH FLOWS

For the years ended September 30,	<u>2008</u>	<u>2007</u>
	(In thousands)	
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 272,891	\$ 266,221
Cash paid to suppliers for goods and services	(66,685)	(70,168)
Cash paid to employees for services	(101,383)	(97,434)
Transfer from reserves	<u>(8,306)</u>	<u>4,584</u>
Net cash provided by operating activities	<u>96,517</u>	<u>103,203</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</i>		
Proceeds from bond issues, loan agreements and notes	360,130	279,681
Principal payments - bonds, loans and notes	(365,277)	(312,387)
Bond premium and issue costs	19,894	12,495
Swap termination payment	(59,828)	-
Interest paid	(57,406)	(62,519)
Proceeds from sale of property, plant and equipment	99	189
Acquisition and construction of capital assets	<u>(115,027)</u>	<u>(61,113)</u>
Net cash used in capital and related financing activities	<u>(217,415)</u>	<u>(143,654)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchase of investment securities	(480,037)	(91,637)
Proceeds from sale and maturity of investment securities	535,752	86,958
Interest on investments	<u>19,533</u>	<u>24,964</u>
Net cash provided by investing activities	<u>75,248</u>	<u>20,285</u>
Net decrease in cash and cash equivalents	(45,650)	(20,166)
Cash and cash equivalents at beginning of year	<u>129,455</u>	<u>149,621</u>
Cash and cash equivalents at end of year	<u>\$ 83,805</u>	<u>\$ 129,455</u>

(Continued)

Wastewater System

SCHEDULES OF CASH FLOWS

(Continued)	For the years ended September 30,	<u>2008</u>	<u>2007</u>
		(In thousands)	
<i>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</i>			
Operating loss		\$ (17,868)	\$ (30,477)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		94,022	97,342
Provision for uncollectible accounts		809	1,682
Amortization of deferred charges		272	-
Amortization of deferred revenues		(1,493)	(1,493)
Non-Operating Other, net		25,233	29,546
Transfer from reserves		(8,306)	4,584
(Increase) decrease in assets:			
Accounts receivable		2,287	693
Inventory of materials and supplies		(1,065)	(1,043)
Other current assets		6	511
Other deferred charges		52	(438)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(1,631)	2,364
Customer and developer deposits		(436)	(757)
Liability for compensated absences		1,592	1,358
Other liabilities		3,043	(669)
Net cash provided by operating activities		<u>\$ 96,517</u>	<u>\$ 103,203</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Property, plant and equipment contributions were received in amounts of \$26.7 million and \$40.4 million in fiscal years 2008 and 2007, respectively.

The change in the fair value of investments were \$0.5 million and \$1.0 million decrease in fiscal years 2008 and 2007, respectively.

\$68.3 million of Miami-Dade County Water and Sewer System Revenue Bonds, Series 2008A were issued to fund a \$74.4 million termination payment for the AIG Swap related to the Series 1994 Bonds.

\$374.6 million of Miami-Dade County Water and Sewer System Revenue Refunding Bonds, Series 2008B were issued to refund \$415.2 million of Dade County Water and Sewer System Revenue Bonds, Series 1994.

	<u>2008</u>	<u>2007</u>
	(In thousands)	
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:</i>		
Unrestricted Current Cash and Cash Equivalents	\$ 11,128	\$ 5,137
Restricted Current Cash and Cash Equivalents	70,924	55,424
Restricted Noncurrent Cash and Cash Equivalents	<u>1,753</u>	<u>68,894</u>
Total cash and cash equivalents at end of year	<u>\$ 83,805</u>	<u>\$ 129,455</u>

Wastewater System

SCHEDULE OF OPERATING AND MAINTENANCE EXPENSES

Budget and Actual

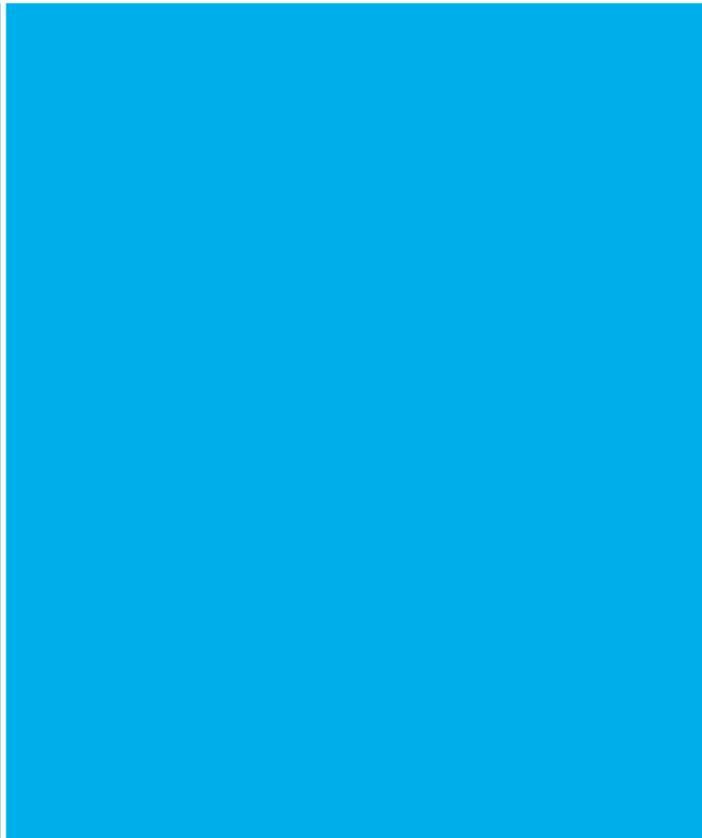
For the year ended September 30, 2008

(In thousands)

	<u>Budget</u>	<u>Actual</u>	Variance under <u>(over)</u>
Collection system	\$ 19,566	\$ 19,293	\$ 273
Pumping	29,841	30,656	(815)
Treatment	65,599	67,902	(2,303)
Customer accounting	2,664	3,262	(598)
Customer service	8,592	8,307	285
General and administrative	<u>48,385</u>	<u>41,358</u>	<u>7,027</u>
Totals	<u>\$ 174,647</u>	<u>\$ 170,778</u>	<u>\$ 3,869</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, found on pages 73-76, contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

Revenue Capacity

These schedules, found on pages 77-79, contain information to help the reader assess the factors affecting the Department's ability to generate revenue.

Debt Capacity

These schedules, found on pages 80-81, present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules, found on pages 82-88, offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

Operating and Capital Information

These schedules, found on pages 89-91, 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.

Net Assets

BY COMPONENT LAST TEN FISCAL YEARS

(in thousands)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>COMBINED WATER AND WASTEWATER SYSTEMS:</i>										
Invested in capital assets, net of related debt	\$1,396,153	\$1,402,138	\$1,438,567	\$1,670,373	\$1,640,651	\$1,585,586	\$1,586,602	\$1,562,617	\$ 963,108	\$943,815
Restricted	397,803	468,819	384,233	247,947	306,469	373,628	337,273	298,345	391,816	335,208
Unrestricted	<u>345,543</u>	<u>282,464</u>	<u>294,435</u>	<u>190,364</u>	<u>169,030</u>	<u>186,580</u>	<u>236,350</u>	<u>278,950</u>	<u>713,248</u>	<u>672,797</u>
Total net assets	<u>\$2,139,499</u>	<u>\$2,153,421</u>	<u>\$2,117,235</u>	<u>\$2,108,684</u>	<u>\$2,116,150</u>	<u>\$2,145,794</u>	<u>\$2,160,225</u>	<u>\$2,139,912</u>	<u>\$2,068,172</u>	<u>\$1,951,820</u>
<i>WATER SYSTEM</i>										
Invested in capital assets, net of related debt	\$830,671	\$832,337	\$807,171	\$908,612	\$915,479	\$844,753	\$830,706	\$793,636	\$362,465	\$348,312
Restricted	140,103	146,483	117,705	78,232	96,186	148,120	129,278	108,362	209,625	178,246
Unrestricted	<u>191,960</u>	<u>172,356</u>	<u>187,205</u>	<u>147,984</u>	<u>120,605</u>	<u>151,171</u>	<u>197,783</u>	<u>232,473</u>	<u>514,280</u>	<u>466,531</u>
Total net assets	<u>\$1,162,734</u>	<u>\$1,151,176</u>	<u>\$1,112,081</u>	<u>\$1,134,828</u>	<u>\$1,132,270</u>	<u>\$1,144,044</u>	<u>\$1,157,767</u>	<u>\$1,134,471</u>	<u>\$1,086,370</u>	<u>\$993,089</u>
<i>WASTEWATER SYSTEM</i>										
Invested in capital assets, net of related debt	\$565,482	\$569,801	\$628,396	\$761,761	\$725,172	\$740,833	\$755,896	\$768,981	\$600,643	\$595,503
Restricted	257,700	322,336	266,527	169,715	210,283	225,508	207,995	189,983	182,191	156,962
Unrestricted	<u>153,583</u>	<u>110,108</u>	<u>110,231</u>	<u>42,380</u>	<u>48,425</u>	<u>35,409</u>	<u>38,567</u>	<u>46,477</u>	<u>198,968</u>	<u>206,266</u>
Total net assets	<u>\$976,765</u>	<u>\$1,002,245</u>	<u>\$1,005,154</u>	<u>\$973,856</u>	<u>\$983,880</u>	<u>\$1,001,750</u>	<u>\$1,002,458</u>	<u>\$1,005,441</u>	<u>\$981,802</u>	<u>\$958,731</u>

Combined Water and Wastewater Systems

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>OPERATING REVENUES:</i>										
Retail	\$ 342,303	\$ 330,475	\$ 341,555	\$ 297,374	\$ 295,176	\$ 273,710	\$ 263,966	\$ 269,274	\$ 285,791	\$ 283,057
Wholesale	72,246	75,690	78,310	75,013	71,501	69,565	73,145	74,386	75,523	76,861
Other	22,927	22,455	20,450	19,573	18,896	18,827	16,996	16,963	18,078	17,834
Total operating revenues	437,476	428,620	440,315	391,960	385,573	362,102	354,107	360,623	379,392	377,752
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	12,006	6,710	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320
Collection system	19,293	19,965	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998
Pumping	32,790	34,647	33,605	27,800	26,095	25,785	24,631	22,267	21,680	26,161
Treatment	129,219	121,931	118,524	105,427	89,511	86,991	77,552	73,347	69,169	68,816
Transmission and distribution	26,528	25,747	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409
Customer accounting and service	25,906	27,599	22,974	22,704	22,505	19,915	22,083	21,197	17,619	23,813
General and administrative	76,222	74,028	71,210	59,256	53,706	46,173	35,728	27,473	26,914	32,091
Total operating and maintenance expenses	321,964	310,627	292,886	258,379	232,913	218,391	196,872	180,219	168,891	184,608
Operating income before depreciation	115,512	117,993	147,429	133,581	152,660	143,711	157,235	180,404	210,501	193,144
<i>DEPRECIATION</i>	154,881	158,691	184,820	118,261	122,800	117,780	114,642	109,270	94,489	89,025
Operating income	(39,369)	(40,698)	(37,391)	15,320	29,860	25,931	42,593	71,134	116,012	104,119
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	28,489	43,347	48,892	22,487	8,785	26,153	32,820	60,233	57,917	43,967
Interest expense	(66,320)	(63,507)	(68,905)	(73,276)	(73,652)	(76,349)	(80,722)	(83,165)	(83,151)	(75,815)
Other income	36,517	56,614	1,116	806	326	2,330	1,480	1,511	1,120	1,901
Transfers to County's General Fund	-	-	(22,868)	(27,701)	(37,899)	(39,996)	(33,035)	(25,547)	(24,788)	(25,849)
Income (loss) before contributions	(40,683)	(4,244)	(79,156)	(62,364)	(72,580)	(61,931)	(36,864)	24,166	67,110	48,323
Capital contributions	26,761	40,430	87,707	54,898	42,936	47,500	57,177	47,574	-	-
Increase (decrease) in net assets	\$ (13,922)	\$ 36,186	\$ 8,551	\$ (7,466)	\$ (29,644)	\$ (14,431)	\$ 20,313	\$ 71,740	\$ 67,110	\$ 48,323

Water System

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>OPERATING REVENUES:</i>										
Retail	\$ 154,796	\$ 151,034	\$ 157,827	\$ 138,297	\$ 137,739	\$ 124,409	\$ 121,632	\$ 124,473	\$ 133,766	\$ 133,775
Wholesale	22,909	27,045	29,193	21,962	22,122	20,045	20,236	20,311	23,012	22,623
Other	12,839	12,631	11,142	10,646	10,230	10,302	9,227	9,525	10,068	9,436
Total operating revenues	190,544	190,710	198,162	170,905	170,091	154,756	151,095	154,309	166,846	165,834
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Source of supply	12,006	6,710	5,381	5,710	5,110	5,248	4,728	4,771	5,015	4,320
Pumping	2,134	2,593	3,274	1,604	2,257	2,670	1,803	1,558	1,532	1,630
Treatment	61,317	55,925	56,164	50,221	40,660	38,412	34,466	32,640	29,700	29,865
Transmission and distribution	26,528	25,747	23,081	21,900	21,452	21,086	19,357	18,229	17,419	16,409
Customer accounting and service	14,337	15,308	13,144	13,915	12,546	12,135	12,578	12,431	10,024	13,235
General and administrative	34,864	33,299	31,967	25,776	20,349	15,183	11,412	9,430	10,227	12,239
Total operating and maintenance expenses	151,186	139,582	133,011	119,126	102,374	94,734	84,344	79,059	73,917	77,698
Operating income before depreciation	39,358	51,128	65,151	51,779	67,717	60,022	66,751	75,250	92,929	88,136
DEPRECIATION	60,859	61,349	79,708	35,488	34,251	32,371	32,347	30,916	21,851	22,520
Operating income (loss)	(21,501)	(10,221)	(14,557)	16,291	33,466	27,651	34,404	44,334	71,078	65,616
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	12,273	17,489	21,841	10,060	4,016	13,027	16,943	32,560	28,965	20,136
Interest expense	(15,035)	(15,090)	(9,324)	(18,862)	(19,657)	(21,039)	(21,397)	(21,240)	(22,869)	(18,324)
Other income (loss)	12,997	27,800	(1,599)	460	326	2,330	1,447	916	710	1,235
Transfers to County's General Fund	-	-	(10,176)	(12,188)	(11,865)	(13,146)	(10,855)	(8,235)	(9,419)	(9,823)
Income before contributions and transfers	(11,266)	19,978	(13,815)	(4,239)	6,286	8,823	20,542	48,335	68,465	58,840
Capital contributions	14,518	23,701	31,788	16,251	14,245	17,726	21,168	15,199	-	-
Transfer (from) to reserves	8,306	(4,584)	(40,720)	(9,454)	(32,305)	(40,272)	(18,414)	(15,432)	6,134	16,622
Increase (decrease) in net assets	\$ 11,558	\$ 39,095	\$ (22,747)	\$ 2,558	\$ (11,774)	\$ (13,723)	\$ 23,296	\$ 48,102	\$ 74,599	\$ 75,462

Wastewater System

SCHEDULE OF REVENUES AND EXPENSES – LAST TEN FISCAL YEARS

(in thousands)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>OPERATING REVENUES:</i>										
Retail	\$ 187,507	\$ 179,441	\$ 183,728	\$ 159,077	\$ 157,437	\$ 149,301	\$ 142,334	\$ 144,801	\$ 152,025	\$ 149,282
Wholesale	49,337	48,645	49,117	53,051	49,379	49,520	52,909	54,075	52,511	54,238
Other	10,088	9,824	9,308	8,927	8,666	8,525	7,769	7,438	8,010	8,398
Total operating revenues	246,932	237,910	242,153	221,055	215,482	207,346	203,012	206,314	212,546	211,918
<i>OPERATING AND MAINTENANCE EXPENSES:</i>										
Collection system	19,293	19,965	18,111	15,582	14,534	13,193	12,793	12,935	11,075	12,998
Pumping	30,656	32,054	30,331	26,196	23,838	23,115	22,828	20,709	20,148	24,531
Treatment	67,902	66,006	62,360	55,206	48,851	48,579	43,086	40,707	39,469	38,951
Customer accounting and service	11,569	12,291	9,830	8,789	9,959	7,780	9,505	8,766	7,595	10,578
General and administrative	41,358	40,729	39,243	33,480	33,357	30,990	24,316	18,043	16,687	19,852
Total operating and maintenance expenses	170,778	171,045	159,875	139,253	130,539	123,657	112,528	101,160	94,974	106,910
Operating income before depreciation	76,154	66,865	82,278	81,802	84,943	83,689	90,484	105,154	117,572	105,008
<i>DEPRECIATION</i>	94,022	97,342	105,112	82,773	88,549	85,409	82,295	78,354	72,638	66,505
Operating income (loss)	(17,868)	(30,477)	(22,834)	(971)	(3,606)	(1,720)	8,189	26,800	44,934	38,503
<i>NON-OPERATING REVENUES (EXPENSES):</i>										
Interest income	16,216	25,858	27,051	12,427	4,769	13,126	15,877	27,673	28,952	23,831
Interest expense	(51,285)	(48,417)	(59,581)	(54,414)	(53,995)	(55,310)	(59,325)	(61,925)	(60,282)	(57,491)
Other income (loss)	23,520	28,814	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)
Income (loss) before contributions and transfers	(29,417)	(24,222)	(65,341)	(58,125)	(78,866)	(70,754)	(57,406)	(24,169)	(1,355)	(10,517)
Capital contributions	12,243	16,729	55,919	38,647	28,691	29,774	36,009	32,375	-	-
Transfer (from) to reserves	(8,306)	4,584	40,720	9,454	32,305	40,272	18,414	15,432	(6,134)	(16,622)
Increase (decrease) in net assets	\$ (25,480)	\$ (2,909)	\$ 31,298	\$ (10,024)	\$ (17,870)	\$ (708)	\$ (2,983)	\$ 23,638	\$ (7,489)	\$ (27,139)

Water and Wastewater System Rates

LAST TEN FISCAL YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	
<i>WATER RATES:</i>											
Lifeline (first 3,750 gallons)	\$	N/A	N/A	N/A	N/A	N/A	N/A	5.02	5.02	5.02	5.02
Base rate (meter size)											
5/8"		3.20	3.20	3.20	3.20	3.20	3.00				
1"		8.61	8.22	7.87	7.15	7.15	6.75				
1.5"		13.43	12.82	12.27	11.15	11.15	10.50				
2"		28.73	27.42	26.24	23.85	23.85	22.50				
3"		61.32	58.51	55.99	50.90	50.90	48.00				
4"		95.77	91.39	87.45	79.50	79.50	75.00				
6"		153.23	146.22	139.92	127.20	127.20	120.00				
8"		268.16	255.88	244.86	222.60	222.60	210.00				
10"		574.63	548.31	524.70	447.00	447.00	450.00				
12"		1,085.41	1,035.70	991.10	901.00	901.00	850.00				
14"		2,043.13	1,949.55	1,865.60	1,696.00	1,696.00	1,600.00				
16"		3,830.87	3,655.41	3,498.00	3,180.00	3,180.00	3,000.00				
Composite rate (revenues / flows)											
		2.38	2.24	2.20	1.97	1.97	1.73	1.77	1.93	1.95	1.98
<i>WASTEWATER RATES:</i>											
Base rate (per 1,000 gallons)											
		3.25	3.25	3.25	3.25	3.25	3.00	4.04	4.04	4.04	4.04
Composite rate (revenues / flows)											
		3.78	3.54	3.47	3.04	3.05	2.83	2.81	3.16	3.18	2.96

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

Base rate not used in fiscal years 1999-2002.

Water Usage

LAST TEN FISCAL YEARS

(millions of gallons)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>WATER PUMPED:</i>										
Water treatment plants:										
Alexander Orr, Jr.	57,257	61,118	64,242	63,929	64,546	61,774	59,953	60,187	61,603	61,074
John E. Preston	29,468	29,456	32,602	31,367	29,715	28,453	29,631	27,939	33,207	33,507
Hialeah	22,794	25,573	25,926	26,154	27,555	30,204	27,238	26,317	26,016	26,000
Interim plants	2,384	2,407	2,380	2,580	2,433	2,483	2,484	2,406	2,439	2,429
Purchased water	676	538	493	1,767	2,000	2,340	2,026	2,136	2,233	2,057
Total water pumped	112,579	119,092	125,643	125,797	126,249	125,254	121,332	118,985	125,498	125,067
<i>WATER SOLD:</i>										
Wholesale:										
Hialeah	8,081	8,228	8,616	8,685	7,730	8,454	8,742	8,384	8,950	8,931
Miami Beach	6,848	7,931	8,107	7,898	7,994	7,802	7,456	7,853	8,714	8,102
North Miami	2,123	1,827	1,775	1,534	1,602	1,536	1,612	1,862	1,917	2,096
North Miami Beach	1,013	2,588	3,888	4,633	4,652	4,450	4,411	4,350	5,368	5,232
Opa-Locka	909	946	1,031	994	960	954	1,001	1,030	1,206	1,214
Miami Springs	771	870	704	758	1,016	906	918	852	918	953
Hialeah Gardens	694	703	716	713	655	619	687	741	669	590
Bal Harbour	447	462	476	526	552	564	542	522	596	592
Medley	398	433	496	488	577	506	434	441	528	630
Bay Harbor Islands	358	366	394	418	435	415	405	351	382	375
Surfside	327	371	395	385	369	349	336	328	341	342
North Bay Village	343	322	360	359	375	356	452	450	471	480
West Miami	266	267	300	284	283	286	292	280	285	267
Indian Creek Village	133	146	165	143	156	138	138	131	156	158
Virginia Gardens	63	60	77	44	10	14	8	10	11	55
Total wholesale	22,774	25,520	27,500	27,862	27,366	27,349	27,434	27,585	30,512	30,017
Retail	65,147	67,302	71,674	70,114	70,033	71,891	68,679	64,383	68,541	67,454
Total water sold	87,921	92,822	99,174	97,976	97,399	99,240	96,113	91,968	99,053	97,471
Non - account water	24,658	26,270	26,469	27,821	28,850	26,014	25,219	27,017	26,445	27,596
Non - account water as a percentage of total water pumped	21.90%	22.06%	21.07%	22.12%	22.85%	20.77%	20.79%	22.71%	21.07%	22.06%
Unaccounted for water as a percentage of total water pumped	3.7%	6.20%	6.21%	10.56%	8.34%	6.45%	5.10%	6.23%	6.41%	11.02%

Wastewater Treatment

LAST TEN FISCAL YEARS

(millions of gallons)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>WASTEWATER PLANT FLOWS:</i>										
North District Plant	34,047	34,200	33,969	33,113	31,105	33,679	35,970	36,463	34,988	36,468
Central District Plant	41,987	40,469	40,866	44,705	41,968	39,847	44,581	44,061	44,858	44,017
South District Plant	33,163	33,257	33,214	34,491	30,409	34,446	35,149	33,479	32,398	33,041
Total wastewater plant flows	109,197	107,926	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526
<i>WASTEWATER TREATED:</i>										
Wholesale:										
Miami Beach	8,764	8,611	8,653	8,721	7,862	8,906	9,301	8,942	9,361	9,675
Hialeah	8,109	7,699	8,770	10,955	10,342	9,247	10,328	10,825	11,074	11,430
North Miami	3,923	3,764	3,963	4,080	3,885	4,025	4,116	4,032	4,071	4,057
Miami Springs	1,237	1,272	1,210	1,422	1,010	998	1,205	1,477	1,328	1,030
Coral Gables	1,196	1,199	1,334	1,956	2,503	2,724	2,537	2,031	1,844	2,370
North Miami Beach	853	799	806	812	888	994	1,125	1,141	1,208	1,171
Medley	834	601	689	667	862	742	628	469	514	536
Opa-Locka	714	1,389	1,121	783	711	706	1,101	2,287	1,135	1,204
Hialeah Gardens	607	612	596	542	144	443	197	94	137	166
Florida City	431	462	457	420	416	376	367	317	255	216
Homestead	383	502	193	162	17	39	97	5	1	237
Homestead Air Force Base ⁽¹⁾	196	168	114	236	357	209	197	280	241	188
West Miami	131	130	174	177	138	177	188	198	187	189
Total wholesale	27,378	27,208	28,080	30,933	29,135	29,586	31,387	32,098	31,356	32,469
Retail	49,646	50,609	53,020	52,261	51,682	52,757	50,619	45,862	47,862	50,445
Unaccounted for wastewater	32,173	30,109	26,949	29,115	22,665	25,629	33,694	36,043	33,026	30,612
Total wastewater treated	109,197	107,926	108,049	112,309	103,482	107,972	115,700	114,003	112,244	113,526
Unaccounted for wastewater as a percentage of total wastewater treated	29.46%	27.90%	24.94%	25.92%	21.90%	23.74%	29.12%	31.62%	29.42%	26.96%
<i>ANNUAL RAINFALL (inches):</i> ⁽²⁾	63.6	58.4	67.0	65.4	60.0	68.1	73.1	79.7	54.4	59.0

⁽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)	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Net operating revenues	\$ 115,513	\$ 117,993	\$ 147,429	\$ 133,581	\$ 152,660	\$ 143,711	\$ 157,235	\$ 180,404	\$ 210,501	\$ 193,144
Investment earnings ⁽¹⁾	29,390	32,170	19,324	13,781	3,489	18,923	19,337	38,989	31,489	23,678
Net transfers from (to) Rate Stabilization Fund	-	-	-	11,238	23,136	48,941	22,640	(16,000)	(12,000)	(37,000)
Net revenues available for debt service	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600	\$ 179,285	\$ 211,575	\$ 199,212	\$ 203,393	\$ 229,990	\$ 179,822
Debt service requirements ⁽²⁾	\$ 113,758	\$ 113,291	\$ 110,848	\$ 104,123	\$ 114,196	\$ 115,629	\$ 115,654	\$ 115,632	\$ 114,976	\$ 102,501
Actual coverage	1.27	1.33	1.50	1.52	1.57	1.83	1.72	1.76	2.00	1.75
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	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600	\$ 179,285	\$ 211,575	\$ 199,212	\$ 203,393	\$ 229,990	\$ 179,822
Less: Maximum principal and interest ⁽³⁾	125,133	124,620	121,933	115,032	115,272	115,629	115,654	115,653	115,654	115,654
Adjusted net revenues	\$ 19,770	\$ 25,543	\$ 44,820	\$ 43,568	\$ 64,013	\$ 95,946	\$ 83,558	\$ 87,740	\$ 114,336	\$ 64,168
Debt service and reserve requirements ⁽⁴⁾	\$ 13,434	\$ 11,563	\$ 15,328	\$ 15,205	\$ 14,053	\$ 15,348	\$ 13,129	\$ 11,641	\$ 10,349	\$ 9,997
Actual coverage	1.47	2.21	2.92	2.87	4.56	6.25	6.36	7.54	11.05	6.42
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	\$ 144,903	\$ 150,163	\$ 166,753	\$ 158,600	\$ 179,285	\$ 211,575	\$ 199,212	\$ 203,393	\$ 229,990	\$ 179,822
Less: revenue required for primary debt service coverage ⁽⁵⁾	125,133	124,620	121,933	114,536	125,615	127,192	127,219	127,195	126,473	112,751
Adjusted net revenues	\$ 19,770	\$ 25,543	\$ 44,820	\$ 44,064	\$ 53,670	\$ 84,383	\$ 71,993	\$ 76,198	\$ 103,517	\$ 67,071
Debt service requirements ⁽⁶⁾	\$ 13,434	\$ 11,563	\$ 15,328	\$ 15,205	\$ 13,966	\$ 14,870	\$ 12,417	\$ 10,782	\$ 10,252	\$ 9,490
Actual coverage	1.47	2.21	2.92	2.90	3.84	5.67	5.80	7.07	10.10	7.07
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
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
2008	\$ 1,452,127	\$ 107,943	-	\$ 1,560,070	2.07

Customer Statistics

Largest System Customers Current Year and Nine Years Ago October 2007 - September 2008

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Hialeah	\$7,865	4.1
City of Miami Beach	7,533	4.0
Dade County Aviation	2,776	1.5
City of North Miami	2,336	1.2
City of North Miami Beach	1,114	0.6
City of Opa Locka	1,000	0.5
Florida Power & Light Company	915	0.5
Hialeah Gardens	763	0.4
City of Miami Springs	751	0.4
Bal Harbour	492	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Miami Beach	\$15,297	6.2
City of Hialeah	14,184	5.7
City of North Miami	6,852	2.8
City of Miami Springs	2,130	0.9
City of Coral Gables	2,107	0.9
Dade County Aviation	1,780	0.7
City of Homestead	1,672	0.7
City of North Miami Beach	1,485	0.6
City of Opa Locka	1,242	0.5
Hialeah Gardens	1,064	0.4

October 1998 - September 1999

<u>Name</u>	<u>Dollar Amount (in thousands)</u>	<u>Percent of System Gross Revenues</u>
<i>WATER SYSTEM:</i>		
City of Miami Beach	\$6,233	3.8
City of Hialeah	5,922	3.6
City of North Miami Beach	4,447	2.7
Dade County Aviation	2,127	1.3
City of North Miami	1,782	1.1
City of Opa Locka	934	0.6
Florida Power & Light	876	0.5
City of Miami Springs	632	0.4
City of Medley	474	0.3
Bal Harbour	455	0.3
<i>WASTEWATER SYSTEM:</i>		
City of Hialeah	\$19,109	9.0
City of Miami Beach	16,148	7.6
City of North Miami	6,760	3.2
City of Coral Gables	3,974	1.9
Dade County Aviation	2,210	1.0
City of Opa Locka	2,011	0.9
City of North Miami Beach	1,964	0.9
City of Miami Springs	1,750	0.8
City of Medley	896	0.4
City of Homestead	362	0.2

Customer Statistics

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

<u>Year</u>	<u>Number of Customers</u>		<u>Ratio of Wastewater Customers to Water Customers</u>
	<u>Water</u>	<u>Wastewater</u>	
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
2008	418,258	336,290	80.4

Population

Population Miami-Dade County, Florida Selected Years 1900-2008

<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
2008	2,491,396	29,819	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.

Building Permits

**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	Number of Permits Issued		Value of Permits Issued
	Single Family Houses	Multi-family Buildings	Residential Construction (in thousands)
1995	7,364	7,425	\$1,213,966
1996	3,802	2,749	540,183
1997	5,146	4,592	817,140
1998	5,354	5,556	921,813
1999	6,669	7,018	1,064,119
2000	5,988	6,477	1,198,164
2001	6,829	7,168	1,291,357
2002	6,374	8,219	1,313,869
2003	8,740	6,793	1,697,337
2004	9,499	13,251	2,565,383
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 1999-2008

Fiscal Year	Commercial Construction		Residential Construction	
	Number of Buildings	Value (in thousands)	Number of Units	Value (in thousands)
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
2008	274	\$ 477,442	1,262	159,407

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

Principal Employers

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

2008

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	50,000	1	4.15
Miami-Dade County	32,000	2	2.65
U.S. Federal Government	20,400	3	1.69
Florida State Government	17,000	4	1.41
Publix Super Markets	11,000	5	0.91
Baptist Health Systems	10,826	6	0.90
Jackson Health Systems	10,500	7	0.87
University of Miami	9,874	8	0.82
American Airlines	9,000	9	0.75
Miami-Dade College	6,500	10	0.54
Precision Response Corporation	6,000	11	0.50
BellSouth Corporation - Florida	5,500	12	0.40
Winn-Dixie Stores	4,833	13	0.40
City of Miami	4,034	14	0.33
Florida Power & Light	<u>3,900</u>	15	<u>0.32</u>
Total	<u>201,367</u>		<u>16.64</u>

1999

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	34,310	1	3.12
Miami-Dade County	28,000	2	2.54
U.S. Federal Government	18,700	3	1.67
Florida State Government	18,400	4	1.67
Jackson Health Systems	8,209	5	0.75
City of Miami	3,400	6	0.31
Miami-Dade College	<u>2,210</u>	7	<u>0.20</u>
Total	<u>113,229</u>		<u>10.26</u>

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

Economic Statistics

U.S. UNEMPLOYMENT RATE AND LABOR FORCE

Last 10 fiscal years

<u>Year</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>
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
2008	5.3%	1,205,913

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

Employees by Identifiable Activity

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>WATER:</i>										
Water Distribution	210	202	205	214	220	212	213	205	196	192
Water Production and Maintenance ⁽¹⁾	239	98	89	92	95	91	95	93	90	92
Laboratory Services	50	-	-	-	-	-	-	-	-	-
<i>SEWER</i>										
Sewer Collection	180	182	184	184	185	185	179	185	184	173
Plant Maintenance ⁽¹⁾	-	315	323	320	329	328	325	318	330	330
Wastewater Treatment and Maintenance ⁽¹⁾	324	161	158	155	160	165	160	140	141	148
Pump Station Maintenance	206	196	192	194	200	202	206	197	205	229
<i>ENGINEERING</i>										
Engineering	82	148	152	149	150	152	154	139	141	147
New Customer	107	95	101	97	101	91	90	91	93	80
Program Management	15	8	-	-	-	-	-	-	-	-
Construction Contracts	62	-	-	-	-	-	-	-	-	-
<i>ADMINISTRATION</i>										
Office of Director	36	32	29	28	21	15	15	16	17	7
Office of Deputy										
Director of Regulatory Compliance and Capital Improvements	15	-	-	-	-	-	-	-	-	-
Office of Deputy Director of Operations	8	12	11	10	9	-	-	-	-	-
Office of Assistant										
Director of Engineering	2	2	3	2	2	34	32	29	32	2
Office of Assistant										
Director of Finance	33	26	27	14	15	27	27	21	22	8
Office of Assistant										
Director of Administration	157	158	158	155	149	121	116	113	115	156
Office of Assistant										
Director of Water	117	151	147	147	156	174	169	163	147	124
Office of Assistant										
Director of Wastewater	31	3	2	1	-	2	2	2	-	2
Office of Assistant										
Director of Regulatory Planning and Compliance	3	43	52	51	47	-	-	-	-	23
Attorney's Office	4	3	3	4	4	4	4	4	4	4
Controller	125	125	127	128	132	132	128	122	111	125
Data Processing	71	69	62	62	62	65	63	64	57	64
Customer Service	266	258	261	271	275	237	236	238	227	262
Regulatory Compliance and Monitoring	16	-	-	-	-	-	-	-	-	-
General Maintenance	122	140	133	138	124	131	129	123	117	60
Planning	23	-	-	-	-	-	-	-	-	-
Total	2,504	2,427	2,419	2,416	2,436	2,368	2,343	2,263	2,229	2,228

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

Capital Indicators

LAST 10 FISCAL YEARS

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<i>WATER:</i>										
Water mains ⁽¹⁾ (miles)	5,641	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	100	97	92	92					
<i>WASTEWATER:</i>										
Sanitary sewers ⁽¹⁾ (miles)	3,948	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	368	341	353	353	353	353	353	368	368
Wastewater pump stations	1,035	992	986	976	967	956	947	935	930	925

⁽¹⁾ Does not include laterals.

Insurance in Force

<u>Type of Coverage and Insurance Company</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Limits of Liability</u>
Crime Policy Fidelity & Deposit Co. of Maryland	08/19/08 - 08/19/09	Employee dishonesty	\$1,000,000
Money and Securities: Fidelity & Deposit Co. of Maryland	11/25/07 - 11/25/08	Theft of money and securities	Various
Accidental Death: Hartford Life Insurance Co.	08/29/08 - 08/29/09	Accidental death and dismemberment	\$25,000
Property Insurance: Various	Various 10/31/07 - 10/31/08	“All risk” coverage on real and personal property and outfalls	Various
Automobile Liability:	N/A / continuous	Self-insured	\$100,000 per person/ \$200,000 per occurrence pursuant to F.S. 768.28
General Liability:	N/A / continuous	Self-insured	\$100,000 per person/ \$200,000 per occurrence pursuant to F.S. 768.28
Workers' Compensation: Miami-Dade County Self- Insurance Fund	N/A / continuous	Self-insured	Statutory coverage pursuant to F.S. 440



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Miami-Dade Water and Sewer Department

A Department of Miami-Dade County, Florida

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305-665-7471



Delivering Excellence Every Day

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