

Palm Beach County, Florida Water Utilities Department

Comprehensive Annual Financial Report Fiscal Years Ended September 30, 2013 and 2012

Roseate Spoonbill



Palm Beach County
Water Utilities

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, 2013 AND 2012

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, 2013 and 2012

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PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2013 and 2012

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Introductory Section



*Above: Great White Egret
Wakodahatchee Wetlands*



Left: Red-winged Blackbird



**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**

Priscilla A. Taylor, Mayor
Paulette Burdick, Vice Mayor

Hal R. Valeche

Shelley Vana

Steven L. Abrams

Mary Lou Berger

Jess R. Santamaria

County Administrator

Robert Weisman

*"An Equal Opportunity
Affirmative Action Employer"*

March 28, 2014

Honorable Priscilla A. Taylor, 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, 2013 and September 30, 2012, 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 LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal years ended September 30, 2013 and September 30, 2012. 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 560,000 people located within approximately 1,300 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. The Cities of Belle Glade, Pahokee and South Bay are now directly served as well, since the Department's May 1, 2013 absorption of 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 the Governmental Accounting Standards Board (GASB) Statement 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 slowly recovering real estate market and construction industry have caused unemployment to decrease to a rate of 7.1% from 9.2% for 2013 and 2012 respectively - below the ten-year averages of 7.7% and 7.6%, and also contributed to a slow growth rate in dwelling units for the Department's service area to a rate of 0.7% and 0.6% for 2013 and 2012, respectively - slightly above the five-year averages of 0.5% and 0.5%. These factors, accompanied by inflation and 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, 2013 and 2012, were 148% and

129%, 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 2013 and 2012 was 0.06% and 0.20%, respectively, compared with the five-year averages of 0.41% and 0.43%. These 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 2014. 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 2012 - 2013: The Department continued its 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 continue to 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, 2012. This was the seventeenth 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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Government Finance Officers Association

**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, 2012

Executive Director/CEO

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

Board of County Commissioners

As of September 30, 2013



Steven L. Abrams
Mayor
District 4



Priscilla A. Taylor
Vice Mayor
District 7



Hal R. Valeche
Commissioner
District 1



Paulette Burdick
Commissioner
District 2



Shelley Vana
Commissioner
District 3



Mary Lou Berger
Commissioner
District 5



Jess R. Santamaria
Commissioner
District 6

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

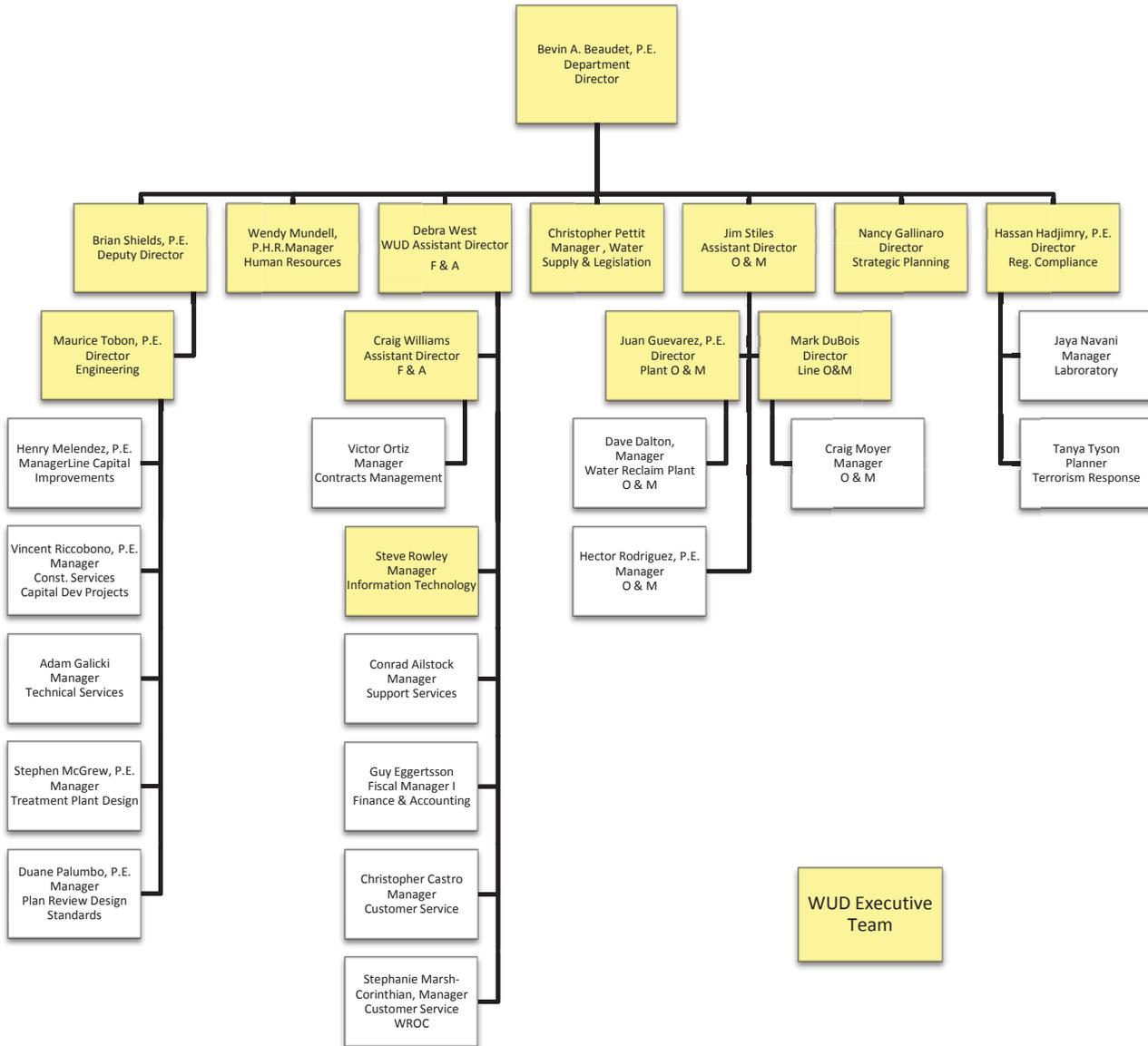
Water Utilities Advisory Board



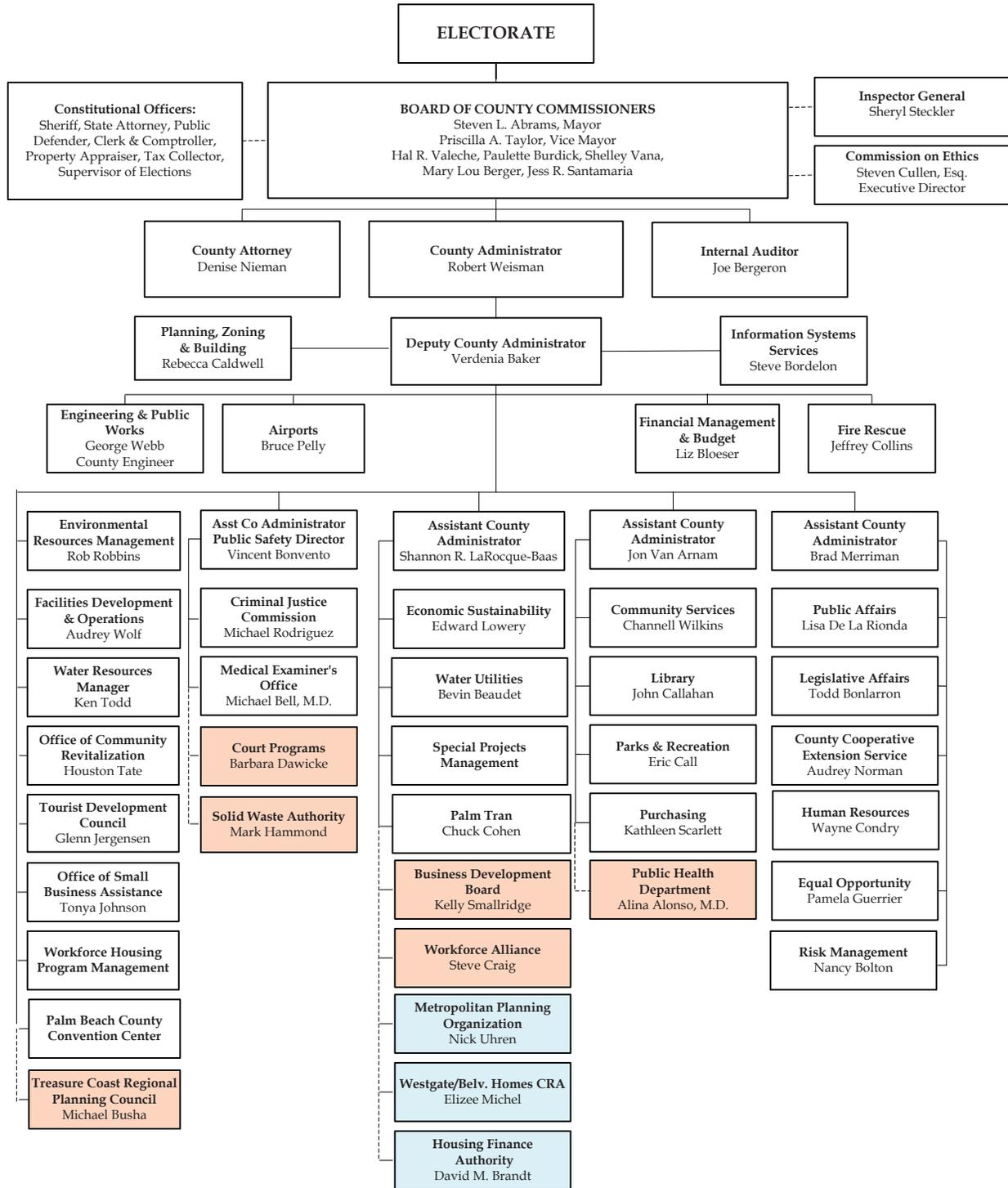
Seated from left: Frank Matthews, Chairperson Mae Yates, Director Bevin Beaudet, Beverly Scott.

*Standing from left: Lewis Doctor, Ted Cott, Carlton Brooks, Edwin Wechsler, Burt Goodman,
and Vice Chairperson Harvey Arnold. Not pictured, Derrek Moore.*

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
ORGANIZATIONAL STRUCTURE
As of September 30, 2013

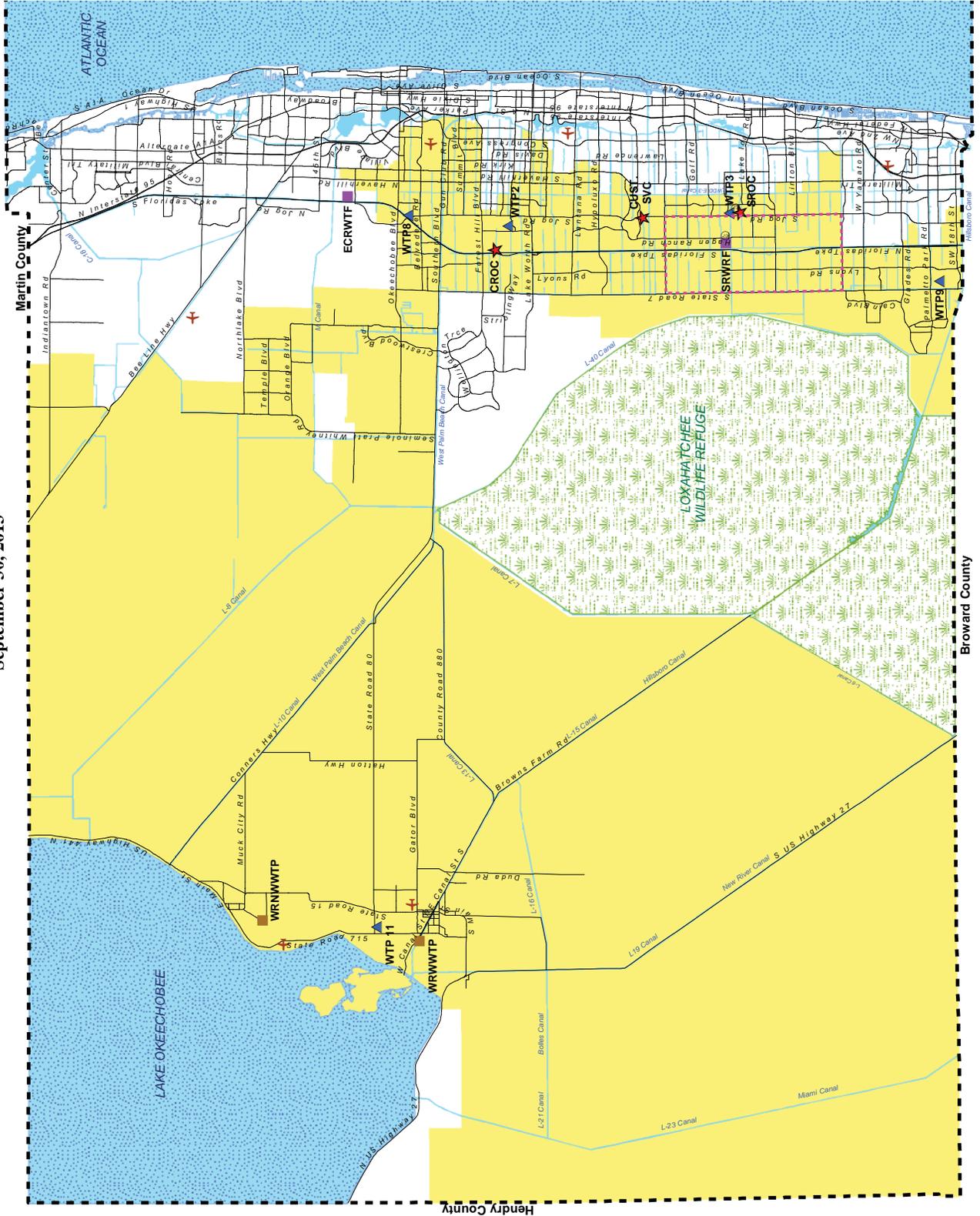


**PALM BEACH COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
ORGANIZATIONAL STRUCTURE
As of September 30, 2013**



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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
SERVICE AREA (SA) AND MAJOR FACILITIES
September 30, 2013



- Legend**
- Wastewater Treatment Plant
 - Water Reclamation Plant
 - Water Treatment Plant
 - ★ Administration
 - ⊙ Wetlands
 - Mandatory Reclaimed SA
 - - - Palm Beach County Limits
 - P.B.C. W.U.D. Service Area



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

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013 and 2012, and the 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.

Emphasis of Matter

As discussed in note 1, the financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of Palm Beach County, Florida, as of September 30, 2013 and 2012 and the changes in its financial position and where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory 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 basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 27, 2014, and March 25, 2013, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



West Palm Beach, Florida
March 27, 2014

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, 2013 (FY 2013) and September 30, 2012 (FY 2012). Please read it in conjunction with the preceding transmittal letter and the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The Department's net position increased by \$105.0 million, or 11.2%, during FY 2013 and increased by \$34.0 million, or 3.7%, during FY 2012.
- Long-term debt (net of the current portion) increased by \$11.4 million, or 6.0%, in FY 2013 compared to a decrease of \$8.1 million, or 4.1%, in FY 2012.
- Operating revenues in FY 2013 totaled \$162.4 million, an increase of \$8.6 million or 5.6%, compared with \$153.8 million in FY 2012, an increase of \$2.3 million or 1.5% from the previous year. FY 2013 included the effect of rate indexing and a 0.7% increase in the customer base. FY 2012 included the effect of rate indexing and a 0.6% increase in the customer base.
- Operating expenses before depreciation and amortization and equity interest in net loss of joint venture, totaled \$104.7 million, an increase of \$4.2 million, or 4.2%, in FY 2013 compared with \$100.5 million, for an increase of \$0.9 million, or 0.9%, for FY 2012.
- Non-operating income decreased by \$7.8 million, or 183.6%, in FY 2013 compared with a FY 2012 increase of \$1.8 million, or 75.0%.
- The Department showed net income before contributions, transfers and special items of \$10.9 million for FY 2013, a decrease of \$5.9 million, or 34.7%, and showed net income before contributions of \$16.8 million for FY 2012, which represented a \$3.8 million, or 29.2%, increase from FY 2012.

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 560,000 people located within approximately 1,300 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 inter-local agreements, the Department also provides services to the Village of Palm Springs and the Cities of Boynton Beach, and Atlantis. The Cities of Belle Glade, Pahokee and South Bay are now directly served as well, since the Department's May 1, 2013 absorption of 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.

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, 2013 and 2012, 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 Position: The Department's net position increased by \$105.0 million, or 11.2%, during the fiscal year ended September 30, 2013, compared to a 3.7%, or \$34.0 million increase in the prior year. An increase in cash and cash equivalents of \$36.0 million and the absorption of the Glades Utility Authority of \$63.9 million were the major components of the increase in FY 2013. An increase of cash and cash equivalents of \$30.4 million was the major component of the increase in FY 2012.

Table 1 presents the Department's net position (dollars in millions) for the fiscal years ended September 30, 2013, 2012, and 2011.

Assets absorbed from the Glades Utility Authority of \$83.6 million and an increase in construction in progress of \$12.7 million less depreciation and amortization of \$40.7 million were the major components of the increase in net capital assets in FY 2013. Assets contributed to the Glades Utility Authority of \$3.6 million plus depreciation and amortization of \$39.7 million offset by completed construction projects totaling \$20.9 million were the major components of the increase in net capital assets in FY 2012. Construction projects totaling \$28.0 million were completed in FY 2013 which represented a 33.9% increase from the FY 2012 total of \$20.9 million.

Long-term debt (net of the current portion) increased by \$11.4 million, or 6.0% in FY 2013 compared to an \$8.1 million, or 4.1% decrease in the previous year. The FY 2013 increase was attributable to additional debt of \$20.2 million assumed with the absorption of the Glades Utility Authority offset by principal repayments. The FY 2012 decrease was attributable to principal repayments.

The Department's operating revenues totaled \$162.4 million in FY 2013 and \$153.8 million in FY 2012, which represented increases of 5.6% and 1.5%, respectively, for the periods. FY 2013 included the effect of rate indexing and a 0.7% increase in the customer base. FY 2012 included the effect of rate indexing and a 0.6% increase in the customer base. .

Operating expenses before depreciation and amortization and equity interest in net loss of joint venture were \$104.7 and \$100.5 million for the periods. These represented annual increases of 4.2% and 0.9% for FY 2013 and FY 2012, respectively. The primary reasons for the increase are shown in Table 2.

Table 1 - Summary of Net Position (dollars in millions)

	<u>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>	<u>% Change</u>
Current and other assets	\$307.9	\$277.6	10.9	\$244.4	13.6
Capital assets, net	<u>968.7</u>	<u>879.1</u>	10.2	<u>887.3</u>	-0.9
Total assets	1,276.6	1,156.7	10.4	1,131.7	2.2
Long-term net revenue bonds outstanding	198.5	187.2	6.0	194.0	-3.5
Current portion of revenue bonds	8.3	6.5	27.7	8.0	-18.8
Other liabilities	<u>23.9</u>	<u>22.1</u>	8.1	<u>22.8</u>	-3.1
Total liabilities	230.7	215.8	6.9	224.8	-4.0
Net position:					
Net investment in capital assets	786.9	703.5	11.9	703.9	-0.1
Restricted	9.2	8.0	15.0	9.5	-15.8
Unrestricted	<u>249.8</u>	<u>229.4</u>	<u>8.9</u>	<u>193.5</u>	<u>18.6</u>
Total net position	<u>\$1,045.9</u>	<u>\$940.9</u>	<u>11.2</u>	<u>\$906.9</u>	<u>3.7</u>

Table 2 – Operating Expense Changes (dollars in millions)

FY 2013 Changes:	
Chemicals decrease due to price reductions and operational efficiencies	\$-1.9
Electricity decrease due to price reductions and operational efficiencies	-1.2
Indirect cost allocation for Board of County Commissioners decrease	-0.9
All others, net increase	<u>8.2</u>
Total operating expense change for FY 2013	<u>\$4.2</u>
FY 2012 Changes:	
Salaries decrease due to an increase in the number of vacant positions	\$-2.0
Maintenance due to decreases in preventative maintenance	-1.8
Indirect cost allocation from Board of County Commissioners	1.4
All others, net increase	<u>3.4</u>
Total operating expense change for FY 2012	<u>\$1.0</u>

A comparative summary of changes in net position for the years ended September 30, 2013, 2012, and 2011 (dollars in millions) is presented in Table 3.

Table 3 – Change in Net Position (dollars in millions)

	<u>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>	<u>% Change</u>
Operating revenues					
Charges for utility service	\$156.8	\$148.4	5.7	\$146.5	1.3
Other operating revenues	<u>5.6</u>	<u>5.4</u>	3.7	<u>5.0</u>	8.0
Total operating revenues	<u>162.4</u>	<u>153.8</u>	5.6	<u>151.5</u>	1.5
Operating expenses before depreciation and amortization and equity interest in net loss of joint venture	104.7	100.5	4.2	99.7	0.8
Depreciation and amortization and equity interest in net loss of joint venture	<u>43.2</u>	<u>40.7</u>	6.1	<u>41.3</u>	-1.5
Total operating expenses	<u>147.9</u>	<u>141.2</u>	4.7	<u>141.0</u>	0.1
Net operating income	<u>14.5</u>	<u>12.6</u>	15.1	<u>10.5</u>	20.0
Nonoperating revenues (expenses)					
Guaranteed revenue	4.1	4.0	2.5	2.5	60.0
Investment income	0.5	5.4	-90.7	6.2	-12.9
Interest expense	-7.8	-8.5	-8.2	-6.9	23.2
Engineering fees	0.6	0.5	20.0	0.3	66.7
Engineering expenses	-0.6	-0.6	0.0	-0.6	0.0
Other	<u>-0.4</u>	<u>3.4</u>	-111.8	<u>0.9</u>	277.8
Total non-operating revenues (expenses)	<u>-3.6</u>	<u>4.2</u>	-185.7	<u>2.4</u>	75.0
Income before capital contributions and transfers from County	10.9	16.8	-35.1	12.9	30.2
Absorption of Glades Utility Authority	63.9	-	-	-	-
Contributions to Glades Utility Authority	-	-3.6	-100.0	-4.0	-10.0
Capital contributions	28.4	18.3	55.2	11.2	63.4
Transfers from primary government	<u>1.8</u>	<u>2.5</u>	<u>-28.0</u>	<u>0.1</u>	<u>2,400.0</u>
Change in net position	<u>\$105.0</u>	<u>\$34.0</u>	208.8	<u>\$20.2</u>	<u>68.3</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At September 30, 2013 and September 30, 2012, the Department had \$968.7

million and \$879.1 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 2013 represents an \$89.6 million, or 10.2%, increase over the prior year (dollars are in millions, net of accumulated depreciation and amortization). FY 2012 amounts decreased by \$8.2 million, or 0.9%, 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.

- 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);

The Department’s fiscal year 2014 capital budget anticipates spending \$140.1 million, an increase of \$6.6 million, or 4.9%, from the previous year’s budget of \$133.5 million. Major projects include:

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>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>	<u>% Change</u>
Utility plants and pipelines	\$827.1	\$756.8	9.3	\$765.1	-1.1
Buildings	76.4	67.4	13.4	68.7	-1.9
Equipment and vehicles	14.4	12.8	12.5	10.0	28.0
Land	15.6	14.9	4.7	14.9	-
Leasehold interest	-	4.5	-100.0	5.8	-22.4
Goodwill	5.4	5.6	-3.6	5.8	-3.4
Easements	1.7	1.7	-	1.7	-
Construction in progress	<u>28.1</u>	<u>15.4</u>	<u>82.5</u>	<u>15.3</u>	0.7
Total	<u>\$968.7</u>	<u>\$879.1</u>	<u>10.2</u>	<u>\$887.3</u>	<u>-0.9</u>

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

<u>FY 2013 Additions:</u>	
Absorption of the Glades Utility Authority	\$83.6
Construction of Belvedere Homes/ Westgate Vacuum Sewer System	\$6.1
<u>FY 2013 Deletions:</u>	
None	-
<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 the Glades Utility Authority	\$3.6

Debt Administration: As shown in Table 6, the Department’s long-term debt (net of the current portion) was \$201.7 million on September 30, 2013, an increase of \$11.4 million, or 6.0%. The balance was \$190.4 million on September 30, 2012, a decrease of \$8.1 million, or 4.1%

from the previous year’s figure of \$198.5 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>2013</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>	<u>% Change</u>
Revenue bonds (backed by net revenues)	188.8	188.6	0.1	196.6	-4.1
Notes payable	9.7	-	100.0	-	-
Plus unamortized bond premium	18.1	5.3	241.5	5.7	-7.0
Less unamortized deferred loss on refunding	<u>-9.7</u>	<u>-0.1</u>	<u>-9,600.0</u>	<u>-0.2</u>	<u>-50.0</u>
Net revenue bonds	206.9	193.8	6.8	202.1	-4.1
State Revolving Fund note payable (backed by net revenues of joint venture)	-	0.2	-100.0	1.7	-88.2
Compensated absences	3.1	3.0	0.2	3.0	0.0
Other	<u>0.2</u>	<u>0.2</u>	-	<u>0.4</u>	-50.0
Total long-term debt	210.2	197.2	6.6	207.2	-4.8
Current portion of long-term debt:					
Revenue bonds	8.3	6.5	27.7	8.0	-18.8
State Revolving Fund note payable	-	-	-	0.3	-100.0
Compensated absences	0.2	0.2	-	0.2	-
Other	-	<u>0.1</u>	-100.0	<u>0.2</u>	-50.0
Total current portion of long-term debt	8.5	6.8	25.0	8.7	-21.8
Long-term debt (net of current portion)	<u>\$201.7</u>	<u>\$190.4</u>	<u>6.0</u>	<u>\$198.5</u>	<u>-4.1</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 3.60% 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 2013 Water and Sewer Revenue Refunding Bonds, 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 4.44x and 4.45x calculations for FY 2013 and FY 2012, 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 0.7%. 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 will own a projected 24 mgd 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.

These factors, along with inflation, 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 2014. The budget forecasts operating revenues of \$167.3 million, or 5.5%, above the final 2013 budget of \$161.8 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 2014 for operating expenses, excluding depreciation and

amortization and equity interest in net loss of joint venture, are \$120.3 million, a 9.8% increase from the final 2013 budget of \$110.5 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 POSITION
September 30, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 186,336,685	\$ 155,143,161
Restricted cash and cash equivalents	19,827,684	17,266,327
Accounts receivable (less allowance for doubtful accounts of \$5,349,900 and \$2,757,700 for 2013 and 2012, respectively)	16,785,529	15,496,560
Accrued interest receivable	670,300	688,000
Special assessments and notes receivable, current portion	815,332	830,327
Due from other County funds	1,705,432	2,447,874
Due from other governments	1,139,178	1,639,854
Prepaid expenses	337,227	285,862
Inventories	6,639,171	6,950,276
Total current assets	234,256,538	200,748,241
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	12,323,161	10,002,200
Special assessments and notes receivable	15,747,688	16,183,784
Due from other governments (less allowance for doubtful accounts of \$0 and \$25,154,037 for 2013 and 2012, respectively)	-	-
Deferred issuance costs	1,207,622	1,541,736
Investment in joint ventures	44,412,687	49,123,038
Capital assets:		
Utility plants and pipelines in service	1,286,438,094	1,184,553,650
Buildings	112,560,757	100,899,151
Equipment	69,426,998	69,942,922
Land	15,576,758	14,886,536
Goodwill	6,915,903	6,915,903
Easements	1,660,856	1,660,856
Leasehold interest	-	12,411,525
Total capital assets	1,492,579,366	1,391,270,543
Less accumulated depreciation and amortization	(551,989,978)	(527,571,159)
Subtotal	940,589,388	863,699,384
Construction in progress	28,071,267	15,399,963
Capital assets, net	968,660,655	879,099,347
Total noncurrent assets	1,042,351,813	955,950,105
TOTAL ASSETS	\$ 1,276,608,351	\$ 1,156,698,346

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF NET POSITION
September 30, 2013 and 2012

LIABILITIES AND NET POSITION

	2013	2012
CURRENT LIABILITIES:		
Vouchers payable and accrued liabilities	\$ 7,488,613	\$ 6,166,267
Due to other governments	843,861	1,271,640
Due to other County funds	583,996	527,777
Due to other Component Units	78,520	-
Compensated absences	205,000	219,000
Other current liabilities	61,066	116,923
Subtotal current liabilities	9,261,056	8,301,607
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Revenue bonds payable, current portion	8,292,798	6,465,000
Customer deposits	7,005,148	6,105,645
Accrued interest payable	4,431,667	4,631,569
Construction contracts & vouchers payable	97,087	64,113
Due to other governments	984	-
Subtotal current liabilities payable from restricted assets	19,827,684	17,266,327
Total current liabilities	29,088,740	25,567,934
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of unamortized discount, premium, and deferred advance refunding loss	198,535,116	187,207,183
Compensated absences	2,948,847	2,795,837
Due to other governments	-	164,260
Other long-term liabilities	144,232	110,000
Total noncurrent liabilities	201,628,195	190,277,280
TOTAL LIABILITIES	230,716,935	215,845,214
NET POSITION:		
Net investment in capital assets	786,866,727	703,493,997
Restricted for debt service	7,730,289	6,465,000
Restricted for capital projects	1,000,000	1,000,000
Restricted for other purposes	500,000	500,000
Unrestricted	249,794,400	229,394,135
TOTAL NET POSITION	\$ 1,045,891,416	\$ 940,853,132

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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services	\$ 156,771,830	\$ 148,390,799
Other operating revenue	5,625,370	5,379,318
Total operating revenues	<u>162,397,200</u>	<u>153,770,117</u>
OPERATING EXPENSES:		
Depreciation and amortization	40,722,713	39,716,768
Personal services	37,178,447	35,490,762
Maintenance	22,769,507	18,550,623
Contractual services	15,199,011	16,979,131
Supplies	13,331,763	14,236,729
Utilities	8,070,821	8,613,021
Purchased water and wastewater treatment	6,513,788	5,695,958
Equity interest in net loss of joint venture	2,448,713	1,007,748
Miscellaneous	1,684,054	981,394
Total operating expenses	<u>147,918,817</u>	<u>141,272,134</u>
OPERATING INCOME	<u>14,478,383</u>	<u>12,497,983</u>
NONOPERATING REVENUES (EXPENSES):		
Guaranteed revenue	4,109,431	4,010,517
Investment income	507,451	5,397,684
Interest expense	(7,787,266)	(8,457,067)
Engineering fees	642,715	482,045
Engineering expenses	(588,774)	(583,431)
Other	(425,848)	3,388,719
Total nonoperating revenues (expenses)	<u>(3,542,291)</u>	<u>4,238,467</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS AND SPECIAL ITEMS	<u>10,936,092</u>	<u>16,736,450</u>
Special item: Absorption of Glades Utility Authority	63,928,507	-
Capital contributions received	28,384,556	18,250,296
Transfers from other County funds	1,789,129	2,521,173
Special item: Contributions to Glades Utility Authority	-	(3,572,024)
CHANGE IN NET POSITION	<u>105,038,284</u>	<u>33,935,895</u>
NET POSITION, BEGINNING OF PERIOD	<u>940,853,132</u>	<u>906,917,237</u>
NET POSITION, END OF PERIOD	<u><u>\$ 1,045,891,416</u></u>	<u><u>\$ 940,853,132</u></u>

The accompanying notes to the 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, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts:		
Cash received from customers	\$158,407,443	\$145,951,348
Other operating receipts	6,291,745	6,474,520
Total cash receipts	164,699,188	152,425,868
Cash disbursements:		
Payments to employees	(30,383,852)	(29,130,003)
Payments to other County funds	(19,924,864)	(20,470,076)
Payments to suppliers of goods and services	(53,432,009)	(50,448,988)
Total cash disbursements	(103,740,725)	(100,049,067)
Net cash provided by operating activities	60,958,463	52,376,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash transferred from other County funds	1,292,303	188,384
Cash transferred to other County funds	(150,000)	(100,000)
Cash contributed to other governments	-	(3,914,110)
Net cash provided by (used in) noncapital financing activities	1,142,303	(3,825,726)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds on issuance of refunding revenue bonds	88,678,004	-
Payments to escrow agent on refunded revenue bonds	(88,219,249)	-
Construction of buildings, plants, and pipelines	(34,347,140)	(20,420,695)
Capital contributed by developers and customers	13,000,760	13,401,615
Cash contributed by other governments	9,920,451	-
Interest paid on revenue bonds	(9,492,279)	(9,447,614)
Principal paid on revenue bond maturities	(8,731,578)	(8,043,000)
Cash contributed by Florida Power & Light for debt service	4,212,534	4,056,431
Proceeds on sale of surplus capital assets	3,037,297	230,802
Cash contributed to joint ventures for capital outlay and debt service	(2,384,193)	(1,746,238)
Equipment purchased	(1,673,348)	(1,562,675)
Bond issuance costs paid	(382,399)	-
Bond paying agent fees paid	(4,675)	(4,183)
Net cash used in capital and related financing activities	(26,385,815)	(23,535,557)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and gains or loses on investments	360,891	5,388,184
Net cash provided by investing activities	360,891	5,388,184
Net increase in cash and cash equivalents	36,075,842	30,403,702
Cash and cash equivalents at beginning of period	182,411,688	152,007,986
Cash and cash equivalents at end of period	\$218,487,530	\$182,411,688
Displayed on statements of net position as:		
Cash and cash equivalents	\$186,336,685	\$155,143,161
Restricted cash and cash equivalents	32,150,845	27,268,527
Total per statements of net position	\$218,487,530	\$182,411,688

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 30, 2013 and 2012

(continued)

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 14,478,383	\$ 12,497,983
Adjustments to reconcile operating income to net cash provided by operating activities net of absorption:		
Depreciation and amortization	40,722,683	39,716,768
Equity interest in net loss of joint venture	2,448,713	1,007,748
Provision for doubtful accounts receivable	517,288	283,500
Changes in assets and liabilities:		
Accounts receivable	105,262	(1,361,961)
Due from other County funds	1,380,176	23,054
Due from other governments	1,579,854	(1,072,956)
Prepaid expenses	(51,365)	(25,475)
Inventories	439,705	(197,781)
Compensated absences	139,008	(33,503)
Vouchers payable and accrued liabilities	(254,028)	1,234,592
Due to other County funds	56,219	53,190
Due to other Component units	78,520	-
Due to other governments	(374,580)	(40,475)
Customer deposits	(307,375)	292,117
Total adjustments	46,480,080	39,878,818
Net cash provided by operating activities	\$ 60,958,463	\$ 52,376,801

SCHEDULE OF NONCASH CAPITAL AND FINANCING ACTIVITIES:

Absorption of Glades Utility Authority	\$ 61,805,559	\$ -
Utility plant contributed by developers and customers	\$ 9,986,478	\$ 5,742,926
Payables related to capital asset acquisition	\$ 4,100,786	\$ 2,495,890
Amortization of bond premium	\$ 938,721	\$ 399,741
Capitalized interest	\$ 821,183	\$ 516,534
Amortization of deferred advance bond refunding loss	\$ 476,139	\$ 77,708
Amortization of bond issuance costs	\$ 102,312	\$ 120,421
Utility plant contributed by other governments	\$ -	\$ 1,692,859

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

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2013 and 2012

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-governance 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. 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 position 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 and adjusting for current economic conditions. 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 (GUA) reported as due from other government agencies of \$25.2 million, which was reserved entirely due to uncertainty of repayment by the GUA. On May 1, 2013 the Department absorbed the GUA and forgave the balance of \$24.9 million still outstanding as of that date.

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 - Assets are restricted in accordance with provisions of the bond resolutions of the BCC authorizing the issuance of the Series 2013, 2009, 2006, 2003 Revenue Bonds, and other applicable obligations.

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

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	7-50 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 were amortized over the anticipated 10-year life of the lease until use of the water plant was returned to the Village on July 16, 2013, after 7.2 years of use. The remaining \$3,509,828 of leasehold interest was written off at that time.

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 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 GASB No. 62.

Net Position - The financial statements utilized a net position presentation. Net position is categorized as: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

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 2012 financial statements have been reclassified to conform to the presentation in the 2013 financial statements.

Implementation of GASB Statements - The Department implemented the following GASB Statements during the fiscal year ended September 30, 2013:

1. GASB Statement No. 62 "Codification of Accounting and Financial Reporting

Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

This Statement classifies all sources of generally accepted accounting principles for state and local governments so the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The Department elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB 62.

2. GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This Statement redefines certain assets and liabilities as "deferred outflows of resources". It further requires that "Capital assets, net of debt" now be titled "Net investment in capital assets" and that the last line of the statements, previously labeled "Net Assets" now is titled "Net Position".

3. CASH AND CASH EQUIVALENTS

Cash and investments consist of the following at September 30, 2013 and 2012:

September 30, 2013	
County Internal Investment Pool	\$207,394,732
Cash with Fiscal Agent	11,066,819
Bank deposits	16,179
Petty cash	9,800
Total	\$218,487,530

September 30, 2012	
County Internal Investment Pool	\$171,306,119
Cash with fiscal agent	11,096,569
Petty cash	9,000
Total	\$182,411,688

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 \$1.3 billion and \$1.2 billion as of September 30, 2013 and 2012, respectively, of which approximately 58% and 93%, 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, 2013 and 2012 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, 2013 and 2012, 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 \$4,043,000 and \$3,809,000 for the years ended September 30, 2013 and 2012, 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 \$1.2 million will continue until the amount on deposit equals 10% of the Department's proportionate share of ECR's total replacement value which was estimated to be \$216 million as of September 30, 2012. The total of such costs was \$1,335,745 and \$1,111,577 for the years ended September 30, 2013 and 2012, respectively. The amounts on deposit were \$4,238,474 and \$3,769,510 for the fiscal years ended September 30, 2012 and 2011, 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 were payable over twenty-year periods and carried effective interest rates ranging from 2.30% to 3.17%. The Department's portion of the annual debt service for the loans was \$319,200 for the year ended September 30, 2012. The loans were paid in full by the ECR on September 14, 2012. The Department's share of the payoff was \$1,118,675.

- 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. The total reclaimed water facility operating costs for the fiscal years ended September 30, 2013 and 2012, respectively, were \$2,036,100 and \$1,507,700.
- In fiscal year 2013 the Department was required to make annual deposits to a Renewal and Replacement Fund to finance improvements to the Reclaimed Water Project. The annual deposits of approximately \$0.2 million will continue until the amount on deposit equals 10% of the facility's replacement value. As of September 30, 2013 and 2012, respectively, this increased the

Department's investment in ECR by \$15.7 million and \$16.4 million.

- For the years ended September 30, 2013 and 2012, respectively, the Department's total payments to ECR for all the transactions described above were \$7.6 million and \$6.4 million respectively.

The following is a brief summary of the financial position of ECR as of September 30, 2012:

Total assets	\$105,917,915
Total net assets	\$88,379,060
Invested in capital, net of related debt	\$69,374,072
Unrestricted net assets	(\$5,259,766)
Decrease in net assets	(\$2,086,851)

September 30, 2013 amounts are expected to approximate the above figures.

As of September 30, 2013 and 2012, respectively, the Department's investment in the ECR is \$39.4 million and \$41.3 million.

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, July 11, 2006 and July 16, 2013.

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 the 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 \$9.2 million for construction costs and \$580,000 annually for operating expenses for the twenty-year period. On July 16, 2013, the Department sold excess capacity shares in the BPF to the ECR for \$2,817,749, leaving the Department with a 17.82% pro-rata share in the BPF's capacity. The Department's total operating costs were \$958,200 and \$1,150,200 for the years ended September 30, 2013 and 2012, respectively.

As of September 30, 2013 and 2012, respectively, the Department's investment in the BPF is \$5.0 million and \$7.9 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 N. Jog Rd, West Palm Beach, FL 33412

5. INFORMATION ON CAPITAL ASSETS

Capital assets activity for the years ended September 30, 2013 and 2012 is depicted in the following two tables:

<u>September 30, 2013</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$14,886,536	\$ 690,222	\$ -	\$15,576,758
Easements	1,660,856	-	-	1,660,856
Construction in progress	15,399,963	40,718,602	(28,047,298)	28,071,267
Total capital assets not being depreciated or amortized	31,947,355	41,408,824	(28,047,298)	45,308,881
Capital assets being depreciated or amortized:				
Buildings	100,899,151	11,661,606	-	112,560,757
Utility plants and pipelines	1,184,553,650	101,884,444	-	1,286,438,094
Equipment	69,942,922	5,218,908	(5,734,832)	69,426,998
Leasehold interest	12,411,525	-	(12,411,525)	-
Goodwill	6,915,903	-	-	6,915,903
Total capital assets being depreciated or amortized	1,374,723,151	118,764,958	(18,146,357)	1,475,341,752
Less accumulated depreciation or amortization for:				
Buildings	(33,495,680)	(2,629,436)	-	(36,125,116)
Utility plants and pipelines	(427,756,340)	(31,545,044)	-	(459,301,384)
Equipment	(57,108,012)	(3,499,387)	5,574,085	(55,033,314)
Leasehold interest	(7,897,918)	(1,003,778)	8,901,696	-
Goodwill	(1,313,209)	(216,955)	-	(1,530,164)
Total accumulated depreciation and amortization	(527,571,159)	(38,894,600)	14,475,781	(551,989,978)
Total capital assets being depreciated or amortized, net	847,151,992	79,870,358	(3,670,576)	923,351,774
Capital assets, net	\$879,099,347	\$121,279,182	\$(31,717,874)	\$968,660,655

<u>September 30, 2012</u>	Beginning Balance	Increases	Decreases	Ending Balance
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

6. REVENUE BONDS PAYABLE AND LONG-TERM DEBT

Long-term obligations activity for the years ended September 30, 2013 and 2012 are depicted in the following two tables:

<u>September 30, 2013</u>	Beginning Balance	Increases	Decreases	Ending Balance	Due in Fiscal Year 2014
Revenue bonds	\$188,550,000	\$82,972,733	\$(8,725,000)	\$188,797,733	\$8,271,911
Notes	-	9,706,342	(10,316)	9,696,026	20,887
Unamortized premiums	5,270,167	16,248,004	(3,438,913)	18,079,258	-
Unamortized deferred advance refunding loss	(147,984)	(10,073,258)	476,139	(9,745,103)	-
Net revenue bonds payable	193,672,183	98,853,821	(85,698,090)	206,827,914	8,292,798
Due to other governments	164,260	-	(164,260)	-	-
Compensated absences	3,014,837	309,677	(170,667)	3,153,847	205,000
Other	193,325	3,231	(25,864)	170,692	26,460
Total long-term obligations	\$197,044,605	\$99,166,729	\$(86,058,881)	\$210,152,453	\$8,524,258

<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

The Series 2013, 2009, 2006, and 2003 Water and Sewer Revenue Bonds, along with other long-term debt obligations, are repayable in future years as follows:

Year (s) Ending September 30	Year (s) Ending September 30	
	Principal	Interest
2014	\$8,292,796	\$9,124,411
2015	8,018,910	8,775,171
2016	8,334,914	8,429,011
2017	8,707,947	8,056,998
2018	9,078,098	7,672,915
2019-2023	30,416,799	33,984,090
2024-2028	34,818,050	26,987,603
2029-2033	41,501,245	17,747,584
2034-2038	45,100,000	6,182,244
2039-2041	4,225,000	528,125
Total	\$198,493,759	\$127,488,152

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.

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.

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

The Department's long-term revenue bonds payable as of September 30, 2013 and 2012 are illustrated in the table below:

	September 30	
	2013	2012
\$26,785,000 Series 2003 Water and Sewer Revenue Refunding Bonds due in annual installment of \$1,120,000 on October 1, 2013, with interest of 5.00% payable semiannually on October 1.	\$1,120,000	\$2,200,000
\$8,515,000 Series 2004 Pahokee Arcadia Pool Revenue Bonds due in annual installments of \$660,000 to \$765,000 through December 1, 2017, with interest from 3.60% to 4.25% payable semiannually on December 1 and June 1.	3,555,000	-
\$125,850,000 Series 2006A Water & Sewer Revenue Bonds due in annual installments of \$2,550,000 to \$7,760,000 through October 1, 2036, with interest from 4.00% to 5.00% payable semiannually on October 1 and April 1.	36,240,000	114,930,000
\$12,485,000 Series 2006B Water & Sewer Revenue Refunding Bonds due in annual installments of \$1,915,000 to \$2,245,000 through October 1, 2016, with interest from 4.00% to 4.25% payable semiannually on October 1 and April 1.	10,380,000	12,225,000
\$68,115,000 Series 2009 Water & Sewer Revenue Bonds due in annual installments of \$1,155,000 to \$4,225,000 through October 1, 2040, with interest from 4.00% to 5.25% payable semiannually on October 1 and April 1.	58,085,000	59,195,000
\$9,385,488 Wells Fargo Loan due in annual installments of \$871,910 to \$1,134,151 through April 1, 2020, with interest of 4.55% payable semiannually on October 1 and April 1.	6,987,733	-
\$72,430,000 Series 2013 Water & Sewer Revenue Refunding Bonds due in annual installments of \$3,140,000 to \$6,330,000 through October 1, 2033, with interest from 4.00% to 5.00% payable semiannually on October 1 and April 1.	72,430,000	-
Various State Revolving Fund notes payable	9,696,026	-
Total debt	198,493,759	188,550,000
Less current portion of long-term debt	(8,292,798)	(6,465,000)
Plus unamortized premium	18,079,258	5,270,167
Less unamortized deferred advance refunding loss	(9,745,103)	(147,984)
Total noncurrent portion	\$198,535,116	\$187,207,183

7. PLEDGED REVENUES

The Department has pledged future water and wastewater system revenues, net of specified operating expenses, to repay \$198 million in water and sewer system revenue bonds issued between July 8, 2003 and February 27, 2013 and notes assumed with the absorption of the GUA on May 1, 2013. Proceeds from the bonds provided financing for the addition, improvement, and expansion of the utility system facilities, infrastructure, and equipment. The bonds and notes 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, notes, and loans as of September 30, 2013 is \$379.5 million with annual requirements ranging from \$0.2 million in fiscal years 2039 and 2040 to \$16.8 million in fiscal years 2015 and 2016. Annual principal and interest payments on these debts are expected to require less than 28% of projected future net revenues and connection fees. Principal and interest paid during the year ended September 30, 2013, and utility system net revenues and connection fees were \$16.5 million and \$72.8 million, respectively.

8. ADVANCE REFUNDING OF DEBT

On February 27, 2013, the Series 2006A 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 \$76,260,000 at September 30, 2013. The Department recognized an accounting loss of \$10,073,300, which was deferred and is being amortized over the life of the refunding bonds. Cash outflows for debt service were reduced by \$9,262,500, and an economic gain of \$6,086,300 was realized. 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 position.

9. COMMITMENTS

The Department has entered into construction contracts with remaining commitments totaling approximately \$21,867,000 as of September 30, 2013.

10. 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.

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 6.96%. 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 following table.

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		
	2013	2012	2011
	Covered payroll	\$28.3 million	\$27.9 million
Required contribution	\$1,684,000	\$1,388,000	\$2,471,000
Percentage made	100%	100%	100%

11. 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, 2013 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Annual required contribution (ARC)	\$137,000	\$133,000
Interest on net OPEB obligation	(4,315)	(1,931)
Adjustment to annually required contribution	3,776	1,716
Annual OPEB cost	<u>136,461</u>	<u>132,785</u>
Contributions made	(133,230)	(158,387)
Change in net OPEB obligation	<u>3,231</u>	<u>(25,602)</u>
Net OPEB obligation, beginning of year	83,540	109,142
Net OPEB obligation, end of year	<u>\$86,771</u>	<u>\$83,540</u>

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 County plan as of the latest actuarial valuation:

Actuarial accrued liability (AAL)	\$1,669,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,669,000</u>
Funded ratio (actuarial value of plan / AAL)	0.0%
Covered payroll (active plan members)	\$28,265,764
UAAL as a percentage of, covered payroll	5.9%

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 below:

Actuarial valuation date	10/1/2013
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	4.25%
Inflation rate	3.0%
Projected annual salary increase	3.5%
Initial healthcare inflation rate	9.5%
Ultimate healthcare inflation rate	5.0%

12. INTEREST COSTS

Total interest costs incurred by the Department were \$9,071,030 and \$8,973,692, of which \$821,183 and \$516,534 were capitalized as part of capital assets, for the years ended September 30, 2013 and 2012, respectively.

13. 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, 2013 and 2012, was approximately \$21,409,000 and \$20,765,000, 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.

14. CONTINGENCIES

The County 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.

15. DEFERRED COMPENSATION

The County 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.

16. OTHER EVENTS

On March 5, 2013, the acting City Council of the City of South Bay ratified the absorption of the Glades Utility Authority (GUA) by the Palm Beach County Water Utilities Department (Department). The cities of Belle Glade and Pahokee had ratified the absorption in the prior fiscal year. As a result, effective May 1, 2013, the County absorbed the operations of the GUA.

The absorption was deemed to be in the best interest of the GUA's customers. The GUA was facing an uncertain future due to its progressively deteriorating financial stability,

which placed it at considerable risk of continuing as a going concern without substantial financial assistance from external sources.

Under terms of the absorption, the 10,900 GUA customers became on-line customers of the Department at the GUA customer rates, which are higher than the current County rates, which will remain frozen for the greater of ten years or until they equal the Department's rates plus 7% for the host fees which the Cities of Belle Glade, Pahokee and South Bay will continue to receive. In addition, the Department has committed \$25 million to repair the water distribution system.

At the time of the absorption, the Department paid off \$2.3 million of the GUA's debt which could not be transferred from the GUA to the Department due to issues with the debt covenants. The remaining \$20.2 million of GUA's debt, along with \$0.2 million of accrued interest, was assumed by the Department. The assets and liabilities were brought over at carrying value on May 1, 2013 with consideration given for potential impairments. This transaction also included the recovery of the previously fully reserved contribution from the GUA of \$24.9 million related to the original construction of the Lake Region Treatment Plant. As a result, the Department received as a net contribution from the GUA of approximately \$63.9 million, which is reported as a Special Item.

The following table summarizes the absorption-related transactions recorded by the Department:

Cash	\$2,126,872
Accounts receivable, net of \$2,074,912 allowance for doubtful accounts	1,326,884
Inventory of supplies	128,600
Land	690,222
Buildings	7,345,086
Utility plant in service	70,284,695
Equipment	1,428,053
Construction Work in Progress	3,891,073
Customer deposits payable	(1,206,878)
Accrued interest payable	(158,370)
Revenue bonds and long-term notes payable	(20,249,075)
Principal on GUA debts paid by the Department at absorption	(2,319,238)
All other assets and liabilities, net	<u>640,583</u>
Net contribution from GUA	\$63,928,507



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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, 2013 and 2012
(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
10/1/2013	-	\$1,669,000	\$1,669,000	0.0%	\$28,265,764	5.9%
10/1/2011	-	1,626,000	1,626,000	0.0%	28,027,148	5.8%
10/1/2009	-	1,498,000	1,498,000	0.0%	28,306,510	5.3%

SUPPLEMENTARY INFORMATION

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (natural classification), AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Current Budget</u>	<u>Actual Results</u>	<u>Variance</u>	<u>%</u>
OPERATING REVENUES:					
Charges for services	\$ 159,420,000	\$ 157,969,983	\$ 156,771,830	\$ (1,198,153)	-1%
Other operating revenue	4,059,000	3,807,583	5,625,370	1,817,787	48%
Total operating revenues	163,479,000	161,777,566	162,397,200	619,634	0%
OPERATING EXPENSES:					
Depreciation and amortization	43,898,700	43,898,700	40,722,713	3,175,987	7%
Personal services	38,100,708	37,761,048	37,178,447	582,601	2%
Maintenance	19,759,962	20,567,962	22,769,507	(2,201,545)	-11%
Contractual services	16,914,096	17,704,096	15,199,011	2,505,085	14%
Supplies	16,169,570	16,469,570	13,331,763	3,137,807	19%
Utilities	10,171,700	9,714,700	8,070,821	1,643,879	17%
Purchased water and wastewater treatment	6,501,000	6,630,000	6,513,788	116,212	2%
Equity interest in net loss of joint venture	1,300,000	1,300,000	2,448,713	(1,148,713)	-88%
Miscellaneous	2,854,374	1,624,034	1,684,054	(60,020)	-4%
Total operating expenses	155,670,110	155,670,110	147,918,817	7,751,293	5%
OPERATING INCOME	7,808,890	6,107,456	14,478,383	8,370,927	137%
NONOPERATING REVENUES (EXPENSES):					
Guaranteed revenue	2,605,000	2,605,000	4,109,431	1,504,431	58%
Investment income	3,494,000	3,494,000	507,451	(2,986,549)	-85%
Interest expense	(8,703,317)	(9,257,317)	(7,787,266)	1,470,051	16%
Engineering fees	581,000	581,000	642,715	61,715	11%
Engineering expenses	(614,209)	(614,209)	(588,774)	25,435	4%
Other	3,081,900	3,072,416	(425,848)	(3,498,264)	-114%
Total nonoperating revenues (expenses)	444,374	(119,110)	(3,542,291)	(3,423,181)	-2874%
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	8,253,264	5,988,346	10,936,092	4,947,746	83%
Contribution from absorption of Glades Utility Authority	-	-	63,928,507	63,928,507	-
Capital contributions received, net	15,331,000	15,330,500	28,384,556	13,054,056	85%
Transfers from other County funds	-	-	1,789,129	1,789,129	-
CHANGE IN NET POSITION	\$ 23,584,264	\$ 21,318,846	\$ 105,038,284	\$ 83,719,438	393%

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
REVENUES, EXPENSES (functional classification), AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2013

	Final Budget	Actual	Variance	%
OPERATING REVENUES:				
Water - base facility	\$ 36,020,000	\$ 36,987,017	\$ 967,017	3%
Water - commodity	36,651,583	35,867,949	(783,634)	-2%
Water - contractual	4,542,000	3,766,875	(775,125)	-17%
Wastewater - base facility	39,979,500	41,015,419	1,035,919	3%
Wastewater - commodity	27,870,750	27,271,194	(599,556)	-2%
Wastewater - contractual	788,000	725,574	(62,426)	-8%
Reclaimed water - retail	1,669,000	1,582,958	(86,042)	-5%
Reclaimed water - bulk	3,471,000	3,378,975	(92,025)	-3%
Water and wastewater - public authorities	6,048,150	5,252,700	(795,450)	-13%
Customer account charge	930,000	923,169	(6,831)	-1%
Other operating revenue	3,807,583	5,625,370	1,817,787	48%
Total operating revenues	161,777,566	162,397,200	619,634	0%
OPERATING EXPENSES:				
Water treatment	27,548,510	27,999,802	(451,292)	-2%
Water distribution	8,991,094	8,531,258	459,836	5%
Wastewater treatment	12,856,195	11,688,825	1,167,370	9%
Wastewater collection	13,881,889	13,931,646	(49,757)	0%
Purchased water and wastewater treatment	6,630,000	6,513,788	116,212	2%
Water and wastewater - public authorities	10,945,016	10,561,289	383,727	4%
Customer accounts	7,462,773	5,825,577	1,637,196	22%
Administrative and general	22,155,933	19,695,206	2,460,727	11%
Total operating expenses	110,471,410	104,747,391	5,724,019	5%
Operating income before depreciation, amortization and equity interest in net loss of joint venture				
	51,306,156	57,649,809	6,343,653	12%
Depreciation and amortization	43,898,700	40,722,713	3,175,987	7%
Equity interest in net loss of joint venture	1,300,000	2,448,713	(1,148,713)	-88%
OPERATING INCOME	6,107,456	14,478,383	8,370,927	137%
NONOPERATING REVENUES (EXPENSES):				
Guaranteed revenue	2,605,000	4,109,431	1,504,431	58%
Investment income	3,494,000	507,451	(2,986,549)	-85%
Interest expense	(9,257,317)	(7,787,266)	1,470,051	16%
Engineering fees	581,000	642,715	61,715	11%
Engineering expenses	(614,209)	(588,774)	25,435	4%
Other	3,072,416	(425,848)	(3,498,264)	-114%
Total nonoperating revenues (expenses)	(119,110)	(3,542,291)	(3,423,181)	-2874%
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	5,988,346	10,936,092	4,947,746	83%
Transfers from other County funds	-	1,789,129	1,789,129	-
Special item: Absorption of GUA net assets	-	63,928,507	63,928,507	-
Capital contributions received, net	15,330,500	28,384,556	13,054,056	85%
CHANGE IN NET POSITION				
	\$ 21,318,846	\$ 105,038,284	\$ 83,719,438	393%
CONNECTION FEES INCLUDED IN CAPITAL CONTRIBUTIONS				
	\$ 5,500,000	\$ 7,659,599	\$ 2,159,599	39%

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Statistical Section



*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.

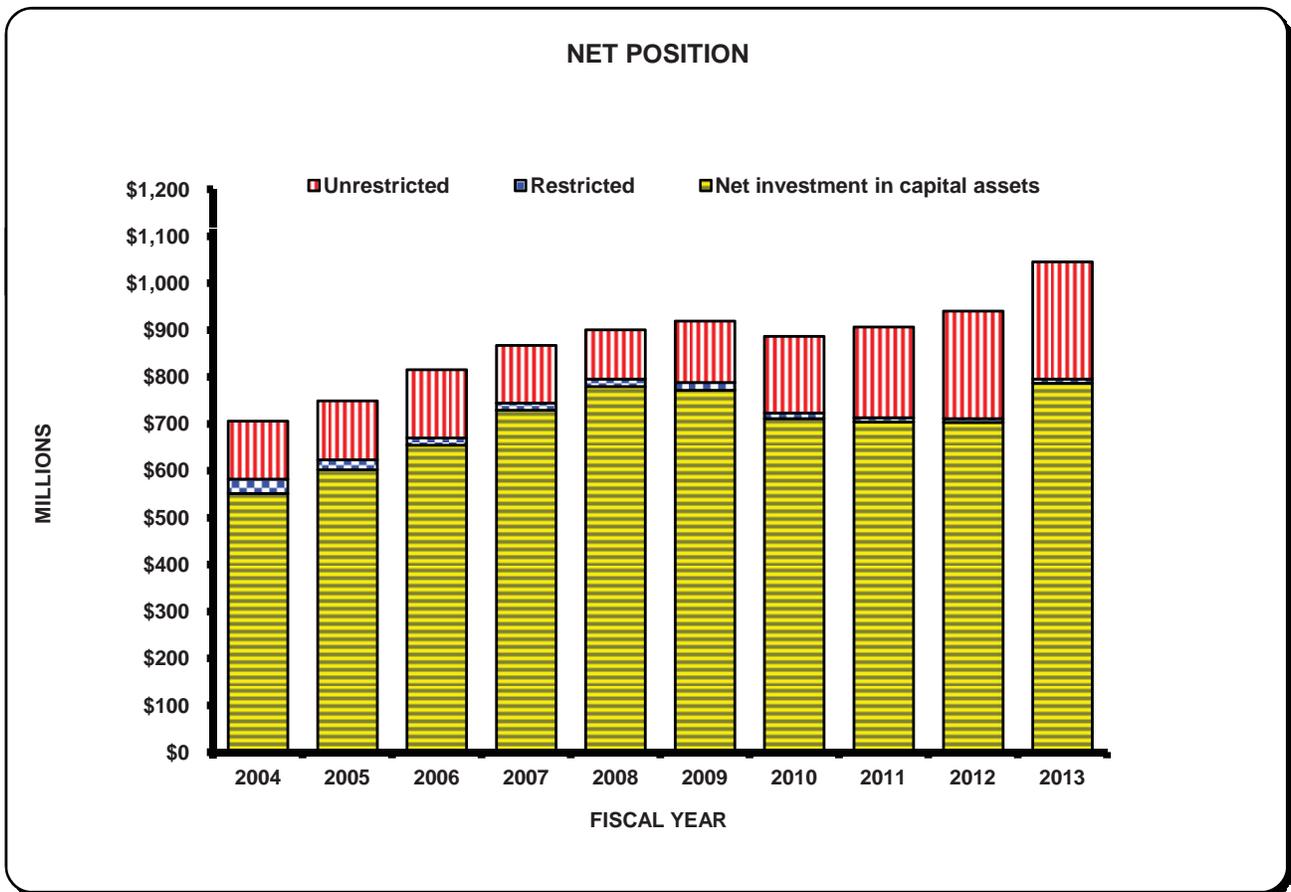
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FINANCIAL TRENDS INFORMATION

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

(in thousands)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net investment										
in capital assets	\$786,867	\$703,494	\$703,855	\$711,227	\$771,926	\$779,844	\$729,379	\$655,066	\$602,460	\$551,912
Restricted	9,230	7,965	9,543	11,910	16,860	15,672	15,350	15,100	21,170	30,738
Unrestricted	249,794	229,394	193,519	163,530	130,368	105,349	122,588	145,322	125,726	123,691
TOTAL NET POSITION	\$1,045,891	\$940,853	\$906,917	\$886,667	\$919,154	\$900,865	\$867,317	\$815,488	\$749,356	\$706,341



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

(in thousands)	2013	2012	2011
OPERATING REVENUES:			
Charges for services	\$156,772	\$148,391	\$146,523
Other operating revenue	5,625	5,379	5,039
Total operating revenues	162,397	153,770	151,562
OPERATING EXPENSES:			
Depreciation and amortization	40,723	39,717	40,213
Personal services	37,178	35,491	36,276
Maintenance	22,769	18,550	20,081
Contractual services	15,199	16,979	13,775
Supplies	13,332	14,237	13,807
Utilities	8,071	8,613	9,366
Purchased water and wastewater treatment	6,514	5,696	5,032
Equity interest in net loss of joint venture	2,449	1,008	1,077
Miscellaneous	1,684	981	1,254
Total operating expenses	147,919	141,272	140,881
OPERATING INCOME (LOSS)	14,478	12,498	10,681
NONOPERATING REVENUES (EXPENSES):			
Guaranteed revenue	4,109	4,010	2,529
Investment income	507	5,398	6,179
Interest expense	(7,787)	(8,457)	(6,859)
Engineering fees	643	482	270
Engineering expenses	(589)	(583)	(613)
Grant reimbursement	-	-	-
Hurricane expenses	-	-	-
Other	(425)	3,388	879
Total nonoperating revenues (expenses)	(3,542)	4,238	2,385
Income (loss) before capital contributions transfers, and special item	10,936	16,736	13,066
Special item - Absorption of Glades Utility Authority	63,928	-	-
Capital contributions received	28,385	18,251	11,158
Transfers from other County funds	1,789	2,521	72
Special item - contribution of cash and capital assets to Glades Utility Authority	-	(3,572)	(4,046)
CHANGE IN NET POSITION	105,038	33,936	20,250
NET POSITION, BEGINNING OF PERIOD	940,853	906,917	886,667
NET POSITION, END OF PERIOD	\$1,045,891	\$940,853	\$906,917

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$136,263	\$125,653	\$110,116	\$96,427	\$85,594	\$79,983	\$78,382
5,353	4,573	5,206	4,776	4,196	3,557	2,683
<u>141,616</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>
38,977	41,335	37,106	32,355	29,167	25,592	23,118
37,213	34,357	32,033	29,080	25,359	23,520	21,705
16,675	14,848	13,317	11,173	10,406	9,255	6,870
11,367	10,140	9,862	8,276	7,573	6,042	5,436
12,110	14,086	12,059	10,546	8,276	7,029	5,692
9,257	10,337	9,654	9,050	8,995	6,736	7,015
2,792	3,828	2,905	3,075	2,673	2,207	2,042
1,223	1,718	1,244	1,278	911	902	913
1,475	1,646	2,098	2,581	2,242	1,871	1,848
<u>131,089</u>	<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>10,527</u>	<u>(2,069)</u>	<u>(4,956)</u>	<u>(6,211)</u>	<u>(5,812)</u>	<u>386</u>	<u>6,426</u>
2,485	2,922	3,399	5,887	7,714	7,816	7,952
5,068	6,564	4,960	7,204	5,421	3,150	3,967
(6,696)	(7,011)	(5,702)	(3,809)	(2,899)	(1,450)	(1,708)
327	454	523	1,013	677	615	668
(625)	(666)	(930)	(1,063)	(1,124)	(976)	(905)
-	-	-	-	4,297	-	2,943
-	-	-	-	(3,039)	-	(1,289)
(140)	116	(1,327)	2,291	180	(311)	(18)
<u>419</u>	<u>2,379</u>	<u>923</u>	<u>11,523</u>	<u>11,227</u>	<u>8,844</u>	<u>11,610</u>
<u>10,946</u>	<u>310</u>	<u>(4,033)</u>	<u>5,312</u>	<u>5,415</u>	<u>9,230</u>	<u>18,036</u>
-	-	-	-	-	-	-
12,156	17,979	37,581	44,017	50,123	33,785	30,028
792	-	-	2,500	10,594	-	-
(56,381)	-	-	-	-	-	-
<u>(32,487)</u>	<u>18,289</u>	<u>33,548</u>	<u>51,829</u>	<u>66,132</u>	<u>43,015</u>	<u>48,064</u>
<u>919,154</u>	<u>900,865</u>	<u>867,317</u>	<u>815,488</u>	<u>749,356</u>	<u>706,341</u>	<u>658,277</u>
<u><u>\$886,667</u></u>	<u><u>\$919,154</u></u>	<u><u>\$900,865</u></u>	<u><u>\$867,317</u></u>	<u><u>\$815,488</u></u>	<u><u>\$749,356</u></u>	<u><u>\$706,341</u></u>

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

(in thousands)	Last Ten Fiscal Years		
	2013	2012	2011
OPERATING REVENUES BY SOURCE:			
Charges for services:			
Water - base facility	\$36,987	\$33,627	\$32,033
Water - commodity	35,868	33,023	34,595
Water - contractual	3,767	3,423	4,255
Wastewater - base facility	41,015	37,782	35,988
Wastewater - commodity	27,271	25,151	24,567
Wastewater - contractual	726	708	874
Reclaimed water - retail (1)	1,583	1,546	-
Reclaimed water - bulk (1)	3,379	2,901	-
Water and wastewater - public authorities	5,253	9,299	9,795
Customer account charge (2)	923	931	917
Water restrictions surcharge (3)	-	-	-
	<u>156,772</u>	<u>148,391</u>	<u>143,024</u>
Other operating revenue:			
Meter sales	566	491	414
Service charges	1,520	1,558	1,492
Industrial pretreatment	1,118	1,044	1,053
Miscellaneous	2,421	2,286	5,579
Other operating revenue	<u>5,625</u>	<u>5,379</u>	<u>8,538</u>
Total operating revenues	<u>\$162,397</u>	<u>\$153,770</u>	<u>\$151,562</u>
OPERATING EXPENSES BY FUNCTION:			
Water treatment	\$28,000	\$26,870	\$28,214
Water distribution	8,531	8,080	7,540
Wastewater treatment	11,689	12,158	13,118
Wastewater collection	13,932	12,369	11,882
Purchased water and wastewater treatment	6,514	5,721	3,367
Purchased reclaimed water	-	-	1,203
Water and wastewater - public authorities	10,561	9,311	9,795
Customer accounts	5,825	6,279	6,095
Administrative and general	19,695	19,760	18,377
Operating expenses before depreciation and amortization and equity interest in net loss of joint venture	<u>104,747</u>	<u>100,548</u>	<u>99,591</u>
Depreciation and amortization	40,723	39,717	40,213
Equity interest in net loss of joint venture	2,449	1,008	1,077
Total operating expenses	<u>\$147,919</u>	<u>\$141,273</u>	<u>\$140,881</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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$30,388	\$25,448	\$21,536	\$19,373	\$16,084	\$14,226	\$13,869
32,714	30,748	27,625	27,617	25,532	23,985	24,285
2,757	5,005	1,960	484	794	875	186
34,126	30,603	28,003	25,252	21,216	19,632	19,175
23,615	21,177	19,254	18,184	16,598	16,015	15,797
680	694	701	720	709	734	672
1,267	1,347	730	-	-	-	-
-	-	-	464	431	385	399
9,788	-	-	-	-	-	-
928	3,066	4,834	4,797	4,661	4,516	4,398
-	7,565	6,203	-	-	-	-
<u>136,263</u>	<u>125,653</u>	<u>110,846</u>	<u>96,891</u>	<u>86,025</u>	<u>80,368</u>	<u>78,781</u>
427	560	656	844	883	849	734
1,494	1,470	1,249	1,067	737	201	228
991	1,104	952	757	739	656	284
2,441	1,439	1,619	1,644	1,406	1,466	1,038
<u>5,353</u>	<u>4,573</u>	<u>4,476</u>	<u>4,312</u>	<u>3,765</u>	<u>3,172</u>	<u>2,284</u>
<u>\$141,616</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>
\$26,368	\$27,551	\$23,495	\$19,276	\$17,218	\$14,271	\$13,439
8,043	9,825	8,659	7,568	6,116	6,060	5,426
10,836	10,968	10,981	10,526	9,576	7,471	6,478
10,975	11,793	10,938	9,991	9,513	8,815	7,096
2,745	3,828	2,889	3,075	2,673	2,207	2,041
-	-	-	-	-	-	-
9,788	-	-	-	-	-	-
5,750	7,409	7,133	6,753	5,612	4,962	4,656
16,384	17,867	17,833	16,592	14,816	12,874	11,472
<u>90,889</u>	<u>89,241</u>	<u>81,928</u>	<u>73,781</u>	<u>65,524</u>	<u>56,660</u>	<u>50,608</u>
38,977	41,335	37,106	32,355	29,167	25,592	23,118
1,223	1,719	1,244	1,278	911	902	913
<u>\$131,089</u>	<u>\$132,295</u>	<u>\$120,278</u>	<u>\$107,414</u>	<u>\$95,602</u>	<u>\$83,154</u>	<u>\$74,639</u>

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REVENUE CAPACITY INFORMATION

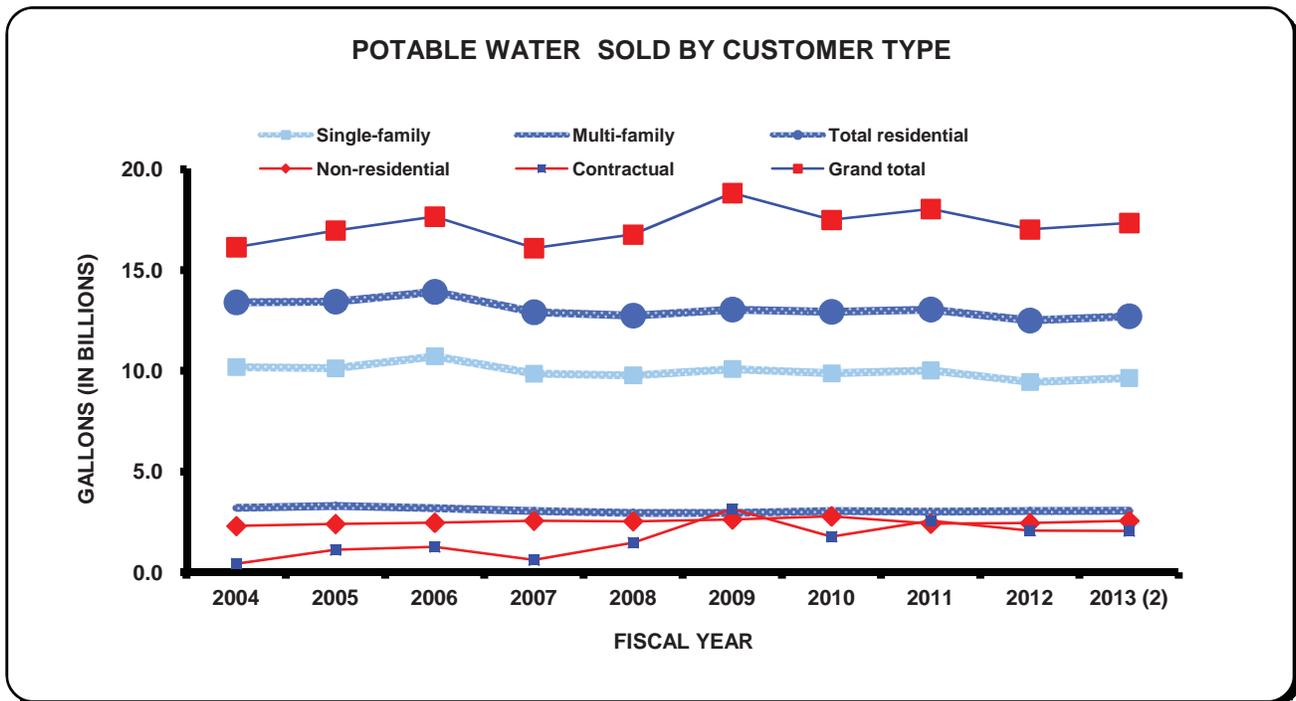
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
POTABLE WATER SOLD BY CUSTOMER TYPE
 Last Ten Fiscal Years

(in millions of gallons)	2013 ⁽²⁾	2012	2011	2010	2009	2008	2007	2006	2005	2004
Residential:										
Single-family	9,653	9,454	10,031	9,887	10,101	9,782	9,871	10,732	10,140	10,194
Multi-family	3,068	3,051	3,024	3,050	2,952	2,969	3,047	3,197	3,306	3,214
Total residential	12,721	12,505	13,055	12,937	13,053	12,751	12,918	13,929	13,446	13,408
Non-residential	2,562	2,444	2,418	2,779	2,629	2,536	2,564	2,467	2,405	2,301
Contractual	2,059	2,069	2,565	1,775	3,145	1,476	614	1,268	1,120	434
Other ⁽¹⁾	4	4	2	5	5	7	3			
Grand total	17,346	17,022	18,040	17,496	18,832	16,770	16,099	17,664	16,971	16,143
Charges for Services										
(in thousands)	\$156,772	\$148,391	\$146,523	\$136,263	\$125,653	\$110,116	\$96,427	\$85,594	\$79,983	\$78,382
Calculated Total Direct Rate										
per Thousand Gallons	\$9.04	\$8.72	\$8.12	\$7.79	\$6.67	\$6.57	\$5.99	\$4.85	\$4.71	\$4.86

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⁾ 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, 2013 and 2004 (Nine Years Ago)

CUSTOMER	2013			2004		
	Operating Revenues (in thousands)	Rank	%	Operating Revenues (in thousands)	Rank	%
Florida Power & Light Company	\$9,226	1	5.68	\$ -	-	-
Glades Utility Authority	5,253	2	3.23	-	-	-
Century Village West Condominiums	2,157	3	1.33	1,407	1	1.67
School District of Palm Beach County	1,548	4	0.95	496	3	0.59
City of Boynton Beach Inter Connect	1,143	5	0.70	-	-	-
City of Lake Worth Inter Connect	819	6	0.50	-	-	-
Palm Beach County Sheriff's Office	695	7	0.43	373	5	0.44
MHC Lake Worth Village LLC	554	8	0.34	310	6	0.37
PBC Parks & Rec Dept	471	9	0.29	-	-	-
Casa Del Monte LLC	454	10	0.28	239	10	0.28
City of Atlantis	-	-	-	502	2	0.60
Village of Palm Springs	-	-	-	400	4	0.48
City of Lake Worth	-	-	-	308	7	0.37
The Fountains Condominiums	-	-	-	287	8	0.34
Golden Lakes Village Condominiums	-	-	-	274	9	0.33
Subtotal (10 largest)	22,320		13.73	4,596		5.47
Balance from other customers	140,077		86.27	79,412		94.53
Grand totals	\$162,397		100.00	\$84,008		100.00

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 billed the former customers of the Cities for water and wastewater services. The GUA was 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.

On May 1, 2013 the Department absorbed the GUA. The figures above represents 7 months of revenue.

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>
2013	-	\$25.40	\$30.82	-	\$56.22	4.9%
2012	-	24.23	29.36	-	53.59	4.2%
2011	-	23.24	28.17	-	51.41	5.7%
2010	-	21.99	26.65	-	48.64	5.4%
2009 **	-	20.85	25.30	-	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	-	40.10	18.5%
2006	2.50	12.95	18.40	-	33.85	0.0%
2005	2.50	12.95	18.40	-	33.85	0.0%
2004	2.50	12.95	18.40	-	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.

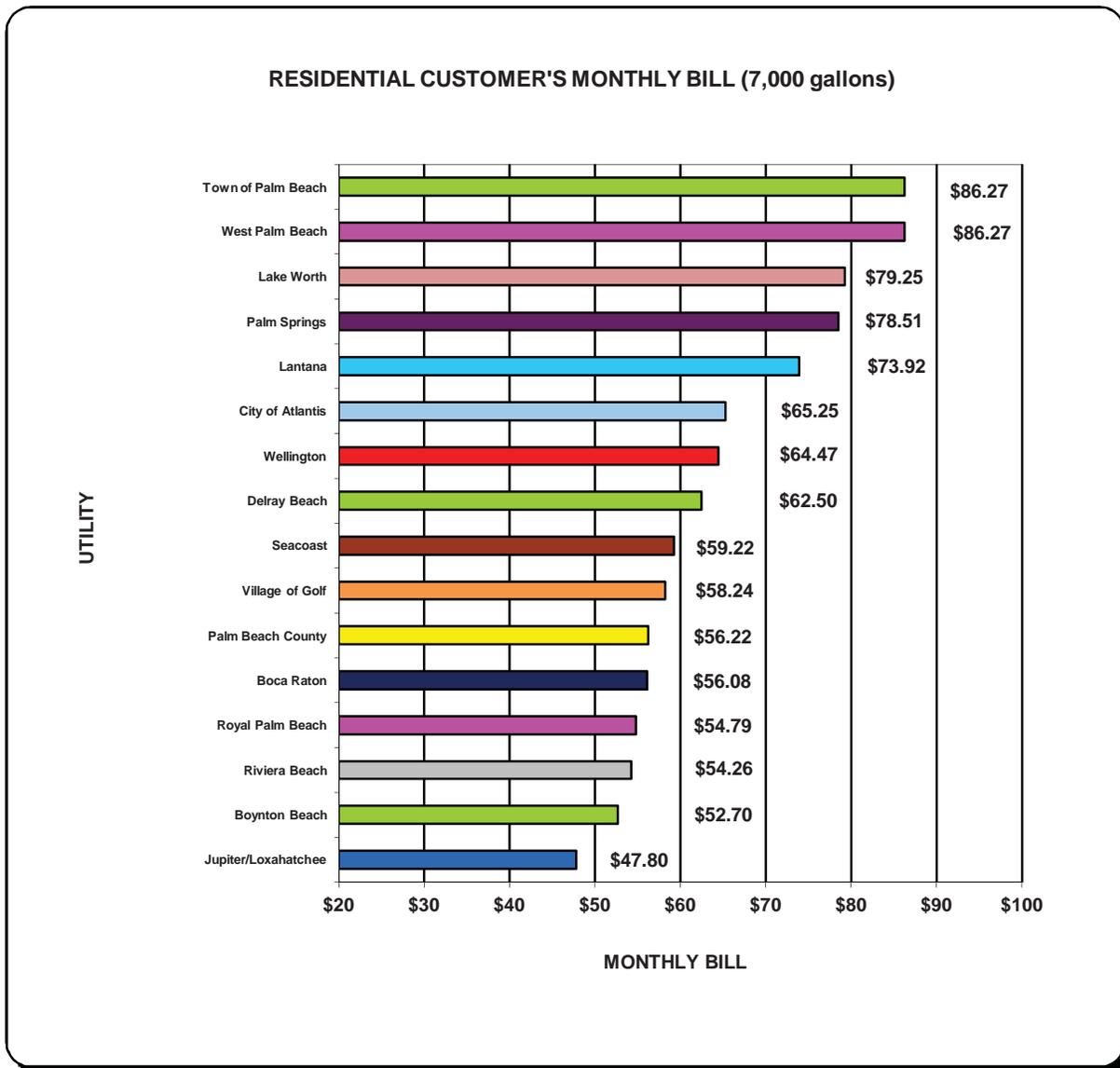
Water restrictions surcharge is calculated as 15% of base facility fee and 15% of commodity fee. The surcharge was instituted with May 2008 billing and was not to be charged for more than one year.

**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 as of September 30, 2013



Source: Utility survey

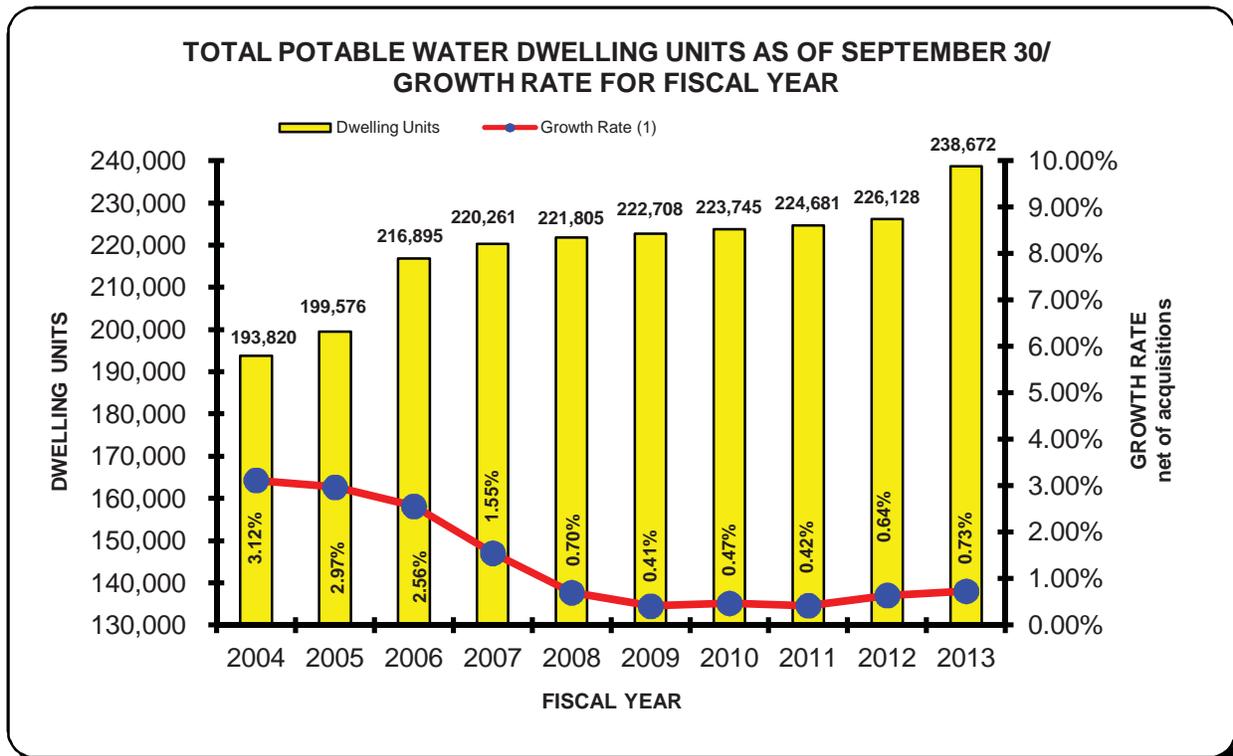
Notes:

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

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.

Glades Utility Authority (GUA): One May 1, 2013 the Department absorbed the GUA which comprised the Cities of Belle Glade, Pahokee and South Bay.

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



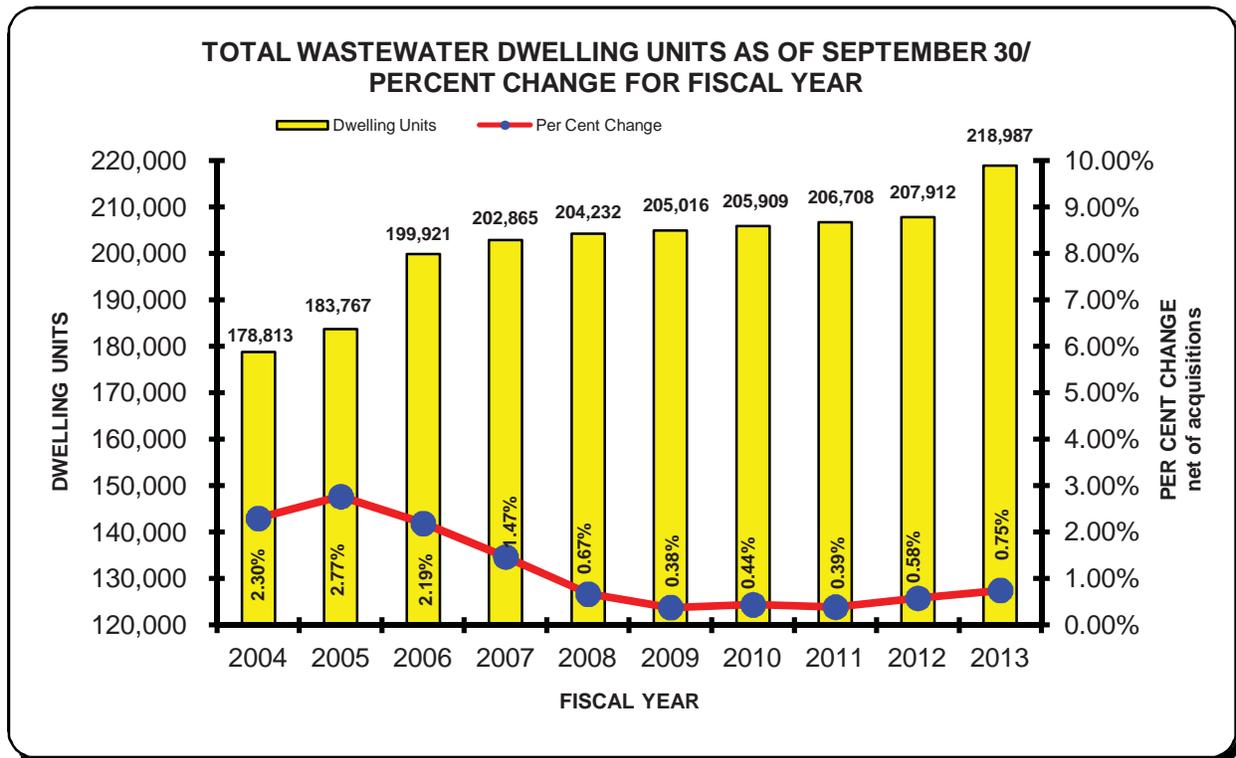
OF DWELLING UNITS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽²⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2013 ⁽⁵⁾	146,410	61.34%	84,927	35.58%	7,335	3.08%	238,672
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

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 - 2004 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 %.
- (5) On May 1, 2013, the Department absorbed the Glades Utility Authority. The 10,900 potable water units acquired are not included in the fiscal year growth rate %.

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



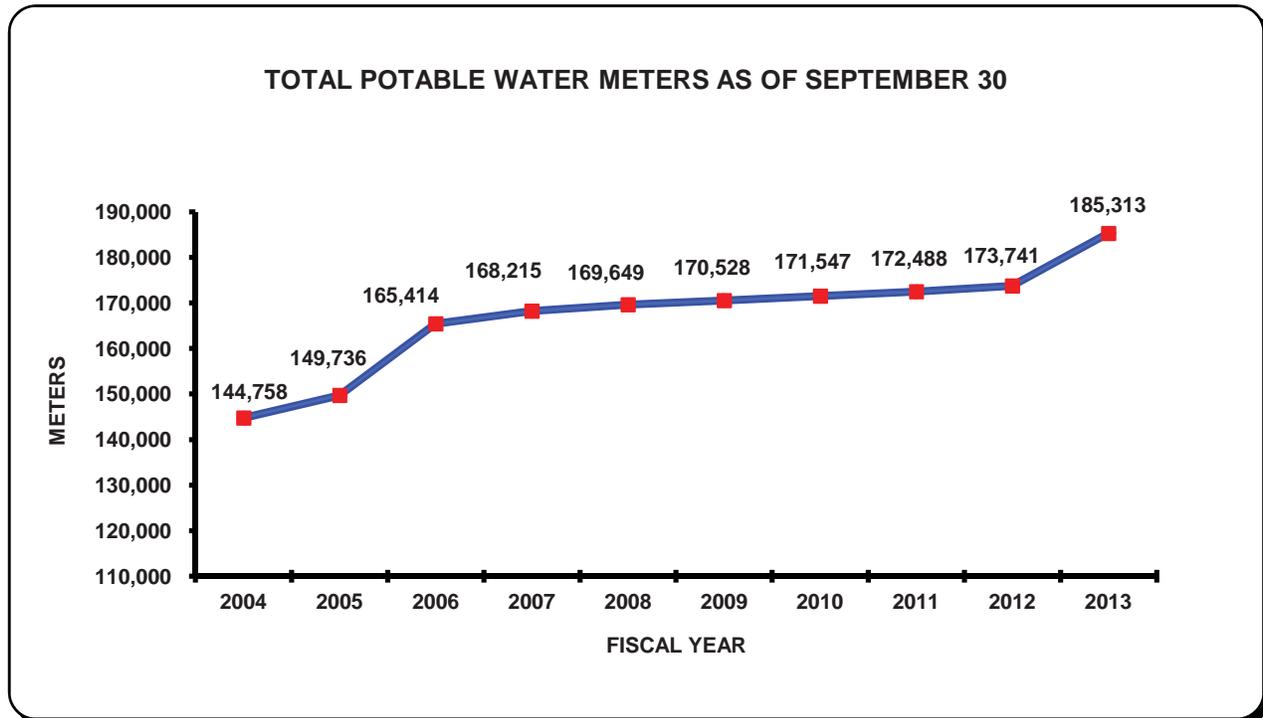
OF DWELLING UNITS BY DWELLING TYPE

Fiscal Year	Single Family		Multi-Family		Non-Residential ⁽¹⁾		Annual Total
	Count	% of Annual Total	Count	% of Annual Total	Count	% of Annual Total	
2013 ⁽⁴⁾	130,419	59.56%	82,430	37.64%	6,138	2.80%	218,987
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 ⁽³⁾	98,324	54.99%	76,483	42.77%	4,006	2.24%	178,813

Notes:

- (1) Non-residential does not include contractual/wholesale. Fiscal years 2006 - 2004 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.
- (4) On May 1, 2013, the Department absorbed the Glades Utility Authority. The 9,515 units acquired are not included in the fiscal year growth rate %.

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	
2013 ⁽⁴⁾	146,384	78.99%	31,546	17.02%	7,355	3.97%	28	0.02%	185,313
2012	137,131	78.93%	30,335	17.46%	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 ⁽³⁾	110,381	76.25%	29,172	20.15%	5,192	3.59%	13	0.01%	144,758

Notes:

- ⁽¹⁾ Non-residential does not include contractual/wholesale. Non-residential and Contractual/Wholesale for fiscal years 2006 - 2004 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 are not included in the fiscal year growth rate %.
- ⁽⁴⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority. The 10,900 potable water meters acquired are included in these figures.

CUSTOMER RATE SCHEDULES

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

	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽²⁾	2008 ⁽³⁾	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)									
Multi-Family accounts only	\$2.50	\$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	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"	\$11.97	\$11.42	\$10.95	\$10.36	\$9.82	\$6.55	\$6.30	\$6.30	\$5.15
1"	\$29.23	\$27.88	\$26.74	\$25.30	\$23.99	\$19.23	\$18.50	\$18.50	\$14.95
1 1/2 "	\$43.72	\$41.70	\$40.00	\$37.85	\$35.89	\$29.88	\$28.75	\$28.75	\$23.20
2"	\$91.15	\$86.94	\$83.39	\$78.91	\$74.81	\$64.71	\$62.25	\$62.25	\$50.40
Multi-Family (per dwelling unit)	\$8.92	\$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	\$1.20	\$1.14	\$1.09	\$1.03	\$0.98	\$0.88	\$0.85	\$0.85	\$0.75
5-10	\$2.67	\$2.55	\$2.45	\$2.32	\$2.20	\$1.97	\$1.90	\$1.90	\$1.60
11-25	\$6.72	\$6.41	\$6.15	\$5.82	\$5.52	\$4.94	\$4.75	\$4.75	\$3.80
Over 25	\$8.36	\$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"	\$13.43	\$12.81	\$12.29	\$11.63	\$11.03	\$9.87	\$9.50	\$9.50	\$7.80
1"	\$39.62	\$37.79	\$36.25	\$34.30	\$32.52	\$29.10	\$28.00	\$28.00	\$22.60
1 1/2 "	\$60.85	\$58.04	\$55.67	\$52.68	\$49.95	\$44.70	\$43.00	\$43.00	\$35.10
2"	\$133.05	\$126.90	\$121.71	\$115.17	\$109.19	\$97.71	\$94.00	\$94.00	\$76.50
Multi-Family (per dwelling unit)	\$13.43	\$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	\$1.63	\$1.55	\$1.49	\$1.41	\$1.34	\$1.20	\$1.15	\$1.15	\$1.00
5-10	\$3.83	\$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	\$0.00

Notes:

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

These rates do not apply to approximately 12% of the Department's customers in the service areas

acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽⁴⁾	2008 ⁽⁴⁾	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE (per meter)									
Multi-Family accounts only	n/a	n/a	\$2.50	\$2.50	\$2.50	n/a	n/a	n/a	n/a
All accounts	n/a	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"	\$13.31	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$25.06	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$41.75	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$83.51	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8" and above	\$133.62	\$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"	\$6.26	\$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)	\$3.08	\$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	n/a	\$10.00	\$0.00	\$0.00
1 1/2 "	n/a	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	n/a	\$160.00	\$0.00	\$0.00
Multi-Family (per dwelling unit)	n/a	n/a	n/a	n/a	n/a	n/a	\$2.50	\$0.00	\$0.00
Commodity Fee per thousand gallons	\$0.24 ⁽³⁾	\$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	n/a	\$5.00	\$5.00
1"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$10.00	\$10.00
All others see non-residential rates									

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). 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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽³⁾	2008 ⁽³⁾	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE									
(per meter)	n/a	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"	\$22.51	\$21.47	\$20.59	\$19.48	\$18.47	\$14.29	\$13.75	\$13.75	\$10.65
1"	\$76.64	\$73.10	\$70.11	\$66.34	\$62.90	\$54.05	\$52.00	\$52.00	\$42.65
1 1/2 "	\$121.93	\$116.29	\$111.54	\$105.55	\$100.07	\$87.31	\$84.00	\$84.00	\$63.95
2"	\$206.85	\$197.29	\$189.23	\$179.06	\$169.77	\$149.68	\$144.00	\$144.00	\$119.45
3"	\$547.96	\$522.62	\$501.26	\$474.33	\$449.71	\$400.19	\$385.00	\$385.00	\$294.00
4"	\$845.19	\$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	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 14	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1"									
0-57	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 57	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
1 1/2 "									
0-94	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 94	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
2"									
0-138	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 138	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
3"									
0-557	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 557	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
4"									
0-675	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16	\$1.04	\$1.00	\$1.00	\$0.85
Over 675	\$3.83	\$3.65	\$3.50	\$3.31	\$3.14	\$2.81	\$2.70	\$2.70	\$0.85
6" and above									
All usage	\$1.40	\$1.34	\$1.29	\$1.22	\$1.16				
0-675	n/a	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	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 approximately 12% of the Department's customers in the service areas

acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽³⁾	2008 ⁽³⁾	2007 ⁽²⁾	2007 - 2003
WASTEWATER RATES									
Base Facility Fee									
5/8" x 3/4"	\$28.30	\$26.99	\$25.89	\$24.50	\$23.23	\$20.79	\$20.00	\$20.00	\$16.20
1"	\$108.28	\$103.27	\$99.05	\$93.73	\$88.86	\$79.52	\$76.50	\$76.50	\$64.65
1 1/2 "	\$176.92	\$168.74	\$161.84	\$153.15	\$145.20	\$129.93	\$125.00	\$125.00	\$97.00
2"	\$317.05	\$302.39	\$290.03	\$274.45	\$260.20	\$232.84	\$224.00	\$224.00	\$181.20
3"	\$813.84	\$776.21	\$744.48	\$704.49	\$667.92	\$597.69	\$575.00	\$575.00	\$446.00
4"	\$1,245.53	\$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	\$1.90	\$1.81	\$1.74	\$1.65	\$1.56	\$1.40	\$1.35	\$1.35	\$1.10

Notes:

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

These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013	2012	2011	2010	2009 ⁽¹⁾	2009 ⁽³⁾	2008 ⁽³⁾	2007 ⁽²⁾	2007 - 2003
CUSTOMER ACCOUNT FEE									
(per meter)	n/a	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"	\$13.31	\$12.69	\$12.17	\$11.52	\$10.92	\$9.77	\$9.40	\$9.40	\$8.00
3"	\$25.06	\$23.90	\$22.92	\$21.69	\$20.56	\$18.40	\$17.70	\$17.70	\$15.00
4"	\$41.75	\$39.82	\$38.19	\$36.14	\$34.26	\$30.66	\$29.50	\$29.50	\$25.00
6"	\$83.51	\$79.65	\$76.39	\$72.29	\$68.54	\$61.33	\$59.00	\$59.00	\$50.00
8"	\$133.62	\$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.

Notes:

Rate changes must be approved by the Palm Beach County, Florida, Board of County Commissioners. These rates do not apply to approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA). 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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013 ⁽⁴⁾	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	n/a	\$2.50	\$2.50	\$2.50	\$2.50
RECLAIMED WATER RATES									
Base Facility Fee									
5/8" x 3/4"	\$6.26	\$5.97	\$5.73	\$5.42	\$7.20	\$4.16	\$4.00	\$0.00	\$0.00
5/8" x 3/4" (connection fee paid)	\$3.08	\$2.94	\$2.82	\$2.67	\$3.54	n/a	n/a	n/a	n/a
1"	\$33.39	\$31.85	\$30.55	\$28.91	\$38.40	\$20.79	\$20.00	\$0.00	\$0.00
1" (connection fee paid)	\$16.44	\$15.68	\$15.04	\$14.23	\$18.88	n/a	n/a	n/a	n/a
1 1/2 "	\$83.51	\$79.65	\$76.39	\$72.29	\$96.00	\$51.97	\$50.00	\$0.00	\$0.00
1 1/2 " (connection fee paid)	\$41.09	\$39.19	\$37.59	\$35.57	\$47.20	n/a	n/a	n/a	n/a
2"	\$179.53	\$171.23	\$164.23	\$155.41	\$206.40	\$112.26	\$108.00	\$0.00	\$0.00
2" (connection fee paid)	\$88.34	\$84.26	\$80.82	\$76.48	\$101.48	n/a	n/a	n/a	n/a
3"	\$392.48	\$374.33	\$359.03	\$339.74	\$451.20	\$244.27	\$235.00	\$0.00	\$0.00
3" (connection fee paid)	\$193.14	\$184.21	\$176.68	\$167.19	\$221.84	n/a	n/a	n/a	n/a
4"	\$1,073.06	\$1,023.44	\$981.60	\$928.87	\$1,233.60	\$668.37	\$643.00	\$0.00	\$0.00
4" (connection fee paid)	\$528.05	\$503.63	\$483.04	\$457.09	\$606.52	n/a	n/a	n/a	n/a
6"	\$2,292.25	\$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)	\$1,128.01	\$1,075.85	\$1,031.87	\$946.44	\$1,295.64	n/a	n/a	n/a	n/a
8"	\$4,075.11	\$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)	\$2,005.34	\$1,912.62	\$1,834.44	\$1,735.89	\$2,303.36	n/a	n/a	n/a	n/a
10"	\$6,346.47	\$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)	\$3,123.07	\$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	\$0.24	\$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 approximately 12% of the Department's customers in the service areas acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

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.

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

	2013	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	n/a	\$5.00	\$5.00
1"	n/a	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	n/a	\$120.00	\$120.00
2"	n/a	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	n/a	\$350.00	\$350.00
4"	n/a	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	n/a	\$2,000.00	\$2,000.00
8"	n/a	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	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 approximately 12% of the Department's customers in the service areas

acquired through the purchase of the Village of Royal Palm Beach's Utility System and the absorption of the Glades Utility Authority (GUA).

The GUA, now known as the Western Region, was absorbed by the Department on May 1, 2013.

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

2013 - 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, 2013, the Department had the following numbers of customers to whom this rate schedule applies:

 Single-family: 10,775 meters; 10,775 potable water units; 10,776 wastewater units
 Multi-family: 94 meters; 1,397 potable water units; 1,397 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

2013 - 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, 2013, the Department had the following numbers of customers to whom this rate schedule applies:

 Non-residential: 569 meters; 569 potable water units; 507 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

2013 - 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, 2013, the Department had 149 customers to whom this rate schedule applies.

PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
MONTHLY RESIDENTIAL & NON-RESIDENTIAL RATES
Western Region Service Area
Next Eight Fiscal Years

<u>RESIDENTIAL</u>	<u>2013-2020</u>
POTABLE WATER RATES	
Base Facility Fee	
Single-Family (per meter)	\$18.64
Commodity Fee per 1,000 Gallons	
Single-Family (per meter)	
0-3,000 gallons	\$1.50
4,000-6,000	\$4.67
7,000-12,000	\$5.80
13,000-15,000	\$5.80
Over 15,000	\$7.50
WASTEWATER RATES	
Base Facility Fee	
Single-Family (per meter)	\$19.26
Commodity Fee per 1,000 Gallons	
Single-Family (per meter)	
0-10	\$4.00
greater than 10	\$0.00
<u>NON-RESIDENTIAL</u>	
POTABLE WATER RATES	
Base Facility Fee	
5/8"	\$18.64
1"	\$59.06
1 1/2"	\$96.71
2"	\$227.75
3"	\$757.07
4"	\$2,317.17
>4"	Case by Case
Commodity Fee per 1,000 Gallons	\$4.67
WASTEWATER RATES	
Base Facility Fee	
5/8"	\$19.26
1"	\$61.00
1 1/2"	\$99.88
2"	\$235.23
3"	\$781.94
4"	\$2,393.29
>4"	Case by Case
Commodity Fee per 1,000 Gallons	\$4.00
<u>FIRELINE</u>	
Base Facility Fee	
2"	\$8.00
3"	\$15.00
4"	\$25.00
6"	\$50.00
>8"	\$80.00

The Glades Utility Authority's (GUA), now known as the Western Region, was absorbed on May 1, 2013. For customers in the service area that had been served by the GUA, rates will remain the same for 8 years. At which time, the rates will be raised or lowered to equal the County's rates plus 7%.

At September 30, 2013, the Department had the following numbers of customers to whom this rate schedule applies:

Potable Water: 10,917 Wastewater: 9,526

DEBT CAPACITY INFORMATION

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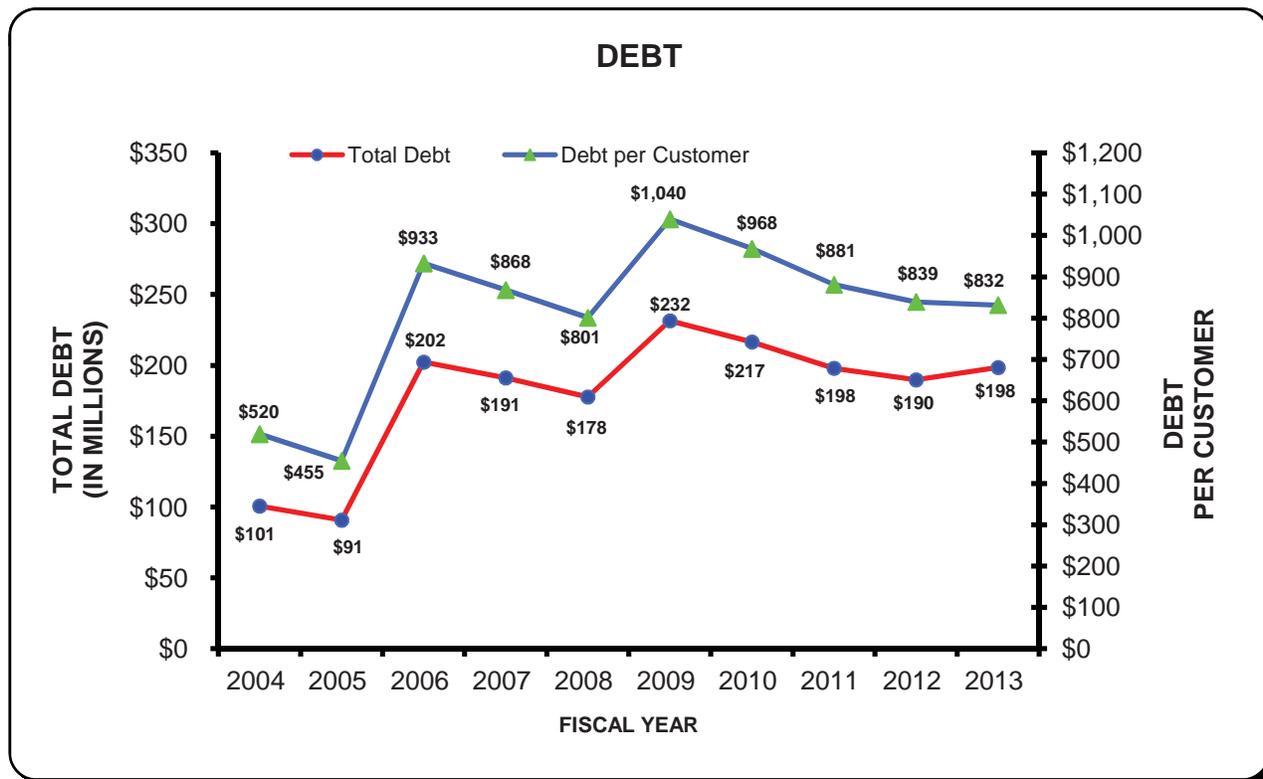
PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

	Water & Sewer Revenue Bonds	Pro Rata Share of Joint Venture Debt	Total Debt	Debt per Customer	
2013	\$198,494,000	-	(1)	\$198,494,000	\$832
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	

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.

(1) On September 14, 2012, the ECR paid in full the remaining balance of the 20 year revolving loans.



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

Fiscal Year Ended Sept 30	Operating			Nonoperating		Available for Debt Service			Debt Service Requirements			Coverage Ratio	
	Revenues	Expenses ⁽¹⁾	Expenses ⁽²⁾	Revenues	(Expenses) ⁽²⁾	Net Revenues	Connection Fees ⁽³⁾	Revenues & Connection Fees	Principal	Interest	Total Debt Service	Excluding Connection Fees	Including Connection Fees
2013	\$162,397,200	\$104,747,218	\$7,696,002	\$65,345,984	\$7,659,599	\$73,005,583	\$7,394,115	\$73,005,583	\$7,386,929	\$9,071,030	\$16,457,959	3.97x	4.44x
2012	153,770,117	100,798,052	9,598,962	62,571,027	7,394,115	69,965,142	4,667,389	69,965,142	6,465,000	9,263,137	15,728,137	3.98	4.45
2011	151,561,873	99,590,580	7,659,951	59,631,244	4,667,389	64,298,633	5,224,365	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	5,516,661	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	10,495,450	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	10,409,149	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	7,263,826	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	6,519,295	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	5,542,493	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		46,304,712	9,610,000	3,908,276	13,518,276	3.02	3.43

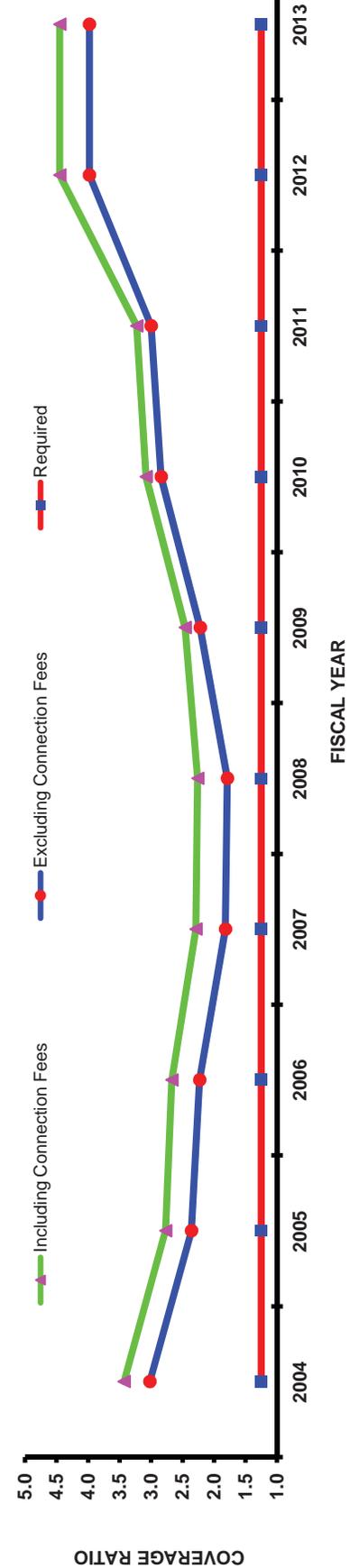
Notes:

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

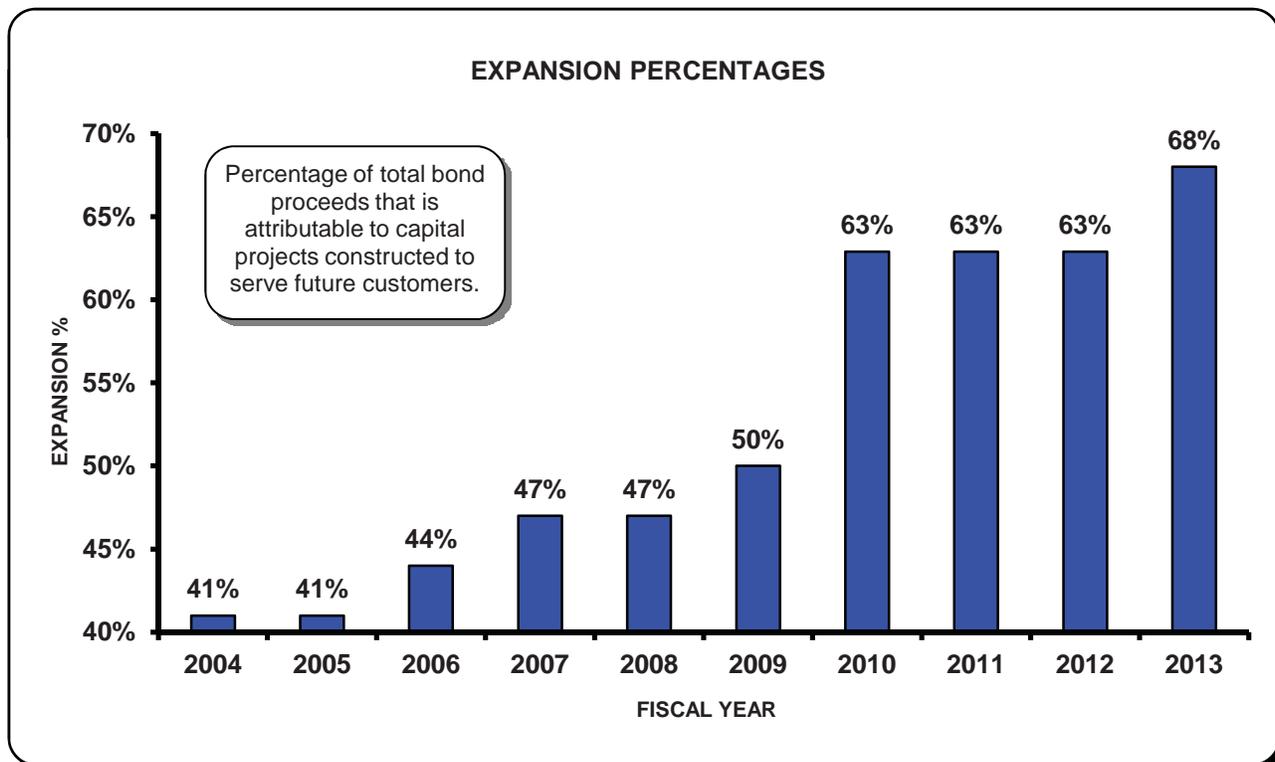
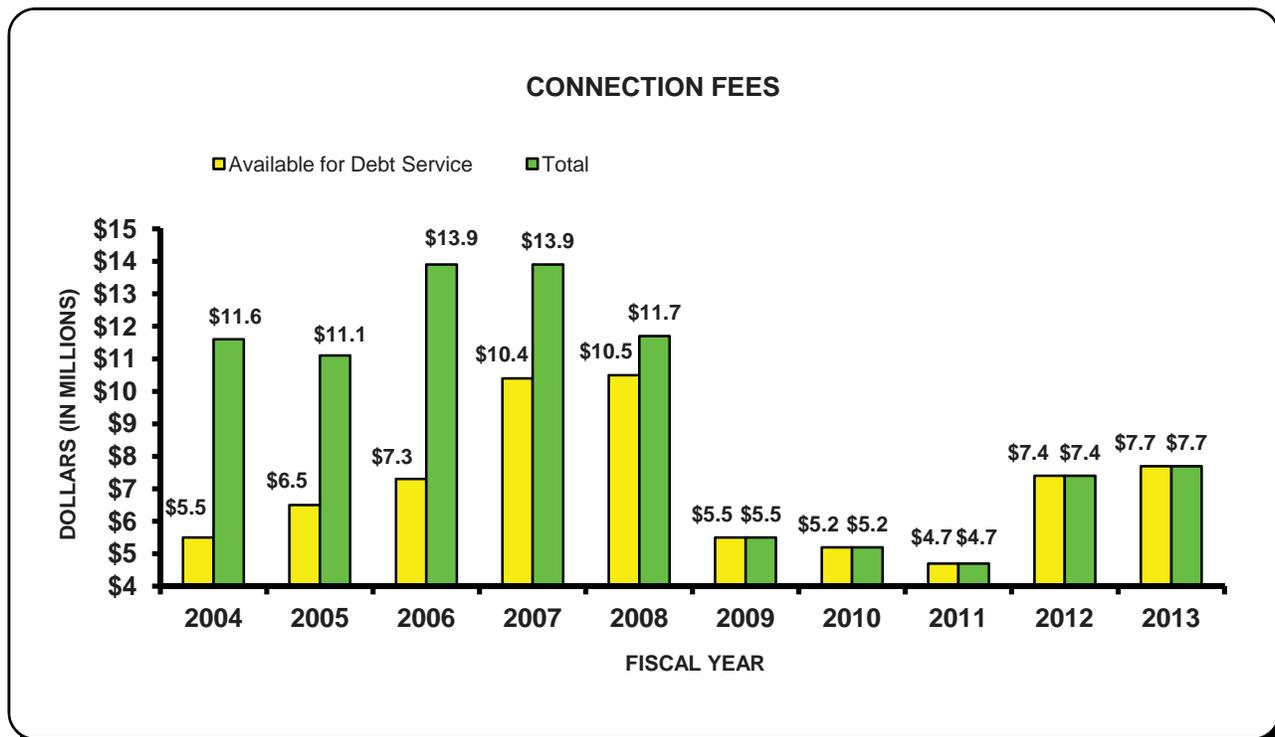
⁽²⁾ Nonoperating revenues (expenses) exclude interest on debt, gain or loss on disposal of fixed assets, and grants.

⁽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.

PLEDGED-REVENUE COVERAGE



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

Year	Population	Personal Income (000)	Per Capita Personal Income	Civilian Labor Force	Unemployment Rate
2013	1,345,652	N/A	N/A	640,219	7.1%
2012	1,335,415	\$ 75,461,490	\$55,628	622,775	9.2
2011	1,325,758	72,053,351	53,871	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

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 2013 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	2013			2004		
	Employees	Rank	%	Employees	Rank	%
Palm Beach County School Board	20,810	1	3.25	18,672	1	3.12
Palm Beach County Government	11,000	2	1.72	9,000	2	1.50
Tenet Healthcare Corp (1)	6,100	3	0.95	4,705	3	0.79
NextEra Energy (Florida Power & Light)	3,804	4	0.59	2,800	5	0.47
G4S (Wackenhut Corp)	3,000	5	0.47	-	-	-
Florida Atlantic University	2,980	6	0.47	-	-	-
Hospital Corporation of America (HCA) (2)	2,714	7	0.42	4,000	4	0.67
Veterans Health Administration	2,700	8	0.42	-	-	-
Bethesda Memorial Hospital	2,643	9	0.41	-	-	-
Boca Raton Regional Hospital	2,250	10	0.35	1,700	9	0.28
Boca Raton Resort & Club	-		-	2,380	6	0.40
U.S. Sugar Corporation	-		-	2,200	7	0.37
The Breakers Hotel	-		-	2,000	8	0.33
Florida Crystals	-		-	2,000	8	0.33
Total	58,001		9.05	49,457		8.26
Balance from other employers	582,894		90.95	549,296		91.74
Grand totals	640,895		100.00	598,753		100.00

Source: Business Development Board of Palm Beach County

Notes:

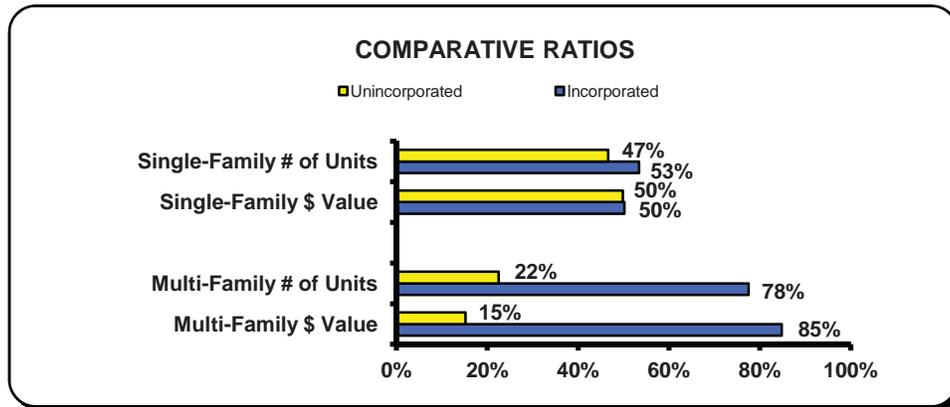
Although the Department's service area is primarily unincorporated, some municipalities or parts of municipalities are included in the service area. See the Department's Service Area and Major Facilities map on page 10.

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
2013	1,241	497	1,354	1,959	2,595	2,456
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
Totals	15,701	4,018	17,975	13,869	33,676	17,887

VALUE (in millions):

	Unincorporated		Incorporated		Total	
	Single	Multi-Family	Single	Multi-Family	Single	Multi-Family
2013	\$480	\$63	\$448	\$179	\$928	\$242
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
Totals	\$4,647	\$343	\$4,682	\$1,916	\$9,329	\$2,259

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

Function	2013	2012	2011	2010 ⁽¹⁾	2009	2008 ⁽²⁾	2007	2006 ⁽³⁾	2005	2004
Water:										
Treatment	101	100	101	98	110	113	93	91	83	81
Distribution	89	89	89	92	93	92	93	90	84	79
Wastewater:										
Treatment	39	39	39	39	40	41	39	37	28	28
Collection	88	89	90	91	90	95	97	88	78	76
Customer accounts	55	55	56	57	57	62	61	61	53	53
Administration	91	86	87	82	85	79	79	71	71	71
Western Region ^{(1) & (4)}	67	71	68	70	-	-	-	-	-	-
Engineering	<u>29</u>	<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>
Total positions	<u><u>559</u></u>	<u><u>558</u></u>	<u><u>559</u></u>	<u><u>558</u></u>	<u><u>505</u></u>	<u><u>518</u></u>	<u><u>498</u></u>	<u><u>474</u></u>	<u><u>433</u></u>	<u><u>427</u></u>

Notes:

- (1) 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.
- (2) Lake Region Water Treatment Plant (13 employees) came online in March 2008.
- (3) 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.
- (4) On May 1, 2013 the Department absorbed the GUA. It is now called the Western Region.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
INCREASE IN SERVICES:			
Potable water meters	11,572	1,253	935
Potable water dwelling units	12,544	1,447	936
Wastewater dwelling units	11,075	1,204	799
WATER SUPPLY, TREATMENT, AND DISTRIBUTION SYSTEMS:			
RAW WATER WELLS:			
Wells	103	109	102
Permitted yearly withdrawal (millions)	35,194	38,792	33,284
Permitted maximum mgd	139.02	106.28	137.39
TREATMENT PLANTS:			
Average finished water mgd	52.04	53.01	53.78
Primary plants	5	5	5
Combined permitted treatment capacity mgd	113.28	104.28	104.38
Plant 2 (West Lake Worth)	16.40	14.40	14.50
Plant 3 (West Delray)	30.00	30.00	30.00
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
Plant 11 (Western Region)	10.00	-	-
DISTRIBUTION SYSTEM:			
Miles of pipe	2,364	2,152	2,141
Storage and repump stations	17	17	17
Interconnects	24	21	20
Fire hydrants	17,593	16,582	16,353
Valves	34,048	32,584	32,234
Air relief valves	637	617	616

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.

When the Glades Utility Authority (GUA) was absorbed on May 1, 2013, Plant 11 was reactivated, which was previously contributed to the GUA on October 1, 2009.

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

The 2013 increase in services includes the following from the GUA absorption:

10,224 potable water meters; 10,900 potable water dwelling units; and 9,515 wastewater dwelling units.

Plant 10 was contributed to Royal Palm Beach on July 16, 2013 and is no longer owned by the Department.

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,020	878	1,427	2,801	15,678	4,978	4,567
1,037	903	1,544	3,366	17,319	5,756	5,866
893	784	1,367	2,944	16,154	4,954	4,014
102	109	105	94	94	79	78
33,284	38,792	36,043	32,600	32,600	31,751	31,751
137.39	144.45	144.45	134.09	134.09	129.62	129.62
51.94	57.59	53.31	52.80	55.05	53.70	51.69
5	6	6	5	5	4	4
104.38	114.38	114.38	97.88	97.88	91.38	91.38
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	30.00	20.00	20.00	20.00	20.00
26.88	26.88	26.88	26.88	26.88	26.88	26.88
3.00	3.00	3.00	6.50	6.50	-	-
-	10.00	10.00	-	-	-	-
2,121	2,126	2,162	2,081	2,064	1,880	1,784
17	17	17	18	10	11	11
14	15	15	14	14	15	15
16,235	16,066	15,866	15,630	14,834	13,396	12,517
32,026	31,213	31,392	30,820	30,633	26,993	25,990
611	620	609	573	484	451	399

(continued)

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

(continued) 2013 2012 2011

WASTEWATER COLLECTION AND TREATMENT SYSTEMS:

TREATMENT PLANTS:

Maximum 3-month rolling average mgd	42.30	43.87	45.45
Average wastewater treated mgd	38.46	38.81	42.77
Primary plants	3	2	2
Combined permitted treatment capacity mgd	66.70	59.00	58.50
Southern Region Reclamation Facility	35.00	35.00	35.00
Department's share @ East Central Regional			
Wastewater Facilities	24.00	24.00	23.50
Western Region Belle Glade WTP	6.50	-	-
Western Region Pahokee WTP	1.20	-	-
Northern Region Wastewater Treatment Plant (Royal Palm Beach)	-	-	-

COLLECTION SYSTEM:

Miles of gravity wastewater line	1,238	1,165	1,157
Pump stations	886	803	768
Miles of force main	588	532	530
Valves	3,541	3,383	3,335
Air relief valves	746	726	721
Manholes	31,132	29,457	29,246

EFFLUENT DISPOSAL:

Deep injection wells	7	6	5
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RECLAIMED WATER:

Average reclaimed water provided mgd	12.57	11.37	14.22
Permitted for reclaimed water irrigation mgd	30.85	22.00	22.00
Combined wetlands mgd (included in average mgd)	2.72	1.92	2.63
Green Cay Wetlands mgd	0.66	0.67	0.93
Wakodahatchee Wetlands mgd	0.83	0.63	0.90
Century Village mgd	1.23	0.62	0.80
Miles of pipe	57	55	55
Flush hydrants	101	99	99
Valves	477	471	467
Air relief valves	100	98	99
Vacuum relief valves	24	-	-

N/A = not available

Notes:

The Village of Royal Palm Beach's (RPB) Utility System was acquired on April 27, 2006, and the wastewater treatment plant was taken out of service on May 20, 2008. The plant was returned to RPB on July 16, 2013. The miles of force main reported for 2009 were fewer than 2008 as a result of feature review process conducted in 2009.

The Glades Utility Authority was absorbed on May 1, 2013.

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

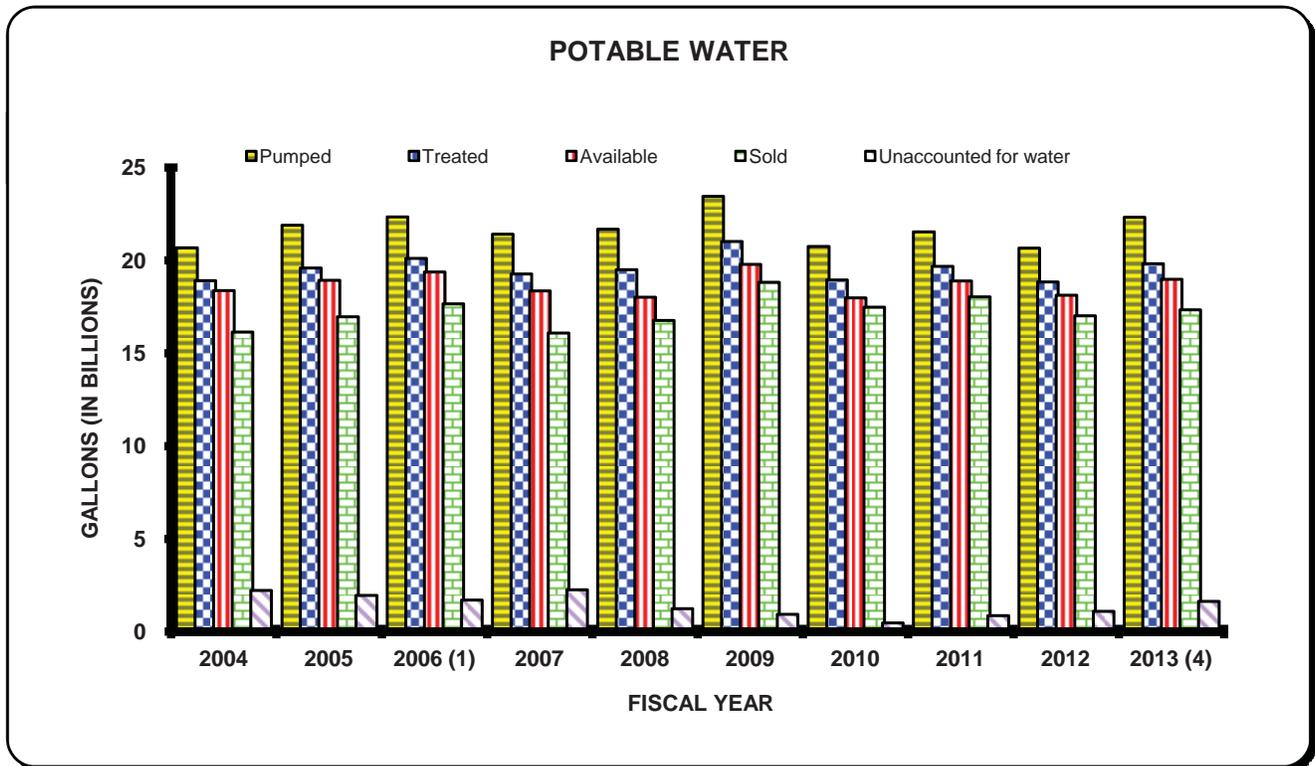
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
39.60	38.00	34.98	33.41	36.70	37.20	33.73
37.90	37.10	34.25	33.38	35.45	36.14	33.13
2	2	2	3	3	2	2
58.50	58.50	58.50	56.70	56.70	47.50	47.50
35.00	35.00	35.00	35.00	35.00	35.00	35.00
23.50	23.50	23.50	19.50	19.50	12.50	12.50
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2.20	2.20	-	-
1,152	1,145	1,142	1,132	1,103	953	963
764	767	764	762	750	692	674
524	518	533	519	469	409	392
3,288	3,190	3,126	3,042	2,803	2,278	2,240
711	705	696	671	524	457	450
29,117	29,033	28,849	28,623	27,866	24,033	23,550
5	6	6	4	4	4	4
12.40	12.78	10.30	11.69	10.40	9.51	9.50
22.00	22.00	22.00	22.00	22.00	22.00	22.00
2.05	1.86	1.17	0.99	1.30	1.07	0.87
0.73	0.51	0.55	0.13	0.70	-	-
0.82	0.75	0.62	0.86	0.60	1.07	0.87
0.50	0.60	-	-	-	-	-
36	33	27	24	23	19	29
97	92	84	84	73	66	62
336	353	294	245	240	222	207
48	44	44	38	34	33	32

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

(in million gallons)	2013 ⁽⁴⁾	2012	2011	2010	2009	2008	2007	2006 ⁽¹⁾	2005	2004
Pumped	22,340	20,672	21,538	20,758	23,463	21,681	21,422	22,353	21,902	20,686
Treated ⁽²⁾	19,824	18,845	19,690	18,960	21,021	19,512	19,285	20,119	19,600	18,917
Available ⁽³⁾	18,991	18,139	18,909	17,987	19,787	18,028	18,368	19,389	18,943	18,380
Sold	17,346	17,022	18,040	17,496	18,832	16,770	16,099	17,664	16,971	16,143
Unaccounted for water	1,645	1,117	869	491	955	1,258	2,269	1,725	1,972	2,237
"Unaccounted for water" as a percentage of water available	8.7%	6.2%	4.6%	2.7%	4.8%	7.0%	12.4%	8.9%	10.4%	12.2%

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.
- ⁽⁴⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority (GUA). The percentage includes the GUA data.

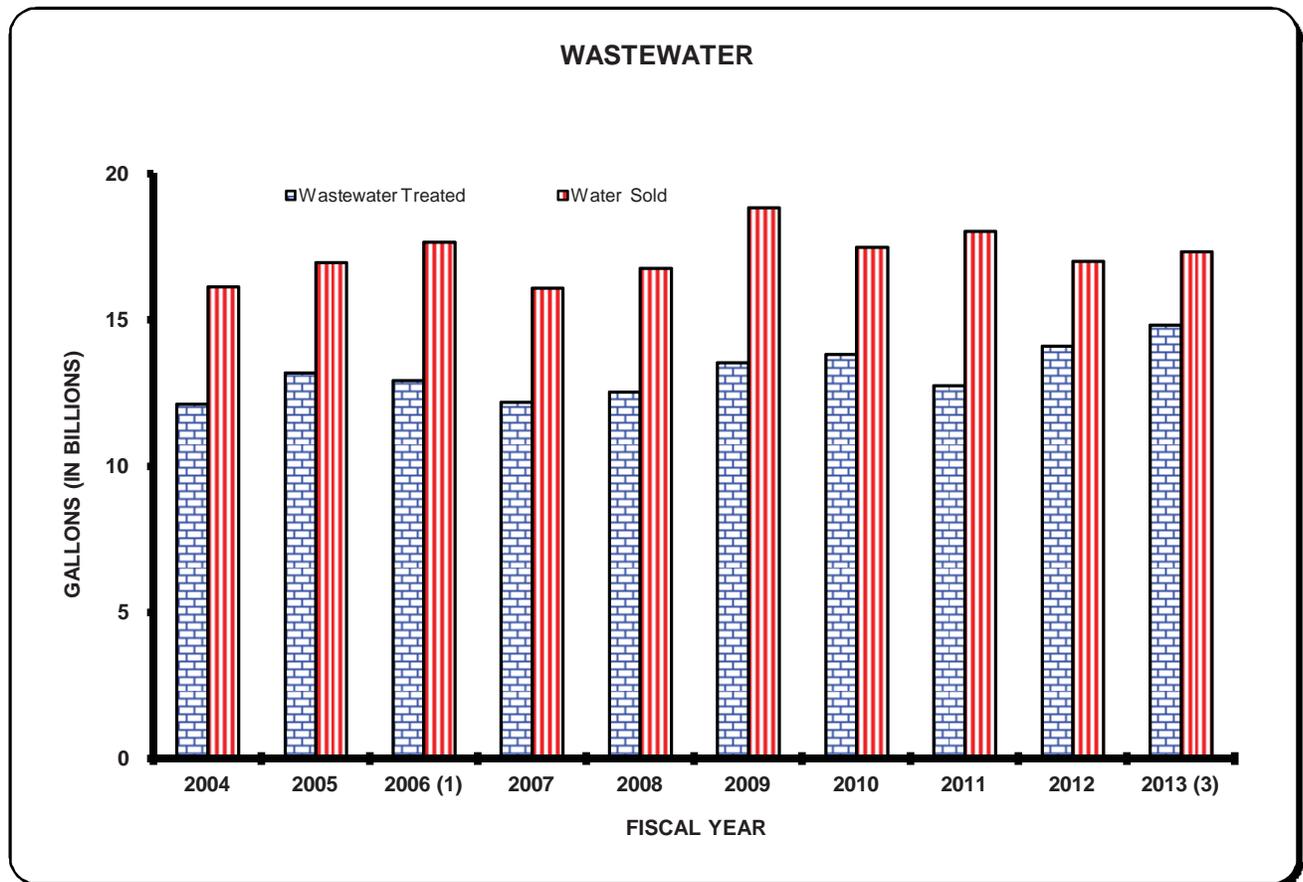


PALM BEACH COUNTY, FLORIDA
WATER UTILITIES DEPARTMENT
WASTEWATER TREATED
 Last Ten Fiscal Years

(in million gallons)	2013 ⁽³⁾	2012	2011	2010	2009	2008	2007	2006 ⁽¹⁾	2005	2004
Department plants	9,180	8,615	7,820	8,359	7,981	7,694	7,874	8,672	8,549	7,837
ECR ⁽²⁾	5,653	5,499	4,949	5,463	5,567	4,843	4,311	4,266	4,641	4,290
Total Treated	14,833	14,114	12,769	13,822	13,548	12,537	12,185	12,938	13,190	12,127
Daily Average	40.6	38.6	35.0	37.9	37.1	34.3	33.4	35.4	36.1	33.1

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.
- ⁽³⁾ On May 1, 2013, the Department absorbed the Glades Utility Authority (GUA). The amount treated includes GUA data.



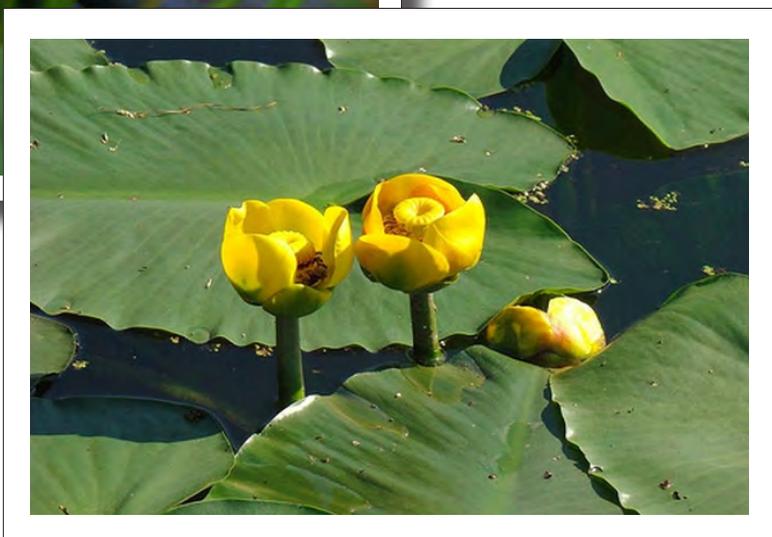
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Compliance Report



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**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 in accordance with the 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, the accompanying statement of net position of the Palm Beach County, Florida Water Utilities Department (the "Department") as of September 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and have issued our report thereon dated March 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

West Palm Beach, Florida
March 27, 2014

