

Public Utilities

SYSTEM



Annual Financial Report

Manatee County

FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2010



Manatee County
FLORIDA

**MANATEE COUNTY, FLORIDA
PUBLIC UTILITIES SYSTEM**

for the fiscal year ended

September 30, 2010

Board of County Commissioners

Donna Hayes, Chairman

Gwendolyn Brown

Ron Getman

Larry Bustle

Joe McClash

John Chappie

Carol Whitmore

**Clerk of Circuit Court and Comptroller
R. B. "Chips" Shore**

**County Administrator
Ed Hunzeker**

**Finance Director
Daniel R. Wolfson**

Prepared by the Office of the Clerk of Circuit Court



This report was printed on recycled stock



Manatee County
FLORIDA

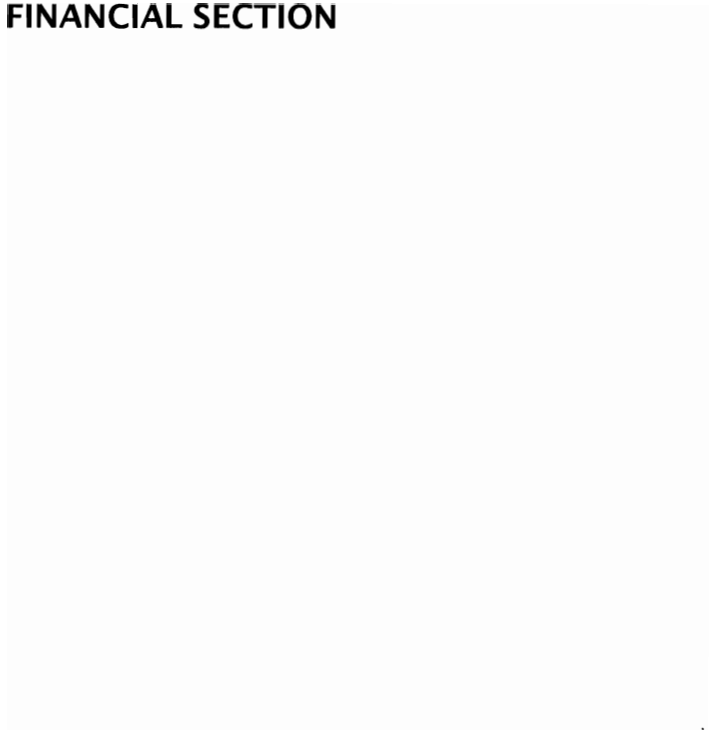
C O N T E N T S

	<u>Page</u>
Financial Section:	
Independent Auditors' Report	1a-1b
Management's Discussion and Analysis	2-6
Basic Financial Statements:	
Statements of Net Assets	7-8
Statements of Revenues, Expenses and Changes in Fund Net Assets	9
Statements of Cash Flows	10-11
Notes to Financial Statements	12-21
Other Supplementary Information:	
Revenue Bond Issues – Description	22-23
Schedule of Debt Service Requirements	24-26
Schedules of Debt Service Coverage	27
Five-Year Summary of Historic Operating Data	28
Solid Waste Tipping Fee Comparison	29
Historic Growth of Water and Wastewater Divisions Services and Single-Family Residential Water and Wastewater Bills in Manatee County and Surrounding Areas	30
Other Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32



Manatee County
FLORIDA

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Board of County Commissioners
Manatee County, Florida

We have audited the accompanying basic financial statements of Manatee County, Florida, Public Utilities System (the "System"), as of and for the years ended September 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of Manatee County, Florida, as of September 30, 2010 and 2009, and changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration, of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report, is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 6, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the System's financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Shinn & Company, P.A.

Shinn & Company, P.A.
Bradenton, Florida

Larson Allen LLP

Larson Allen LLP
Tampa, Florida

December 20, 2010

Management's Discussion and Analysis

As Clerk of Circuit Court and Comptroller for the Manatee County Public Utilities System (the System), I offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal years ended September 30, 2010 and 2009.

Financial Highlights

- The System's assets exceeded its liabilities at September 30, 2010 and 2009 by \$685,918,500 and \$667,787,950 (net assets), respectively. Of this amount \$81,889,979 for 2010 and \$93,706,718 for 2009 (unrestricted net assets) was available to meet the System's ongoing obligations.
- The System's total net assets increased \$18,130,550 in fiscal year 2010 and \$32,301,372 in fiscal year 2009.
- Total bonded debt of the Public Utilities System amounts to \$86,907,768 at September 30, 2010, a decrease of \$12,087,999 from fiscal year 2009.
- Interest rates declined slightly this past fiscal year, resulting in decreased interest earnings for the System. Interest earning rates declined from 2.45% in 2009 to 1.22% in 2010.
- Closure estimates of the County's Lena Road landfill approved by state and federal authorities resulted in an increase to the cash closure account of \$2,022,966 for fiscal year 2010. The County now holds \$34,305,521 for closure purposes with the current estimated remaining landfill life of 23 years.

Overview of the Financial Statements

The Statements of Net Assets provide the reader with detail about the assets of the Public Utilities System as well as its outstanding liabilities. The difference between assets and liabilities is reported as net assets. The net asset presentation shows additional breakdowns, which may help the reader's understanding of what are the available resources of the System versus those that are restricted. Changes in net assets over time may be helpful in indicating an improving or a deteriorating financial position. The Statements of Net Assets appear on pages 7 to 8.

The Statements of Revenues, Expenses and Changes in Fund Net Assets, provided on page 9, present the revenues and expenses of the current and previous fiscal years, which resulted from operations. The net of revenue less expense, when combined with other nonoperating sources such as interest income, interest expense, grants and contributions, results in the net income the System generated for the fiscal year, which increased the net assets presented on the Statements of Net Assets. A review of this statement for both fiscal years 2010 and 2009 can indicate the on-going health of a business operation.

The Public Utilities System's Statements of Cash Flows, presented on pages 10 to 11, show those items which resulted in additions and subtractions to the Public Utilities System's cash balance for the fiscal year. A reconciliation of the cash change to the operating income of the Public Utilities System's Statements of Revenues, Expenses and Changes in Fund Net Assets is included.

The Notes to the Financial Statements for the Public Utilities System provide background information that meets stringent governmental accounting reporting requirements and give the reader additional information that may not be readily seen on the actual statements. Examples of such information include: a breakdown of assets owned by the System, its contingent liabilities, debt requirements and capitalization of interest and retirement information. The notes can be found on pages 12 to 21 and are an integral part of the financial statements.

Other information, not presented as a part of the basic financial statements, is available on pages 22 to 30 that may be of additional interest to readers of the financial statements.

Analysis of Financial Statements

My discussion of the Public Utilities System's financial statements includes an analysis of major changes in the System's assets and liabilities for fiscal years 2010 and 2009 as well as a look at changes in revenues and expenses as presented in the accompanying statements.

	Net assets (in thousands)		
	2010	2009	2008
Assets:			
Current and other assets	\$ 152,537	\$ 171,869	\$ 186,495
Capital assets	687,540	664,007	627,734
Total assets	<u>840,077</u>	<u>835,876</u>	<u>814,229</u>
Liabilities:			
Long-term liabilities	136,937	149,238	161,637
Other liabilities	17,222	18,850	17,105
Total liabilities	<u>154,159</u>	<u>168,088</u>	<u>178,742</u>
Net assets:			
Invested in capital assets, net of related debt	597,733	568,304	526,210
Restricted for construction projects	1,481	1,791	1,771
Restricted for landfill closure	4,814	3,986	2,594
Unrestricted	81,890	93,707	104,912
Total net assets	<u>\$ 685,918</u>	<u>\$ 667,788</u>	<u>\$ 635,487</u>

Net Assets

As noted earlier in my discussion, changes in net assets over time can be one of the best and most useful indicators of the System's financial position. The System's increase in net assets for this fiscal year amounts to \$18,130,550, a decrease of \$14,170,822 over the 2009 increase in net assets of \$32,301,372. The change was attributable primarily to a substantial decrease in the acquisition of contributed assets.

Of the Public Utilities System's \$685,918,500 in net assets, \$597,733,491 (87%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. The remaining balance of \$88,185,009 consists of \$81,889,979 in unrestricted net assets that may be used to meet the System's ongoing obligations, as well as \$6,295,030 in restricted net assets.

At the end of the current and prior fiscal years, the Public Utilities System is able to report positive balances in all categories of net assets.

Cash and Accounts Receivable

The System's cash and cash equivalents as of September 30, 2010 amounted to \$128,971,920, a decrease of \$20,669,763 over fiscal year 2009. At September 30, 2009, cash and cash equivalents amounted to \$149,641,683, a decrease of \$16,629,608 over fiscal year 2008. These 13.81% and 10% decreases, respectively, can be attributed mainly to payments to vendors and contractors for operating supplies and services, acquisition and construction of capital assets and lower interest earnings.

Accounts receivable for trade and unbilled revenues of \$14,251,505, net of a \$3,010,830 allowance for uncollectible accounts, represents a 10.82% increase from fiscal year 2009, mainly due to a slight increase in customer consumption as a result of the economy's overall recovering conditions, offset by an increase of \$532,082 for allowance for bad debts as a result of increased customer bankruptcies. Accounts receivable balances in fiscal year 2009 increased 6.24% from the prior year. A rate increase effective October 1, 2008 helped to increase the System's operating revenues in fiscal year 2009.

Change in Net Assets

The key elements of the System's increased net assets (in thousands) are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Program revenues			
Charges for services	\$ 125,527	\$ 127,401	\$ 130,703
Operating grants and contributions	43	192	91
Capital grants and contributions	15,236	23,099	52,851
General revenues			
Interest income	2,006	4,739	7,214
Miscellaneous	533	1,168	453
Gain on disposition of assets	38	64	24
Total revenues	<u>143,383</u>	<u>156,663</u>	<u>191,336</u>
Expenses:			
Water and sewer operations	88,292	88,527	88,779
Solid waste operations	31,394	30,010	40,894
Stormwater operations	3,383	3,888	4,402
Total expenses	<u>123,069</u>	<u>122,425</u>	<u>134,075</u>
Increase in net assets before transfers	20,314	34,238	57,261
Transfers	(2,184)	(1,937)	(72)
Increase in net assets	<u>18,130</u>	<u>32,301</u>	<u>57,189</u>
Net assets - beginning	<u>667,788</u>	<u>635,487</u>	<u>578,298</u>
Net assets - ending	<u>\$ 685,918</u>	<u>\$ 667,788</u>	<u>\$ 635,487</u>

Operations

Charges for services decreased by \$1,874,083 during fiscal year 2010. A significant portion of the decrease is related to solid waste and the water and sewer operations. The Solid Waste decrease is attributable to a reduction in garbage collection, both residential and commercial, due to an increasing number of vacant homes through foreclosures, coupled with decreased revenue generated from recyclable white goods and yard waste received at the landfill. The Water and Sewer decrease is attributable to a reduction in water consumption as more homes were vacated through foreclosure and continued conservation efforts. Capital grants and contributions totaled \$15,235,874 during fiscal year 2010. This was down from the fiscal year 2009 amount of \$23,099,266 primarily due to reduced donated infrastructure and reimbursements to the water and sewer operations from the Environmental Protection Agency and the Southwest Florida Water Management District for costs related to the Wares Creek project.

Total expenses increased by \$643,852 (.53%) across all operations as a result of economic factors and restructuring of services to obtain a lower cost base within the system. Overall the Water and Sewer operating expenses decreased from 2009; a major emergency repair at the Southwest Sewer Plant was offset by a reduction in debt service interest payments. The increase in Solid Waste operating expenses is attributable to an increase in dirt purchases necessary to fill the landfill, and an increase in Lena Road landfill closure and postclosure care costs is a result of a revision to the total landfill closure cost. Increases across all operations were offset by a significant reduction in personal services as a result of early retirements, restructuring and elimination of positions.

Capital Assets

As an enterprise operation, the System's continuing investment in capital assets can give the reader a strong indication of the System's ongoing expansion and increase in business. Capital assets for the System include such items as land, water and sewer treatment plants, and lines, landfill improvements, drainage systems and all the requisite equipment and machinery needed to run and maintain such a large operation. Capital assets are not available for future spending needs and cannot be used to liquidate liabilities. Other resources will be needed to repay any associated debt. Capital assets are, therefore, separately presented in net assets and are net of any accumulated depreciation and associated debt.

Major additions of assets in fiscal year 2010 included the following (in thousands):

- \$43,824 for the construction of the Manatee Agricultural Reuse and Reclaim Water System (MARS) placed in use at various locations in the County.
- \$14,761 for the construction of County-Wide Sludge Dryer System.
- \$7,905 for donated equipment and infrastructure assets to the water and sewer systems.
- \$4,321 for the construction of the new lab building at the Southwest Water Treatment Plant.
- \$4,240 for the construction of a Water Storage Tank.

Major additions of assets in fiscal year 2009 included the following (in thousands):

- \$15,476 for donated equipment and infrastructure assets to the water and sewer systems.
- \$8,526 for construction of various Lena Road landfill buildings, including administration offices, the equipment and maintenance facility, the operations building and the white goods facility.
- \$6,214 for rehabilitation, replacements, and structural improvements to the water and sewer, reclaimed water lines and components.
- \$3,394 for the new scada computer and hardware system at the southeast and northwest wastewater treatment plants.
- \$3,168 for phase three expansion of the methane gas collection system.
- \$2,251 for water and sewer improvements along the Cortez Road bridge.
- \$1,532 for upgrade and improvements to the reclaimed water distribution system at the southwest regional wastewater treatment plant.

Additional information related to the System's capital assets can be found in note 5 on page 15 of this report.

Administration of Debt

At September 30, 2010, the System had total bonded debt outstanding of \$86,907,768 and a State Revolving Fund loan of \$2,593,862.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue bonds	\$ 86,907,768	\$ 98,995,767	\$ 110,751,886
State Revolving Fund Loan	<u>2,593,862</u>	<u>3,187,427</u>	<u>3,760,532</u>
Total	<u>\$ 89,501,630</u>	<u>\$ 102,183,194</u>	<u>\$ 114,512,418</u>

During fiscal years 2010 and 2009, the System's total debt decreased by \$12,681,564 and \$12,329,224, respectively. This decrease was primarily related to the normal bond maturities and loan principal payments.

The constitution of the State of Florida, Florida Statute 200.181 and Manatee County set no legal debt limit. Additional information on the System's long-term debt can be found in notes 6 and 7 on pages 16 to 18 of this report.

Economic Factors and Year 2011 Budgets and Rates

Factors considered in preparing Manatee County's budget for the 2011 fiscal year included:

- The Consumer Price Index decreased 1.1% over the previous year's rate. Although not specific to Manatee County, it does provide economic guidance for budgeting.
- The unemployment rate for Manatee County is currently 12.6%, a slight decrease from the 12.7% rate reported in the previous fiscal year.
- Population decreased 3.64% from the fiscal year ending September 30, 2009 to 318,176.
- The number of construction permits increased 28.16% over the previous fiscal year reflecting the beginning of a rebound in new housing starts during the current fiscal year.
- The number of metered water and sewer customers has increased in each of the last five years.
- In October 2008, utility rates were increased, as planned for in the most recent rate resolution, for both water and sewer in order to provide revenues for maintenance and improvements to the systems. New solid waste hauler franchise agreements became effective October 1, 2008, one in each of the two franchise service areas. No utility rate or tipping fee increases were required for fiscal year 2010. Both utility rate and tipping fee increases were required for the new fiscal year and become effective in January, 2011.

Requests for Information:

This financial report is designed to provide a general overview of the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Clerk of Circuit Court and Comptroller, Manatee County, P.O. Box 25400, Bradenton, Florida 34206-5400. I also suggest you visit our web site, www.manateclerk.com for further financial information.



Manatee County
FLORIDA

**Manatee County Public Utilities System
Statements of Net Assets
September 30, 2010 and 2009**

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 83,092,431	\$ 98,704,181
Accounts receivable:		
Trade (net of allowance of \$3,010,830 and \$2,478,748 for 2010 and 2009, respectively)	7,610,482	6,872,809
Unbilled revenue	6,641,023	5,987,813
Interest receivable	153,049	363,907
Due from other funds	48,729	45,551
Sewer assessments receivable	43,719	50,460
Due from other governmental units	1,055,093	2,977,986
Prepaid items	448,354	86,483
Inventory	2,869,808	2,985,599
Deposits	3,352,902	1,145,020
Total current assets	<u>105,315,590</u>	<u>119,219,809</u>
Current restricted assets:		
Cash and cash equivalents	11,573,968	18,654,947
Interest receivable	18,425	61,587
Total current restricted assets	<u>11,592,393</u>	<u>18,716,534</u>
Noncurrent assets:		
Restricted cash and cash equivalents	34,305,521	32,282,555
Advances to other funds	50,847	99,576
Sewer assessments receivable	392,173	456,052
Deferred charges	880,524	1,094,720
Land and other nondepreciable assets	103,753,804	160,515,460
Capital assets, net of accumulated depreciation	583,785,714	503,491,173
Total noncurrent assets	<u>723,168,583</u>	<u>697,939,536</u>
Total assets	<u>840,076,566</u>	<u>835,875,879</u>

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

<u>Liabilities</u>	2010	2009
Current liabilities:		
Accounts payable	5,791,698	6,331,638
Wages and benefits payable	1,107,142	1,051,190
Due to other governmental units	1,680	1,377
Contracts and retainages payable	1,744,791	3,231,914
Compensated absences	142,723	128,126
Total current liabilities	<u>8,788,034</u>	<u>10,744,245</u>
Current liabilities (payable from restricted assets):		
Accounts payable	5,166	73,806
Interest payable	46,300	56,895
Contracts and retainages payable	1,309,564	1,393,882
Loan payable	614,755	593,565
Customer deposits	6,457,462	5,987,412
Total current liabilities (payable from restricted assets)	<u>8,433,247</u>	<u>8,105,560</u>
Noncurrent liabilities:		
Arbitrage Rebate	129,230	333,017
Compensated absences	3,034,426	2,900,933
Other post employment benefits	3,905,920	2,592,642
Closure liability	29,491,608	28,296,017
Loan payable	1,979,107	2,593,862
Revenue bonds noncurrent (net of discount/ premium and plus accreted interest)	98,396,494	112,521,653
Total noncurrent liabilities	<u>136,936,785</u>	<u>149,238,124</u>
Total liabilities	<u>154,158,066</u>	<u>168,087,929</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	597,733,491	568,303,579
Restricted for construction projects	1,481,117	1,791,115
Restricted for landfill closure	4,813,913	3,986,538
Unrestricted	81,889,979	93,706,718
Total net assets	<u>\$ 685,918,500</u>	<u>\$ 667,787,950</u>



Manatee County

FLORIDA

**Manatee County Public Utilities System
Statements of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Years ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water sales	\$ 37,037,516	\$ 38,697,908
Wastewater treatment charges	52,424,238	51,782,115
Solid waste charges	36,065,513	36,921,327
Miscellaneous revenues	532,687	1,168,305
Total operating revenues	<u>126,059,954</u>	<u>128,569,655</u>
Operating expenses:		
Water and sewer:		
Personal services	23,081,754	23,649,446
General and administrative	17,161,329	16,946,499
Water treatment and distribution	9,484,253	10,788,886
Wastewater collection and treatment	14,296,868	14,216,160
Solid waste:		
Personal services	2,936,554	3,076,003
Landfill operation	6,014,218	4,495,990
Garbage collection	19,146,271	19,362,122
Stormwater:		
Personal services	1,425,671	1,796,580
General and administrative	1,524,196	1,656,237
Depreciation and amortization	23,990,566	21,933,388
Total operating expenses	<u>119,061,680</u>	<u>117,921,311</u>
Operating income	<u>6,998,274</u>	<u>10,648,344</u>
Nonoperating revenues (expenses):		
Operating grants	43,082	191,563
Interest income	2,006,116	4,738,122
Interest expense	(3,772,469)	(4,503,619)
Gain (loss) on disposition of assets	(196,404)	64,222
Total nonoperating revenues (expenses)	<u>(1,919,675)</u>	<u>490,288</u>
Income before contributions and transfers	5,078,599	11,138,632
Capital grants and contributions	15,235,874	23,099,266
Transfers from other funds	1,782,483	1,953,237
Transfers to other funds	(3,966,406)	(3,889,763)
Change in net assets	<u>18,130,550</u>	<u>32,301,372</u>
Total net assets - beginning	<u>667,787,950</u>	<u>635,486,578</u>
Total net assets - ending	<u>\$ 685,918,500</u>	<u>\$ 667,787,950</u>

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

**Manatee County Public Utilities System
Statements of Cash Flows
For Fiscal Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 124,509,473	\$ 126,341,169
Cash payments to vendors for goods and services	(50,674,459)	(49,193,312)
Cash payments to employees for services	(21,312,330)	(22,097,558)
Cash payments to other funds	(21,428,514)	(21,354,639)
Net cash provided by operating activities	<u>31,094,170</u>	<u>33,695,660</u>
Cash flows from noncapital financing activities:		
Operating grants	317,157	215,920
Transfers in	1,782,483	1,953,237
Transfers out	(3,966,406)	(3,889,763)
Repayment of advance between funds	45,551	42,373
Net cash provided (used) by noncapital financing activities	<u>(1,821,215)</u>	<u>(1,678,233)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(40,010,252)	(39,141,487)
Deposits paid on construction agreements	(2,275,000)	-
Refund of deposits paid on construction agreements	126,382	-
Principal payments on debt	(12,681,564)	(12,329,224)
Interest payments on debt	(7,125,153)	(7,478,811)
Receipt of contributed capital	8,924,172	5,107,070
Proceeds from sale of assets	1,064,657	345,495
Net cash provided (used) by capital and related financing activities	<u>(51,976,758)</u>	<u>(53,496,957)</u>
Cash flows from investing activities:		
Interest on investments	<u>2,034,040</u>	<u>4,849,922</u>
Net increase (decrease) in cash and cash equivalents	(20,669,763)	(16,629,608)
Cash and cash equivalents, October 1	<u>149,641,683</u>	<u>166,271,291</u>
Cash and cash equivalents, September 30	<u>\$ 128,971,920</u>	<u>\$ 149,641,683</u>
Classified as:		
Current assets	\$ 83,092,431	\$ 98,704,181
Restricted assets	<u>45,879,489</u>	<u>50,937,502</u>
Cash and cash equivalents, September 30	<u>\$ 128,971,920</u>	<u>\$ 149,641,683</u>

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

	<u>2010</u>	<u>2009</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>6,998,274</u>	\$ <u>10,648,344</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,851,758	21,776,942
Amortization	138,808	156,446
Provision for uncollectables	601,308	1,150,217
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,992,191)	(1,905,647)
Due from other governmental units	-	49,901
Prepaid items	(361,871)	11,225
Inventory	115,791	(436,447)
Increase (decrease) in:		
Accounts payable	(1,440,971)	411,240
Due to other governmental units	303	83
Wages and benefits payable	55,952	46,495
Compensated absences	148,090	43,574
Other post employment benefits	1,313,278	1,375,443
Closure liability	1,195,591	578,608
Customer deposits	470,050	(210,764)
Total adjustments	<u>24,095,896</u>	<u>23,047,316</u>
Net cash provided by operating activities	\$ <u><u>31,094,170</u></u>	\$ <u><u>33,695,660</u></u>
Non-cash investing, capital, and financing activities:		
Loss on disposition of assets	\$ 234,633	\$ -
Acquisition of contributed assets	7,904,759	15,475,664

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010**

Note 1 Summary of Significant Accounting Policies

The accounting policies and the presentation of the financial report of the Manatee County Public Utilities System have been designed to conform to generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The Public Utilities System applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations but has elected not to apply FASB pronouncements issued after November 30, 1989.

The following is a summary of the significant accounting policies:

Reporting Entity - In January 1991, the "Public Utilities System Revenue Bond Resolution" was passed which established the Manatee County Public Utilities System. The Public Utilities System is the combination of the Water and Sewer, Solid Waste, and Stormwater Enterprise Funds, which are included in the Comprehensive Annual Financial Report of Manatee County for the fiscal year ended September 30, 2010. The Public Utilities System accounts for the operation of the County's potable water, wastewater, and reclaimed water services, as well as the operations of solid waste collection, disposal and recycling. It also includes the operations of the stormwater (surface water) management system.

Basis of Accounting - Governmental proprietary operations are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. Operating revenues generally result from providing goods and services such as water, sewerage and solid waste collections. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses or other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental units, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

Investments - Investments are stated at fair value in accordance with GASB 31.

Inventories - Inventory quantities are determined by physical count and stated at cost using the first-in-first-out cost basis for chemicals and at a moving average for spare parts.

Capital Assets - Property, plant and equipment are stated at cost when purchased or constructed. Donated property, plant and equipment are recorded at their estimated fair market value on the date received.

The County maintains a \$1,000 threshold for additions to equipment. Buildings are capitalized when the value is \$15,000 or greater. System infrastructure assets represent major expenditures for such items as water and sewer treatment plants and lines, landfill improvements and drainage systems. Additions and improvements for system infrastructure are capitalized when the cost amounts to \$250,000. Software purchases and internally generated additions to software are capitalized as intangible assets when their cost equals or exceeds \$75,000 and are amortized over 7 years. Expenses for plant maintenance and repairs are charged to operating expense as incurred.

Depreciation has been provided using the straight-line method. The estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Life - Years</u>
Buildings	15 - 75
Equipment	5 - 10
Autos and trucks	3 - 12
System infrastructure	20 - 40
Improvements	7 - 15

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010

Note 1 Summary of Significant Accounting Policies – Continued

Capitalization of Interest - Interest costs incurred during the construction period, net of interest income from the proceeds of related tax exempt bonds, are capitalized as part of the cost of the related assets.

Total interest cost and the amount capitalized consisted of the following for the year ended September 30:

	<u>2010</u>	<u>2009</u>
Interest cost	\$ 5,152,787	\$ 5,722,594
Amount capitalized	<u>1,380,318</u>	<u>1,218,975</u>
Amount expensed	<u>\$ 3,772,469</u>	<u>\$ 4,503,619</u>

Deferred Bond and Loan Issue Costs - Issue costs are amortized by using the outstanding principal method and are included in deferred charges in the accompanying Statements of Net Assets.

Amortization of Discount and Premium on Bonds - Amortization of discount and premium on bonds is determined by using the outstanding principal method and is recorded as an adjustment to interest expense each year over the life of the debt.

Recognition of Income on Cycle-Billed Accounts - Water, sewer and solid waste charges are billed at various dates each month on a cycle billing method. Unbilled service revenues are accrued at the end of the fiscal year by prorating actual billings.

Compensated Absences and Other Post-employment Benefits - The Public Utilities System participates in Manatee County's policies related to the accumulation of annual and sick leave and other post-employment benefits other than pensions. A liability and expense has been recognized for these future benefits.

Implementation of Governmental Accounting Standards Statements - Governmental Accounting Standards Board (GASB) Statement No. 51 "Accounting and Financial Reporting for Intangible Assets" establishes accounting and financial reporting for intangible assets for state and local governments effective for periods beginning after June 15, 2009. As a Phase 1 government for the purpose of implementing GASB Statement 34, Manatee County has applied retroactive reporting for all material intangible assets except for those considered to have indefinite useful lives as of the effective date of the Statement and those considered to be internally generated.

Note 2 Cash and Cash Equivalents

Cash and cash equivalents are cash on hand as well as demand deposits, investments and certificates of deposit included in pooled cash with original maturities of three months or less. Investments include securities and certificates of deposit with original maturities of three months or greater.

Note 3 Investments

The Board of County Commissioners uses the Pooled Cash method of accounting for investments. All temporary excess cash of the governmental and proprietary funds and certain external (non-county) agencies, are grouped together to be invested in a variety of investments, in accordance with Florida State Statute 218 and County's Investment Policy, as approved by the Board of County Commissioners. The total of the investments and cash in the bank equates to the total pooled cash of all of the respective funds, and is referred to as the Investment Pool (the "Pool"). There is not a one to one relationship between any individual investment and any one fund that participates in the Pool. The Public Utilities System participates in the Pool.

Detailed information on the statement of financial position of the Pool, the composition of the County's investment portfolio stated at fair value in accordance with GASB 31, and disclosure of custodial credit risk, credit quality risk, concentration of credit risk and interest rate risk is detailed in Footnote 3 of the FY 2010 Comprehensive Annual Financial Report (CAFR), available at www.manateeclerk.com.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010**

Note 3 Investments - Continued

The portfolio composition at September 30, 2010 was:

<u>Type and Number of Investments</u>	<u>Fair Value Method</u>	<u>Fair Value Amount (expressed in thousands)</u>
Cash and certificates of deposit (12)	Cost	\$ 164,030
External Government Investment Pools (4)	Amortized Cost or NAV	128,700
US Treasury Notes (15)	Quoted Market	120,852
Government Sponsored Enterprises (21)	Quoted Market	165,284
Total	Cost	<u>\$ 578,866</u>

Note 4 Restricted Assets

Restricted assets, as provided for by resolutions adopted by the County Commission for the issuance of the revenue bonds and the landfill closure escrow account required by state and federal laws and regulations, are as follows:

<u>September 30, 2010</u>			
	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
Debt service funds	\$ 647,602	\$ 13,453	\$ 661,055
Customer deposits	6,457,462	-	6,457,462
Construction funds	4,468,904	4,972	4,473,876
Landfill closure escrow	34,305,521	-	34,305,521
Total	<u>\$ 45,879,489</u>	<u>\$ 18,425</u>	<u>\$ 45,897,914</u>

<u>September 30, 2009</u>			
	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
Debt service funds	\$ 619,321	\$ 31,139	\$ 650,460
Customer deposits	5,987,412	-	5,987,412
Construction funds	12,048,214	30,448	12,078,662
Landfill closure escrow	32,282,555	-	32,282,555
Total	<u>\$ 50,937,502</u>	<u>\$ 61,587</u>	<u>\$ 50,999,089</u>

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010

Note 5 Capital Assets

	<u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30</u>
As of September 30, 2009				
Capital assets not depreciated:				
Land	\$ 23,877,179	\$ 454,879	\$ -	\$ 24,332,058
Construction in progress	128,428,091	40,931,902	33,176,591	136,183,402
Total assets not depreciated	<u>152,305,270</u>	<u>41,386,781</u>	<u>33,176,591</u>	<u>160,515,460</u>
Capital assets depreciated:				
Buildings	12,733,195	9,874,092	-	22,607,287
System infrastructure	723,790,489	37,929,484	-	761,719,973
Machinery and equipment	28,121,617	2,317,196	1,699,442	28,739,371
Total assets depreciated	<u>764,645,301</u>	<u>50,120,772</u>	<u>1,699,442</u>	<u>813,066,631</u>
Less accumulated depreciation:				
Buildings	4,651,390	434,250	-	5,085,640
System infrastructure	270,711,562	18,484,379	-	289,195,941
Machinery and equipment	13,853,733	2,858,313	1,418,169	15,293,877
Total accumulated depreciation	<u>289,216,685</u>	<u>21,776,942</u>	<u>1,418,169</u>	<u>309,575,458</u>
Total depreciable capital assets, net	<u>475,428,616</u>	<u>28,343,830</u>	<u>281,273</u>	<u>503,491,173</u>
Total capital assets, net	<u>\$ 627,733,886</u>	<u>\$ 69,730,611</u>	<u>\$ 33,457,864</u>	<u>\$ 664,006,633</u>
 As of September 30, 2010				
Capital assets not depreciated:				
Land	\$ 24,332,058	\$ 363,077	\$ -	\$ 24,695,135
Construction in progress	136,183,402	41,035,025	98,159,758	79,058,669
Total assets not depreciated	<u>160,515,460</u>	<u>41,398,102</u>	<u>98,159,758</u>	<u>103,753,804</u>
Capital assets depreciated:				
Buildings	22,607,287	6,978,152	395,723	29,189,716
System infrastructure	761,719,973	93,023,253	-	854,743,226
Machinery and equipment	28,739,371	5,405,955	3,985,151	30,160,175
Total assets depreciated	<u>813,066,631</u>	<u>105,407,360</u>	<u>4,380,874</u>	<u>914,093,117</u>
Less accumulated depreciation:				
Buildings	5,085,640	611,047	245,433	5,451,254
System infrastructure	289,195,941	20,258,958	-	309,454,899
Machinery and equipment	15,293,877	2,981,753	2,874,380	15,401,250
Total accumulated depreciation	<u>309,575,458</u>	<u>23,851,758</u>	<u>3,119,813</u>	<u>330,307,403</u>
Total depreciable capital assets, net	<u>503,491,173</u>	<u>81,555,602</u>	<u>1,261,061</u>	<u>583,785,714</u>
Total capital assets, net	<u>\$ 664,006,633</u>	<u>\$ 122,953,704</u>	<u>\$ 99,420,819</u>	<u>\$ 687,539,518</u>

Depreciation expense was \$23,851,758 and \$21,776,942 for fiscal years ending September 30, 2010 and 2009, respectively.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010

Note 6 Revenue Bonds Payable

The following is long-term liability activity for the fiscal years 2009 and 2010:

	<u>Revenue Bonds</u>	<u>Loans Payable</u>	<u>Compensated Absences</u>	<u>OPEB Liability</u>	<u>Closure Liability</u>	<u>Total</u>
Balance at:						
October 1, 2008	\$ 123,033,066	\$ 3,760,532	\$ 2,985,485	\$ 1,217,199	\$ 27,717,409	\$ 158,713,691
Additions	1,275,590	-	1,536,755	1,749,000	578,608	5,139,953
Deductions	<u>14,400,000</u>	<u>573,105</u>	<u>1,493,181</u>	<u>373,557</u>	-	<u>16,839,843</u>
September 30, 2009	109,908,656	3,187,427	3,029,059	2,592,642	28,296,017	147,013,801
Additions	1,098,224	-	1,556,517	1,478,000	1,195,591	5,328,332
Deductions	<u>14,800,000</u>	<u>593,565</u>	<u>1,408,427</u>	<u>164,722</u>	-	<u>16,966,714</u>
September 30, 2010	<u>\$ 96,206,880</u>	<u>\$ 2,593,862</u>	<u>\$ 3,177,149</u>	<u>\$ 3,905,920</u>	<u>\$ 29,491,608</u>	<u>\$ 135,375,419</u>
Due within one year at:						
September 30, 2009	-	\$ 593,565	\$ 128,126	-	-	\$ 721,691
September 30, 2010	-	614,755	142,723	-	-	757,478

Revenue bonds payable consisted of the following at September 30:

	<u>2010</u>	<u>2009</u>
\$62,663,809 Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C, less unamortized discount of \$7,137 and \$12,196 for 2010 and 2009, respectively, plus value accretion on Capital Appreciation Bonds of \$7,067,647 and \$8,878,568 for 2010 and 2009, respectively.	\$ 9,465,934	\$ 12,194,795
\$51,152,344 Public Utilities Revenue Refunding Bonds, Series 1993A, less unamortized discount of \$4,209 and \$5,611 for 2010 and 2009, respectively, plus value accretion on Capital Appreciation Bonds of \$2,231,465 and \$2,034,321 for 2010 and 2009, respectively.	3,664,600	3,466,054
\$16,620,000 Public Utilities Revenue Refunding Bonds, Series 2001A, less unamortized discount of \$0 and \$1,168 for 2010 and 2009, respectively.	-	694,722
\$74,545,000 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003, plus unamortized premium of \$1,226,484 and \$1,494,542 for 2010 and 2009.	48,721,484	56,964,542
\$44,895,000 Public Utilities Revenue Improvement Bonds, Series 2006, plus unamortized premium of \$974,476 and \$1,136,540 for 2010 and 2009, respectively.	<u>36,544,476</u>	<u>39,201,540</u>
Total	<u>\$ 98,396,494</u>	<u>\$ 112,521,653</u>

\$62,663,809 Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C - These bonds are dated July 1, 1991, with an interest rate of 7.25% and amounts ranging from \$859,532 of capital appreciation serial bonds due October 1, 2011 to \$745,429 due October 1, 2013 and are payable upon redemption or at maturity in an amount (the accreted value) equal to the initial principal amount of such bonds, plus interest compounded semi-annually on April 1 and October 1 of each year.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010**

Note 6 Revenue Bonds Payable - Continued

\$51,152,344 Public Utilities Revenue Refunding Bonds, Series 1993A - These bonds are dated September 1, 1993, with an interest rate of 5.00% and \$1,437,344 of capital appreciation serial bonds due October 1, 2013 and are payable upon redemption or at maturity in an amount (the accreted value) equal to the initial principal amount of such bonds, plus interest compounded semi-annually on April 1 and October 1 of each year.

\$74,545,000 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003 - These bonds are dated October 1, 2003, with interest rates varying from 3.40% to 5.25% and amounts ranging from \$8,990,000 of principal due October 1, 2011 to \$2,890,000 due October 1, 2023 with a maximum principal payment of \$9,415,000 due October 1, 2012. Interest is payable semi-annually on April 1 and October 1 of each year until final maturity in 2023.

\$44,895,000 Public Utilities Revenue Improvement Bonds, Series 2006 - These bonds are dated September 13, 2006, with interest rates varying from 4.00% to 5.00% and amounts ranging from \$2,595,000 of principal due October 1, 2011 to \$4,010,000 due October 1, 2021. Interest is payable semi-annually on April 1 and October 1 of each year until final maturity in 2021.

The total annual debt service requirements as of September 30 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 12,444,532	\$ 6,627,058	\$ 19,071,590
2012	12,915,463	6,159,547	19,075,010
2013	10,522,773	8,554,317	19,077,090
2014	4,820,000	2,416,095	7,236,095
2015	5,040,000	2,198,845	7,238,845
2016-2020	28,870,000	7,308,449	36,178,449
2021-2023	<u>12,295,000</u>	<u>997,157</u>	<u>13,292,157</u>
Total	<u>\$ 86,907,768</u>	<u>\$ 34,261,468</u>	<u>\$ 121,169,236</u>

Although principal payments are due on October 1, the Public Utilities System makes its payments on September 30. Accordingly, the principal and one-half of the interest amounts on this schedule are not due until the first day following the fiscal year indicated and no amount is reported as the current portion of revenue bonds payable on the Statement of Net Assets.

The Public Utilities Revenue Bonds, Series 1991C, Series 1993A, Series 2003 and Series 2006 Bonds are payable solely from and secured by a first lien upon and a pledge of the net revenues of the Public Utilities System. The Public Utilities System consists of the County's Water and Sewer System, Solid Waste System and Stormwater Management System. The pledge of the net revenues by the County from the operations of the Public Utilities System does not constitute a lien upon the Public Utilities System or any other property of the County. The covenants of the resolution authorizing the Public Utilities Revenue Bonds, Series 1991C, 1993A, 2003 and 2006 include, among other things, an obligation of the County to fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and facilities of its Public Utilities System, and to revise the same from time to time whenever necessary, as will always provide in each year net revenues, as defined in the resolution authorizing the revenue bonds which shall be adequate to pay at least one hundred fifteen percent (115%) of the annual debt service requirements for the Public Utilities System. The Public Utilities System was in compliance with these covenants for the years ended September 30, 2010 and 2009.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010**

Note 7 State Revolving Fund Loan

On October 1, 1992, the Manatee County Board of County Commissioners entered into a loan agreement with the State of Florida Wastewater Treatment and Stormwater Management Revolving Loan Fund for \$13,603,440. These loan proceeds were disbursed to Manatee County in varying amounts as expended for the purpose of constructing effluent and sewer collection systems. The total amount of these loan proceeds, borrowed under this loan agreement, is \$10,360,103, with interest at 3.57%. The State Revolving Fund Loan payable consisted of \$2,593,862 and \$3,187,427 at September 30, 2010 and 2009, respectively.

The total annual debt service requirements as of September 30 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 614,755	\$ 92,601	\$ 707,356
2012	636,702	70,654	707,356
2013	659,432	47,924	707,356
2014	682,973	24,382	707,355
Total	<u>\$ 2,593,862</u>	<u>\$ 235,561</u>	<u>\$ 2,829,423</u>

For State Revolving Fund Loan purposes, the Public Utilities System shall maintain rates, fees and charges for services furnished by the System which will be sufficient to provide, in each fiscal year, pledged revenues equal to or exceeding 115% of the annual loan payment. Pledged revenues are those revenues derived yearly from the operation of the System after payment of operation and maintenance expenses, deposits, if any, into the Rate Stabilization Fund and the satisfaction of all yearly payment obligations on the System's revenue bond issues. The System was in compliance with this covenant for the years ended September 30, 2010 and 2009.

Note 8 Defeased Revenue Bonds

On November 20, 1984, the County refunded all bonds outstanding at that date by issuance of \$72,872,181 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1984. The bonds refunded include Water and Sewer Revenue Refunding and Improvement Bonds, Series 1978, 1978A and 1983.

On September 30, 1987, \$28,065,000 Water and Sewer Revenue Refunding Bonds, Series 1987, dated September 1, 1987, were issued. The proceeds were used to refund the Water and Sewer Revenue Refunding and Improvement Bonds, Series 1984 maturing in the years 1997 through 2009 and to pay certain costs and expenses related to the issuance of the bonds.

On May 9, 1991, the County refunded the \$41,175,000 Water and Sewer Revenue Improvement Bonds, Series 1987 by issuance of the \$37,840,000 Public Utilities Revenue Refunding Bonds, Series 1991B. Simultaneously with the issuance of the Series 1991B Bonds, sufficient funds were escrowed to refund the \$28,065,000 Water and Sewer Revenue Refunding Bonds, Series 1987.

On July 2, 1991, the County refunded \$10,864,676 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1984, \$31,310,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1986 and \$15,250,000 Water and Sewer Revenue Improvement Bonds, Series 1988 by issuance of the \$62,663,809 Public Utilities Revenue Refunding Bonds, Series 1991C.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010

Note 8 Defeased Revenue Bonds - Continued

On October 13, 1993, the County refunded the \$38,380,000 of outstanding Public Utilities Revenue Improvement Bonds, Series 1991A maturing in the years 2002 through 2013 and \$6,255,000 of the Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C term bonds maturing in 2013 by issuance of the \$51,152,343 Public Utilities Revenue Refunding Bonds, Series 1993A.

On June 4, 1996, the County accomplished a cash defeasance of \$19,620,000 outstanding Public Utilities Revenue Refunding Bonds, Series 1991B which have been fully paid.

On August 8, 2001, \$16,620,000 Public Utility Revenue Bonds, Series 2001A, dated July 15, 2001, were issued. The proceeds were used to refund the \$6,020,000 of outstanding Public Utilities Revenue Refunding Bonds, Series 1991B and \$9,965,000 of outstanding Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C serial and term bonds, which have been fully paid.

On October 1, 2003, the County refunded \$36,220,000 of Public Utilities Revenue Refunding Bonds, Series 1993A, which have been fully paid, by issuance of the \$74,545,000 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003.

The following schedule reflects the outstanding principal on refunded bonds, by issue, at September 30:

	<u>2010</u>	<u>2009</u>
\$73,265,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1978	\$ -	\$ 20,900,000
\$20,000,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1978A	-	1,395,000
Total Public Utilities Revenue Bonds	\$ -	\$ 22,295,000

The above bonds, having been refunded by the full cash advance refunding method, are not reflected in the financial statements as liabilities of the Public Utilities System.

Note 9 Retirement Plan

Substantially all full-time county employees are participants in the Florida Retirement System, "The System," a multiple-employer, cost-sharing public retirement system. The System, which is controlled by the State Legislature and administered by the State of Florida, Department of Management Services, Division of Retirement, covers approximately 701,337 full-time employees of various governmental units within the State of Florida.

The System provides for vesting of benefits after 6 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 6 or more years of service. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to this retirement system.

Effective with the State fiscal year 2002, the State created a new retirement plan within the System; the Public Employee Optional Retirement Program (the "FRS Investment Plan"). Any regular member, not in the Deferred Retirement Option Program (DROP) is eligible to participate in the FRS Investment Plan. Employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. The employee directs the investments in their account among the investment funds available through the Plan. These investment accounts vest to the employee after 1 year of service and may be withdrawn by the employee 90 days after termination or retirement from a participating employer in the System. Alternately, the funds may remain in the investment account until the employee reaches normal retirement age or some earlier date, at the employee's choosing. Employees are not required to contribute to the FRS Investment Plan.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010

Note 9 Retirement Plan – Continued

The County has no responsibility to the System other than to make the periodic payments required by state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Florida Division of Retirement, P. O. Box 9000, Tallahassee, FL 32315-9000.

Participating employer contributions are based upon statewide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees, 10.77%, special risk employees, 23.25%, elected officials, 18.64% and senior management, 14.57%. The County's contributions made during the years ended September 30, 2010, 2009 and 2008 were \$20,499,569, \$20,254,913 and \$20,652,224 respectively, which include the Public Utilities System's contribution of \$1,927,348, \$1,830,013 and \$1,846,107 respectively, equal to the actuarially determined contribution requirements for each year.

Note 10 Post Employment Benefits Other Than Pension

The Public Utilities System participates in the Manatee County's Government policies related to other post-retirement benefits other than pensions. The County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 effective October 1, 2007, which resulted in the recognition of other post employment benefits liability of \$3,905,920 and \$2,592,642 as of September 30, 2010 and 2009, respectively. For full disclosure of the plan description and funding status, as well as actuarial methods and assumptions, refer to Note 19 and the Required Supplementary Information included in the Manatee County's Comprehensive Annual Financial Report for fiscal year ended September 30, 2010.

Note 11 Commitments and Contingencies

Litigation - Manatee County Public Utilities System is involved in certain litigation, as a defendant or plaintiff, arising in the ordinary course of operations. In the opinion of management and legal counsel the range of potential recoveries or liabilities will not materially affect the financial position of the System.

Grant Programs - Manatee County Public Utilities System participates in a number of federal and state grant programs for capital projects. This funding is subject to financial and compliance audits by the grantors or their representatives.

Contract Commitments - Open construction contracts totaled approximately \$12,061,987 and \$29,181,272 at September 30, 2010 and 2009, respectively.

Arbitrage Rebate - In accordance with the Tax Reform Act of 1986, any interest earnings on borrowed construction funds in excess of the interest costs are required to be rebated to the federal government. The County has estimated that the liability in the Public Utilities System to be \$129,230 and \$333,017 at September 30, 2010 and 2009, respectively. These amounts have been reflected as a reduction of interest income for each year.

Note 12 Recognition of Closure and Post Closure Cost

State and federal laws require final cover and closure as well as postclosure care of Manatee County's Lena Road Landfill. Estimates include final cover, anticipated costs of equipment and facilities constructed near or after closure and thirty years of monitoring and maintenance costs subsequent to closing. Closure cost estimates are subject to regulatory review.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2010**

Note 12 Recognition of Closure and Post Closure Cost - Continued

The following schedule reflects the activity on Landfill closure as of September 30:

	<u>2010</u>	<u>2009</u>
Closure Costs (286 acres)	\$ 39,097,712	\$ 38,331,090
Post Closure costs (316 acres)	27,674,783	27,132,141
Current Closure Cost Estimate	<u>\$ 66,772,495</u>	<u>\$ 65,463,231</u>
Remaining Life	23	24
Landfill Capacity Used (%)	46.89%	46.01%
Closure/Postclosure liability	\$ 29,491,608	\$ 28,296,017
Current year closure/postclosure cost	\$ 1,195,591	\$ 578,608
Landfill Cash Escrow Account	\$ 34,305,521	\$ 32,282,555

The closure/postclosure liability for the landfill capacity that has been used is net, for both years reported above, of \$3,212,638 in closure payments paid in prior years. Closure costs of a permanently closed 30-acre section at Lena Road amounting to \$2,131,636 are not reflected in any of the above totals.

The landfill is required, by state and federal law and regulations, to make annual contributions to a cash escrow account to meet financial assurance requirements. The landfill is in compliance with these requirements at September 30, 2010 and 2009, with cash and investments of \$34,305,521 and \$32,282,555, respectively, held for these purposes. In the event closure escrows and interest earnings prove inadequate due to inflation, changes in technology or additional closure/postclosure care requirements, these costs may need to be covered by charges to future landfill users.



Manatee County

FLORIDA

OTHER SUPPLEMENTAL INFORMATION

**Manatee County, Florida
Revenue Bond Issues - Description
September 30, 2010**

	Revenue Refunding and Improvement Series 1991C	Revenue Refunding Series 1993A	Public Utilities Revenue Refunding and Improvement Series 2003
Original authorization	\$ 62,663,809	\$ 55,000,000	\$ 74,545,000
Unissued	-	3,847,656	-
Issued	<u>62,663,809</u>	<u>51,152,344</u>	<u>74,545,000</u>
Retirements	44,038,385	13,495,000	27,050,000
Refunded	<u>16,220,000</u>	<u>36,220,000</u>	-
Balance outstanding	<u>\$ 2,405,424</u>	<u>\$ 1,437,344</u>	<u>\$ 47,495,000</u>
Date of issue	July 1, 1991	September 1, 1993	October 1, 2003
Principal payment date	October 1	October 1	October 1
Interest payment dates	October	April-October	April-October
Denominations	\$5,000	\$5,000	\$5,000
Interest rates	7.25% Maturity 2011-2013	5.00% Maturity 2013	3.40%-5.0% Maturity 2011 3.60%-5.0% Maturity 2012 3.70%-5.0% Maturity 2013 3.75% Maturity 2014 3.95%-5.25% Maturity 2015 4.0%-5.25% Maturity 2016 4.125%-5.25% Maturity 2017 4.25%-5.125% Maturity 2018 5.125% Maturity 2019-2021 4.60% Maturity 2022 4.70% Maturity 2023
Effective interest cost rate	6.8156%	5.1965%	3.7840%
Call feature	N/A	2007-Maturity 100	2014-Maturity 100
Paying agent	US Bank New York, NY	Bank of New York Jacksonville, FL	US Bank Jacksonville, FL

System Bonds

**Revenue
Improvement
Series 2006**
\$ 44,895,000
-
44,895,000
9,325,000
-
\$ 35,570,000

September 13, 2006

October 1

April-October

\$5,000

4.00% Maturity

2011-2013

5.00% Maturity

2014

4.25% Maturity

2015-2016

5.00% Maturity

2017

4.00% Maturity

2018

5.00% Maturity

2019-2021

4.0410%

2016-Maturity 100

Commerce Bank, N.A.
Jacksonville, FL

**Manatee County, Florida
Schedule of Debt Service Requirements
September 30, 2010**

Public Utilities System Revenue Bonds

Fiscal Year	\$62,663,809 Series 1991C Bonds			\$51,152,344 Series 1993A Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 859,532	\$ 2,775,468	\$ 3,635,000	\$ -	\$ -	\$ -
2012	800,463	2,834,537	3,635,000	-	-	-
2013	745,429	2,889,571	3,635,000	1,437,344	2,892,656	4,330,000
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
	<u>\$ 2,405,424</u>	<u>\$ 8,499,576</u>	<u>\$ 10,905,000</u>	<u>\$ 1,437,344</u>	<u>\$ 2,892,656</u>	<u>\$ 4,330,000</u>

Fiscal Year	\$44,895,000 Series 2006 Bonds		
	Principal	Interest	Total
2011	\$ 2,595,000	\$ 1,615,600	\$ 4,210,600
2012	2,700,000	1,511,800	4,211,800
2013	2,805,000	1,403,800	4,208,800
2014	2,920,000	1,291,600	4,211,600
2015	3,065,000	1,145,600	4,210,600
2016	3,195,000	1,015,337	4,210,337
2017	3,330,000	879,550	4,209,550
2018	3,495,000	713,050	4,208,050
2019	3,635,000	573,250	4,208,250
2020	3,820,000	391,500	4,211,500
2021	4,010,000	200,500	4,210,500
	<u>\$ 35,570,000</u>	<u>\$ 10,741,587</u>	<u>\$ 46,311,587</u>

\$74,545,000
Series 2003 Bonds

Principal	Interest	Total
\$ 8,990,000	\$ 2,235,990	\$ 11,225,990
9,415,000	1,813,210	11,228,210
5,535,000	1,368,290	6,903,290
1,900,000	1,124,495	3,024,495
1,975,000	1,053,245	3,028,245
2,075,000	952,483	3,027,483
2,170,000	855,608	3,025,608
2,270,000	753,832	3,023,832
2,380,000	647,907	3,027,907
2,500,000	525,932	3,025,932
2,630,000	397,807	3,027,807
2,765,000	263,021	3,028,021
2,890,000	135,829	3,025,829
<u>\$ 47,495,000</u>	<u>\$ 12,127,649</u>	<u>\$ 59,622,649</u>

**Manatee County, Florida
Schedule of Debt Service Requirements
September 30, 2010**

State Revolving Fund Loan - Public Utilities System

Fiscal Year	Principal	Interest	Total
2011	\$ 614,755	\$ 92,601	\$ 707,356
2012	636,702	70,654	707,356
2013	659,432	47,924	707,356
2014	<u>682,973</u>	<u>24,382</u>	<u>707,355</u>
	<u>\$ 2,593,862</u>	<u>\$ 235,561</u>	<u>\$ 2,829,423</u>

Interest is calculated at the rate of 3.57% per annum on the unpaid principal.

**Manatee County Public Utilities System
Schedules of Debt Service Coverage
For the Fiscal Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Water and sewer	\$ 89,934,273	\$ 91,551,830
Stormwater	41,281	74,927
Solid waste	36,084,400	36,942,898
Interest earned:		
Water and sewer	1,306,920	3,032,955
Stormwater	78,598	287,242
Solid waste	620,598	1,417,925
Less interest not considered revenue for debt coverage:		
Interest earned on construction trust funds	(85,979)	(389,240)
Add revenue available for debt service coverage not included as operating revenues in financial statements:		
Operating grants	<u>43,082</u>	<u>191,563</u>
Total revenues available for debt service coverage	128,023,173	133,110,100
Less operating expenses (excluding depreciation and amortization)	<u>(95,071,114)</u>	<u>(95,987,923)</u>
Net revenues available for debt service	\$ 32,952,059	\$ 37,122,177
Debt service requirement	\$ 19,099,361	\$ 19,100,679
Debt service coverage	173%	194%

Manatee County Public Utilities System
Five-Year Summary of Historic Operating Data
(000's Omitted)

Fiscal Year Ended September 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues:					
Water sales	\$ 37,038	\$ 38,698	\$ 41,195	\$ 39,635	\$ 38,626
Wastewater treatment charges	52,424	51,782	48,059	46,731	44,465
Solid waste charges	36,066	36,921	41,448	40,780	37,897
Miscellaneous	576	1,360	544	746	572
Interest income ⁽¹⁾	1,920	4,349	6,104	8,154	6,520
Total operating revenues	<u>128,024</u>	<u>133,110</u>	<u>137,350</u>	<u>136,046</u>	<u>128,080</u>
Operating Expenses:					
Water operations	26,112	27,667	28,835	26,799	22,723
Sewer operations	37,913	37,934	38,030	35,623	32,864
Solid waste operations	28,097	26,934	37,997	35,778	33,233
Stormwater operations	2,950	3,453	4,003	3,708	3,211
Total operating expenses	<u>95,072</u>	<u>95,988</u>	<u>108,865</u>	<u>101,908</u>	<u>92,031</u>
Net revenue available for debt service	<u>\$ 32,952</u>	<u>\$ 37,122</u>	<u>\$ 28,485</u>	<u>\$ 34,138</u>	<u>\$ 36,049</u>
Debt service requirement ⁽²⁾	\$ 19,099	\$ 19,101	\$ 19,088	\$ 19,103	\$ 12,360
Coverage ratio of debt service requirement	1.73x	1.94x	1.49x	1.79x	2.92x

(1) Does not include interest income not available for debt service.

(2) For fiscal years ended September 30, 2010, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2003 and 2006 Public Utilities Systems Bonds. For fiscal years ended September 30, 2009, 2008, 2007 and 2006, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2001A, 2003 and 2006 Public Utilities Systems Bonds. For fiscal year ended September 30, 2005, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2001A and 2003 Public Utilities Systems Bonds.

**Manatee County, Florida
Public Utilities System
Solid Waste Tipping Fee Comparison
(as of September 30, 2010)**

Landfill Tipping Fees

Manatee County	
Standard Waste	
Autos	\$ 5.00/min
All other vehicles	
In-county	\$ 36.00/ton
Out-of-county	\$ 108.00/ton
Construction & Demolition Debris	
In-county	\$ 61.00/ton
Out-of-county	\$ 183.00/ton
Tires	\$ 86.00/ton
Lee County	
Standard Waste	
In-county	\$ 61.48/ton
Out-of-county	N/A
Construction & Demolition Debris	
In-county	\$ 35.00/ton
Out-of-county	N/A
Tires	\$ 90.00/ton
Tires (Off Road)	\$ 140.00/ton
Sarasota County	
Standard Waste	
In-county	\$ 57.56/ton
Out-of-county	N/A
Construction & Demolition Debris	
In-county	\$ 51.99/ton
Out-of-county	N/A
Tires	\$ 115.00/ton
Charlotte County	
Standard Waste/Construction & Demolition Debris	
In-county	\$ 36.00/ton
Out-of-county	\$ 72.00/ton
Tires	
In-county	\$ 115.00/ton
Out-of-county	\$ 130.00/ton
DeSoto County	
Standard Waste/Construction & Demolition Debris	
In-county	\$ 42.00/ton
Out-of-county	\$ 84.00/ton
Tires	\$ 200.00/ton
Hillsborough County	
Standard Waste/Construction & Demolition Debris	
In-county	\$ 41.00/ton
Out-of-county	N/A
Tires	\$ 80.29/ton
Pinellas County	
Standard Waste/Construction & Demolition Debris	
Passenger Car	\$ 2.00 per load
Pickup Trucks	\$ 10.00 per load
In-county	\$ 37.50/ton
Out-of-county	N/A
Tires	\$ 37.50/ton

**Manatee County, Florida
Public Utilities System
Historic Growth of Water and Wastewater Divisions Services
Number of Meters
(as of September 30, 2010)**

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2010	96,113	88,758
2009	95,349	87,723
2008	94,446	86,875
2007	93,375	85,890
2006	91,866	83,727

**Single-Family Residential Water and Wastewater Bills
in Manatee County and Surrounding Areas
(as of September 30, 2010) ⁽¹⁾**

	<u>Water</u>		<u>Wastewater</u>		<u>Total</u>	
	<u>6,000</u>	<u>10,000</u>	<u>6,000</u>	<u>10,000</u>	<u>6,000</u>	<u>10,000</u>
City of Tampa	\$ 16.41	\$ 27.97	\$ 31.28	\$ 46.92	\$ 47.69	\$ 74.89
Sarasota County	31.35	47.85	58.94	88.50	90.29	136.35
DeSoto County	45.50	69.10	54.14	76.90	99.64	146.00
Manatee County	17.28	25.72	38.14	52.01	55.42	77.73
Pinellas County	30.96	49.44	33.03	48.15	63.99	97.59
Hillsborough County	31.62	48.66	41.86	50.20	73.48	98.86

Source: Manatee County

(1) based on 6,000/10,000 gallons/month

OTHER INFORMATION

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of County Commissioners of Manatee County and management and is not intended to be and should not be used by anyone other than these specified parties.

Shinn & Company, P.A.

Shinn & Company, P.A.
Bradenton, Florida

Larson Allen LLP

Larson Allen LLP
Tampa, Florida

December 20, 2010