

Palm Beach County, Florida Water Utilities Department

Comprehensive Annual Financial Report Fiscal Years Ended September 30, 2012 and 2011

Great White Egret
at Wakodahatchee Wetlands

Photo by Adena Brenowitz



An Enterprise Fund Department of the Palm Beach County, Florida, Board of County Commissioners

**PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

An Enterprise Fund Department of the Palm Beach County, Florida
Board of County Commissioners

Finance and Accounting Section of the
Water Utilities Department of Palm Beach County

**PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2012 and 2011**

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2012 and 2011

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Introductory Section



*Above: Sunrise at
Wakodahatchee Wetlands*



Left: Great White Egret



**Water Utilities Department
Administration**

P. O. Box 16097
West Palm Beach, FL 33416-6097
(561) 493-6000
Fax: (561) 493-6008
www.pbcwater.com

■

**Palm Beach County
Board of County
Commissioners**

Steven L. Abrams, Mayor
Priscilla A. Taylor, Vice Mayor
Hal R. Valeche
Paulette Burdick
Shelley Vana
Mary Lou Berger
Jess R. Santamaria

County Administrator

Robert Weisman

*"An Equal Opportunity
Affirmative Action Employer"*

March 29, 2013

Honorable Steven L. Abrams, Mayor, and Members of the
Palm Beach County Board of County Commissioners
Robert Weisman, P.E., County Administrator
West Palm Beach, Florida

Dear Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Palm Beach County Water Utilities Department (the Department) for the fiscal years ended September 30, 2012 and September 30, 2011, is hereby submitted. The Department is an enterprise fund of the Palm Beach County Board of County Commissioners (BCC). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Department. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

INDEPENDENT AUDITOR'S REPORT

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Department's financial statements for the fiscal years ended September 30, 2012 and September 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

PROFILE

The Water Utilities Department is an enterprise fund operation of the BCC. The Department provides potable water, wastewater, and reclaimed water services to approximately 532,000 people located within approximately 1,200 square miles of the primarily unincorporated area of the County. In addition to serving unincorporated areas, the Department provides services directly to the residents and businesses of the Village of Royal Palm Beach, the City of Greenacres, and the Town of Haverhill. Through interlocal agreements, the Department also provides services directly to the Village of Palm Springs, the Town of Lake Clarke Shores, the Cities of Lake Worth, Boynton Beach, and Atlantis and indirectly to the Cities of Belle Glade, Pahokee, and South Bay through the Glades Utility Authority.

Palm Beach County is a political subdivision of the State of Florida and is governed by the State Constitution, general laws of the State of Florida, and the

County's Charter. The legislative and governing body of the County is the seven-member BCC. In accordance with the County's Charter, the Clerk & Comptroller is the Clerk of the BCC and is the official custodian of County funds and the accounting records of and for the Department. As an operating unit of the BCC, the Department reports directly to County Administration. An eleven-member Citizens' Advisory Board provides guidance to the Department and to the BCC on rate and policy issues.

The Department has adopted the provisions of GASB 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." GASB 34 requires that management's discussion and analysis of the Department's financial performance be included as an integral part of the financial statements. Your attention is directed to page 13 for this information.

FINANCIAL CONDITION

Palm Beach County is the third most populous county in the State of Florida. The real estate and construction industries comprise the mainstays of the County's economic base. The Department's service area continues to reflect primarily residential customers, plus some commercial and light industrial services. The still dormant real estate market and construction industry have caused unemployment to decrease slightly to a rate of 9.2% from 10.9% for 2012 and 2011 respectively - still well above the ten-year averages of 7.6% and 7.3%, and also contributed to a low growth rate in dwelling units for the Department's service area to a rate of 0.6% and 0.4% for 2012 and 2011, respectively - slightly below the five-year averages of 0.5% and 0.7%. These factors, accompanied by inflation and mandatory water restrictions imposed by the South Florida Water Management District, have negatively impacted the Department financially.

To offset the negative impact of these factors, the Department has implemented several cost-cutting measures and reduced its five-year capital plan. Through these efforts and the implementation of rate indexing, cash reserves as of September 30, 2012 and 2011, were 128% and 97%, respectively, of annual operating expenses

net of depreciation and amortization and exceeded the minimum benchmark of 25%. The Department's aggressive turn-off policy continues to yield positive results as bad debt expense for 2012 and 2011 was 0.20% and 0.56%, respectively, compared with the five-year averages of 0.43% and 0.51%. Numbers are well within industry standards. Expenses are expected to continue to be subject to upward pressure from increased fuel and electricity costs, and growth is expected to remain at current levels. These factors were considered when preparing the Department's budget for fiscal year 2013. The budget forecasts that revenues will continue to be sufficient to fund operating expenses, debt service, a portion of the Department's capital projects expenditures, and sufficient reserves.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

For Fiscal Year 2011 - 2012: The Department achieved an important accomplishment and made progress on major initiatives:

- Continued commitment to a strong utility advocacy role on legislative and regulatory issues.

A discussion of that major accomplishment and initiative follows:

Continued commitment to a strong utility advocacy role on legislative and regulatory issues:

Water management in Southeast Florida is undergoing tremendous change as a consequence of growth and a desire to restore and preserve the Everglades. As a result, there is increasing pressure to modify legislation and regulations relating to water supply, reclaimed water use, and biosolids. The Department works to ensure that proposed changes are economically, technically, and environmentally feasible. To this end, the BCC and the Department's Advisory Board have indicated their support for a strong utility advocacy role on these issues. The Department participates in the Florida Water Environment Association Utility Council, the American Water Works Association

Utility Council, and the Southeast Florida Utility Council in order to concentrate on legislative and regulatory efforts.

The Department is currently focusing a majority of its legislative efforts on the following three issues, which could have a major impact on the future of water use and supplies:

- *Water Reservations* - Florida Statutes allow the Florida Department of Environmental Protection (FDEP) and the numerous water management districts to reserve water for the protection of fish, wildlife, or public health and safety. Reservations could limit access to water for public water supply purposes. The Department will focus efforts on ensuring that all potential beneficial water uses and sources are addressed in future water supply plans and that any future reservations should be authorized within the context of such plans.
- *Water Supply Funding* - The Department will support efforts to establish a strong partnership with the State of Florida, water management districts, and local governments to fund alternative water supply projects. The Department will work with the South Florida Water Management District (SFWMD), the American Water Works Association Research Foundation, and several South Florida utilities to evaluate availability, technical feasibility, and projected cost for a wide variety of innovative water supply/delivery technologies.
- *Water Reuse* - The Department continues to support and participate in a proposed study, authorized by the 2004 Florida Legislature and conducted by the FDEP and the SFWMD, to determine the feasibility of discharging reuse water into the canals of South Florida, as well as other regional reuse efforts. This study could lead to future legislation that would greatly expand the utilization of reuse water for purposes including aquifer recharge and irrigation.

Some of the proposed solutions for the above listed issues could require significant monetary investments that could negatively impact the Department and our customers. It is critical for the Department to maintain an advocacy role in proposed legislation and regulations to ensure that the outcome of such is both environmentally safe and economically sound.

For the Future: To continue to meet the challenges facing the Department, future major initiatives are required, including the following:

- Continue a strong utility advocacy role on water supply, reclaimed water, and deep injection well issues;
- Provide additional opportunities for residents in the expanded service areas to connect to the Department's potable water, wastewater, and reclaimed water systems;
- Continue to enhance and support an advanced technological environment in order to maintain the Department's high level of efficiency; and
- Continue implementation of an asset management program. As the Department continues to move toward becoming a sustainable utility from a growth utility, this provides a systematic method of minimizing the life cycle costs of utility assets, meeting desired service levels, and controlling risk in the most efficient manner. The changes in work flow, personnel, technology, and infrastructure required to successfully implement the program will be addressed with cross-functional teams. Asset management also enables the Department to prioritize expenditures and establish long-term spending requirements.

OTHER INFORMATION

Internal Control: In conformity with the internal control procedures established by the County, the Department is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Department are protected from loss, theft, or

misuse. Additionally, the Department's internal controls ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

Budgetary Control: The Department's budget is included in the County's annual budget, which is prepared pursuant to Chapter 129, Florida Statutes, and represents the legal authority to levy taxes and expend funds for all County purposes. The Department's budget is balanced, as required by Florida Statutes, with the inclusion of reappropriated beginning fund balances. Encumbrance accounting is applied during the year. Budgetary control is maintained in the County's accounting system at the appropriation unit level. As part of the budget process, open encumbrances lapse at year-end and must be reappropriated in the following year and are, therefore, not reported as reserved fund balance at year-end. Activities of the operating accounts (Revenue; Operations and Maintenance; Sinking Fund Accounts, including Bond Interest, Bond Principal, Bond Redemption, and Debt Service Reserve; Renewal and Replacement; Capital Improvement; and Connection Fee) required by covenants securing the Department's indebtedness are included in the annual budget.

Award: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Palm Beach County, Florida, Water Utilities Department for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2011. This was the sixteenth consecutive year that the Department has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both accounting principles generally

accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgment: The preparation of the CAFR was made possible by the dedicated services of the entire staff of the Finance and Accounting Section of the Finance and Administration Division. Each member of the Finance and Accounting Section has our sincere appreciation for the contributions made in the preparation of this report.

Very truly yours,



Bevin A. Beaudet, P.E.
Department Director



Debra M. West
Assistant Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Palm Beach County, Florida,
Water Utilities Department

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

**PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
PRINCIPAL OFFICIALS**

**Board of County Commissioners
As of September 30, 2012**



Shelley Vana
Chair
District 3



Steven L. Abrams
Vice Chair
District 4



Karen T. Marcus
Chair
District 1



Paulette Burdick
Commissioner
District 2



Burt Aaronson
Commissioner
District 5



Jess R. Santamaria
Commissioner
District 6



Priscilla A. Taylor
Commissioner
District 7

County Administration

Robert Weisman, P.E., County Administrator
Shannon R. LaRocque-Baas, P.E., Assistant County Administrator

Water Utilities Department

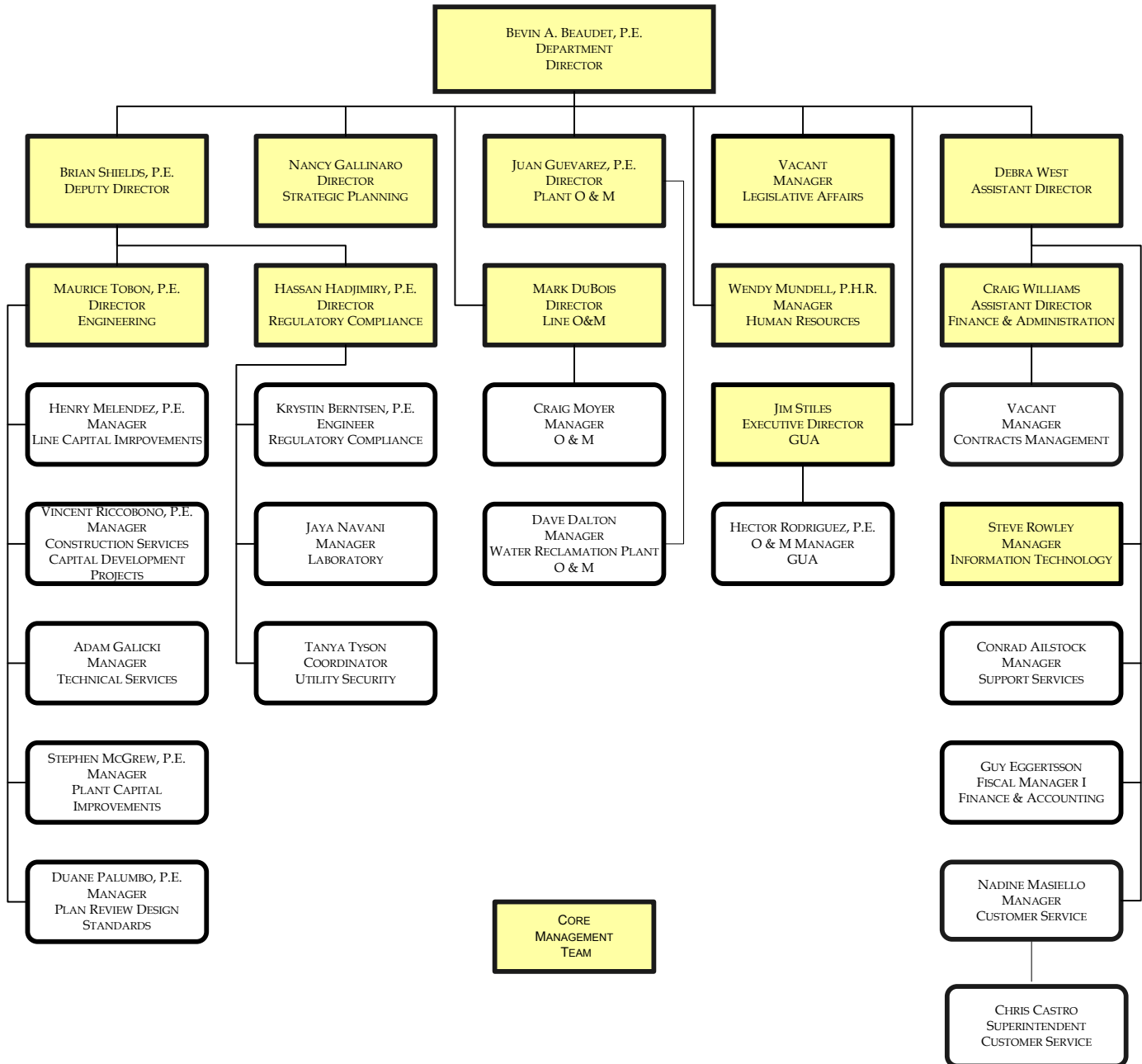
Bevin A. Beaudet, P.E., Director

Water Utilities Advisory Board

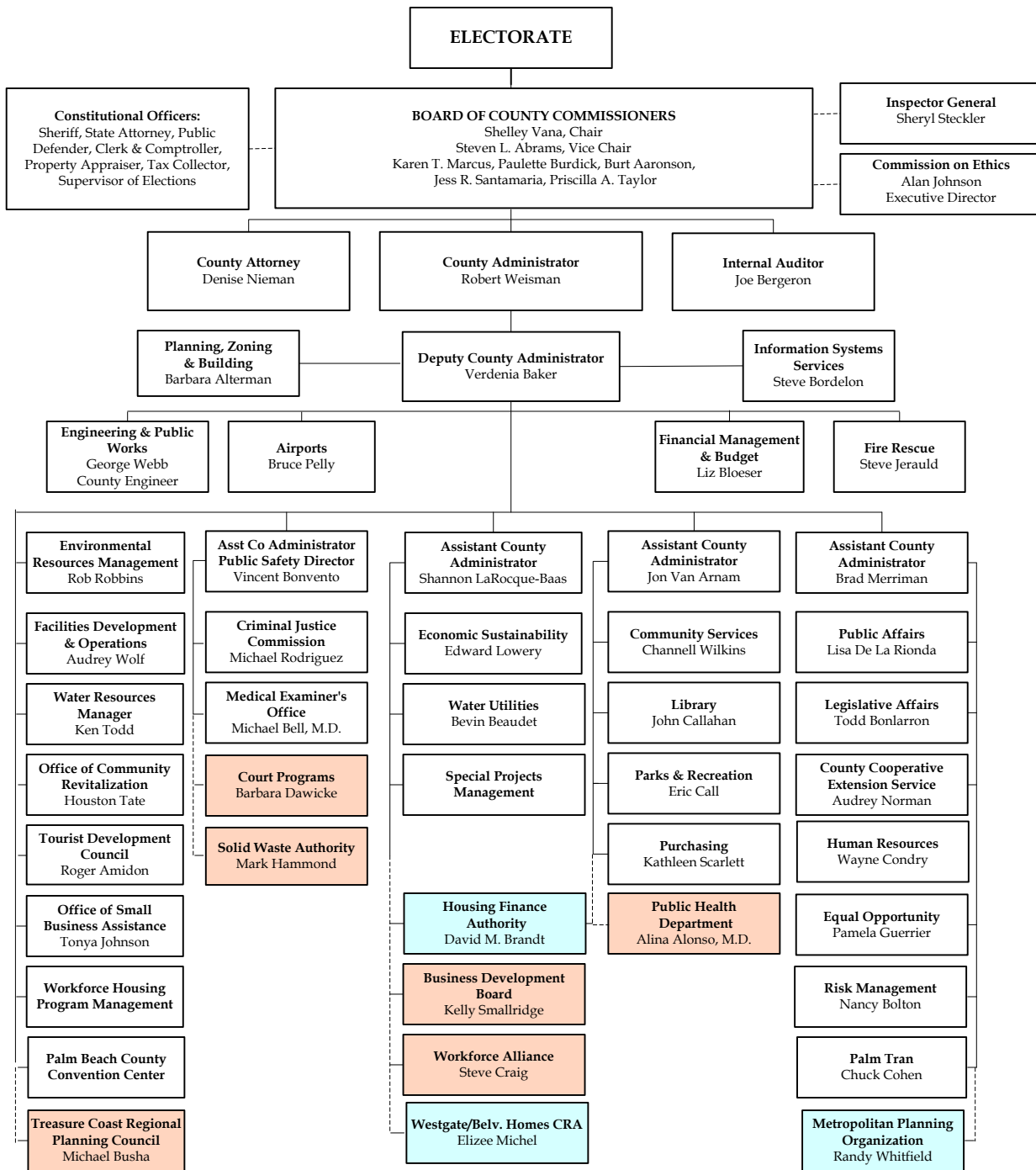


*Seated from left: Burt Goodman, Chairperson Mae Yates, Beverly Scott, Frank Matthews.
Standing from left: Derrek Moore, Ted Cott, Carlton Brooks, Edwin Wechsler, Lewis Doctor,
Vice Chairperson Harvey Arnold. Not Pictured, Larry Gold.*

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
ORGANIZATIONAL STRUCTURE
 September 30, 2012



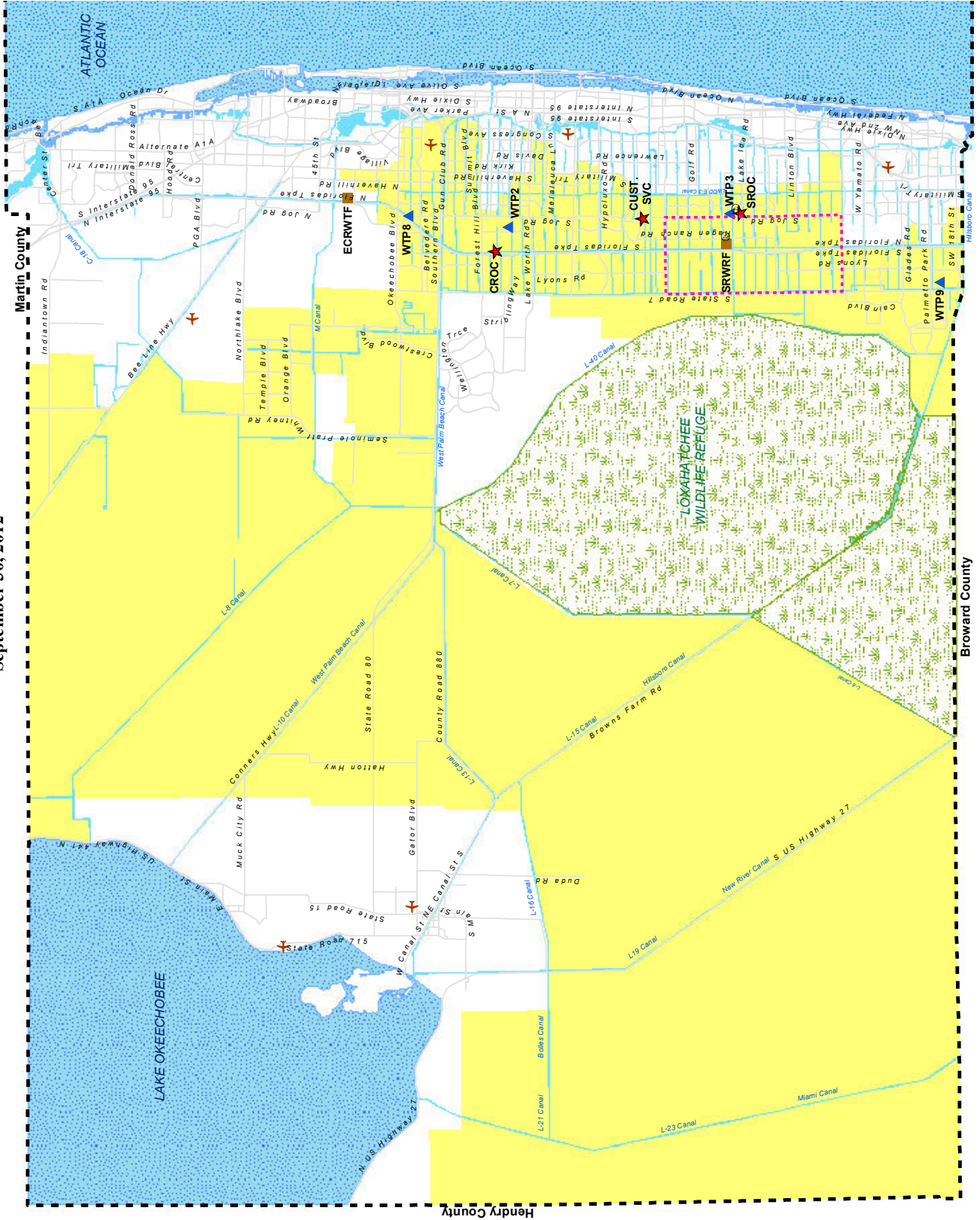
**PALM BEACH COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
ORGANIZATIONAL STRUCTURE
As of September 30, 2012**



- County Agencies
- Agencies with an administrative tie to the Board of County Commissioners
- Agencies with a relationship to the Board of County Commissioners
- - - Partial line of authority or funding
- Direct line of authority



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SERVICE AREA (SA) AND MAJOR FACILITIES
 September 30, 2012



- Legend**
- P.B.C.W.U.D. SA
 - Mandatory Reclaimed SA
 - County Limits
 - Administration
 - Water Reclamation Plant
 - Water Treatment Plant
 - Wetlands



Right: Lab technician analyzes raw water

Below: Nanofiltration membranes at Water Treatment Plant #3





Independent Auditor's Report

To the Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited the accompanying financial statements of the Palm Beach County, Florida Water Utilities Department (the "Department") as of and for the years ended September 30, 2012 and 2011, 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 present only the Department, an enterprise fund of Palm Beach County, Florida, and do not purport to, and do not present fairly the financial position of Palm Beach County, Florida, as of September 30, 2012 and 2011, the changes in its financial position and where applicable, cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2012 and 2011, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 25, 2013, and March 28, 2012, 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 those reports are 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the Other Post Employment Benefits Healthcare Plan Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Department's financial statements. The introductory section, supplementary information contained in the financial section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information contained in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information contained in the financial section is fairly stated in all material respects in relation to the 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 do not express an opinion or provide any assurance on them.

McGladrey LLP

West Palm Beach, Florida
March 25, 2013

WATER UTILITIES DEPARTMENT OF PALM BEACH COUNTY, FLORIDA Management's Discussion and Analysis

This section of the Department's annual financial report presents our discussion and analysis of the Department's financial performance during the fiscal years ended September 30, 2012 (FY 2012) and September 30, 2011 (FY 2011). Please read it in conjunction with the preceding transmittal letter and the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The Department's net assets increased by \$34.0 million, or 3.7%, during FY 2012 and increased by \$20.3 million, or 2.3%, during FY 2011.
- Long-term debt (net of the current portion) decreased by \$8.1 million, or 4.1%, in FY 2012 and, decreased by \$17.2 million, or 8.0%, in FY 2011.
- Operating revenues in FY 2012 totaled \$153.8 million, an increase of \$2.3 million or 1.5%, compared with \$151.5 million in FY 2011, an increase of \$9.9 million or 7.0% from the previous year. FY 2012 included the effect of rate indexing and a 0.4% increase in the customer base. FY 2011 included the effect of rate indexing, eight months revenue from operating the FPL reclaimed water system and a 0.4% increase in the customer base.
- Operating expenses before depreciation and amortization and equity interest in net loss of joint venture, totaled \$100.5 million, an increase of \$0.9 million, or 0.9%, in FY 2012 compared with \$99.6 million, an increase of \$8.7 million, or 9.6%, for FY 2011.
- Non-operating income increased by \$1.8 million, or 75.0%, in FY 2012 compared with a FY 2011 increase of \$2.0 million, or 500.0%.
- The Department showed net income before contributions of \$16.8 million for FY 2012, an increase of \$3.8 million or 29.2% and showed net income before contributions of \$13.0 million for FY 2011,

which represented a \$2.1 million or 19.3% increase from FY 2010.

FINANCIAL STATEMENTS OVERVIEW

Financial Reporting Entity - The Water Utilities Department is an enterprise fund operation of the Palm Beach County Board of County Commissioners (BCC). As such, the Department's financial operations are maintained on the full accrual basis of accounting: revenues are recognized when earned, and expenses are recognized when incurred. The Department provides potable water, wastewater, and reclaimed water services to approximately 532,000 people located within approximately 1,200 square miles of the primarily unincorporated area of the County. In addition to serving unincorporated areas, the Department provides services directly to the residents and businesses of the Village of Royal Palm Beach, the City of Greenacres, and the Town of Haverhill. Through interlocal agreements, the Department also provides services to the Village of Palm Springs and the Cities of Lake Worth, Boynton Beach, Belle Glade, South Bay, Pahokee and Atlantis.

Palm Beach County is a political subdivision of the State of Florida and is governed by the State Constitution, general laws of the State of Florida, and the County's Charter. The legislative and governing body of the County is the seven-member BCC. In accordance with the County's Charter, the Clerk & Comptroller is the Clerk of the BCC and is the official custodian of County funds and the accounting records of and for the Department. As an operating unit of the BCC, the Department reports directly to County Administration. An eleven-member Citizens' Advisory Board provides guidance to the Department and to the BCC on rate and policy issues.

Financial Statement Structure - In addition to the preceding report of the County's independent certified public accountants, the annual financial statements consist of three segments:

Management's Discussion and Analysis, which provides explanations for and analyses of the Department's financial activities based upon currently known facts, conditions, and decisions of the Department's management. While primarily focused on current year results compared with prior years, this discussion also addresses certain long-term issues, which may, in management's opinion, impact the Department's financial performance.

Basic Financial Statements, which depict the Department's financial position as of September 30, 2012 and 2011, along with earnings performance and cash flow information. The accompanying notes explain some of the financial statement data and provide more detailed information.

Supplementary Information, which presents funding progress of the defined benefit health-care plan administered by the County (other post-employment benefits) and which compares the Department's results of operations with the original and final budgetary goals.

FINANCIAL OPERATIONS OF THE DEPARTMENT

Net Assets: The Department's net assets increased by \$34.0 million, or 3.7%, during the fiscal year ended September 30, 2012, compared to a 2.3%, or \$20.3 million increase in the prior year. An increase of cash and cash equivalents of \$30.4 million was the major component of the increase in FY 2012. An increase of cash and cash equivalents of \$14.8 million and contributed capital of \$11.2 million were the major component of the increase in FY 2011.

Table 1 presents the Department's net assets (dollars in millions) for the fiscal years ended September 30, 2012, 2011, and 2010.

Assets contributed to the Glades Utility Authority of \$3.6 million in FY 2012 and \$4.0 million in FY 2011, plus depreciation and amortization of \$39.7 million and \$40.2 million for FY 2012 and FY 2011, respectively, were the major components of the decrease in net capital assets. Construction projects totaling \$20.9 million were completed in FY 2012, a 53.6% decrease from last year's construction total of \$45.9 million.

Long-term debt (net of the current portion) decreased by \$8.1 million, or 4.1%, compared to a \$17.2 million, or 8.0% decrease in the previous year. Both the FY 2012 and FY 2011 decreases were attributable to principal repayments.

The Department's operating revenues totaled \$153.8 million in FY 2012 and \$151.5 million in FY 2011, which represented increases of 1.5% and 7.0%, respectively, for the periods. FY 2012 included the effect of rate indexing and a 0.4% increase in the customer base. FY 2011 included the effect of rate indexing, eight months revenue from operating the FPL reclaimed water system and a 0.4% increase in the customer base.

Operating expenses before depreciation and amortization and equity interest in net loss of joint venture were \$100.5 and \$99.6 million for the periods. These represented annual increases of 0.9% and 9.6% for FY 2012 and FY 2011, respectively. The primary reasons for the increase are shown in Table 2.

Table 1 – Summary of Net Assets (dollars in millions)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
Current and other assets	\$277.6	\$244.4	13.6	\$234.3	4.3
Capital assets, net	<u>879.1</u>	<u>887.3</u>	-0.9	<u>901.0</u>	-1.5
Total assets	1,156.7	1,131.7	2.2	1,135.3	-0.3
Long-term net revenue bonds outstanding	187.2	194.0	-3.5	210.4	-7.8
Current portion of revenue bonds	6.5	8.0	-18.8	10.4	-23.1
Other liabilities	<u>22.1</u>	<u>22.8</u>	-3.1	<u>27.8</u>	-18.0
Total liabilities	215.8	224.8	-4.0	248.6	-9.6
Net assets:					
Invested in capital assets, net of related debt	703.5	703.9	-0.1	711.2	-1.0
Restricted	8.0	9.5	-15.8	11.9	-20.2
Unrestricted	<u>229.4</u>	<u>193.5</u>	<u>18.6</u>	<u>163.6</u>	18.3
Total net assets	<u>\$940.9</u>	<u>\$906.9</u>	<u>3.7</u>	<u>\$886.7</u>	<u>2.3</u>

Table 2 – Operating Expense Increases (dollars in millions)

<u>FY 2012 Increases:</u>	
Salaries due to an increase in the number of vacant positions	\$-2.0
Maintenance due to additional facilities and preventative maintenance	-1.8
Indirect cost allocation from Board of County Commissioners	1.4
All others, net	<u>3.4</u>
Total operating expense increase for FY 2012	<u>\$1.0</u>
<u>FY 2011 Increases:</u>	
Maintenance due to additional facilities and preventative maintenance	\$3.2
Indirect cost allocation from Board of County Commissioners	1.4
Purchased reclaimed water for Florida Power and Light agreement	1.2
All others, net	<u>2.9</u>
Total operating expense increase for FY 2011	<u>\$8.7</u>

A comparative summary of changes in net assets for the years ended September 30, 2012, 2011, and

2010 (dollars in millions) is presented in Table 3.

Table 3 – Increase in Net Assets (dollars in millions)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
Charges for utility service	\$148.4	\$146.5	1.3	\$136.3	7.5
Other operating revenues	<u>5.4</u>	<u>5.0</u>	8.0	<u>5.3</u>	-5.7
Total operating revenues	153.8	151.5	1.5	141.6	7.0
Operating expenses before depreciation and amortization and equity interest in net loss of joint venture	100.5	99.7	0.8	90.9	9.7
Depreciation and amortization and equity interest in net loss of joint venture	<u>40.7</u>	<u>41.3</u>	-1.5	<u>40.2</u>	2.7
Total operating expenses	<u>141.2</u>	<u>141.0</u>	0.1	<u>131.1</u>	7.6
Net operating income	12.6	10.5	20.0	10.5	0.0
Guaranteed revenue	4.0	2.5	60.0	2.5	0.0
Investment income	5.4	6.2	-12.9	5.0	24.0
Interest expense	-8.5	-6.9	23.2	-6.7	3.0
Engineering fees	0.5	0.3	66.7	0.3	0.0
Engineering expenses	-0.6	-0.6	0.0	-0.6	0.0
Other	<u>3.4</u>	<u>0.9</u>	277.8	<u>-0.1</u>	1,00.0
Total non-operating revenues	<u>4.2</u>	<u>2.4</u>	75.0	<u>-0.4</u>	500.0
Income before capital contributions and transfers from County	16.8	12.9	30.2	10.9	18.3
Contributions to Glades Utility Authority	-3.6	-4.0	-10.0	-56.4	-92.9
Capital contributions	18.3	11.2	63.4	12.2	-8.2
Transfers from primary government	<u>2.5</u>	<u>0.1</u>	2,400.0	<u>0.8</u>	-87.5
Increase (decrease) in net assets	<u>\$34.0</u>	<u>\$20.2</u>	68.3	<u>\$-32.5</u>	-162.5

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At September 30, 2012 and September 30, 2011, the Department had \$879.1

million and \$887.3 million respectively invested in a wide range of capital assets, including water treatment plants, water reclamation facilities, pipelines, and two regional operations centers to serve the 1,200-square mile service area. As

Table 4 shows, FY 2012 represents a \$8.2 million, or 0.9%, decrease over the prior year (dollars are in millions, net of accumulated depreciation and amortization). FY 2011 amounts decreased by \$13.7 million, or 1.5%, from the previous year. Major capital asset additions for the two years are shown in Table 5. For more detailed information on capital assets, please see Note 5.

The Department's fiscal year 2013 capital budget anticipates spending \$133.5 million, an increase of \$45.7 million, or 52.1%, from the previous year's budget of \$87.8 million Major projects include:

- New collection system piping and pipeline rehabilitation and expansion (\$12.7 million);
- Wellfield rehabilitation and expansion (\$13.1 million);
- Replacement of the filters at Water Treatment Plant #2 (\$14.0 million);

These projects will be financed using existing funds, cash generated by operations, and connection fees received from developers.

Table 4 – Change in Capital Assets Net of Accumulated Depreciation and Amortization (dollars in millions)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
Utility plants and pipelines	\$756.8	\$765.1	-1.1	\$749.0	2.1
Buildings	67.4	68.7	-1.9	71.3	-3.6
Equipment and vehicles	12.8	10.0	28.0	13.8	-27.5
Land	14.9	14.9	0.0	14.9	0.0
Leasehold interest	4.5	5.8	-22.4	7.0	-17.1
Goodwill	5.6	5.8	-3.4	6.2	-6.5
Easements	1.7	1.7	0.0	1.7	0.0
Construction in progress	<u>15.4</u>	<u>15.3</u>	-0.7	<u>37.1</u>	-58.8
Total	<u>\$879.1</u>	<u>\$887.3</u>	<u>-0.9</u>	<u>\$901.0</u>	<u>-1.5</u>

Table 5 – Major Capital Asset Additions and Deletions (dollars in millions)

<u>FY 2012 Additions:</u>	
Improvements to Water Treatment Plant #2	\$10.0
Improvements to Southern Region Water Reclamation Facility	2.8
<u>FY 2012 Deletions:</u>	
Transfer of Assets to Glades Utility Authority	\$3.6
<u>FY 2011 Additions:</u>	
Completion of Florida Power and Light reclaimed water system	\$39.5
Acquisition of water and sewer mains from the City of West Palm Beach	1.3
<u>FY 2011 Deletions:</u>	
Transfer of Assets to Glades Utility Authority	\$4.0

Debt Administration: As shown in Table 6, the Department's long-term debt (net of the current portion) was \$190.4 million on September 30, 2012, a decrease of \$8.1 million, or 4.1%. The balance was \$198.5 million on September 30, 2011, a decrease of \$17.2 million, or 8.0%

from the previous year's figure of \$215.7 million.

More detailed information on the Department's revenue bonds payable is presented in Note 6 to the financial statements. The note payable is explained in Note 4.

Table 6 – Change in Long-Term Debt (dollars in millions)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>	<u>2010</u>	<u>% Change</u>
Revenue bonds (backed by net revenues)	\$188.6	\$196.6	-4.1	\$214.9	-8.5
Plus unamortized bond premium	5.3	5.7	-7.0	6.3	-9.5
Less unamortized deferred loss on refunding	<u>-0.1</u>	<u>-0.2</u>	<u>-50.0</u>	<u>-0.4</u>	<u>-50.0</u>
Net revenue bonds	193.8	202.1	-4.1	220.8	-8.5
State Revolving Fund note payable (backed by net revenues of joint venture)	0.2	1.7	-88.2	2.4	-29.2
Compensated absences	3.0	3.0	0.0	3.1	-3.2
Other	<u>0.2</u>	<u>0.4</u>	-50.0	<u>0.4</u>	0.0
Total long-term debt	197.2	207.2	-4.8	226.7	-8.6
Current portion of long-term debt:					
Revenue bonds	6.5	8.0	-18.8	10.4	-23.1
State Revolving Fund note payable	0.0	0.3	-100.0	0.3	0.0
Compensated absences	0.2	0.2	0.0	0.2	0.0
Other	<u>0.1</u>	<u>0.2</u>	-50.0	<u>0.1</u>	100.0
Total current portion of long-term debt	6.8	8.7	-22.8	11.0	-20.9
Long-term debt (net of current portion)	<u>\$190.4</u>	<u>\$198.5</u>	<u>-4.1</u>	<u>\$215.7</u>	<u>-8.0</u>

Since inception of the utility system in 1969, the Department has issued revenue bonds to finance capital improvements. The revenue bonds have interest rates ranging from 4.00% to 5.25% and are payable through FY 2041. All issues are on parity as to their lien on net revenues and connection fees of the utility system.

In conjunction with the issuance of the Series 2009 Water and Sewer Revenue Bonds and the Series 2008 Water and Sewer Refunding Bonds, Fitch Ratings, Standard & Poor’s, and Moody’s Investors Service rated these issues and all outstanding bonds of the Department as AAA, AAA, and Aaa, respectively. In 2006, the Department had been the first water utility within the State of Florida to receive the highest ratings from the three major rating agencies at the same time and is still only one of a select few utility systems nationwide to accomplish this feat.

The Department is obligated by a rate covenant to establish and maintain rates that are sufficient to cover debt service requirements. The rate covenant requires that rates and fees must always provide net revenues that, together with a specified percentage of connection fees, are adequate to pay at least one hundred twenty-five percent (1.25x) of the annual debt service requirement for the bonds. Additionally, the net revenues together with the connection fees must be sufficient to make all payments required by the bond resolution. This requirement was exceeded by the 4.45x and 3.23x calculations for FY 2012 and FY 2011, respectively.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Palm Beach County is the third most populous county in the State of Florida. Growth in dwelling units for the Department’s service area over the last five years has averaged 0.5%. The real estate and construction industries comprise the mainstays of the County’s economic base. The Department’s service area continues to reflect primarily residential customers, plus some commercial and light industrial services. A continued increase in population is projected through “build-out,” which is expected to occur by approximately 2020. To meet future customer demands, the Department’s Master Plan was updated in 1997 and continues to emphasize the elimination of developer-built package treatment plants, which will be consolidated into advanced technology regional facilities. By 2020, the Department will operate at least six regional water plants with an estimated 130 million gallons per day (mgd) capacity. For wastewater services, the Department owns 24 mgd of capacity in the East Central Regional Wastewater Treatment Plant and will operate the 35 mgd capacity in the Southern Region Water Reclamation Facility, which will be able to provide approximately 22 mgd of reclaimed water.

On March 5, 2013 the acting City Council of the City of South Bay passed a vote ratifying the absorption of the Glades Utility Authority (GUA) by Palm Beach County (County). The County has accepted the vote as legally binding based on an opinion rendered the South Bay’s City Attorney.

This represented the final vote needed to move forward with the absorption of the GUA since the absorption was already ratified by Belle Glade and Pahokee.

The absorption was deemed to be in the best interest of the GUA's customers. The GUA was facing an uncertain future due to a progressive deterioration of the GUA's financial stability. As a result, the GUA appears to be at risk of not being able to continue as a going concern without substantial financial assistance from external sources.

Under the absorption, the GUA customer rates would be frozen for the greater of 10 years or until the rates equal the County's; the Cities of Belle Glade, Pahokee and South Bay (Cities) would continue to receive host fees; and the County will commit \$25 million over the next five years to repair the system. The 10,000 GUA customers will become on-line customers of the Palm Beach County Water Utilities Department (WUD). Currently, WUD bills the GUA monthly as a contractual wholesale water customer for the costs of operating the GUA. The absorption is described in greater detail in the subsequent event footnote on page 42 of the CAFR.

These factors, along with inflation, mandatory water restrictions imposed by the South Florida Water Management District and the recent downturn in the real estate market, were considered when preparing the Department's budget for fiscal 2013. The budget forecasts operating revenues of \$154.8 million, or 2.7%, above the final 2012 budget of \$150.7 million. Net revenues will be used to fund debt service and a portion of the Department's capital projects expenditures. Expenses will continue to be subjected to upward pressure from increased fuel and electricity costs and the expansion of facilities. Amounts anticipated in fiscal 2013 for operating expenses, excluding depreciation and amortization and equity interest in net loss of joint venture, are \$108.4 million, a 0.6% decrease from the final 2012 budget of \$109.0 million.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with an overview of the Department's finances and to

demonstrate the Department's accountability for the monies it receives. If you have questions about this report or require additional financial information, please contact us at the address on the preceding transmittal letter.

COMPARATIVE FINANCIAL STATEMENTS

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 155,143,161	\$ 124,313,421
Restricted cash and cash equivalents	17,266,327	19,020,072
Accounts receivable (less allowance for doubtful accounts of \$2,757,700 and \$2,474,200 for 2012 and 2011, respectively)	15,496,560	14,420,244
Accrued interest receivable	688,000	678,500
Special assessments and notes receivable, current portion	830,327	799,638
Due from other County funds	2,447,874	38,139
Due from other governments	1,639,854	789,921
Prepaid expenses	285,862	260,387
Inventories	6,950,276	6,752,495
Total current assets	<u>200,748,241</u>	<u>167,072,817</u>
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	<u>10,002,200</u>	<u>8,674,493</u>
Special assessments and notes receivable	<u>16,183,784</u>	<u>16,028,689</u>
Due from other governments (less allowance for doubtful accounts of \$25,154,037 and \$25,436,930 for 2012 and 2011, respectively)	<u>-</u>	<u>-</u>
Deferred debt issuance costs	<u>1,541,736</u>	<u>1,662,157</u>
Investment in joint ventures	<u>49,123,038</u>	<u>50,996,980</u>
Capital assets:		
Utility plants and pipelines in service	1,184,553,650	1,162,481,006
Buildings	100,899,151	99,703,050
Equipment	69,942,922	65,010,538
Leasehold interest	12,411,525	12,411,525
Goodwill	6,915,903	6,915,903
Land	14,886,536	14,886,536
Easements	1,660,856	1,660,856
Total capital assets	<u>1,391,270,543</u>	<u>1,363,069,414</u>
Less accumulated depreciation and amortization	<u>(527,571,159)</u>	<u>(491,010,821)</u>
Subtotal	863,699,384	872,058,593
Construction in progress	<u>15,399,963</u>	<u>15,271,314</u>
Capital assets, net	<u>879,099,347</u>	<u>887,329,907</u>
Total noncurrent assets	<u>955,950,105</u>	<u>964,692,226</u>
TOTAL ASSETS	<u>\$ 1,156,698,346</u>	<u>\$ 1,131,765,043</u>

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET ASSETS
September 30, 2012 and 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Vouchers payable and accrued liabilities	\$ 6,166,267	\$ 4,632,593
Due to other governments	1,271,640	1,795,116
Due to other County funds	527,777	474,587
Compensated absences	219,000	223,000
Other current liabilities	116,923	212,776
Subtotal current liabilities	8,301,607	7,338,072
 CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Revenue bonds payable, current portion	6,465,000	8,043,000
Customer deposits	6,105,645	5,813,528
Accrued interest payable	4,631,569	4,783,549
Construction contracts & vouchers payable	64,113	96,265
Due to other governments	-	283,730
Subtotal current liabilities payable from restricted assets	17,266,327	19,020,072
Total current liabilities	25,567,934	26,358,144
 NONCURRENT LIABILITIES:		
Revenue bonds payable, net of unamortized discount, premium, and deferred advance refunding loss	187,207,183	193,994,216
Compensated absences	2,795,837	2,825,340
Due to other governments	164,260	1,405,004
Other long-term liabilities	110,000	265,102
Total noncurrent liabilities	190,277,280	198,489,662
 TOTAL LIABILITIES	215,845,214	224,847,806
 NET ASSETS:		
Invested in capital assets, net of related debt	703,493,997	703,854,932
Restricted for debt service	6,465,000	8,043,000
Restricted for capital projects	1,000,000	1,000,000
Restricted for other purposes	500,000	500,000
Unrestricted	229,394,135	193,519,305
TOTAL NET ASSETS	\$ 940,853,132	\$ 906,917,237

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Charges for services	\$ 148,390,799	\$ 146,522,511
Other operating revenue	5,379,318	5,039,362
Total operating revenues	<u>153,770,117</u>	<u>151,561,873</u>
OPERATING EXPENSES:		
Depreciation and amortization	39,716,768	40,213,473
Personal services	35,490,762	36,276,116
Maintenance	18,550,623	20,080,743
Contractual services	16,979,131	13,775,057
Supplies	14,236,729	13,806,684
Utilities	8,613,021	9,365,890
Purchased water and wastewater treatment	5,695,958	5,031,718
Equity interest in net loss of joint venture	1,007,748	1,076,592
Miscellaneous	981,394	1,254,372
Total operating expenses	<u>141,272,134</u>	<u>140,880,645</u>
OPERATING INCOME	<u>12,497,983</u>	<u>10,681,228</u>
NONOPERATING REVENUES (EXPENSES):		
Guaranteed revenue	4,010,517	2,528,447
Investment income	5,397,684	6,179,300
Interest expense	(8,457,067)	(6,859,111)
Engineering fees	482,045	269,803
Engineering expenses	(583,431)	(612,606)
Other	3,388,719	878,767
Total nonoperating income	<u>4,238,467</u>	<u>2,384,600</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS	<u>16,736,450</u>	<u>13,065,828</u>
Capital contributions received	18,250,296	11,158,594
Special item - contribution of cash and capital assets to Glades Utility Authority	(3,572,024)	(4,045,999)
Transfers from other County funds	2,521,173	71,875
INCREASE IN NET ASSETS	<u>33,935,895</u>	<u>20,250,298</u>
NET ASSETS, BEGINNING OF PERIOD	<u>906,917,237</u>	<u>886,666,939</u>
NET ASSETS, END OF PERIOD	<u>\$ 940,853,132</u>	<u>\$ 906,917,237</u>

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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts:		
Cash received from customers	\$145,951,348	\$147,828,565
Other operating receipts	6,474,520	5,594,172
Total cash receipts	152,425,868	153,422,737
Cash disbursements:		
Payments to employees	(29,130,003)	(30,998,400)
Payments to other County funds	(20,470,076)	(18,604,486)
Payments to suppliers of goods and services	(50,448,988)	(50,797,906)
Total cash disbursements	(100,049,067)	(100,400,792)
Net cash provided by operating activities	52,376,801	53,021,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash contributed to other governments	(3,914,110)	(1,560,044)
Transfers from other County funds	188,384	71,875
Transfers to other County funds	(100,000)	-
Net cash used in noncapital financing activities	(3,825,726)	(1,488,169)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Construction of buildings, plants, and pipelines	(20,420,695)	(26,221,210)
Capital contributed by developers and customers	13,401,615	12,353,070
Interest paid on revenue bonds	(9,447,614)	(10,310,284)
Principal paid on revenue bond maturities	(8,043,000)	(10,410,000)
Cash contributed by Florida Power & Light for debt service	4,056,431	1,566,384
Cash contributed to joint ventures for capital outlay and debt service	(1,746,238)	(1,258,339)
Equipment purchased	(1,562,675)	(1,179,611)
Proceeds on sale of surplus capital assets	230,802	318,327
Bond paying agent fees paid	(4,183)	(11,048)
Revenue bonds refunded	-	(7,855,000)
Net cash used in capital and related financing activities	(23,535,557)	(43,007,711)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	5,388,184	6,255,938
Net cash provided by investing activities	5,388,184	6,255,938
Net increase in cash and cash equivalents	30,403,702	14,782,003
Cash and cash equivalents at beginning of period	152,007,986	137,225,983
Cash and cash equivalents at end of period	\$182,411,688	\$152,007,986
Displayed on statements of net assets as:		
Cash and cash equivalents	\$155,143,161	\$124,313,421
Restricted cash and cash equivalents	27,268,527	27,694,565
Total per statements of net assets	\$182,411,688	\$152,007,986

(continued)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2012 and 2011

(continued)

	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 12,497,983	\$ 10,681,228
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation and amortization	39,716,768	40,213,473
Equity interest in net loss of joint venture	1,007,748	1,076,592
Provision for doubtful accounts receivable	283,500	8,000
Changes in assets and liabilities:		
Customer accounts receivable	(1,361,961)	701,959
Due from other County funds	23,054	(2,301)
Due from other governments	(1,072,956)	567,477
Prepaid expenses	(25,475)	1,491
Inventories	(197,781)	407,229
Compensated absences	(33,503)	(7,914)
Vouchers payable and accrued liabilities	1,234,592	(1,051,597)
Due to other County funds	53,190	(166,409)
Due to other governments	(40,475)	22,420
Customer deposits	292,117	570,297
Total adjustments	39,878,818	42,340,717
Net cash provided by operating activities	\$ 52,376,801	\$ 53,021,945

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

Utility plant contributed by developers and customers	\$ 5,742,926	\$ 3,735,991
Payables related to capital asset acquisition	2,495,890	1,805,190
Utility plant contributed by other governments	1,692,859	294,089
Capitalized interest	516,534	2,708,357
Amortization of premium on bonds	399,741	664,084
Amortization of deferred debt issuance costs	120,421	215,045
Amortization of deferred advance refunding loss	77,708	122,187
Construction trust fund investment income offset to capitalized interest	-	54,838
Contribution to Glades Utility Authority	-	2,485,955

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2012 and 2011

1. GENERAL

Description - Palm Beach County, Florida (County) is a chartered political subdivision of the State of Florida and is authorized by the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (BCC) is the legislative and governing body of the County. Pursuant to the general laws of Florida, the County owns the Water Utilities Department of Palm Beach County (Department). The financial statements only present the Department and are not intended to present fairly the financial position of Palm Beach County, Florida, and the changes in its financial position and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation - The Department operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Department:

Basis of Accounting - The Department utilizes the accrual basis of accounting in accordance with GAAP and does not follow Financial Accounting Standards Board (FASB) standards issued after November 30, 1989. The financial statements are presented using the economic resources measurement focus.

Budget Approval - The BCC approves the Department's annual budget as part of the formal budget adoption process pursuant to Chapter 129, Florida Statutes. The budget is adopted on a basis consistent with GAAP, and budgetary controls for appropriations are established at the appropriation unit level.

Activities for the operating accounts required by bond covenants securing the Department's indebtedness are included in the annual budget.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which 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 expenses during the reporting period. Actual results could differ from those estimates.

Classification of Revenues and Expenses - Operating revenues and expenses are those which result from providing water and wastewater services. Nonoperating revenues and expenses include financing, investing, and other activities not directly related to the provision of water and wastewater services.

Revenue Recognition - All water and wastewater revenues are recognized when the related services are provided. Special assessment contributed capital is recognized when the project has final acceptance by the BCC's Contract Review Committee and, for projects whose final assessed amount is less than the original assessed amount, BCC approval of the amended amount. Grants from other governmental agencies for the acquisition of capital assets are recorded as capital contributions when all applicable eligibility requirements have been met. Connection fees are charged to new service customers and are required to be used for capital acquisition purposes; these fees are accounted for as capital contributions when service is provided.

Cash and Cash Equivalents - The Department considers all highly liquid investments with maturities of three months or less when purchased as well as its proportionate share of the County's investment pool to be cash equivalents for purposes of the statements of net assets and the statements of cash flows.

Accounts Receivable - Billings to the Department's customers are based on metered consumption, which is determined at various dates during each month. Estimated unbilled consumption at month-end is recognized as revenue and recorded as accounts receivable. The allowance for doubtful accounts is determined by multiplying the accounts receivable balance at fiscal year-end by the average bad debt rate for the last five years. This results in adjusting the receivables to their net realizable value.

As of September 30, 2012, the Department had a balance due from the Glades Utility Authority reported as due from other government agencies for \$25.2 million. The entire balance of this receivable has been reserved due to uncertainty of whether or not the Glades Utility Authority will be able to repay the amount to the Department.

Special Assessments Receivable - A non-current special assessment receivable is recorded for contributed capital resulting from special assessment projects. Recognition of the contributed capital is described in the revenue recognition section of Note 2. A portion of the balance is reclassified as a current special assessment receivable. This current portion is estimated based on the actual tax billing determined by the Clerk & Comptroller and billed by the Tax Collector. No allowance is recorded because liens are recorded against the assessed property.

Inventories - Inventories consist primarily of material and supplies and are stated at the lower of cost or market determined on a first-in, first-out basis.

Restricted Assets and Restricted Net Assets - Assets are restricted in accordance with provisions of the bond resolutions of the BCC authorizing the issuance of the Series 2009, 2006, 2003 Revenue Bonds, and other applicable obligations. The restricted component of net assets represents restricted assets reduced by liabilities related to those assets.

Deferred Issuance Costs - Expenses incurred in connection with the issuance of revenue bonds are deferred and amortized using the effective

interest method over the term of the related debt.

Capital Assets - Capital assets are stated at cost less accumulated depreciation and amortization, except contributed assets which are recorded at fair value on the date of contribution. Expenditures of \$25,000 or more for additions and improvements and \$1,000 for equipment are capitalized. Expenditures for maintenance, repairs, and minor improvements are charged to expense as incurred.

Depreciation of tangible capital assets is computed on the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings	15-40 years
Utility plants in service	10-50 years
Equipment	3-25 years

Part of the acquisition price of the Village of Royal Palm Beach's Utility System was allocated to leasehold interest to recognize the fair value of the use of the water plant which was retained by the Village. These assets are being amortized over the 10-year life of the lease.

Goodwill is determined based on the difference between the acquisition price and the fair value of all assets acquired. Amortization of goodwill related to the utility system acquisition is computed on the straight-line method. The Department has two items of goodwill which are amortized as follows:

- The goodwill resulting from the acquisition of the Village of Royal Palm Beach's Utility System is amortized over 30 years, which represents the period the bonds issued to fund the acquisition will be outstanding.
- The goodwill resulting from the acquisition of the Indian Trail Improvement District Utility System is amortized over 40 years.

Compensated Absences - Accumulated unpaid vacation and sick leave benefits are accrued as a liability and charged to expense at the time the

employees perform the services which give rise to the benefits.

Unamortized Discount, Premium, and Deferred Advance Refunding Loss - These accounts are amortized to interest expense over the term of the related financing using the effective interest method.

Interest - Interest costs are expensed or capitalized as required by the Interest Topic 835, Subtopic 20, Section 30 "Amount of Interest to be Capitalized" of the FASB Accounting Standards Codification.

Use of Restricted Resources - When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed.

Reclassifications - Certain amounts in the 2011 financial statements have been reclassified to conform to the presentation in the 2012 financial statements.

3. CASH AND INVESTMENTS

Cash and investments consist of the following at September 30, 2012 and 2011:

<u>September 30, 2012</u>	
County Internal Investment Pool	\$171,306,119
Cash with Fiscal Agent	11,096,569
Petty cash	9,000
Total	\$182,411,688

<u>September 30, 2011</u>	
County Internal Investment Pool	\$139,172,437
Cash with fiscal agent	12,826,549
Petty cash	9,000
Total	\$152,007,986

The Department participates in the County's pooled cash system so as to maximize earnings and facilitate cash management. The County's pooled cash fund is a highly liquid investment pool of approximately \$1.2 billion and \$1.4 billion as of September 30, 2012 and 2011, respectively, of which approximately 93% and 92%, respectively, are invested in U. S. Government and Agency obligations. The

County's investment policy for this pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County-owned securities. Almost all remaining amounts at September 30, 2012 and 2011 were invested in money markets and corporate notes. The equity in the County pooled cash system is available to the Department on a demand basis. See the County's Comprehensive Annual Financial Report (CAFR) for disclosures relating to its investment policy interest rate risk, credit risk, custodial credit risk and concentration of credit risk.

The County's CAFR may be viewed on-line at:

www.mypalmbeachclerk.com/cafr.aspx

or may be ordered from:

Palm Beach County Clerk & Comptroller
Attn: Financial Reporting
301 North Olive Avenue
West Palm Beach, Florida 33401

(561) 355-2912

4. INVESTMENT IN JOINT VENTURES

East Central Regional Wastewater Facilities

In September 1992, the County, on behalf of the Department, entered into a joint interlocal agreement (Agreement) with four municipalities whereby they consolidated separate agreements into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Facilities (ECR). ECR became a separate legal entity created for the purpose of providing wastewater treatment and disposal services to the five participating entities (Entities). The Agreement establishes the duties and responsibilities among the Entities for the operation of ECR. Key provisions of the Agreement include:

- The initial term of the Agreement is thirty years with an option to renew for an additional thirty years based upon mutual consent of the Entities.
- The Agreement can be terminated only with unanimous mutual consent of the Entities.
- An Entity may withdraw from participation in the Agreement; however, the Entity will forfeit its interest and allocation in ECR and will still be required to meet its obligations under the Agreement.
- In the event the ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among the entities, based on the reserve capacity allocation in effect as of the date of sale or disposition. As of September 30, 2012 and 2011, the Department had a 34.29% interest in ECR for both fiscal years.
- The Agreement provides for the establishment of a Board (Board) to administer ECR. The Board is comprised of one representative from each participating Entity.
- The City of West Palm Beach (City) is designated to administer and operate ECR efficiently and economically for the benefit of the Entities. To that end, the City retains legal title to ECR property, provides all personnel resources required for operation and administration of ECR, and assumes responsibility for all employee benefits, risk management, and other costs. In exchange for such services, ECR pays the City an administrative fee.
- A budget is adopted annually by the Board. Annual expenditures are covered by the wastewater flow charge, which is charged to each Entity based on usage.

Under accounting principles generally accepted in the United States of America, the Department is required to account for this investment using the equity method. Accordingly, the

Department recorded its initial investment at cost and annually records its proportionate share of ECR's income or loss, contributions made, and distributions received.

The financial obligations of the Entities include the following:

- ECR allocates to the Entities the costs associated with the operation and maintenance of the treatment plant based on each Entity's proportionate share of total wastewater flow into the plant. The Department's totals of such costs charged to expense were approximately \$3,809,000 and \$3,367,000 for the years ended September 30, 2012 and 2011, respectively.
- The Entities are required to make annual deposits to a Renewal and Replacement Fund to finance improvements to ECR. The annual deposits of approximately \$1.1 million will continue until the amount on deposit equals 10% of the Department's proportionate share of ECR's replacement value which was estimated to be \$167 million as of September 30, 2011. The total of such costs was \$1,111,577 and \$839,383 for the years ended September 30, 2012 and 2011, respectively. The amounts on deposit were \$3,769,510 and \$2,930,127 for the fiscal years ended September 30, 2011 and 2010, respectively.
- In April 1993, the Department entered into a "Participatory Agreement" with the four municipalities for certain improvements to ECR. The improvements totaling \$38,755,000, with \$5,832,000 being the Department's share, were completed in fiscal year 1998. Partial funding was provided by State of Florida, Department of Environmental Protection Revolving Loan Funds approved in March and September 1994. Actual amounts borrowed were \$21,319,410 and \$648,738, respectively. The loans are payable over twenty-year periods and carry effective interest rates ranging

from 2.30% to 3.17%. The Department's portion of the annual debt service for the loans is \$319,200. The Department's share of the loans was \$0 and \$1,405,216 as of September 30, 2012 and 2011, respectively, and is reflected in due to other governments in the current liabilities payable from restricted assets and the noncurrent liabilities sections of the accompanying statements of net assets. The loans were paid in full by the ECR on September 14, 2012. The Department's share of the payoff was \$1,118,675.

- For the years ended September 30, 2012 and 2011, respectively, the Department's total payments to ECR for all the transactions described above were \$5.2 million and \$4.5 million respectively.
- Florida Power and Light (FPL), ECR, and the Department entered into agreements to construct a 27 million gallon per day reclaimed water facility (Reclaimed Water Project). The Reclaimed Water Project was financed with debt issued by the Department (see Note 6) while a portion of the assets are located on ECR property who operates the reclaimed water facility. The Department maintains and operates the distribution system and FPL reimburses the Department for all costs associated with operating and maintaining the distribution system in addition to administrative costs.
- In fiscal years 2012 and 2011, \$0 and \$0.8 million, respectively, were shown as an increase to the Investment in Joint Venture by the Department in the ECR for the Reclaimed Water Project assets constructed and contributed to the ECR. The Department's costs for the reclaimed water facility are included as additional capital contributions and included in their investment in the ECR and is being amortized over 20 years. As of September 30, 2012 and 2011, respectively, this increase to the Department's investment in the ECR was \$16.4 million and \$17.0 million.

- As of September, 30, 2012 and 2011, the Department's investment in the ECR is \$41.3 and \$42.8 million respectively.

The following is a brief summary of the financial position of ECR as of September 30, 2011:

Total assets	\$99,858,345
Total net assets	\$90,465,911
Invested in capital, net of related debt	\$68,993,982
Unrestricted net assets	\$13,440,341
Increase in net assets	\$215,558

September 30, 2012 amounts are expected to approximate the above figures.

Separate financial statements for ECR may be obtained at the following address:

East Central Regional Wastewater Facilities
City of West Palm Beach
P.O. Box 3506
West Palm Beach, FL 33402

Biosolids Processing and Recycling Facility

On September 23, 2003, the Board of County Commissioners, on behalf of the Water Utilities Department, entered into an interlocal agreement (Agreement) with the Solid Waste Authority (SWA) to fund a portion of the cost to design, build, and operate a Biosolids Processing and Recycling Facility (BPF). Amendments to the agreement were approved May 3, 2005 and July 11, 2006.

The BPF processes certain wastewater treatment residuals (biosolids) and is necessary to comply with increasingly stringent environmental regulations that have significantly decreased the number of land application sites available. Bulk land application was the previous method of disposing of the biosolids.

The Agreement is for a period of twenty years beginning with the August 1, 2009 operations commencement. Upon the conclusion of the term of the agreement, the BPF will remain the property of SWA with each participating entity owning its share of the BPF, in perpetuity, for

the life of the plant. Under accounting principles generally accepted in the United States of America, the Department is required to account for this arrangement as a joint venture. Therefore, an asset is reported on Department's financial statements under the caption "Investment in joint ventures."

Since the BPF agreement does not state that the participants are to share in the profit and losses of the joint venture, the investment in joint venture account will not be adjusted to reflect the joint venture's results of operations. Rather the investment in joint venture will be amortized using the straight-line method over the twenty-year life of the agreement. The amortization started on August 1, 2009. The Department's 27.5% share resulted in pro rata obligations of \$8.7 million for construction costs and \$580,000 annually for operating expenses for the twenty-year period. The Department's total operating costs were \$1,150,200 and \$899,300 for the years ended September 30, 2012 and 2011, respectively.

During the fiscal years ended September 30, 2012 and 2011, \$0 and \$0.1 million, respectively, was paid to SWA by the Department for its pro rata share of the construction costs which increases the investment in joint venture assets and is shown as an asset - investment in joint ventures - on the statements of net assets. As of September 30, 2012 and 2011, respectively, the Department's investment in the BPF is \$7.9 million and \$8.2 million.

No separate financial statements are prepared for the BPF which is reported as part of SWA operations. Financial statements for the SWA may be obtained at the following address:

Solid Waste Authority
7501 North Jog Road
West Palm Beach, Florida 33412

5. INFORMATION ON CAPITAL ASSETS

Capital assets activity for the years ended September 30, 2012 and 2011 is depicted in the following two tables:

<u>September 30, 2012</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$14,886,536	\$ -	\$ -	\$14,886,536
Easements	1,660,856	-	-	1,660,856
Construction in progress	15,271,314	21,361,193	(21,232,544)	15,399,963
Total capital assets not being depreciated or amortized	31,818,706	21,361,193	(21,232,544)	31,947,355
Capital assets being depreciated or amortized:				
Buildings	99,703,050	1,196,101	-	100,899,151
Utility plants and pipelines	1,162,481,006	22,072,644	-	1,184,553,650
Equipment	65,010,538	6,987,091	(2,054,707)	69,942,922
Leasehold interest	12,411,525	-	-	12,411,525
Goodwill	6,915,903	-	-	6,915,903
Total capital assets being depreciated or amortized	1,346,522,022	30,255,836	(2,054,707)	1,374,723,151
Less accumulated depreciation or amortization for:				
Buildings	(30,973,207)	(2,522,473)	-	(33,495,680)
Utility plants and pipelines	(397,340,231)	(30,416,109)	-	(427,756,340)
Equipment	(54,970,959)	(4,086,267)	1,949,214	(57,108,012)
Leasehold interest	(6,630,171)	(1,267,747)	-	(7,897,918)
Goodwill	(1,096,253)	(216,956)	-	(1,313,209)
Total accumulated depreciation and amortization	(491,010,821)	(38,509,552)	1,949,214	(527,571,159)
Total capital assets being depreciated or amortized, net	855,511,201	(8,253,716)	(105,493)	847,151,992
Capital assets, net	\$887,329,907	\$13,107,477	\$(21,338,037)	\$879,099,347

<u>September 30, 2011</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$14,887,256	\$ -	\$(720)	\$14,886,536
Easements	1,660,856	-	-	1,660,856
Construction in progress	37,082,661	24,148,456	(45,959,803)	15,271,314
Total capital assets not being depreciated or amortized	53,630,773	24,148,456	(45,960,523)	31,818,706
Capital assets being depreciated or amortized:				
Buildings	99,871,968	-	(168,918)	99,703,050
Utility plants and pipelines	1,119,325,825	48,821,332	(5,666,151)	1,162,481,006
Equipment	65,638,196	1,582,616	(2,210,274)	65,010,538
Leasehold interest	12,411,525	-	-	12,411,525
Goodwill	7,131,703	-	(215,800)	6,915,903
Total capital assets being depreciated or amortized	1,304,379,217	50,403,948	(8,261,143)	1,346,522,022
Less accumulated depreciation or amortization for:				
Buildings	(28,593,825)	(2,544,503)	165,121	(30,973,207)
Utility plants and pipelines	(370,319,774)	(29,859,088)	2,838,631	(397,340,231)
Equipment	(51,809,420)	(5,369,133)	2,207,594	(54,970,959)
Leasehold interest	(5,362,423)	(1,267,748)	-	(6,630,171)
Goodwill	(892,362)	(203,891)	-	(1,096,253)
Total accumulated depreciation and amortization	(456,977,804)	(39,244,363)	5,211,346	(491,010,821)
Total capital assets being depreciated or amortized, net	847,401,413	11,159,585	(3,049,797)	855,511,201
Capital assets, net	\$901,032,186	\$35,308,041	\$(49,010,320)	\$887,329,907

6. REVENUE BONDS PAYABLE AND LONG-TERM DEBT

Long-term obligations activity for the years ended September 30, 2012 and 2011 are depicted in the following two tables:

<u>September 30, 2012</u>	Beginning Balance	Increases	Decreases	Ending Balance	Due in Fiscal Year 2013
Revenue bonds	\$196,593,000	\$ -	\$(8,043,000)	\$188,550,000	\$6,465,000
Unamortized premiums	5,669,908	-	(399,741)	5,270,167	-
Unamortized deferred advance refunding loss	(225,692)	-	77,708	(147,984)	-
Net revenue bonds payable	202,037,216	-	(8,365,033)	193,672,183	6,465,000
Due to other governments	1,688,734	-	(1,524,474)	164,260	-
Compensated absences	3,048,340	129,238	(162,741)	3,014,837	219,000
Other	445,259	-	(251,934)	193,325	83,325
Total long-term obligations	\$207,219,549	\$129,238	\$(10,304,182)	\$197,044,605	\$6,767,325

<u>September 30, 2011</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in Fiscal Year 2012</u>
Revenue bonds	\$214,858,000	\$ -	\$(18,265,000)	\$196,593,000	\$8,043,000
Unamortized premiums	6,333,992	-	(664,084)	5,669,908	-
Unamortized deferred advance refunding loss	(347,879)	-	122,187	(225,692)	-
Unamortized discount	(121)	-	121	-	-
Net revenue bonds payable	220,843,992	\$ -	(18,806,776)	202,037,216	8,043,000
Due to other governments	2,331,681	-	(642,947)	1,688,734	283,730
Compensated absences	3,056,254	146,606	(154,520)	3,048,340	223,000
Other	426,475	111,481	(92,697)	445,259	180,157
Total long-term obligations	\$226,658,402	\$258,087	\$(19,696,940)	\$207,219,549	\$8,729,887

The Series 2009, 2006, and 2003 Water and Sewer Revenue Bonds are repayable in future years as follows:

	<u>Year (s) Ending September 30</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$6,465,000	\$9,116,286
2014	6,740,000	8,810,512
2015	5,885,000	8,527,837
2016	6,125,000	8,259,724
2017	6,420,000	7,969,643
2018-2022	26,830,000	35,813,602
2023-2027	31,270,000	28,925,464
2028-2032	39,885,000	20,066,926
2033-2037	51,055,000	8,615,913
2038-2041	7,875,000	830,625
Total	\$188,550,000	\$136,936,532

The Series 2009 Water and Sewer Revenue Bonds were issued to finance the Reclaimed Water Project with FPL as previously described in Note 4. In accordance with the agreement, FPL reimburses the Department for all debt service costs related to this debt issue.

The bond issues enable the Department to call various maturities of the debt at specified premiums of up to 2% of the principal balance.

The Water and Sewer Revenue Bonds are collateralized by a first lien on the Department's net revenues and connection fees as defined in the bonds' resolutions (Resolutions). The Department is required to establish rates and fees sufficient to provide net revenues and

connection fees which are at least 125% of the annual debt service requirements.

The Water and Sewer Revenue Bond Resolutions established certain accounts and determined the order in which revenue is to be deposited into these accounts. The purpose of the accounts, in order of priority of monthly revenue transfers, is as follows:

Revenue: deposit all revenue.

Operations & Maintenance: pay operating expenses.

Sinking Fund Accounts:

- **Bond Interest Account:** fund the next semi-annual interest payment on all outstanding serial and term bonds.
- **Bond Principal Account:** fund the next annual principal payment on all outstanding serial bonds.
- **Bond Redemption Account:** fund the next annual principal payment on all outstanding term bonds.
- **Debt Service Reserve Account:** deposit one-twelfth of the amount equal to the maximum annual debt service requirement on the bonds in any succeeding year, but insurance may be used, up to the maximum annual debt service amount, for transfer to the bond interest, bond principal, or bond redemption accounts, if necessary.

Renewal and Replacement: deposit one-twelfth of 5% of the preceding year's gross

revenue for extensions, improvements, additions, or the replacement of capital assets until the amount on deposit equals \$1,000,000.

Capital Improvement: deposit remaining revenue for use in any manner provided by law.

Connection Fee: deposit all connection fees received, fund any deficiency in the sinking fund accounts or subordinated indebtedness, pay costs of constructing extensions to the Water and Sewer System, or use for any other lawful purpose.

The Department's long-term revenue bonds payable as of September 30, 2012 and 2011 are illustrated in the following table:

REVENUE BONDS	September 30	
	2012	2011
\$30,000,000 Series 1998 Water and Sewer Revenue Bonds with an annual installment of \$1,715,000 paid on October 1, 2011, with semiannual interest of 5.00% paid on October 1, 2011	-	\$1,715,000
\$26,785,000 Series 2003 Water and Sewer Revenue Refunding Bonds due in annual installments of \$1,080,000 to \$1,120,000 through October 1, 2013, with interest of 5.00% payable semiannually on October 1 and April 1.	2,200,000	3,150,000
\$125,850,000 Series 2006A Water & Sewer Revenue Bonds due in annual installments of \$2,430,000 to \$7,760,000 through October 1, 2036, with interest from 4.00% to 5.00% payable semiannually on October 1 and April 1.	114,930,000	117,265,000
\$12,485,000 Series 2006B Water & Sewer Revenue Refunding Bonds due in annual installments of \$1,845,000 to \$2,245,000 through October 1, 2016, with interest from 4.00% to 4.25% payable semiannually on October 1 and April 1.	12,225,000	12,275,000
\$6,473,000 Series 2008 Water & Sewer Revenue Refunding Bonds with an annual installment of \$1,928,000 paid on October 1, 2011, with semiannual interest of 3.25% paid on October 1, 2011.	-	1,928,000
\$68,115,000 Series 2009 Water & Sewer Revenue Bonds due in annual installments of \$1,110,000 to \$4,225,000 through October 1, 2040, with interest from 4.00% to 5.25% payable semiannually on October 1 and April 1.	59,195,000	60,260,000
Total debt	188,550,000	196,593,000
Less current portion of long-term debt	6,465,000	8,043,000
Plus unamortized premium	5,270,167	5,669,908
Less unamortized deferred advance refunding loss	147,984	225,692
Total noncurrent portion	\$187,207,183	\$193,994,216

7. PLEDGED REVENUES

The Department has pledged future water and wastewater system revenues, net of specified operating expenses, to repay \$189 million in water and sewer system revenue bonds issued between July 8, 2003 and July 22, 2009. Proceeds from the bonds provided financing for the addition, improvement, and expansion of the

utility system facilities, infrastructure, and equipment. The bonds are payable solely from the utility system net revenues and are payable through October 1, 2040.

Net revenues are defined as gross revenues remaining after deducting operating expenses, with operating revenues including all income except the following excluded items: third party reimbursements, connection fees (see next paragraph), special assessments, gain on

disposal of capital assets, and grants. Operating expenses exclude interest expense, depreciation and amortization, equity interest in net loss of joint venture, and loss on disposal of capital assets.

Connection fees included are the lesser of total connection fees collected during the fiscal year or the percentage of debt service for the fiscal year attributable to expansion of the utility system.

Total principal and interest remaining to be paid on the bonds is \$325.5 million with annual requirements ranging from \$0.2 million in fiscal years 2039 and 2040 to \$15.7 million in fiscal years 2012 and 2013. Annual principal and interest payments on the bonds are expected to require less than 28% of projected future net revenues and connection fees. Principal and interest paid for the current year and utility system net revenues and connection fees were \$15.7 million and \$70.0 million, respectively.

8. RESTRICTED NET ASSETS

Net assets of the Department have been reserved in conjunction with debt covenant requirements, wherein certain amounts are restricted for use on debt service, capital equipment replacement, and construction. Assets required to be segregated for these purposes pursuant to revenue bond indentures are classified as restricted assets on the accompanying statements of net assets. The restricted component of net assets represents restricted assets reduced by liabilities related to those assets.

9. ADVANCE REFUNDING OF DEBT

During the fiscal year ended September 30, 1993, the Series 1989 bond issue was partially refunded through an in-substance defeasance whereby the Department placed, into irrevocable trusts, funds sufficient to meet future principal and interest payments. Outstanding principal on said bond issue was approximately \$5,495,000 at September 30, 2011. The refunded bond issue matured and was paid

on October 1, 2011. The funds placed in trust have been invested in securities backed by the United States Government. As a result of these transactions, neither the refunded bond issue nor the funds placed in trust are included in the accompanying statements of net assets.

10. COMMITMENTS

The Department has entered into construction contracts with remaining commitments totaling approximately \$16,995,000 as of September 30, 2012.

11. RETIREMENT PLANS

The Department participates in the Florida Retirement System (System), a contributory, cost-sharing, multiple-employer, public employee retirement system. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the System. There are two plans, as described below, administered by the System. All of the Department's employees are eligible to participate in the System, and substantially all are covered by the System.

Effective July 1, 2011 the Florida Legislature requires employees to contribute 3% of gross salary to the System. This requirement will remain in effect through June 30, 2016 or until the System has eliminated its unfunded actuarial liability (\$18.0 billion as of June 30, 2011).

Defined Contribution Plan:

Effective October 1, 2002, the System added a defined contribution plan option. All employees who were employed as of the effective date and all employees hired on or after the effective date were eligible to choose this option. Once an election is made, employees have one additional opportunity to change their election while covered by the System. An employee who elects to transfer from the defined benefit plan has the net present value of future benefits, as calculated by the System when the employee's election becomes effective, added to his or her

defined contribution balance. Thereafter, employer contributions are a percentage of covered payroll as set by State Statute, currently 5.18%. The employee can choose amongst several investment options with varying degrees of risk.

Benefits are determined by the accumulated employer and employee contributions and earnings thereon in the employee's account, plus any net present value added for those employees who transferred from the defined benefit plan. The defined contribution plan provides for vesting after one year. Upon leaving the System, employees may take the entire amount in a lump sum or as an annuity.

Defined Benefit Plan:

The defined benefit plan remains unchanged at this time, with benefits computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five (5) highest fiscal years of earnings for employees hired on or before June 30, 2011. Effective July 1, 2011, the System provides for vesting of benefits after eight (8) years of credited service for employees hired on or after that date.

Employees who worked less than eight years and were not employed by a participating System employer as of the effective date must complete one year of service or eight

years total, whichever occurs first, after July 1, 2011, to be eligible for the new vesting provision. Members are eligible for normal retirement when they have met minimum requirements established by their membership class. Early retirement may be taken any time after vesting. However, there is a 5% reduction in benefits for each year prior to normal retirement age or date. Benefits under this plan are established by State Statute. The percentage level of employees' payroll contribution rates is determined using the frozen entry age actuarial cost method.

Both plans also provide death and disability benefits as established by State Statute.

The Department's contributions, representing less than 0.1% of total contributions required of all participating entities, were equal to 100% of State statutory requirements during each of the past three years and are shown in the table on the following page.

Comprehensive financial information for the retirement plans is presented in the System's annual financial report, which may be obtained at the following address:

State of Florida, Division of Retirement
PO Box 9000
Tallahassee, Florida 32315-9000

<u>RETIREMENT CONTRIBUTIONS</u>	Fiscal Years Ended September 30		
	2012	2011	2010
Covered payroll	\$27.9 million	\$28.0 million	\$28.5 million
Required contribution	\$1,388,000	\$2,471,000	\$2,881,000
Percentage made	100%	100%	100%

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement plans, the Department provides a defined benefit health-care plan, which provides medical benefits to eligible retired employees and their

beneficiaries. The plan is a single-employer plan administered by the County.

The contribution requirements of the plan members and the employer are established by and may be amended by the County. The Department, as an entity of the County, is required by Florida Statute 112.0801 to allow retirees to buy health-care coverage at the same

'group insurance rates' which current employees are charged, resulting in an 'implicit' benefit. Retirees are responsible for payment of the health-care premium.

For the fiscal year ended September 30, 2012 retirees receiving benefits contributed monthly premiums ranging from \$549 for retiree only to \$4,177 for retiree plus their dependents.

OPEB Cost and Net Obligation - The annual other post-employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover

the normal annual cost and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table illustrates the Department's portion of the forgoing as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$133,000	\$124,000
Interest on net OPEB obligation	(1,931)	2,899
Adjustment to annually required contribution	1,716	22,171
Annual OPEB cost	<u>132,785</u>	<u>149,070</u>
Contributions made (119.3% and 131.9% of annual OPEB cost in 2012 and 2011, respectively)	<u>(158,387)</u>	<u>(196,569)</u>
(Decrease) increase in net OPEB obligation	(25,602)	(47,499)
Net OPEB obligation, beginning of year	<u>109,142</u>	<u>156,641</u>
Net OPEB obligation, end of year	\$83,540	\$109,142

Funded Status and Funding Progress - The plan is funded on a 'pay-as-you-go' basis. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of event occurrences far into the future, such as future employment, mortality, and health-care cost trends. Amounts determined regarding the funded status of the plan and the annual required employer contributions are subject to continual revision as actual results are compared with past expectations and new estimates about the future are made. The following table shows the funded status of the Department's portion of the plan as of the latest actuarial valuation:

Actuarial accrued liability (AAL)	\$1,626,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,626,000</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$27,877,278
UAAL as a percentage of covered payroll	5.8%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information showing the trend in actuarial value of plan assets relative to actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan, as understood by the employer and plan members, and include the types of benefits provided at the time of each valuation and the historical cost-sharing pattern between employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and asset values consistent with the long-term perspective of the calculations in the table on the following page:

Actuarial valuation date	10/1/2012
Actuarial cost method	Projected unit credit
Actuarial cost method	Level percentage of salary at beginning of fiscal year
Remaining amortization	30 years
Asset valuation method	N/A
Investment rate of return	4.5%
Inflation rate	3.5%
Projected annual salary increase	3.5%
Initial healthcare inflation rate	10.5%
Ultimate healthcare inflation rate	5.0%

13. INTEREST COSTS

Total interest costs incurred by the Department were \$8,973,692 and \$9,567,468, of which \$516,534 and \$2,708,357 were capitalized as part of capital assets, for the years ended September 30, 2012 and 2011, respectively.

14. RELATED PARTY TRANSACTIONS

The County allocated to the Department certain support department costs which include legal, administrative, fiscal, purchasing, personnel, internal audit, data processing, and communication costs. The Department is also charged for the costs of services provided by the County’s Fleet Management, Casualty Self-Insurance, Employee Health Insurance, and

Workers’ Compensation Internal Service Funds. The total of such costs charged to expense for the years ended September 30, 2012 and 2011, was approximately \$20,765,000 and \$18,216,000, respectively.

The Department covers risk of loss from fire, theft, natural disasters, and damage to assets, in excess of \$200,000 per person or \$300,000 per occurrence, with commercial insurance purchased through the County’s Risk Management Fund, with the coverage specifically designated for the Department’s facilities. In none of the last three fiscal years have settlements pertaining to the Department’s property exceeded insurance coverage.

Liability claims risk from torts, errors of omission, negligence, and the aforementioned causes (below the specified limits) is covered by the Department’s participation in the County’s Casualty Self-Insurance Fund (a public entity risk pool in which all County departments, excluding the Sheriff, participate). Premiums are based on estimates of the amounts needed to pay prior year claims, current year claims, and claims incurred but not reported. Settlements pertaining to the Department have not exceeded coverage limits in any of the past three years.

The Department’s risk for injuries to employees is covered 100% under the County’s self-insured Workers’ Compensation Fund. Premiums and participation are the same as for the Casualty Self-Insurance Fund.

The Department provides health insurance to its employees through the County’s self-insured policy. All County departments participate, with premiums determined on the same premise as above. Settled claims have not exceeded coverage in any of the last three years.

15. CONTINGENCIES

The Department is involved in various lawsuits arising from the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of Department management, based on consultation with legal counsel, that the outcome of these

matters will not materially affect the financial position of the Department.

16. DEFERRED COMPENSATION

The Department participates in the County's Deferred Compensation Plan. The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain unforeseen emergencies.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the plan participants and their beneficiaries.

17. OTHER EVENTS

On April 30, 2008, the Department acquired the Indian Trail Improvement District's (District) water and wastewater systems. In addition to the system, the agreement designated the Department as the sole provider of bulk and retail potable water, reclaimed water, and wastewater treatment services within the District.

The agreement also requires the Department to set aside a maximum of \$500,000 to support and offset a portion of the cost of future assessment projects within the District, the use of which is contingent on future development within the service area. It is considered a contingent liability and thus is not included in the statements of net assets.

As part of the purchase agreement the Department set aside \$2.2 million of the purchase amount to terminate the existing bulk service agreement between the District and the City of West Palm Beach on behalf of the district. As of September 30, 2011, the agreement

with the City of West Palm Beach has been terminated. Please see the following four paragraphs for details of this matter's settlement.

On December 7, 2010 the Board of County Commissioners (County) approved four interlocal agreements (Agreements) with the City of West Palm Beach (City) which resolved a number of ongoing water and wastewater utility issues between the two entities. The Agreements required the County to pay the City \$3,504,454 within thirty days of closing, paid on January 4, 2011, for the following:

- Satisfaction of all outstanding principal and interest due under the West Palm Beach/Indian Trail Improvement District Agreement for \$1,950,910.
- Outstanding water system capacity charges due under the West Palm Beach/Indian Trail Improvement District Agreement \$215,800.
- Purchase of water transmission main for \$834,325
- Purchase of wastewater force main for \$503,419.

In addition, the settlement transfers to the County ownership of a portion of the City's service area to which the County is able to more efficiently provide water and wastewater services than the City. The Agreement also transfers to the City ownership of a portion of the County's service area which the City can serve more efficiently.

The settlement also includes a bulk water purchase agreement in which the County agrees to purchase from the City, on a take-or-pay basis, potable water to serve the area transferred from the City to the County. The amount of water purchased started at 75,000 gallons per day on December 1, 2010 at an annual cost of \$96,000. This amount increases gradually each year, reaching 150,000 gallons per day beginning October 1, 2013 at an annual cost of \$192,000. Amounts paid were \$291,387 and \$157,822 for the

years ended September 30, 2012 and 2011, respectively.

18. SUBSEQUENT EVENTS

Bond Defeasance:

On February 27th, 2013 the Department issued the \$72,430,000 Series 2013 Refunding Revenue Bonds, proceeds of which were used to partially refund the Series 2006A bond issue through an in-substance defeasance whereby the Department placed, into irrevocable trusts, funds sufficient to meet future principal and interest payments. The funds placed in trust have been invested in securities backed by the United States Government.

Outstanding principal of the defeased bonds was \$76,260,000. While this transaction resulted in an accounting loss of approximately \$10,073,258, the Department will realize an economic gain of approximately \$6,086,273 due to lower debt service costs for the new bond issue.

Glades Utility Authority Absorption:

On March 5, 2013 the acting City Council of the City of South Bay passed a vote ratifying the absorption of the Glades Utility Authority (GUA) by Palm Beach County (County). The County has accepted the vote as legally binding based on an opinion rendered by the South Bay's City Attorney. The fact that South Bay currently has only 3 Council seats filled and one of the members walked out during the absorption voting led to the issue of whether the Council vote was legally binding. This represented the final vote needed to move forward with the adsorption of the GUA since the absorption was already ratified by Belle Glade and Pahokee.

The absorption was deemed to be in the best interest of the GUA's customers. The GUA was facing an uncertain future due to a progressive deterioration of the GUA's financial stability. As a result, the GUA appears to be at risk of not being able to continue as a going concern without substantial financial assistance from external sources.

Under the absorption, the GUA customer rates would be frozen for the greater of 10 years or until the rates equal the County's plus 7%; so the existing utility customers will not bear this cost; the Cities of Belle Glade, Pahokee and South Bay (Cities) would continue to receive host fees at 7%; and the County will commit \$25 million over the next five years to repair the system.

The 10,000 GUA customers will become on-line customers of the Palm Beach County Water Utilities Department (WUD). Currently, WUD bills the GUA monthly as a contractual wholesale water customer for the costs of operating the GUA.

The GUA will have \$47.4 million in outstanding debt obligations at the time of the absorption which will be assumed by the Department.

The County will receive all assets at their carrying value less any adjustment for impairment or reduced service utility from the GUA.

The impact on operations cannot be determined, but management does not believe it will have a material adverse effect on the Department as a whole.

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REQUIRED SUPPLEMENTARY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OTHER POST EMPLOYMENT BENEFITS (OPEB)
HEALTH-CARE PLAN SCHEDULE OF FUNDING PROGRESS
For the Fiscal Years Ended September 30, 2012 and 2011
(REQUIRED SUPPLEMENTARY INFORMATION)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2011	\$0	\$1,626,000	\$1,626,000	0.0%	\$28,027,148	5.8%
10/1/2009	0	1,498,000	1,498,000	0.0%	28,306,510	5.3%
10/1/2007	0	1,037,000	1,037,000	0.0%	25,465,643	4.1%

SUPPLEMENTARY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (natural classification), AND CHANGES IN NET ASSETS
For the Fiscal Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Current Budget</u>	<u>Actual Results</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:					
Charges for services	\$ 151,067,000	\$ 151,067,000	\$ 148,390,799	\$ (2,676,201)	-2%
Other operating revenue	3,742,000	3,742,000	5,379,318	1,637,318	44%
Total operating revenues	154,809,000	154,809,000	153,770,117	(1,038,883)	-1%
OPERATING EXPENSES:					
Depreciation and amortization	41,428,800	41,428,800	39,716,768	1,712,032	4%
Personal services	38,646,990	38,022,882	35,490,762	2,532,120	7%
Maintenance	18,064,200	18,454,200	18,550,623	(96,423)	-1%
Contractual services	17,566,160	17,730,740	16,979,131	751,609	4%
Supplies	15,584,149	15,425,548	14,236,729	1,188,819	8%
Utilities	10,635,600	10,468,600	8,613,021	1,855,579	18%
Purchased water and wastewater treatment	6,359,000	6,504,000	5,695,958	808,042	12%
Equity interest in net loss of joint venture	1,375,500	1,375,500	1,007,748	367,752	27%
Miscellaneous	1,777,096	1,770,596	981,394	789,202	45%
Total operating expenses	151,437,495	151,180,866	141,272,134	9,908,732	7%
OPERATING INCOME	3,371,505	3,628,134	12,497,983	8,869,849	244%
NONOPERATING REVENUES (EXPENSES):					
Guaranteed revenue	2,053,000	2,053,000	4,010,517	1,957,517	95%
Investment income	4,665,341	4,665,341	5,397,684	732,343	16%
Interest expense	(9,929,100)	(9,884,500)	(8,457,067)	1,427,433	14%
Engineering fees	327,000	327,000	482,045	155,045	47%
Engineering expenses	(673,000)	(619,100)	(583,431)	35,669	6%
Other	2,947,400	2,947,400	3,388,719	441,319	15%
Total nonoperating revenues (expenses)	(609,359)	(510,859)	4,238,467	4,749,326	930%
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS					
	2,762,146	3,117,275	16,736,450	13,619,175	437%
Capital contributions received, net	16,600,000	17,160,000	18,250,296	1,090,296	6%
Contribution to Glades Utility					
Authority	-	-	(3,572,024)	(3,572,024)	---
Transfers from other County funds	-	-	2,521,173	2,521,173	---
INCREASE IN NET ASSETS	\$ 19,362,146	\$ 20,277,275	\$ 33,935,895	\$ 13,658,620	67%

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (functional classification), AND CHANGES IN NET ASSETS
For the Fiscal Year Ended September 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:				
Water - base facility	\$ 33,306,000	\$ 33,627,386	\$ 321,386	1%
Water - commodity	34,174,000	33,022,669	(1,151,331)	-3%
Water - contractual	3,533,000	3,423,231	(109,769)	-3%
Wastewater - base facility	37,410,000	37,781,537	371,537	1%
Wastewater - commodity	25,425,000	25,150,511	(274,489)	-1%
Wastewater - contractual	850,000	707,787	(142,213)	-17%
Reclaimed water - retail	1,443,000	1,545,806	102,806	7%
Reclaimed water - bulk	3,300,000	2,901,488	(398,512)	-12%
Water and wastewater - public authorities	10,698,000	9,299,109	(1,398,891)	-13%
Customer account charge	928,000	931,275	3,275	0%
Other operating revenue	3,742,000	5,379,318	1,637,318	44%
Total operating revenues	154,809,000	153,770,117	(1,038,883)	-1%
OPERATING EXPENSES:				
Water treatment	28,104,752	26,869,528	1,235,224	4%
Water distribution	8,341,947	8,080,325	261,622	3%
Wastewater treatment	12,502,687	12,157,948	344,739	3%
Wastewater collection	14,072,097	12,368,994	1,703,103	12%
Purchased water and wastewater treatment	6,503,806	5,720,590	783,216	12%
Water and wastewater - public authorities	10,525,700	9,311,217	1,214,483	12%
Customer accounts	6,894,174	6,278,737	615,437	9%
Administrative and general	21,431,403	19,760,279	1,671,124	8%
Total operating expenses	108,376,566	100,547,618	7,828,948	7%
Operating income before depreciation, amortization and equity interest in net loss of joint venture	46,432,434	53,222,499	6,790,065	15%
Depreciation and amortization	41,428,800	39,716,768	1,712,032	4%
Equity interest in net loss of joint venture	1,375,500	1,007,748	367,752	27%
OPERATING INCOME	3,628,134	12,497,983	8,869,849	244%
NONOPERATING REVENUES (EXPENSES):				
Guaranteed revenue	2,053,000	4,010,517	1,957,517	95%
Investment income	4,665,341	5,397,684	732,343	16%
Interest expense	(9,884,500)	(8,457,067)	1,427,433	14%
Engineering fees	327,000	482,045	155,045	47%
Engineering expenses	(619,100)	(583,431)	35,669	6%
Other	2,947,400	3,388,719	441,319	15%
Total nonoperating revenues (expenses)	(510,859)	4,238,467	4,749,326	930%
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEMS	3,117,275	16,736,450	13,619,175	437%
Capital contributions received, net	17,160,000	18,250,296	1,090,296	6%
Special item - cash contribution to Glades Utility Authority	-	(3,572,024)	(3,572,024)	---
Transfers from other County funds	-	2,521,173	2,521,173	---
INCREASE IN NET ASSETS	\$ 20,277,275	\$ 33,935,895	\$ 13,658,620	67%
CONNECTION FEES INCLUDED IN CAPITAL CONTRIBUTIONS	\$ 3,700,000	\$ 7,394,115	\$ 3,694,115	100%

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Above: Aeration pond at the Southern Region Water Reclamation Facility



Left: Degasification tower at Water Treatment Plant #2

STATISTICAL SECTION

This part of the Palm Beach County Water Utility Department's Comprehensive Annual Financial 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

	PAGE
Financial Trends	51
These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.	
Revenue Capacity	59
These schedules contain information to help the reader assess the factors affecting the Department's ability to generate water and wastewater revenues.	
Debt Capacity	79
These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.	
Demographic and Economic Information	85
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place and to help make comparisons over time.	
Operating Information	89
These schedules contain information about the Department's operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year or other Department records.

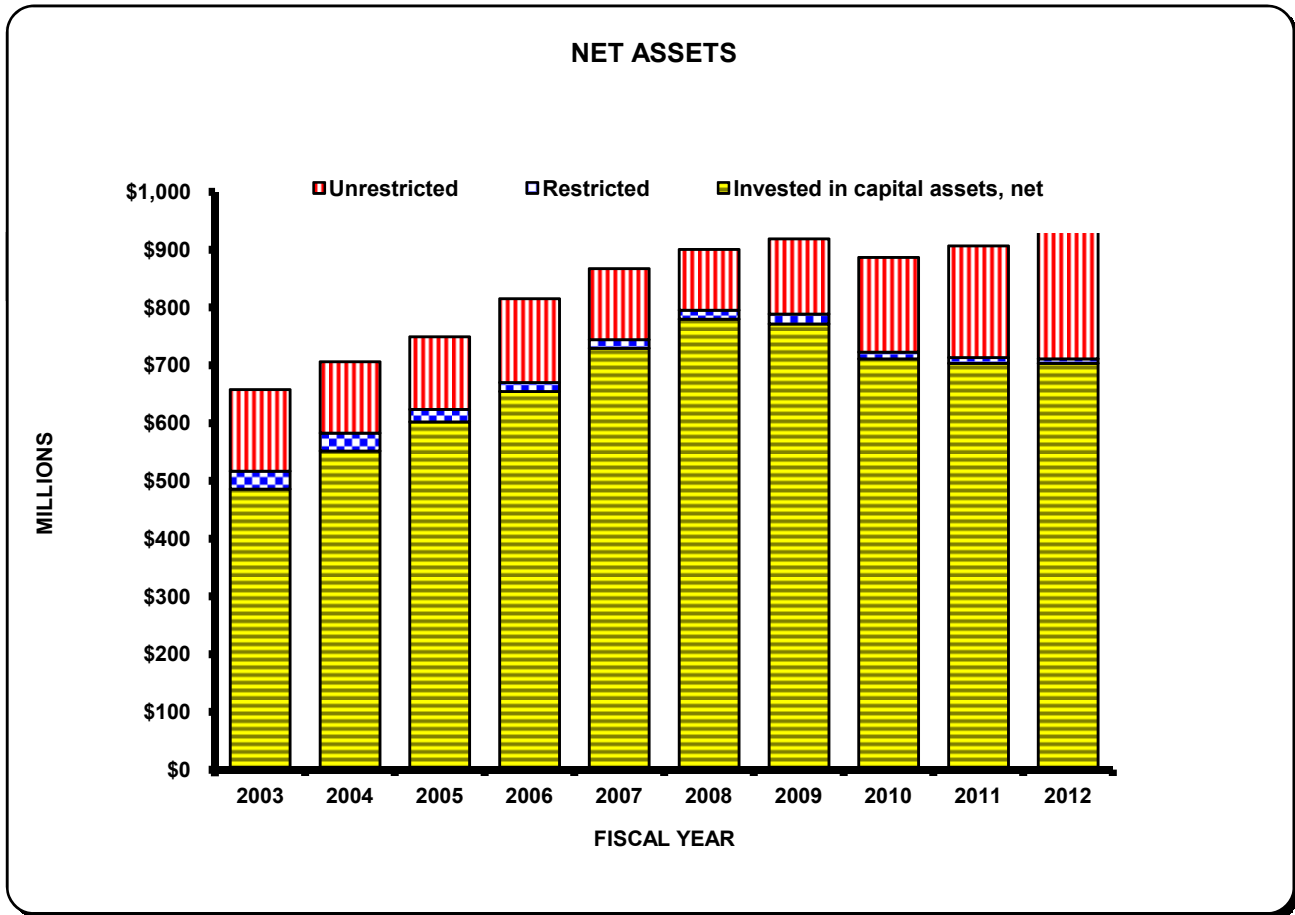
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FINANCIAL TRENDS INFORMATION

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SCHEDULE OF NET ASSETS BY COMPONENT
 Last Ten Fiscal Years

(in thousands)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets, net of related debt	\$703,494	\$703,855	\$711,227	\$771,926	\$779,844	\$729,379	\$655,066	\$602,460	\$551,912	\$485,877
Restricted	7,965	9,543	11,910	16,860	15,672	15,350	15,100	21,170	30,738	31,000
Unrestricted	229,394	193,519	163,530	130,368	105,349	122,588	145,322	125,726	123,691	141,400
TOTAL NET ASSETS	\$940,853	\$906,917	\$886,667	\$919,154	\$900,865	\$867,317	\$815,488	\$749,356	\$706,341	\$658,277



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Last Ten Fiscal Years

(in thousands)	2012	2011	2010
OPERATING REVENUES:			
Charges for services	\$148,391	\$146,523	\$136,263
Other operating revenue	5,379	5,039	5,353
Total operating revenues	153,770	151,562	141,616
OPERATING EXPENSES:			
Depreciation and amortization	39,717	40,213	38,977
Personal services	35,491	36,276	37,213
Maintenance	18,550	20,081	16,675
Supplies	14,237	13,807	12,110
Contractual services	16,979	13,775	11,367
Utilities	8,613	9,366	9,257
Purchased water and wastewater treatment	5,696	5,032	2,792
Equity interest in net loss of joint venture	1,008	1,077	1,223
Miscellaneous	981	1,254	1,475
Total operating expenses	141,272	140,881	131,089
OPERATING INCOME (LOSS)	12,498	10,681	10,527
NONOPERATING REVENUES (EXPENSES):			
Guaranteed revenue	4,010	2,529	2,485
Investment income	5,398	6,179	5,068
Interest expense	(8,457)	(6,859)	(6,696)
Engineering fees	482	270	327
Engineering expenses	(583)	(613)	(625)
Grant reimbursement	-	-	-
Hurricane expenses	-	-	-
Other	3,388	879	(140)
Total nonoperating revenues	4,238	2,385	419
Income (loss) before capital contributions transfers, and special item	16,736	13,066	10,946
Capital contributions received	18,251	11,158	12,156
Transfers from other County funds	2,521	72	792
Special item - contribution of cash and capital assets to Glades Utility Authority	(3,572)	(4,046)	(56,381)
INCREASE (DECREASE) IN NET ASSETS	33,936	20,250	(32,487)
NET ASSETS, BEGINNING OF PERIOD	906,917	886,667	919,154
NET ASSETS, END OF PERIOD	\$940,853	\$906,917	\$886,667

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$125,653	\$110,116	\$96,427	\$85,594	\$79,983	\$78,382	\$73,782
4,573	5,206	4,776	4,196	3,557	2,683	3,051
130,226	115,322	101,203	89,790	83,540	81,065	76,833
41,335	37,106	32,355	29,167	25,592	23,118	21,493
34,357	32,033	29,080	25,359	23,520	21,705	19,880
14,848	13,317	11,173	10,406	9,255	6,870	8,227
14,086	12,059	10,546	8,276	7,029	5,692	5,755
10,140	9,862	8,276	7,573	6,042	5,436	4,850
10,337	9,654	9,050	8,995	6,736	7,015	5,224
3,828	2,905	3,075	2,673	2,207	2,042	1,895
1,718	1,244	1,278	911	902	913	813
1,646	2,098	2,581	2,242	1,871	1,848	1,752
132,295	120,278	107,414	95,602	83,154	74,639	69,889
(2,069)	(4,956)	(6,211)	(5,812)	386	6,426	6,944
2,922	3,399	5,887	7,714	7,816	7,952	6,851
6,564	4,960	7,204	5,421	3,150	3,967	4,234
(7,011)	(5,702)	(3,809)	(2,899)	(1,450)	(1,708)	(2,575)
454	523	1,013	677	615	668	756
(666)	(930)	(1,063)	(1,124)	(976)	(905)	(838)
-	-	-	4,297	-	2,943	-
-	-	-	(3,039)	-	(1,289)	-
116	(1,327)	2,291	180	(311)	(18)	(88)
2,379	923	11,523	11,227	8,844	11,610	8,340
310	(4,033)	5,312	5,415	9,230	18,036	15,284
17,979	37,581	44,017	50,123	33,785	30,028	31,355
-	-	2,500	10,594	-	-	-
-	-	-	-	-	-	-
18,289	33,548	51,829	66,132	43,015	48,064	46,639
900,865	867,317	815,488	749,356	706,341	658,277	611,638
\$919,154	\$900,865	\$867,317	\$815,488	\$749,356	\$706,341	\$658,277

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OPERATING REVENUES BY SOURCE AND OPERATING EXPENSES BY FUNCTION

(in thousands)	Last Ten Fiscal Years		
	2012	2011	2010
OPERATING REVENUES BY SOURCE:			
Charges for services:			
Water - base facility	\$33,627	\$32,033	\$30,388
Water - commodity	33,023	34,595	32,714
Water - contractual	3,423	4,255	2,757
Wastewater - base facility	37,782	35,988	34,126
Wastewater - commodity	25,151	24,567	23,615
Wastewater - contractual	708	874	680
Reclaimed water (1)	1,546	-	1,267
Water and wastewater - public authorities	9,299	9,795	9,788
Customer account charge (2)	931	917	928
Water restrictions surcharge (3)	-	-	-
	<u>145,490</u>	<u>143,024</u>	<u>136,263</u>
Other operating revenue:			
Meter sales	491	414	427
Service charges	1,558	1,492	1,494
Reclaimed water (1)	2,901	-	-
Industrial pretreatment	1,044	1,053	991
Miscellaneous	2,286	5,579	2,441
Subtotal other operating revenue	<u>8,280</u>	<u>8,538</u>	<u>5,353</u>
Total operating revenues	<u>\$153,770</u>	<u>\$151,562</u>	<u>\$141,616</u>
OPERATING EXPENSES BY FUNCTION:			
Water treatment	\$26,870	\$28,214	\$26,368
Water distribution	8,080	7,540	8,043
Wastewater treatment	12,158	13,118	10,836
Wastewater collection	12,369	11,882	10,975
Purchased water and wastewater treatment	5,721	3,367	2,745
Purchased reclaimed water	-	1,203	-
Water and wastewater - public authorities	9,311	9,795	9,788
Customer accounts	6,279	6,095	5,750
Administrative and general	19,760	18,377	16,384
Subtotal operating expenses before depreciation and amortization and equity interest in net loss of joint venture	<u>100,548</u>	<u>99,591</u>	<u>90,889</u>
Depreciation and amortization	39,717	40,213	38,977
Equity interest in net loss of joint venture	1,008	1,077	1,223
Total operating expenses	<u>\$141,273</u>	<u>\$140,881</u>	<u>\$131,089</u>

Notes:

- (1) Reclaimed water billing changed in October 2008 from flat rate per meter type and size to base facility fee (based on meter type and size) and commodity fee (based on thousands of gallons of usage) as with water and wastewater services.
- (2) Customer account charge billed separately only to multi-family customers beginning May 1, 2009.
- (3) Water Restriction Surcharge, effective May 1, 2008 through April 30, 2009, is calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$25,448	\$21,536	\$19,373	\$16,084	\$14,226	\$13,869	\$13,482
30,748	27,625	27,617	25,532	23,985	24,285	21,661
5,005	1,960	484	794	875	186	103
30,603	28,003	25,252	21,216	19,632	19,175	18,747
21,177	19,254	18,184	16,598	16,015	15,797	14,834
694	701	720	709	734	672	636
1,347	730	-	-	-	-	-
-	-	-	-	-	-	-
3,066	4,834	4,797	4,661	4,516	4,398	4,319
7,565	6,203	-	-	-	-	-
<u>125,653</u>	<u>110,846</u>	<u>96,427</u>	<u>85,594</u>	<u>79,983</u>	<u>78,382</u>	<u>73,782</u>
560	656	844	883	849	734	777
1,470	1,249	1,067	737	201	228	265
-	-	464	431	385	399	387
1,104	952	757	739	656	284	318
1,439	1,619	1,644	1,406	1,466	1,038	1,304
<u>4,573</u>	<u>4,476</u>	<u>4,776</u>	<u>4,196</u>	<u>3,557</u>	<u>2,683</u>	<u>3,051</u>
<u>\$130,226</u>	<u>\$115,322</u>	<u>\$101,203</u>	<u>\$89,790</u>	<u>\$83,540</u>	<u>\$81,065</u>	<u>\$76,833</u>
\$27,551	\$23,495	\$19,276	\$17,218	\$14,271	\$13,439	\$12,569
9,825	8,659	7,568	6,116	6,060	5,426	5,080
10,968	10,981	10,526	9,576	7,471	6,478	6,038
11,793	10,938	9,991	9,513	8,815	7,096	6,601
3,828	2,889	3,075	2,673	2,207	2,041	1,895
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,409	7,133	6,753	5,612	4,962	4,656	4,822
17,867	17,833	16,592	14,816	12,874	11,472	10,577
<u>89,241</u>	<u>81,928</u>	<u>73,781</u>	<u>65,524</u>	<u>56,660</u>	<u>50,608</u>	<u>47,582</u>
41,335	37,106	32,355	29,167	25,592	23,118	21,493
1,719	1,244	1,278	911	902	913	813
<u>\$132,295</u>	<u>\$120,278</u>	<u>\$107,414</u>	<u>\$95,602</u>	<u>\$83,154</u>	<u>\$74,639</u>	<u>\$69,888</u>

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REVENUE CAPACITY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER SOLD BY CUSTOMER TYPE
 Last Ten Fiscal Years

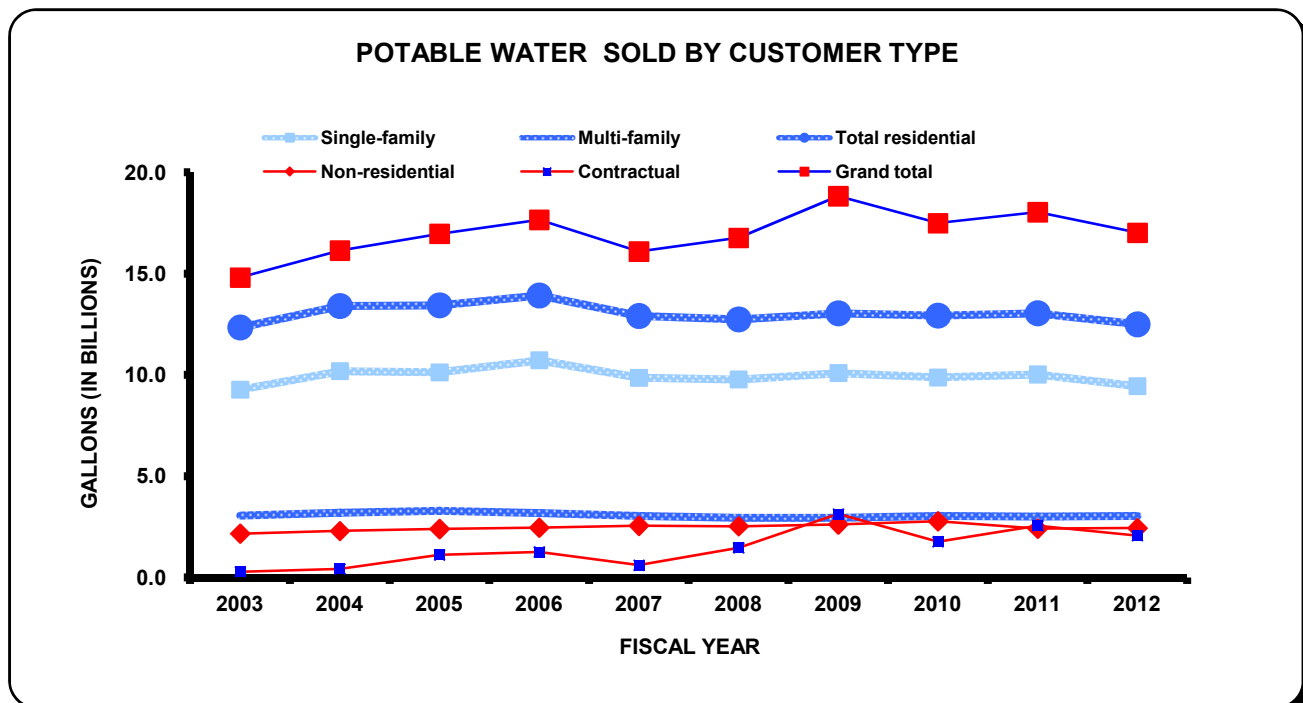
(in millions of gallons)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Residential:										
Single-family	9,454	10,031	9,887	10,101	9,782	9,871	10,732	10,140	10,194	9,284
Multi-family	3,051	3,024	3,050	2,952	2,969	3,047	3,197	3,306	3,214	3,066
Total residential	12,505	13,055	12,937	13,053	12,751	12,918	13,929	13,446	13,408	12,350
Non-residential ⁽¹⁾	2,444	2,418	2,779	2,629	2,536	2,564	2,467	2,405	2,301	2,172
Contractual ⁽¹⁾	2,069	2,565	1,775	3,145	1,476	614	1,268	1,120	434	290
Other ⁽²⁾	4	2	5	5	7	3				
Grand total	17,022	18,040	17,496	18,832	16,770	16,099	17,664	16,971	16,143	14,812
Charges for Services (in thousands)	\$153,770	\$143,024	\$136,263	\$125,653	\$110,116	\$96,427	\$85,594	\$79,983	\$78,382	\$73,782
Calculated Total Direct Rate per Thousand Gallons	\$9.03	\$7.93	\$7.79	\$6.67	\$6.57	\$5.99	\$4.85	\$4.71	\$4.86	\$4.98

Notes:

The Department has a complex rate structure. Charges are based on a combination of factors: customer type, meter size, number of units, and level of consumption. With the exception of wastewater only customers whose total revenue is approximately 1% of the Department's charges for services, both potable water and wastewater charges are calculated based on water sold. Therefore, the calculated total direct rate per thousand gallons is the total charges for services divided by water sold in thousands of gallons. For detail of the Department's rate structure, see pages 68 - 77.

⁽¹⁾ Non-residential does not include contractual/wholesale. In fiscal year 2000, the Department began tracking water sold to contractual customers separate from water sold to non-residential customers and is now reporting water sold to each of those customer types.

⁽²⁾ In fiscal year 2007, the Department began tracking water sold to customers not included in major customer types to report total water sold more accurately.



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
TEN LARGEST CUSTOMERS
Fiscal Years Ended September 30, 2012 and 2003 (Nine Years Ago)

CUSTOMER	2012			2003		
	Operating Revenues (in thousands)	Rank	%	Operating Revenues (in thousands)	Rank	%
Glades Utility Authority	\$9,299	1	6.05	\$ -	-	-
Florida Power & Light Company	8,509	2	5.53	-	-	-
Century Village West Condominiums	2,045	3	1.33	1,306	1	1.70
School District of Palm Beach County	1,513	4	0.98	438	2	0.57
City of Boynton Beach Inter Connect	940	5	0.61	-	-	-
City of Lake Worth Inter Connect	762	6	0.50	-	-	-
Palm Beach County Sheriff's Office	663	7	0.43	348	3	0.45
MHC Lake Worth Village LLC	497	8	0.32	-	-	-
Casa Del Monte LLC	452	9	0.29	-	-	-
Village of Palm Springs	437	10	0.28	321	4	0.42
City of Lake Worth	-	-	-	307	5	0.40
The Fountains Condominiums	-	-	-	287	6	0.37
Golden Lakes Village Condominiums	-	-	-	275	7	0.36
Covered Bridge Condominium Association	-	-	-	246	8	0.32
Palm Beach County Dept. of Airports	-	-	-	234	9	0.30
City of Atlantis	-	-	-	212	10	0.28
Subtotal (10 largest)	25,117		16.32	3,974		5.17
Balance from other customers	128,653		83.68	72,859		94.83
Grand totals	<u>\$153,770</u>		<u>100.00</u>	<u>\$76,833</u>		<u>100.00</u>

Source: Department's records

Note:

On October 1, 2009, the water and wastewater utility services of the Cities of Belle Glade, Pahokee, and South Bay were combined under the umbrella of the Glades Utility Authority (GUA), and the Cities are no longer billed for water usage. The GUA bills the former customers of the Cities for water and wastewater services. The GUA is itself billed by the Department for service provided under the Service Agreement for Operations, Maintenance, Administration and Management of the Glades Utility Authority Utility System rather than by a rate applied to water and wastewater flows.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
AVERAGE RESIDENTIAL CUSTOMER'S MONTHLY BILLING
 Last Ten Fiscal Years

<u>FISCAL YEAR</u>	<u>CUSTOMER FEE</u>	<u>BASE FACILITY FEE</u>	<u>COMMODITY FEE</u>	<u>WATER RESTRICTIONS SURCHARGE</u>	<u>TOTAL FEE</u>	<u>% CHANGE</u>
2012	\$0.00	\$24.23	\$29.36	\$0.00	\$53.59	4.2%
2011	0.00	23.24	28.17	0.00	51.41	5.7%
2010	0.00	21.99	26.65	0.00	48.64	5.4%
2009 **	0.00	20.85	25.30	0.00	46.15	-2.7%
2009 **	2.50	16.42	22.66	5.85	47.43	3.7%
2008	2.50	15.80	21.80	5.64	45.74	14.1%
2007	2.50	15.80	21.80	0.00	40.10	18.5%
2006	2.50	12.95	18.40	0.00	33.85	0.0%
2005	2.50	12.95	18.40	0.00	33.85	0.0%
2004	2.50	12.95	18.40	0.00	33.85	0.0%
2003	2.50	12.95	18.40	0.00	33.85	0.0%

Notes:

An average customer is defined as single-family with 5/8 x 3/4" meter, having combined potable water and wastewater service, and using 7,500 gallons each month. Since the Department calculates the portion of the bill based on usage (commodity fee) in increments of thousands of gallons of water, the commodity fee is calculated for 7,000 gallons.

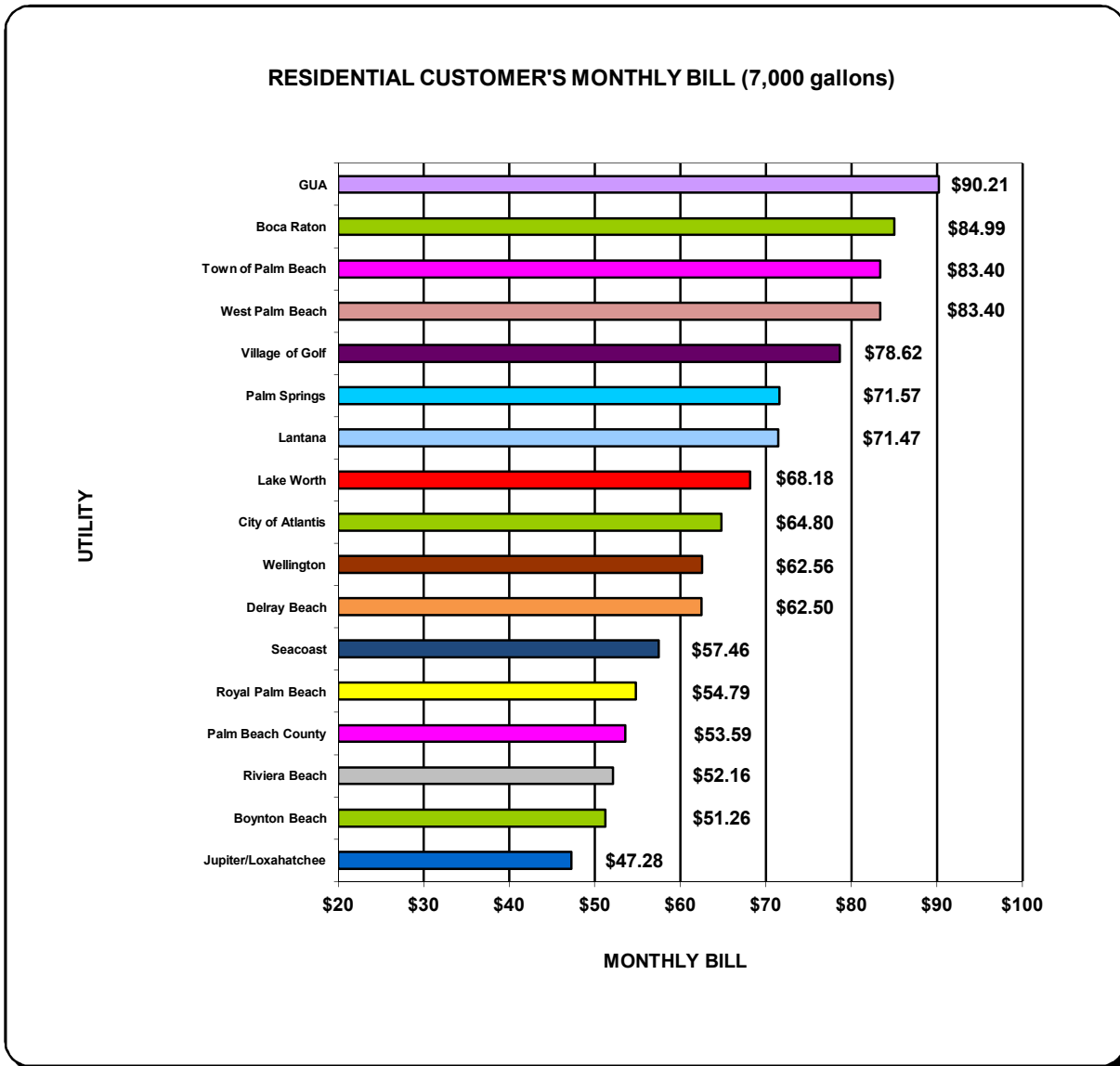
Water restrictions surcharge is calculated as 15% of base facility fee and 15% of commodity fee. The surcharge was instituted with May 2008 billing and was not to be charged for more than one year.

**In fiscal year 2009, there were two rate changes:

The first, effective October 1, 2008, increased the base facility and commodity rates by 3.946% equal to 75% of the prior year's Consumer Price Index (Water and Sewerage Maintenance) change measured July to July.

The second, effective April 1, 2009, was based on a comprehensive rate study which modified the rate structure and resulted in a reduction in the monthly bill for an average customer from the October 1, 2008 rates.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RESIDENTIAL CUSTOMER'S MONTHLY BILL COMPARISON
For Selected Utilities in Palm Beach County at September 30, 2012



Source: Utility survey

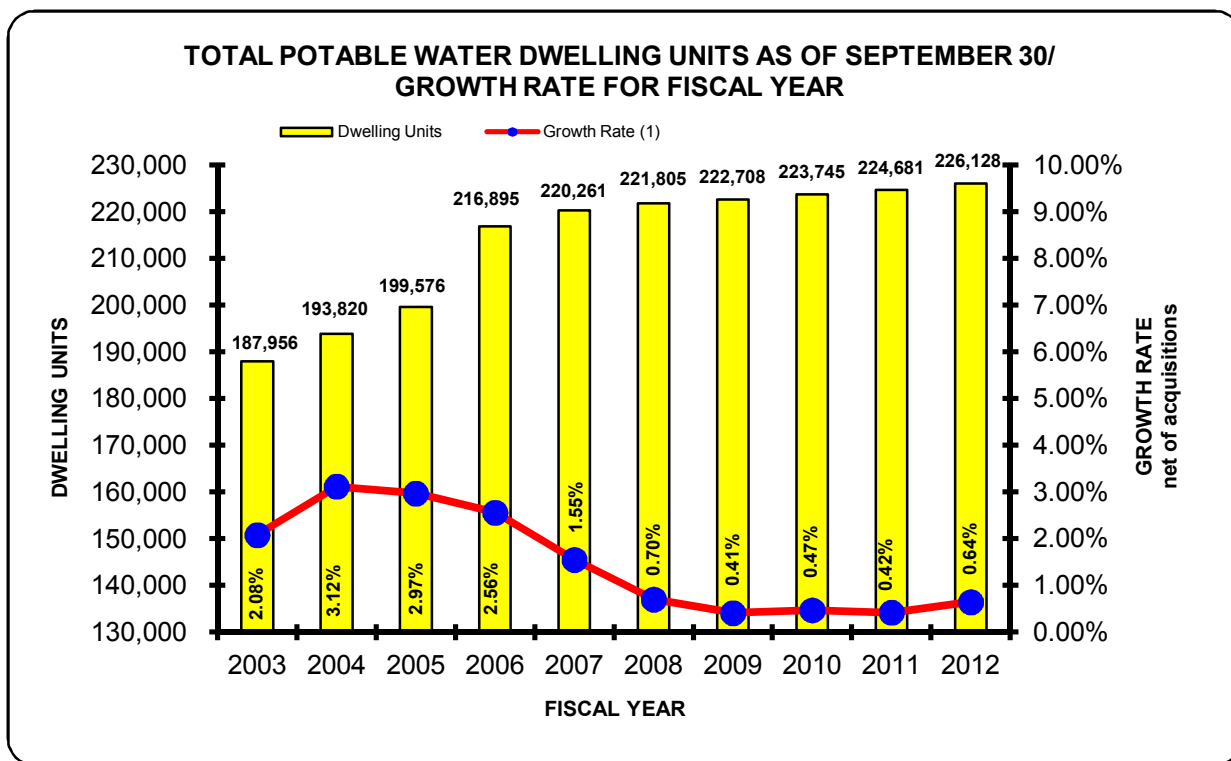
Notes:

Customer's monthly billed includes all fees charged monthly with commodity fee based on usage of 7,000 gallons.

GUA: On October 1, 2009, the water and wastewater utility services of the Cities of Belle Glade, Pahokee, and South Bay (Cities) were combined under the umbrella of the Glades Utility Authority (GUA). Customers continued to be billed at the original rate for each City in effect before the creation of the GUA.

ROYAL PALM BEACH: The Department purchased the Village of Royal Palm Beach's Utility System in April 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER DWELLING UNITS DATA
 Last Ten Fiscal Years



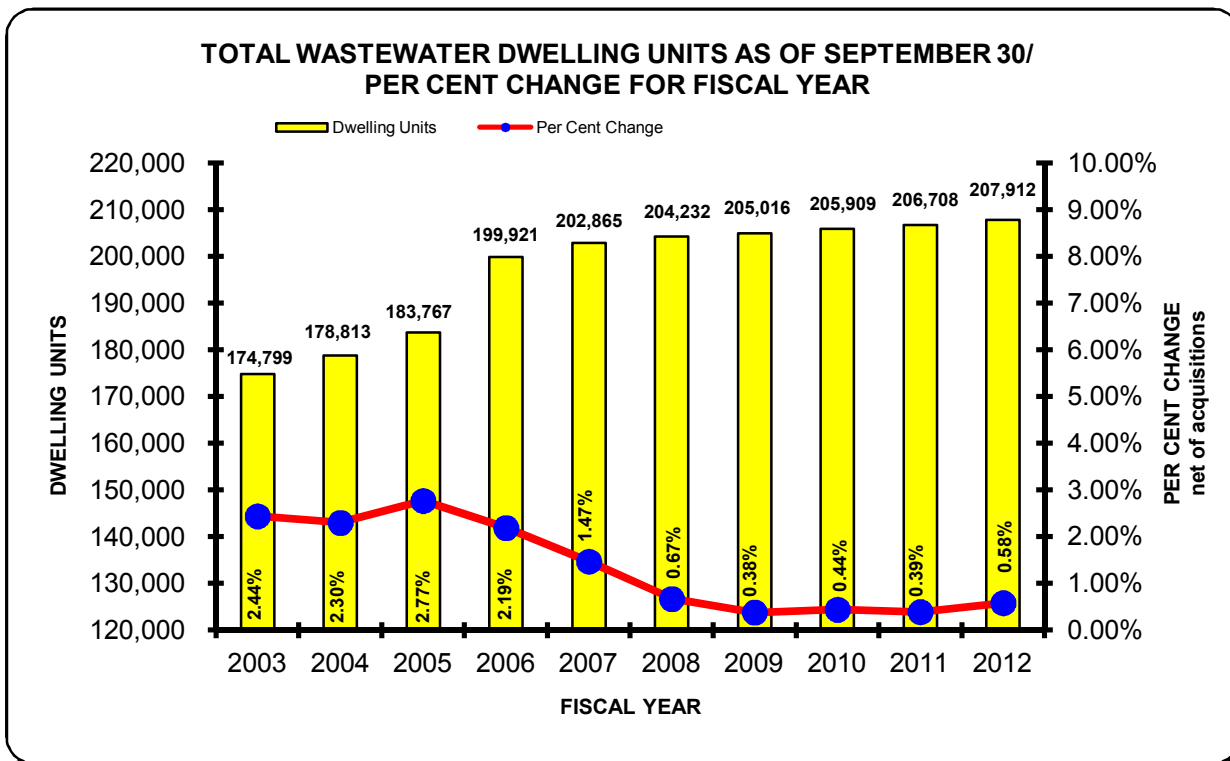
OF DWELLING UNITS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽²⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2012	137,131	60.64%	82,748	36.59%	6,249	2.77%	226,128
2011	136,019	60.54%	82,492	36.72%	6,170	2.74%	224,681
2010	135,126	60.39%	82,470	36.86%	6,149	2.75%	223,745
2009	134,376	60.34%	82,207	36.91%	6,125	2.75%	222,708
2008	133,640	60.25%	82,077	37.00%	6,088	2.75%	221,805
2007 ⁽³⁾	132,376	60.10%	81,933	37.20%	5,952	2.70%	220,261
2006	129,796	59.84%	81,094	37.38%	6,005	2.78%	216,895
2005	114,928	57.59%	79,264	39.72%	5,384	2.69%	199,576
2004 ⁽⁴⁾	110,381	56.95%	78,247	40.37%	5,192	2.68%	193,820
2003	106,155	56.48%	76,777	40.85%	5,024	2.67%	187,956

Notes:

- (1) The Department measures growth as the change in the number of potable water units served.
- (2) Non-residential does not include contractual/wholesale. Fiscal years 2006 - 2003 have been restated to use the same methodology that was used in 2007 and all subsequent years.
- (3) On April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. The 12,203 potable water units acquired are not included in the fiscal year growth rate %.
- (4) Approximately 1,300 4-year cumulative adjustments for abandoned meters not previously deducted from total are not included in the fiscal year growth rate %.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
WASTEWATER DWELLING UNITS DATA
 Last Ten Fiscal Years



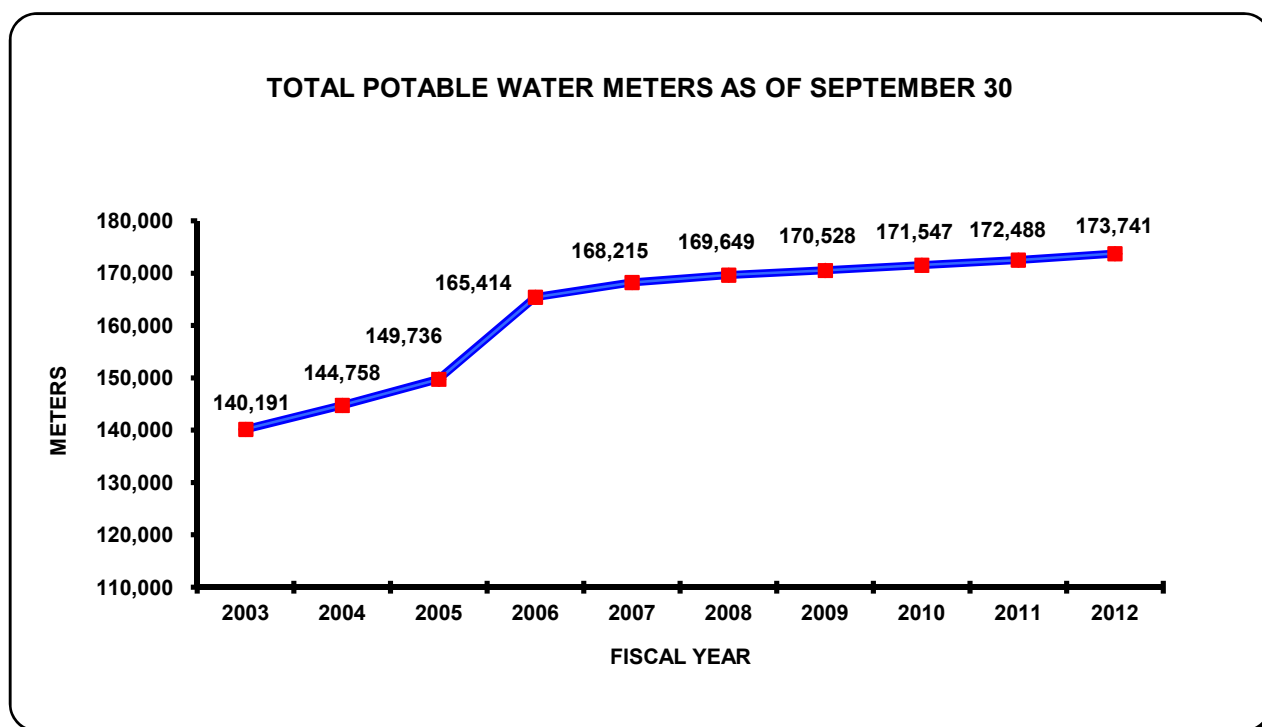
OF DWELLING UNITS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2012	122,268	58.81%	80,450	38.69%	5,194	2.50%	207,912
2011	121,327	58.69%	80,204	38.80%	5,177	2.51%	206,708
2010	120,564	58.55%	80,205	38.95%	5,140	2.50%	205,909
2009	119,873	58.47%	80,029	39.04%	5,114	2.49%	205,016
2008	119,290	58.41%	79,939	39.14%	5,003	2.45%	204,232
2007	118,208	58.27%	79,828	39.35%	4,829	2.38%	202,865
2006 ⁽²⁾	116,052	58.05%	79,186	39.61%	4,683	2.34%	199,921
2005	102,175	55.60%	77,457	42.15%	4,135	2.25%	183,767
2004	98,324	54.99%	76,483	42.77%	4,006	2.24%	178,813
2003 ⁽³⁾	94,896	54.29%	76,036	43.50%	3,867	2.21%	174,799

Notes:

- ⁽¹⁾ Non-residential does not include contractual/wholesale. Fiscal years 2006 - 2003 have been restated to use the same methodology that was used in 2007 and all subsequent years.
- ⁽²⁾ On April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. The 12,136 wastewater units acquired are not included in the fiscal year % change.
- ⁽³⁾ Approximately 1,300 4-year cumulative adjustments for abandoned meters not previously deducted from total are not included in the fiscal year % change.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER METER DATA
 Last Ten Fiscal Years



OF METERS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Contractual/ Wholesale ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2012	137,131	78.93%	30,335	17.45%	6,249	3.60%	26	0.01%	173,741
2011	136,019	78.86%	30,273	17.54%	6,170	3.58%	26	0.02%	172,488
2010	135,126	78.77%	30,252	17.64%	6,149	3.58%	20	0.01%	171,547
2009	134,376	78.80%	30,006	17.60%	6,125	3.59%	21	0.01%	170,528
2008	133,640	78.77%	29,901	17.63%	6,088	3.59%	20	0.01%	169,649
2007	132,376	78.69%	29,874	17.76%	5,952	3.54%	13	0.01%	168,215
2006 ⁽²⁾	129,796	78.47%	29,600	17.89%	6,005	3.63%	13	0.01%	165,414
2005	114,928	76.75%	29,411	19.64%	5,384	3.60%	13	0.01%	149,736
2004	110,381	76.25%	29,172	20.15%	5,192	3.59%	13	0.01%	144,758
2003 ⁽³⁾	106,155	75.72%	29,001	20.69%	5,024	3.58%	11	0.01%	140,191

Notes:

- ⁽¹⁾ Non-residential does not include contractual/wholesale. Non-residential and Contractual/Wholesale for fiscal years 2006 - 2003 have been restated using the same methodology that was used in 2007 and that will be used in future years.
- ⁽²⁾ On April 27, 2006, the Department purchased the Village of Royal Palm Beach's Utility System. 10,894 meters were acquired.
- ⁽³⁾ Approximately 1,300 4-year cumulative adjustments for abandoned meters not previously deducted from total.

CUSTOMER RATE SCHEDULES

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including Village of Royal Palm Beach Service Area)
Last Ten Fiscal Years

	2012	2011	2010	2009 ⁽¹⁾	2009	2008	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)								
Multi-Family accounts only	\$2.50	\$2.50	\$2.50	\$2.50	n/a	n/a	n/a	n/a
All accounts	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
POTABLE WATER RATES								
Base Facility Fee								
Single-Family (per meter)								
5/8" x 3/4"	\$11.42	\$10.95	\$10.36	\$9.82	\$6.55	\$6.30	\$6.30	\$5.15
1"	\$27.88	\$26.74	\$25.30	\$23.99	\$19.23	\$18.50	\$18.50	\$14.95
1 1/2 "	\$41.70	\$40.00	\$37.85	\$35.89	\$29.88	\$28.75	\$28.75	\$23.20
2"	\$86.94	\$83.39	\$78.91	\$74.81	\$64.71	\$62.25	\$62.25	\$50.40
Multi-Family (per dwelling unit)	\$8.51	\$8.16	\$7.72	\$7.32	\$6.55	\$6.30	\$6.30	\$5.15
Commodity Fee per thousand gallons								
Single-Family per meter; Multi-Family per dwelling unit								
0-4	\$1.14	\$1.09	\$1.03	\$0.98	\$0.88	\$0.85	\$0.85	\$0.75
5-10	\$2.55	\$2.45	\$2.32	\$2.20	\$1.97	\$1.90	\$1.90	\$1.60
11-25	\$6.41	\$6.15	\$5.82	\$5.52	\$4.94	\$4.75	\$4.75	\$3.80
Over 25	\$7.97	\$7.64	\$7.23	\$6.85	\$6.13	\$5.90	\$5.90	\$3.80
WASTEWATER RATES								
Base Facility Fee								
Single-Family (per meter)								
5/8" x 3/4"	\$12.81	\$12.29	\$11.63	\$11.03	\$9.87	\$9.50	\$9.50	\$7.80
1"	\$37.79	\$36.25	\$34.30	\$32.52	\$29.10	\$28.00	\$28.00	\$22.60
1 1/2 "	\$58.04	\$55.67	\$52.68	\$49.95	\$44.70	\$43.00	\$43.00	\$35.10
2"	\$126.90	\$121.71	\$115.17	\$109.19	\$97.71	\$94.00	\$94.00	\$76.50
Multi-Family (per dwelling unit)	\$12.81	\$12.29	\$11.63	\$11.03	\$9.87	\$9.50	\$9.50	\$7.80
Commodity Fee per thousand gallons water								
Single-Family per meter; Multi-Family per dwelling unit								
0-4	\$1.55	\$1.49	\$1.41	\$1.34	\$1.20	\$1.15	\$1.15	\$1.00
5-10	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$2.20
Over 10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

WATER RESTRICTIONS SURCHARGE

See note (3) See note (3)

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

(1) Effective with May 1, 2009 billings.

(2) Effective with May 1, 2007 billings.

(3) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach Service Area)
Last Ten Fiscal Years

	2012	2011	2010	2009 ⁽¹⁾	2009	2008	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)								
Multi-Family accounts only		\$2.50	\$2.50	\$2.50	n/a	n/a	n/a	n/a
All accounts		n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
FIRE LINE RATES								
Base Facility Fee per size of backflow device								
2"	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8" and above	\$127.44	\$122.23	\$115.66	\$109.66	\$98.13	\$94.40	\$94.40	\$80.00
RECLAIMED WATER RATES								
Base Facility Fee								
Single-Family (per meter)								
5/8" x 3/4"	\$5.97	\$5.35 ⁽³⁾	\$5.06 ⁽³⁾	\$4.80 ⁽³⁾	\$2.60	\$2.50	\$0.00	\$0.00
5/8" x 3/4" (connection fee paid)	\$2.94	\$2.63 ⁽³⁾	\$2.49 ⁽³⁾	\$2.36 ⁽³⁾	n/a	n/a	n/a	n/a
1"	n/a	n/a	n/a	n/a	n/a	\$10.00	\$0.00	\$0.00
1 1/2 "	n/a	n/a	n/a	n/a	n/a	\$120.00	\$0.00	\$0.00
2"	n/a	n/a	n/a	n/a	n/a	\$160.00	\$0.00	\$0.00
Multi-Family (per dwelling unit)	n/a	n/a	n/a	n/a	n/a	\$2.50	\$0.00	\$0.00
Commodity Fee per thousand gallons	\$0.23 ⁽³⁾	\$0.22 ⁽³⁾	\$0.21 ⁽³⁾	\$0.20 ⁽³⁾	\$0.16	\$0.15	n/a	n/a
Fixed Commodity Fee (meter size)								
5/8" x 3/4"	n/a	n/a	n/a	n/a	n/a	n/a	\$5.00	\$5.00
1"	n/a	n/a	n/a	n/a	n/a	n/a	\$10.00	\$10.00
All others see non-residential rates								

WATER RESTRICTIONS SURCHARGE

See note (4) See note (4)

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System. Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) A 20% discount applies to these rates for lake delivery services.
- (4) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges: fire line base facility fee and potable water commodity fee for fire lines.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including Village of Royal Palm Beach Service Area)
Last Ten Fiscal Years

	2012	2011	2010	2009 ⁽¹⁾	2009	2008	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE								
(per meter)	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
POTABLE WATER RATES								
Base Facility Fee								
5/8" x 3/4"	\$21.47	\$20.59	\$19.48	\$18.47	\$14.29	\$13.75	\$13.75	\$10.65
1"	\$73.10	\$70.11	\$66.34	\$62.90	\$54.05	\$52.00	\$52.00	\$42.65
1 1/2 "	\$116.29	\$111.54	\$105.55	\$100.07	\$87.31	\$84.00	\$84.00	\$63.95
2"	\$197.29	\$189.23	\$179.06	\$169.77	\$149.68	\$144.00	\$144.00	\$119.45
3"	\$522.62	\$501.26	\$474.33	\$449.71	\$400.19	\$385.00	\$385.00	\$294.00
4"	\$806.11	\$773.16	\$731.63	\$693.65	\$618.48	\$595.00	\$595.00	\$467.85
6" and larger based on projected water usage								
Commodity Fee per thousand gallons								
5/8" x 3/4"								
0-14	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 14	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1"								
0-57	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 57	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1 1/2 "								
0-94	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 94	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
2"								
0-138	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 138	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
3"								
0-557	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 557	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
4"								
0-675	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 675	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
6" and above								
All usage	\$1.34	\$1.29	\$1.22	\$1.16				
0-675	n/a	n/a	n/a	n/a	\$1.04	\$1.00	\$1.00	\$0.85
Over 675	n/a	n/a	n/a	n/a	\$2.81	\$2.70	\$2.70	\$0.85

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System. Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

- (1) Effective with May 1, 2009 billings.
- (2) Effective with May 1, 2007 billings.
- (3) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
(Not Including Village of Royal Palm Beach Service Area)
 Last Ten Fiscal Years

	2012	2011	2010	2009 ⁽¹⁾	2009	2008	2007 ⁽²⁾	2007 - 2003
WASTEWATER RATES								
Base Facility Fee								
5/8" x 3/4"	\$26.99	\$25.89	\$24.50	\$23.23	\$20.79	\$20.00	\$20.00	\$16.20
1"	\$103.27	\$99.05	\$93.73	\$88.86	\$79.52	\$76.50	\$76.50	\$64.65
1 1/2 "	\$168.74	\$161.84	\$153.15	\$145.20	\$129.93	\$125.00	\$125.00	\$97.00
2"	\$302.39	\$290.03	\$274.45	\$260.20	\$232.84	\$224.00	\$224.00	\$181.20
3"	\$776.21	\$744.48	\$704.49	\$667.92	\$597.69	\$575.00	\$575.00	\$446.00
4"	\$1,187.94	\$1,139.38	\$1,078.17	\$1,022.20	\$914.72	\$880.00	\$880.00	\$709.70
6" and larger based on projected water usage								
Commodity Fee per thousand gallons								
water - all metered usage	\$1.81	\$1.74	\$1.65	\$1.56	\$1.40	\$1.35	\$1.35	\$1.10

WATER RESTRICTIONS SURCHARGE

See note (3) See note (3)

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System. Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

(1) Effective with May 1, 2009 billings.

(2) Effective with May 1, 2007 billings.

(3) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges (excluding contractual accounts): potable water base facility fee, potable water commodity fee, wastewater base facility fee, and wastewater commodity fee.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach Service Area)
 Last Ten Fiscal Years

	2012	2011	2010	2009 ⁽¹⁾	2009	2008	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
FIRE LINE RATES								
Base Facility Fee per size of backflow device								
2"	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8"	\$127.44	\$122.23	\$115.66	\$109.66	\$98.13	\$94.40	\$94.40	\$80.00

Commodity Fee per thousand gallons: see non-residential commodity rates on page 70.

WATER RESTRICTIONS SURCHARGE

See note (3) See note (3)

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System. Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

(1) Effective with May 1, 2009 billings.

(2) Effective with May 1, 2007 billings.

(3) Water Restrictions Surcharge, in effect May 1, 2008 through April 30, 2009, calculated as 15% of the following charges: fire line base facility fee and potable water commodity fee for fire lines.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach Service Area)
 Last Ten Fiscal Years

	2012 ⁽⁴⁾	2011 ⁽⁴⁾	2010 ⁽¹⁾⁽⁴⁾	2009 ⁽²⁾⁽⁴⁾	2009	2008	2007 ⁽³⁾	2007 - 2003
CUSTOMER ACCOUNT FEE								
(per meter)	n/a	n/a	n/a	n/a	\$2.50	\$2.50	\$2.50	\$2.50
RECLAIMED WATER RATES								
Base Facility Fee								
5/8" x 3/4"	\$5.97	\$5.73	\$5.42	\$7.20	\$4.16	\$4.00	\$0.00	\$0.00
5/8" x 3/4" (connection fee paid)	\$2.94	\$2.82	\$2.67	\$3.54	n/a	n/a	n/a	n/a
1"	\$31.85	\$30.55	\$28.91	\$38.40	\$20.79	\$20.00	\$0.00	\$0.00
1" (connection fee paid)	\$15.68	\$15.04	\$14.23	\$18.88	n/a	n/a	n/a	n/a
1 1/2 "	\$79.65	\$76.39	\$72.29	\$96.00	\$51.97	\$50.00	\$0.00	\$0.00
1 1/2 " (connection fee paid)	\$39.19	\$37.59	\$35.57	\$47.20	n/a	n/a	n/a	n/a
2"	\$171.23	\$164.23	\$155.41	\$206.40	\$112.26	\$108.00	\$0.00	\$0.00
2" (connection fee paid)	\$84.26	\$80.82	\$76.48	\$101.48	n/a	n/a	n/a	n/a
3"	\$374.33	\$359.03	\$339.74	\$451.20	\$244.27	\$235.00	\$0.00	\$0.00
3" (connection fee paid)	\$184.21	\$176.68	\$167.19	\$221.84	n/a	n/a	n/a	n/a
4"	\$1,023.44	\$981.60	\$928.87	\$1,233.60	\$668.37	\$643.00	\$0.00	\$0.00
4" (connection fee paid)	\$503.63	\$483.04	\$457.09	\$606.52	n/a	n/a	n/a	n/a
6"	\$2,186.26	\$2,096.89	\$1,984.24	\$2,635.20	\$1,427.18	\$1,373.00	\$0.00	\$0.00
6" (connection fee paid)	\$1,075.85	\$1,031.87	\$946.44	\$1,295.64	n/a	n/a	n/a	n/a
8"	\$3,886.68	\$3,727.80	\$3,527.54	\$4,684.80	\$2,536.28	\$2,440.00	\$0.00	\$0.00
8" (connection fee paid)	\$1,912.62	\$1,834.44	\$1,735.89	\$2,303.36	n/a	n/a	n/a	n/a
10"	\$6,053.02	\$5,805.59	\$5,493.71	\$7,296.00	\$3,949.59	\$3,800.00	\$0.00	\$0.00
10" (connection fee paid)	\$2,978.66	\$2,856.90	\$2,703.43	\$3,587.20	n/a	n/a	n/a	n/a
Commodity Fee per thousand gallons	\$0.23	\$0.22	\$0.21	\$0.20	\$0.16	\$0.15	n/a	n/a

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners.

These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System.

Rates effective with billings on October 1 of fiscal year unless otherwise indicated.

(1) Effective with November 1, 2009 billings, different rates were in effect for October 2009 billings.

When the rates changed in November, customers were credited to make November rates effective retroactive to billings beginning May 1, 2009.

(2) Effective with May 1, 2009 billings.

(3) Effective with May 1, 2007 billings.

(4) A 20% discount applies to these rates for lake delivery services.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE AND RECLAIMED WATER RATES
(Not Including Village of Royal Palm Beach Service Area)
 Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006 - 2003
RECLAIMED WATER RATES							
Fixed Commodity Fee (meter size)							
5/8" x 3/4"	n/a	n/a	n/a	n/a	n/a	\$5.00	\$5.00
1"	n/a	n/a	n/a	n/a	n/a	\$10.00	\$10.00
1 1/2 "	n/a	n/a	n/a	n/a	n/a	\$120.00	\$120.00
2"	n/a	n/a	n/a	n/a	n/a	\$160.00	\$160.00
3"	n/a	n/a	n/a	n/a	n/a	\$350.00	\$350.00
4"	n/a	n/a	n/a	n/a	n/a	\$1,000.00	\$1,000.00
6"	n/a	n/a	n/a	n/a	n/a	\$2,000.00	\$2,000.00
8"	n/a	n/a	n/a	n/a	n/a	\$2,500.00	\$2,000.00
10"	n/a	n/a	n/a	n/a	n/a	\$3,000.00	\$2,000.00

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners.
 Rates effective with billings on October 1 of fiscal year unless otherwise indicated.
 These rates do not apply to the approximately 6% of the Department's customers in the service area acquired through the purchase of the Village of Royal Palm Beach's Utility System.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL POTABLE WATER AND WASTEWATER RATES
Village of Royal Palm Beach Service Area
Last Six Fiscal Years

2012 - 2007

POTABLE WATER RATES

Base Facility Fee	
Single-Family (per meter)	\$13.25
Multi-Family (per dwelling unit)	\$9.91
Commodity Fee per 1,000 Gallons	
Single-Family per meter	\$1.96
Multi-Family (per unit)	\$1.96
Conservation Charge:	
150% of the gallonage rate per 1,000 gallons of usage for all gallons of usage in excess of the authorized number of gallon per month	
Customer Class-Authorized Gallons per Month:	
Single-Family per meter	15,000 gal.
Multi-Family (per unit)	11,250 gal.

WASTEWATER RATES

Base Facility Fee	
Single-Family (per meter)	\$15.71
Multi-Family (per dwelling unit)	\$11.81
Commodity Fee per thousand gallons water	
Single-Family per meter	
0-10	\$1.73
greater than 10	\$0.00
Multi-Family	\$1.73

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2012, the Department had the following numbers of customers to whom this rate schedule applies:

 Single-family: 10,672 meters; 10,672 potable water units; 10,673 wastewater units

 Multi-family: 94 meters; 1,403 potable water units; 1,403 wastewater units

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL WATER AND WASTEWATER RATES
Village of Royal Palm Beach Service Area
 Last Six Fiscal Years

2012 - 2007

POTABLE WATER RATES

Base Facility Fee	
5/8" or 3/4"	\$17.31
1"	\$62.31
1 1/2 "	\$99.33
2"	\$225.24
3"	\$795.01
4"	\$1,242.52
Commodity Fee per 1,000 Gallons	\$1.96
Conservation Charge:	
150% of the gallonage rate per 1,000 gallons of usage for all gallons of usage in excess of the authorized number of gallon per month	
Customer Class-Authorized Gallons per Month:	
Commercial (by meter size)	
5/8" or 3/4"	18,000 gal.
1"	69,000 gal.
1 1/2 "	100,000 gal.
2"	255,000 gal.
3"	765,000 gal.
4"	1,410,000 gal.

WASTEWATER RATES

Base Facility Fee	
5/8" x 3/4"	\$20.70
1"	\$74.40
1 1/2 "	\$118.69
2"	\$269.49
3"	\$950.76
4"	\$1,469.84
Commodity Fee per thousand gallons water - all metered usage	\$1.73

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2012, the Department had the following numbers of customers to whom this rate schedule applies:

 Non-residential: 564 meters; 564 potable water units; 504 wastewater units

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY NON-RESIDENTIAL FIRE LINE RATES
Village of Royal Palm Beach Service Area
Last Six Fiscal Years

2012 - 2007

FIRE LINE RATES

Base Facility Fee per line size

4"	\$22.00
6"	\$37.00
8"	\$56.00
10"	\$87.00

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006. For customers in the service area that had been served by the Village, rates will remain the same for ten years or until the Department's rates and Village's rates are equal, whichever occurs later.

At September 30, 2012, the Department had 163 customers to whom this rate schedule applies.

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DEBT CAPACITY INFORMATION

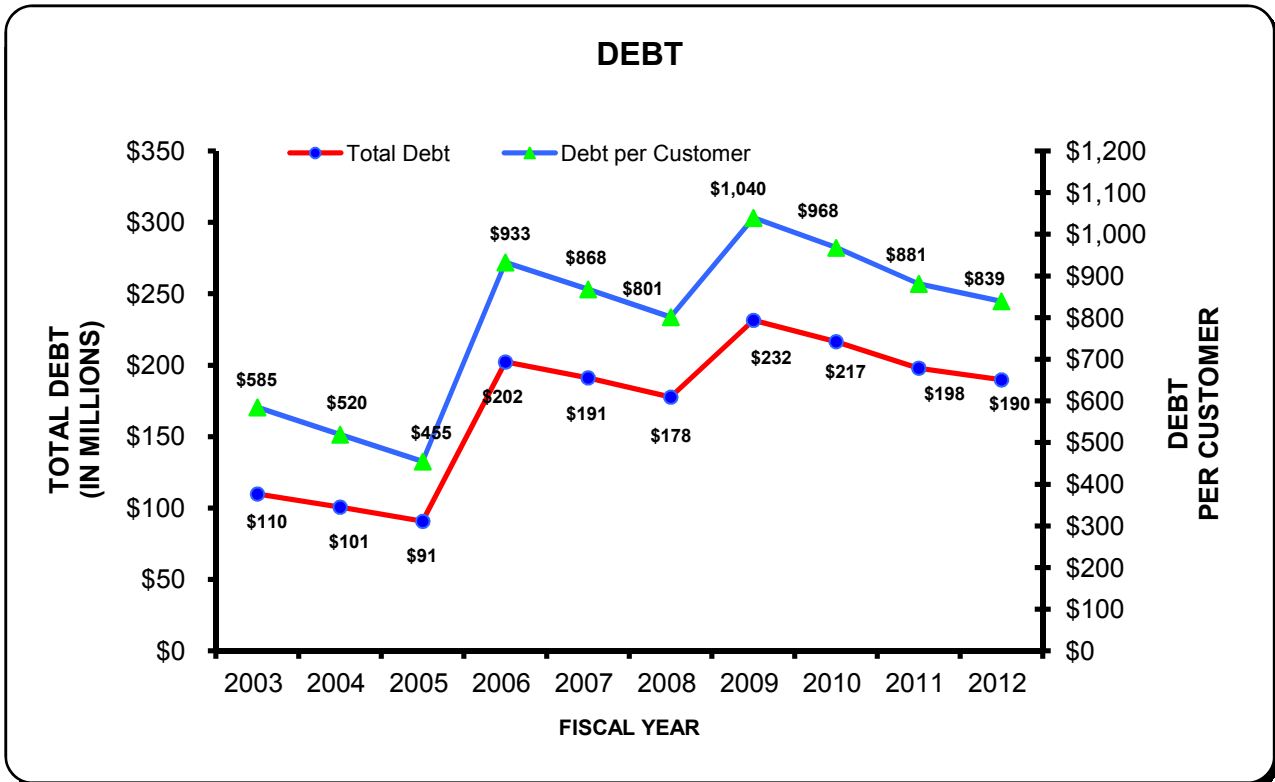
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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

	Water & Sewer Revenue Bonds	Pro Rata Share of Joint Venture Debt	Total Debt	Debt per Customer
2012	\$188,550,000	\$1,261,946	\$189,811,946	\$839
2011	196,593,000	1,405,216	197,998,216	881
2010	214,858,000	1,686,883	216,544,883	968
2009	229,548,000	1,958,970	231,506,970	1,040
2008	175,503,000	2,224,232	177,727,232	801
2007	188,725,000	2,481,162	191,206,162	868
2006	199,560,000	2,734,939	202,294,939	933
2005	87,790,000	2,978,029	90,768,029	455
2004	97,480,000	3,219,520	100,699,520	520
2003	106,445,000	3,453,000	109,898,000	585

Notes:

Although neither the State of Florida nor Palm Beach County set a legal debt limit, the bond covenants stipulate that the Department may issue debt as long as certain conditions are met. The major criterion is that the Department establishes rates and fees sufficient to provide net revenues and connection fees that are at least 1.25 times the annual debt service requirements. Number of customers is defined as the number of potable water dwelling units served. See page 64 for customer data.



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

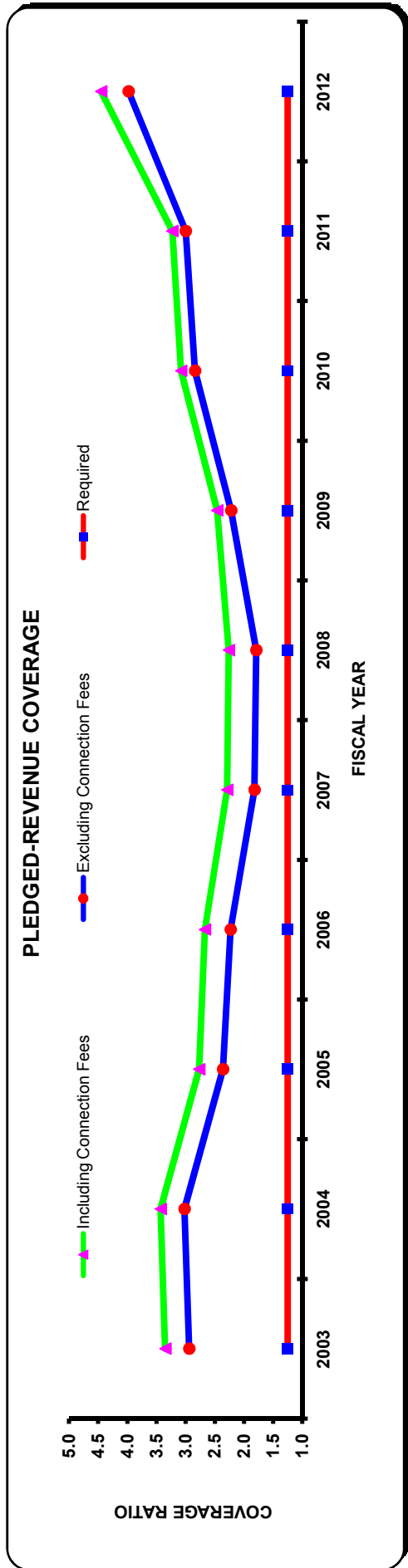
Fiscal Year Ended Sept 30	Available for Debt Service			Debt Service Requirements			Coverage Ratio				
	Operating Revenues	Operating Expenses ⁽¹⁾	Nonoperating Revenues (Expenses) ⁽²⁾	Net Revenues	Connection Fees ⁽³⁾	Revenues & Connection Fees	Principal	Interest	Total Debt Service	Excluding Connection Fees	Including Connection Fees
2012	\$153,770,117	\$100,798,052	\$9,598,962	\$62,571,027	\$7,394,115	\$69,965,142	\$6,465,000	\$9,263,137	\$15,728,137	3.98x	4.45x
2011	151,561,873	99,590,580	7,659,951	59,631,244	4,667,389	64,298,633	10,035,500	9,863,098	19,898,598	3.00	3.23
2010	141,616,613	90,888,979	10,539,274	61,266,908	5,224,365	66,491,273	11,052,500	10,517,302	21,569,802	2.84	3.08
2009	130,226,088	89,241,296	9,891,983	50,876,775	5,516,661	56,393,436	14,567,500	8,377,125	22,944,625	2.22	2.46
2008	115,321,729	81,927,461	6,607,077	40,001,345	10,495,450	50,496,795	13,955,000	8,375,745	22,330,745	1.79	2.26
2007	101,203,339	73,781,399	12,815,924	40,237,864	10,409,149	50,647,013	13,255,000	8,892,125	22,147,125	1.82	2.29
2006	89,790,385	65,524,474	12,572,876	36,838,787	7,263,826	44,102,613	10,745,000	5,793,766	16,538,766	2.23	2.67
2005	83,540,100	56,660,038	10,614,491	37,494,553	6,519,295	44,013,848	12,317,500	3,583,220	15,900,720	2.36	2.77
2004	81,065,463	50,608,612	10,305,368	40,762,219	5,542,493	46,304,712	9,610,000	3,908,276	13,518,276	3.02	3.43
2003	76,833,183	47,582,812	10,829,623	40,079,994	5,594,814	45,674,808	8,885,000	4,760,888	13,645,888	2.94	3.35

Notes:

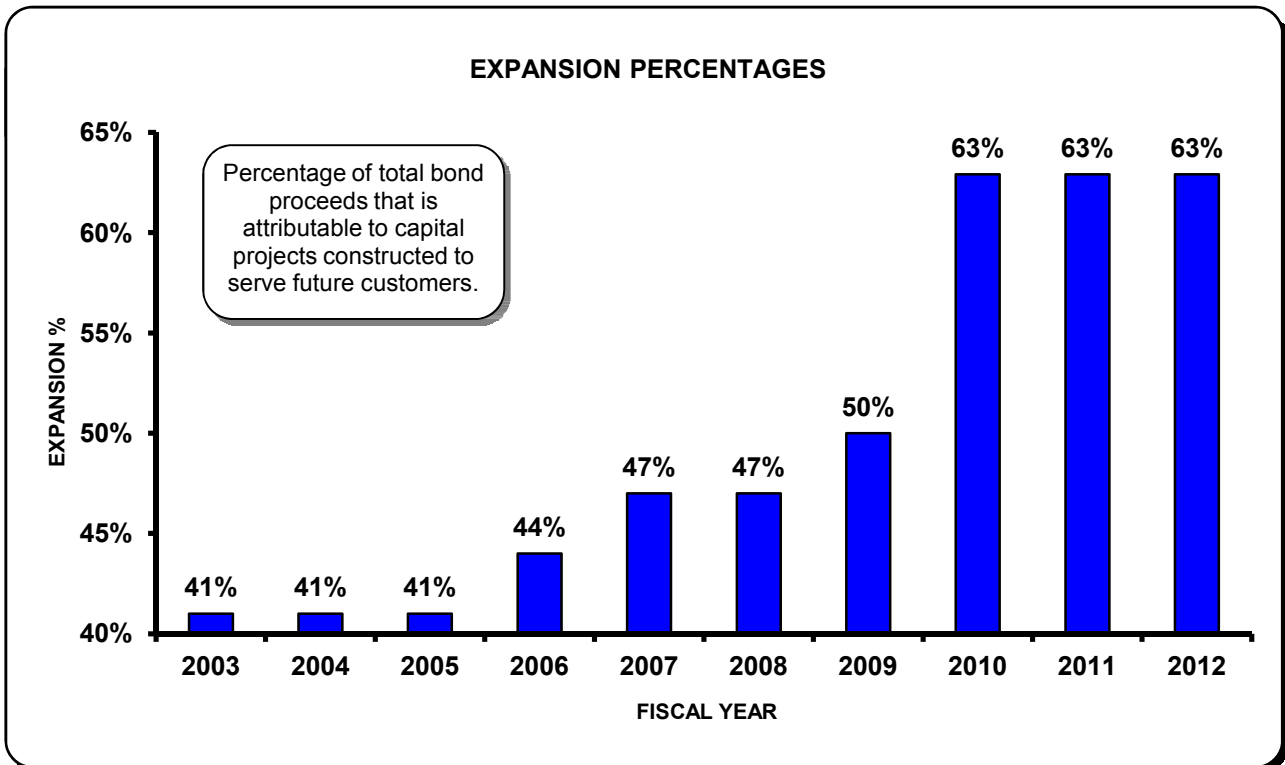
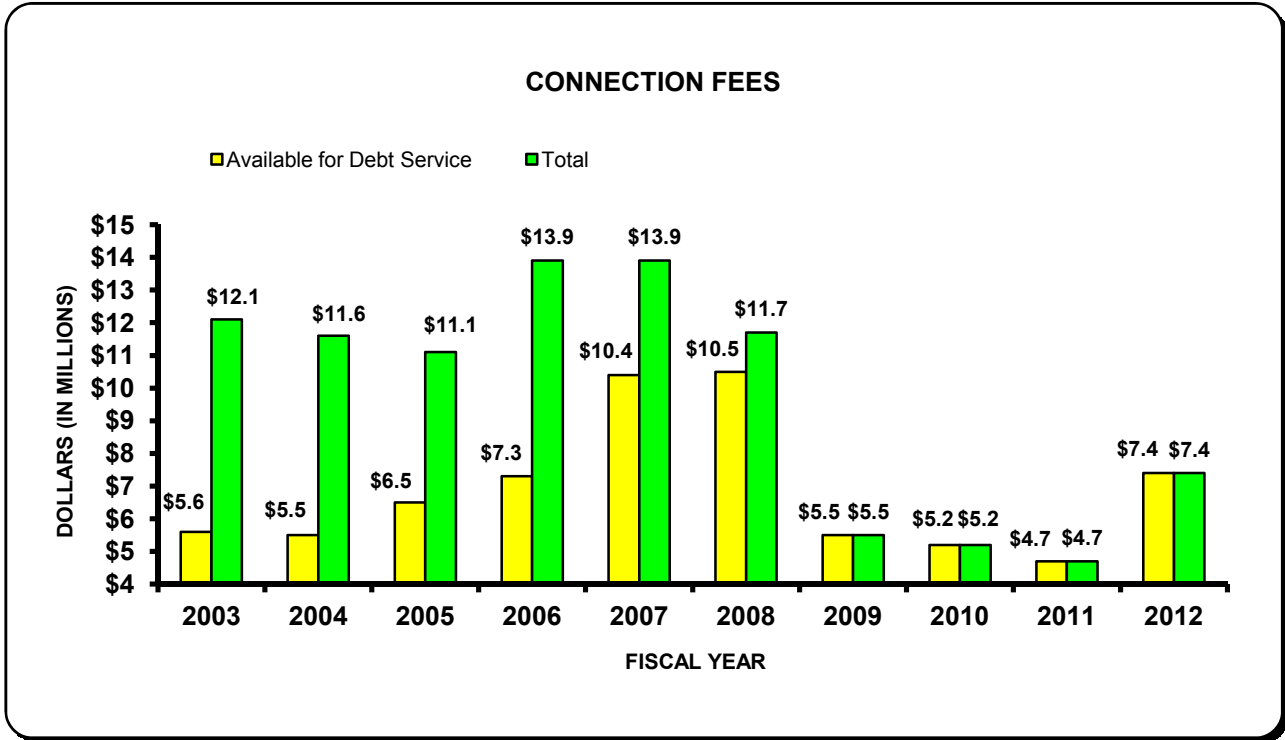
⁽¹⁾ Operating expenses exclude depreciation and amortization and equity interest in net loss of joint venture.

⁽²⁾ Nonoperating revenues (expenses) exclude interest on debt, gain or loss on disposal of fixed assets, and grants.

⁽³⁾ Represents the lesser of the expansion percentage (see page 83) times the debt service in a given fiscal year or the connection fees in that year.



PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
CONNECTION FEES & EXPANSION PERCENTAGES
 Last Ten Fiscal Years



Notes:

The Expansion Percentage for 2006 is a blend of rates in effect before (41%) and after (47%) the April 2006 bond issue.
 The Expansion Percentage for 2009 is a blend of rates in effect before (47%) and after (62.9%) the July 2009 bond issue.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
DEMOGRAPHIC AND ECONOMIC STATISTICS FOR PALM BEACH COUNTY
 Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (000)</u>	<u>Per Capita Personal Income</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
2012	1,335,415	N/A	N/A	622,775	9.2%
2011	1,325,758	N/A	N/A	621,616	10.9
2010	1,320,134	\$69,488,201	\$52,526	623,320	12.4
2009	1,287,344	67,866,247	51,910	626,400	11.7
2008	1,294,654	76,712,607	59,240	655,669	7.3
2007	1,295,033	75,585,800	58,749	650,548	4.8
2006	1,287,987	71,720,669	55,836	645,211	3.7
2005	1,265,900	65,286,449	51,070	622,443	4.1
2004	1,242,270	60,761,948	48,523	598,785	5.7
2003	1,211,448	54,088,344	44,404	590,677	6.2

N/A = not available

Sources:

Florida Legislature, Office of Economic and Demographic Research
 Florida Agency for Workforce Innovation, Labor Market Statistics Center,
 Local Area Unemployment Statistics Program, In cooperation
 with the U.S. Department of Labor, Bureau of Labor Statistics.

Notes:

Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, demographic and economic statistics are presented for the entire County.

Population and income data are per calendar year.

Income data for 2011 and 2012 is not available.

Personal Income data and Per Capita Income data are revised annually.

Labor Force data and Unemployment data are for September of each year.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
PRINCIPAL EMPLOYERS IN PALM BEACH COUNTY
Current Year and Nine Years Ago

EMPLOYER	2012			2003		
	Employees	Rank	%	Employees	Rank	%
Palm Beach County School Board	21,495	1	3.45	18,677	1	3.16
Palm Beach County Government	11,381	2	1.83	9,000	2	1.52
Tenet Healthcare Corp (1)	6,100	3	0.98	3,040	4	0.51
NextEra Energy (Florida Power & Light)	3,635	4	0.58	2,800	5	0.47
G4S (Wackenhut Corp)	3,000	5	0.48	-	-	-
Hospital Corporation of America (HCA) (2)	2,714	6	0.44	4,000	3	0.68
Florida Atlantic University	2,706	7	0.43	-	-	-
Bethesda Memorial Hospital	2,391	8	0.38	1,800	9	0.30
Office Depot	2,250	9	0.36	-	-	-
Boca Raton Regional Hospital	2,250	10	0.36	-	-	-
Boca Raton Resort & Club	-	-	-	2,380	6	0.40
U.S. Sugar Corporation	-	-	-	2,200	7	0.37
The Breakers Hotel	-	-	-	1,800	9	0.30
Florida Crystals	-	-	-	2,000	8	0.34
Total	57,922		9.29	47,697		8.05
Balance from other employers	565,566		90.71	544,812		91.95
Grand totals	623,488		100.00	592,509		100.00

Source: Business Development Board of Palm Beach County

Notes:

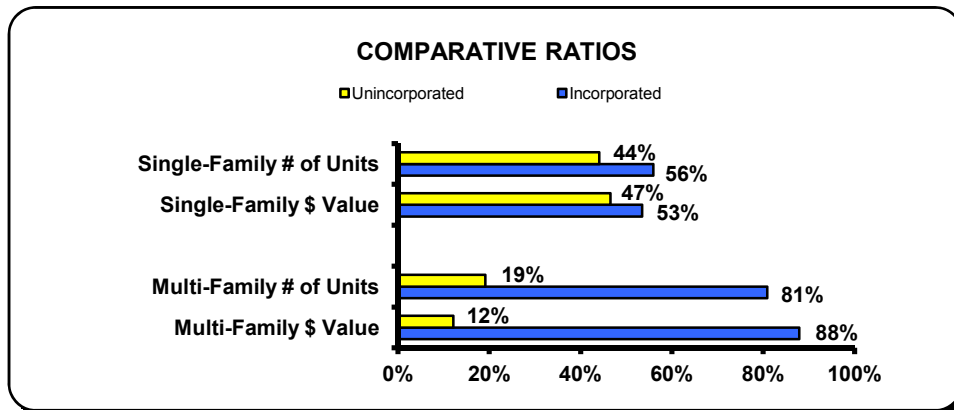
Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, demographic and economic statistics are presented for the entire County.

(1) Intracoastal Health Systems, Inc - now part of Tenet Healthcare Corp.

(2) Formerly Columbia Palm Beach Health Care System, Inc

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RESIDENTIAL BUILDING PERMIT DATA FOR PALM BEACH COUNTY
 Unincorporated and Incorporated Areas
 Last Ten Years



NUMBER OF UNITS:

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
2012	1,022	252	966	1,940	1,988	2,192
2011	609	2	663	39	1,272	41
2010	568	93	417	172	985	265
2009	572	47	469	234	1,041	281
2008	482	108	677	165	1,159	273
2007	1,138	256	894	740	2,032	996
2006	2,234	1,039	1,958	1,696	4,192	2,735
2005	3,746	817	4,623	3,222	8,369	4,039
2004	4,089	907	5,954	3,702	10,043	4,609
2003	3,639	342	6,347	4,409	9,986	4,751
Totals	18,099	3,863	22,968	16,319	41,067	20,182

VALUE (in millions):

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
2012	\$385	\$36	\$319	\$168	\$704	\$204
2011	201	0	269	7	470	7
2010	184	9	156	13	340	22
2009	148	6	175	13	323	19
2008	137	12	268	31	405	43
2007	334	28	351	166	685	194
2006	638	108	562	439	1,200	547
2005	1,089	31	1,060	526	2,149	557
2004	1,051	50	1,074	374	2,125	424
2003	631	24	1,275	467	1,906	491
Totals	\$4,798	\$304	\$5,509	\$2,204	\$10,307	\$2,508

Source: Palm Beach County Planning, Zoning and Building Department

Notes:

Data for calendar year.

Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

Since statistics are not available for the service area only, residential building permit data is presented for the entire County.

OPERATING INFORMATION

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NUMBER OF POSITIONS BY FUNCTION
Last Ten Fiscal Years

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Water:										
Treatment	100	101	98	110	113	93	91	83	81	79
Distribution	89	89	92	93	92	93	90	84	79	82
Wastewater:										
Treatment	39	39	39	40	41	39	37	28	28	28
Collection	89	90	91	90	95	97	88	78	76	74
Customer accounts	55	56	57	57	62	61	61	53	53	52
Administration	86	87	82	85	79	79	71	71	71	68
Engineering	<u>29</u>	<u>29</u>	<u>29</u>	<u>30</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>39</u>	<u>39</u>
Department subtotal	487	491	488	505	518	498	474	433	427	422
Glades Utility Authority	<u>71</u>	<u>68</u>	<u>70</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total positions	<u>558</u>	<u>559</u>	<u>558</u>	<u>505</u>	<u>518</u>	<u>498</u>	<u>474</u>	<u>433</u>	<u>427</u>	<u>422</u>

Notes:

Glades Utility Authority (GUA) includes Department employees in many functional areas whose jobs are related to provision of water and wastewater services only to GUA customers and not to non-GUA customers. Lake Region Water Treatment Plant (13 employees) came online in March 2008. Those employees were transferred to the GUA on October 1, 2009.

As part of the agreement for the purchase of the Village of Royal Palm Beach's Utility System, 34 employees of the Village became Department employees on April 28, 2006.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OPERATING AND CAPITAL ASSET STATISTICS
 Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
INCREASE IN SERVICES:			
Potable water meters	1,253	935	1,020
Potable water dwelling units	1,447	936	1,037
Wastewater dwelling units	1,204	799	893
WATER SUPPLY, TREATMENT, AND DISTRIBUTION SYSTEMS:			
RAW WATER WELLS:			
Wells	109	102	102
Permitted yearly withdrawal (millions)	38,792	33,284	33,284
Permitted maximum mgd	106.28	137.39	137.39
TREATMENT PLANTS:			
Average finished water mgd	53.01	53.78	51.94
Primary plants	5	5	5
Combined permitted treatment capacity mgd	104.28	104.38	104.38
Plant 2 (West Lake Worth)	14.40	14.50	14.50
Plant 3 (West Delray)	30.00	30.00	30.00
Plant 7 (West Palm Beach @ Century Village)	-	-	-
Plant 8 (West Palm Beach)	30.00	30.00	30.00
Plant 9 (West Boca Raton)	26.88	26.88	26.88
Plant 10 (Royal Palm Beach)	3.00	3.00	3.00
Plant 11 (Lake Region)	-	-	-
DISTRIBUTION SYSTEM:			
Miles of pipe	2,152	2,141	2,121
Storage and repump stations	17	17	17
Interconnects	21	20	14
Fire hydrants	16,582	16,353	16,235
Valves	32,584	32,234	32,026
Air relief valves	617	616	611

N/A = not available

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006.

The 2006 increase in services includes the following from the Village of Royal Palm Beach acquisition:

10,894 potable water meters; 12,203 potable water dwelling units; and 12,136 wastewater dwelling units.

Plant 7 (West Palm Beach @ Century Village) was taken out of service in fiscal year 2002.

On October 1, 2009, Plant 11 (Lake Region) and other infrastructure were contributed to the Glades Utility Authority (GUA) and are no longer owned by the Department.

The miles of pipe and valves reported for 2009 were fewer than 2008 as a result of feature review process conducted in 2009.

See pages 64 - 66 and 96 - 97 for additional operating statistics.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
878	1,427	2,801	15,678	4,978	4,567	3,818
903	1,544	3,366	17,319	5,756	5,866	3,826
784	1,367	2,944	16,154	4,954	4,014	4,159
109	105	94	94	79	78	90
38,792	36,043	32,600	32,600	31,751	31,751	31,751
144.45	144.45	134.09	134.09	129.62	129.62	129.62
57.59	53.31	52.80	55.05	53.70	51.69	48.10
6	6	5	5	4	4	4
114.38	114.38	97.88	97.88	91.38	91.38	89.50
14.50	14.50	14.50	14.50	14.50	14.50	14.50
30.00	30.00	30.00	30.00	30.00	30.00	30.00
-	-	-	-	-	-	-
30.00	30.00	20.00	20.00	20.00	20.00	20.00
26.88	26.88	26.88	26.88	26.88	26.88	25.00
3.00	3.00	6.50	6.50	-	-	-
10.00	10.00	-	-	-	-	-
2,126	2,162	2,081	2,064	1,880	1,784	1,666
17	17	18	10	11	11	12
15	15	14	14	15	15	15
16,066	15,866	15,630	14,834	13,396	12,517	12,013
31,213	31,392	30,820	30,633	26,993	25,990	24,850
620	609	573	484	451	399	N/A

(continued)

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
OPERATING AND CAPITAL ASSET STATISTICS
 Last Ten Fiscal Years

(continued) 2012 2011 2010

WASTEWATER COLLECTION AND TREATMENT SYSTEMS:

TREATMENT PLANTS:

Maximum 3-month rolling average mgd	43.87	45.45	39.60
Average wastewater treated mgd	38.81	42.77	37.90
Primary plants	2	2	2
Combined permitted treatment capacity mgd	59.00	58.50	58.50
Southern Region Reclamation Facility	35.00	35.00	35.00
Department's share @ East Central Regional Wastewater Facilities	24.00	23.50	23.50
Northern Region Wastewater Treatment Plant (Royal Palm Beach)	-	-	-

COLLECTION SYSTEM:

Miles of gravity wastewater line	1,165	1,157	1,152
Pump stations	803	768	764
Miles of force main	532	530	524
Valves	3,383	3,335	3,288
Air relief valves	726	721	711
Manholes	29,457	29,246	29,117

EFFLUENT DISPOSAL:

Deep injection wells	6	5	5
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RECLAIMED WATER:

Average reclaimed water provided mgd	11.37	14.22	12.40
Permitted for reclaimed water irrigation mgd	22.00	22.00	22.00
Combined wetlands mgd (included in average mgd)	1.35	2.63	2.05
Green Cay Wetlands mgd	0.10	0.93	0.73
Wakodahatchee Wetlands mgd	0.63	0.90	0.82
Century Village mgd	0.62	0.80	0.50
Miles of pipe	55	55	36
Flush hydrants	99	99	97
Valves	471	467	336
Air relief valves	98	99	48

N/A = not available

Notes:

The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006, and the wastewater treatment plant was taken out of service on May 20, 2008.

The miles of force main reported for 2009 were fewer than 2008 as a result of feature review process conducted in 2009.

See pages 64 - 66 and 96 - 97 for additional operating statistics.

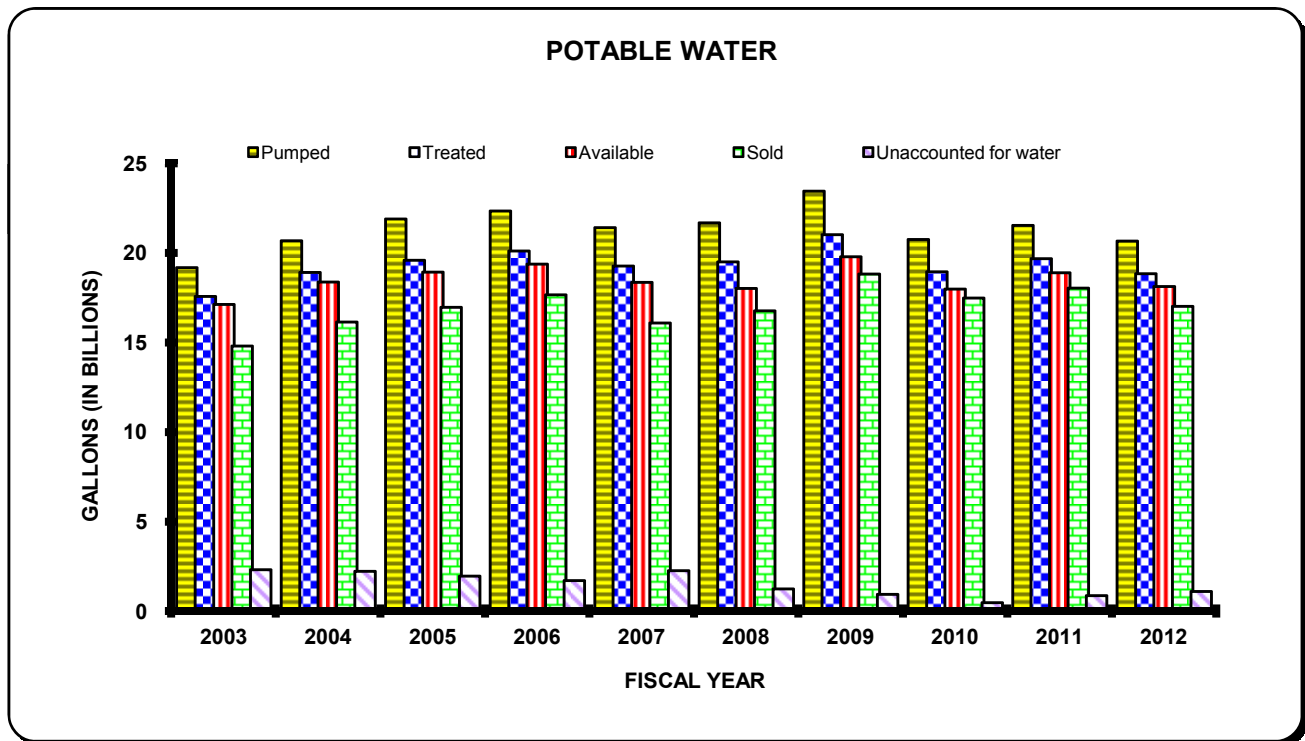
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
38.00	34.98	33.41	36.70	37.20	33.73	33.70
37.10	34.25	33.38	35.45	36.14	33.13	32.40
2	2	3	3	2	2	2
58.50	58.50	56.70	56.70	47.50	47.50	42.50
35.00	35.00	35.00	35.00	35.00	35.00	30.00
23.50	23.50	19.50	19.50	12.50	12.50	12.50
-	-	2.20	2.20	-	-	-
1,145	1,142	1,132	1,103	953	963	955
767	764	762	750	692	674	650
518	533	519	469	409	392	384
3,190	3,126	3,042	2,803	2,278	2,240	2,227
705	696	671	524	457	450	N/A
29,033	28,849	28,623	27,866	24,033	23,550	23,436
6	6	4	4	4	4	4
12.78	10.30	11.69	10.40	9.51	9.50	9.00
22.00	22.00	22.00	22.00	22.00	22.00	22.00
1.86	1.17	0.99	1.30	1.07	0.87	1.00
0.51	0.55	0.13	0.70	-	-	1.00
0.75	0.62	0.86	0.60	1.07	0.87	-
0.60	-	-	-	-	-	-
33	27	24	23	19	29	1.00
92	84	84	73	66	62	59
353	294	245	240	222	207	194
44	44	38	34	33	32	N/A

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER VARIANCE ANALYSIS
 Last Ten Fiscal Years

(in million gallons)	2012	2011	2010	2009	2008	2007	2006 ⁽¹⁾	2005	2004	2003
Pumped	20,672	21,538	20,758	23,463	21,681	21,422	22,353	21,902	20,686	19,184
Treated ⁽²⁾	18,845	19,690	18,960	21,021	19,512	19,285	20,119	19,600	18,917	17,573
Available ⁽³⁾	18,139	18,909	17,987	19,787	18,028	18,368	19,389	18,943	18,380	17,141
Sold	17,022	18,040	17,496	18,832	16,770	16,099	17,664	16,971	16,143	14,812
Unaccounted for water	1,117	869	491	955	1,258	2,269	1,725	1,972	2,237	2,329
"Unaccounted for water" as a percentage of water available	6.2%	4.6%	2.7%	4.8%	7.0%	12.4%	8.9%	10.4%	12.2%	13.6%

Notes:

- ⁽¹⁾ The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006.
- ⁽²⁾ The variance between Pumped and Treated is accounted for by water used within the water plants.
- ⁽³⁾ The variance between Treated and Available is accounted for by water used system-wide for purposes such as hydrant flushing and lift station and wastewater plant use.



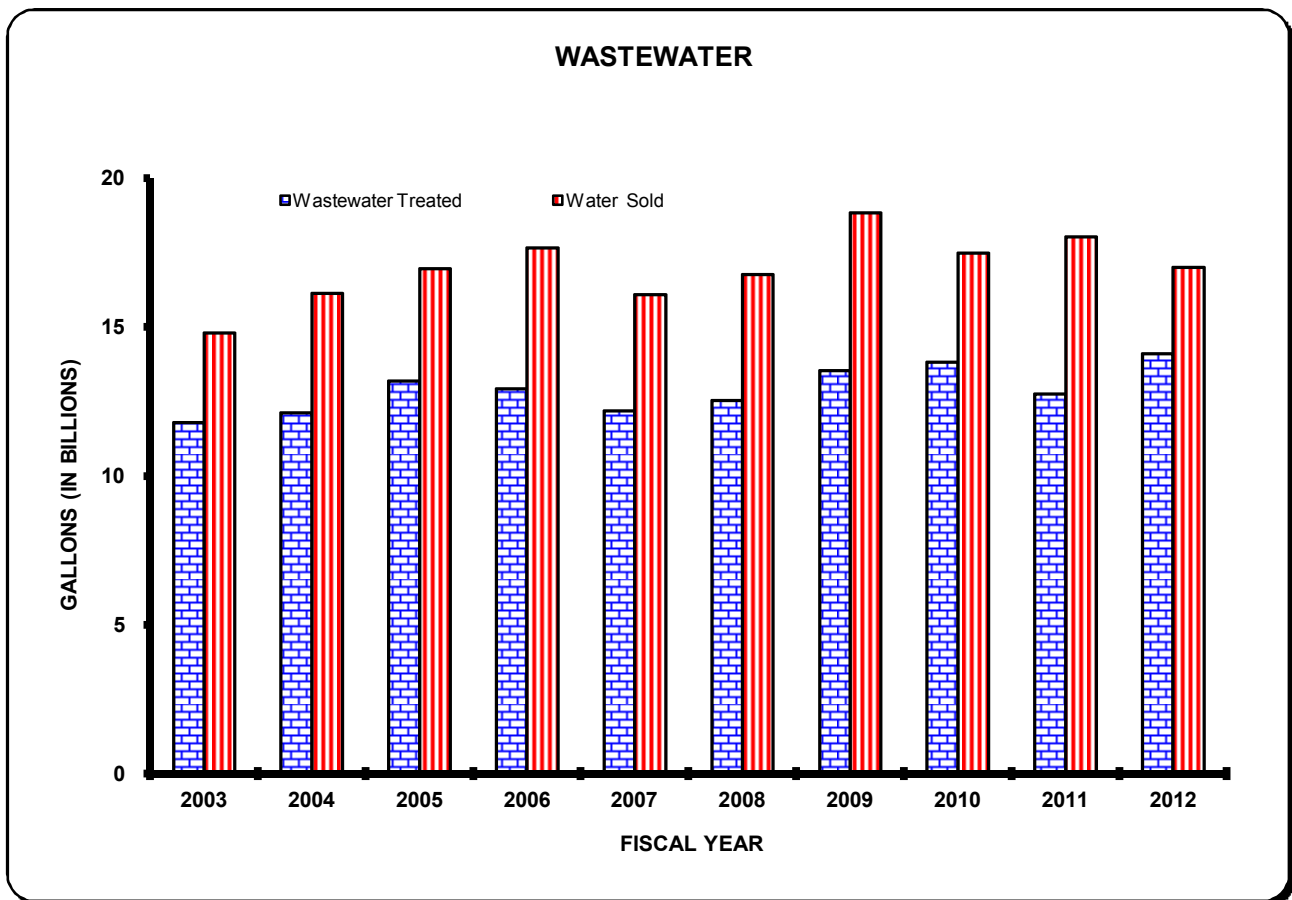
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
WASTEWATER TREATED
 Last Ten Fiscal Years

(in million gallons)	2012	2011	2010	2009	2008	2007	2006 ⁽¹⁾	2005	2004	2003
Department plants	8,615	7,820	8,359	7,981	7,694	7,874	8,672	8,549	7,837	7,686
ECR ⁽²⁾	5,499	4,949	5,463	5,567	4,843	4,311	4,266	4,641	4,290	4,124
Total Treated	14,114	12,769	13,822	13,548	12,537	12,185	12,938	13,190	12,127	11,810
Daily Average	38.6	35.0	37.9	37.1	34.3	33.4	35.4	36.1	33.1	32.4

Notes:

⁽¹⁾ The Village of Royal Palm Beach's Utility System was acquired on April 27, 2006 and was taken out of service on May 20, 2008.

⁽²⁾ Per an Interlocal Agreement, at September 30, 2010 Palm Beach County owns 34.29% of the capacity at the East Central Regional Wastewater Facilities (ECR) operated by the City of West Palm Beach.



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Compliance Report

*Right: Water lettuce
at Wakodahatchee
Wetlands*



Below: Arrowhead





**Independent Auditor's Report
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of the Financial Statements Performed
in Accordance with Government Auditing Standards**

The Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited the accompanying statement of net assets of the Palm Beach County, Florida Water Utilities Department (the "Department") as of September 30, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of County Commissioners of Palm Beach County, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
March 25, 2013

