

PUBLIC UTILITIES SYSTEM



Annual Financial Report

MANATEE COUNTY FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2013

On the cover: An image titled “Water Above, Water Below” by Don Brandes, one of several such images commissioned by RealizeBradenton to grace the Riverwalk along the Manatee River.

Before reaching the Manatee River, water filters over and through the land of a 360 square-mile watershed. This system has supported the animal and plant life in Florida for millions of years and we still rely on it today. We are pleased that Realize Bradenton has agreed to the use of this postcard for our cover.

**MANATEE COUNTY, FLORIDA
PUBLIC UTILITIES SYSTEM**

for the fiscal year ended

September 30, 2013

Board of County Commissioners

Larry Bustle, Chairman

Vanessa Baugh

Betsy Benac

John Chappie

Robin DiSabatino

Michael Gallen

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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Manatee County, Florida, Public Utilities System (the "System"), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the System'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of the System, as of September 30, 2013 and 2012, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the respective financial position of Manatee County, Florida, as of September 30, 2013 and 2012, and the respective changes in its financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-6 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, 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 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 System's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, FL
December 16, 2013

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, 2013 and 2012. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The System's assets plus deferred outflows of resources exceeded its liabilities at September 30, 2013 and 2012 by \$757,128 and \$727,605 (net position), respectively. Of these amounts, \$145,651 for 2013 and \$110,408 for 2012 (unrestricted net position) were available to meet the System's ongoing obligations.
- The System's total net position increased \$29,523 in fiscal year 2013 and \$19,707 in fiscal year 2012.
- Total bonded debt, at par, of the Public Utilities System amounts to \$128,255 at September 30, 2013, a decrease of \$10,523 from fiscal year 2012.
- Interest rates continued to decline this past fiscal year, resulting in decreased interest earnings for the System. Interest earning rates declined from 0.587% in 2012 to 0.362% in 2013.
- 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 \$131 for fiscal year 2013. The County now holds \$34,885 for closure purposes with the current estimated remaining landfill life of 27 years.

Overview of the Financial Statements

The Statements of Net Position provide the reader with detail about the assets plus deferred outflows of the Public Utilities System as well as its outstanding liabilities. The difference between assets and deferred outflows of resources and liabilities is reported as net position. The net position 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 position over time may be helpful in indicating an improving or a deteriorating financial position. The Statements of Net Position appear on pages 7 to 8.

The Statements of Revenues, Expenses and Changes in Fund Net Position, 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 non-operating sources such as interest income, interest expense, issue costs, bond interest rebate, grants and contributions results in the net income the System generated for the fiscal year, which increased the net position presented on the Statements of Net Position. A review of this statement for both fiscal years 2013 and 2012 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 Position 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 20 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 21 to 27 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, deferred outflows of resources, liabilities and net position for fiscal years 2013 and 2012 as well as a look at changes in revenues and expenses as presented in the accompanying statements.

	Net position (in thousands)		
	2013	2012	2011
Assets:			
Current and other assets	\$ 245,006	\$ 237,991	\$ 228,792
Capital assets	699,004	687,215	690,917
Total assets	<u>944,010</u>	<u>925,206</u>	<u>919,709</u>
Deferred outflows of resources	<u>1,024</u>	<u>1,309</u>	<u>140</u>
Liabilities:			
Long-term liabilities	168,828	183,385	196,215
Other liabilities	19,078	15,525	15,736
Total liabilities	<u>187,906</u>	<u>198,910</u>	<u>211,951</u>
Net position:			
Net investment in capital assets	602,251	603,683	601,576
Restricted for debt service	905	4,169	7,248
Restricted for landfill closure	8,321	9,345	10,024
Unrestricted	<u>145,651</u>	<u>110,408</u>	<u>89,050</u>
Total net position	<u>\$ 757,128</u>	<u>\$ 727,605</u>	<u>\$ 707,898</u>

Net Position

As noted earlier in my discussion, changes in net position over time can be one of the best and most useful indicators of the System's financial position. The System's increase in net position for this fiscal year amounts to \$29,523, an increase of \$9,816 over the 2012 increase in net position of \$19,707. The change is primarily due to a 3% increase in both water and sewer rates, as well as higher water reconnection, reclaimed water, and facility investment fees (FIF) attributable to new construction and growth within the county.

Of the Public Utilities System's \$757,128 in net position, \$602,251 (80%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. The remaining balance of \$154,877 consists of \$145,651 (19%) in unrestricted net position that may be used to meet the System's ongoing obligations, as well as \$9,226 (1%) in restricted net position.

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 position.

Cash and Accounts Receivable

The System's cash and cash equivalents as of September 30, 2013 amounted to \$222,783, an increase of \$7,663 over fiscal year 2012. At September 30, 2012, cash and cash equivalents amounted to \$215,120, an increase of \$6,612 over fiscal year 2011. The 3.56% increase for fiscal year 2013 can be attributed to FIF rebounding from an increase in housing starts and an overall improvement in the County's economic environment. In addition, a customer based rate increase went into effect, offset by payments to vendors and contractors for operating supplies and services. This rate increase was effective November 1, 2012 and helped to increase the System's operating revenues in fiscal year 2013.

Accounts receivable for trade and unbilled revenues of \$14,669 net of a \$1,754 allowance for uncollectible accounts, represents a 2.86% decrease from fiscal year 2012. This decrease is primarily due to a 22% increase (\$317) in the allowance account, reflecting a more conservative estimate of the collectability of these receivables.

Change in Net Position

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:			
Program revenues			
Charges for services	\$ 140,781	\$ 137,419	\$ 130,155
Operating grants and contributions	69	145	6
Capital grants and contributions	18,868	11,799	12,118
General revenues			
Interest income	732	1,444	1,478
Miscellaneous	359	293	362
Bond interest rebate	1,805	1,887	1,426
Gain on disposition of assets	60	-	2
Total revenues	<u>162,674</u>	<u>152,987</u>	<u>145,547</u>
Expenses:			
Water and sewer operations	92,116	93,597	91,645
Solid waste operations	32,463	31,605	25,071
Stormwater operations	4,894	4,116	3,961
Total expenses	<u>129,473</u>	<u>129,318</u>	<u>120,677</u>
Increase in net position before transfers	33,201	23,669	24,870
Transfers (net)	<u>(3,678)</u>	<u>(3,962)</u>	<u>(2,500)</u>
Increase in net position	29,523	19,707	22,370
Net position - beginning	<u>727,605</u>	<u>707,898</u>	<u>685,528</u>
Net position - ending	<u>\$ 757,128</u>	<u>\$ 727,605</u>	<u>\$ 707,898</u>

Operations

Charges for services increased by \$3,362 during fiscal year 2013. A significant portion is related to the water and sewer operations as well as an improvement in Solid Waste operations. The Solid Waste increase is attributable to an increased demand for garbage collection, both residential and commercial, as the system added new customer accounts, leading to an improvement in tipping fee revenue. The Water and Sewer increase is attributable to 2,588 new customers (not rounded), in addition to an increase in water and wastewater rates that went into effect November 2012. Capital grants and contributions totaled \$18,868 during fiscal year 2013. This was up from fiscal year 2012 by \$7,069, primarily due to a greater amount of 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 grew by \$155, 0.12% across all operations as a result of recovering economic factors and increased costs for maintenance materials within the system. Solid Waste experienced higher operating expenses due to an elevation in Waste Hauler payments per an agreement effective in fiscal year 2012.

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 position and are net of any accumulated depreciation and associated debt.

Major additions of assets in fiscal year 2013 included the following (in thousands):

- \$1,872 - Installation of a booster pump station on force main 428 to reduce pressure during heavy rain events and reduce the possibility of sanitary sewer overflows.
- \$1,999 - Bayshore On The Lakes potable water line replacement. Construction of 4,250 linear feet of six inch and 4,600 linear feet of eight inch water main to replace the existing two, four and six inch water mains.
- \$1,422 - Complete replacement of the Southwest Water Reclamation Facility Clarifier 1 and 2 for better solids control.
- \$1,497 - Southeast Water Reclamation Facility. Installation of automated control valves and motor operators and a new network of pipes. This project will allow the Supervisory Control and Data Acquisition (SCADA) system to interface with the valves and pumping stations within the plant that control the flow of effluent.

Major additions of assets in fiscal year 2012 included the following (in thousands):

- \$7,598 for the replacement of water and sewer lines in different areas throughout Manatee County to meet DEP requirements.
- \$8,768 to replace water tanks, waterlines and piping at the South West Water Treatment Plant.
- \$787 for the purchase of two Caterpillar tractors, one generator, Schulte mower and a tarp machine.
- \$262 for the expansion of the gas collection system.

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, 2013, the System had total bonded debt outstanding of \$128,255 and a State Revolving Fund loan of \$683.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue bonds	\$ 128,255	\$ 138,778	\$ 152,598
State Revolving Fund Loan	<u>683</u>	<u>1,342</u>	<u>1,979</u>
Total	<u>\$ 128,938</u>	<u>\$ 140,120</u>	<u>\$ 154,577</u>

During fiscal years 2013 and 2012, the System's total debt decreased by \$11,182 and \$14,457, respectively. The decrease in fiscal year 2013 was primarily related to normal bond maturities and loan principal payments. In the prior year, the decrease was primarily related to normal bond maturities and loan principal payments coupled with a new debt issuance which refunded a significant portion of the Series 2003 Revenue Refunding bonds.

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 2014 Budgets and Rates

Factors considered in preparing Manatee County's budget for the 2014 fiscal year included:

- The Consumer Price Index increased 1.2% 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 at August 2013 was 7.5%, a marked decrease from the 9.0% rate reported in the previous fiscal year.

- Population increased 0.85% from the fiscal year ending September 30, 2012 to 333,687.
- The number of construction permits increased 24.53% over the previous fiscal year continuing 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.
- During November of 2012, utility rates for water and sewer were raised by 3%.

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.manateeclerk.com for further financial information.

Manatee County



Florida

**Manatee County Public Utilities System
Statements of Net Position
September 30, 2013 and 2012
(Amounts expressed in thousands)**

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 153,212	\$ 118,067
Accounts receivable:		
Trade (net of allowance of \$1,754 and \$1,437 for 2013 and 2012, respectively)	8,454	8,716
Unbilled revenue	6,215	6,385
Interest receivable	114	122
Sewer assessments receivable	52	46
Due from other governmental units	2,158	982
Prepaid items	559	450
Inventory	2,511	2,742
Deposits	482	1,633
Total current assets	<u>173,757</u>	<u>139,143</u>
Current restricted assets:		
Cash and cash equivalents	34,686	62,299
Interest receivable	24	45
Total current restricted assets	<u>34,710</u>	<u>62,344</u>
Noncurrent assets:		
Restricted cash and cash equivalents	34,885	34,754
Advances to other funds	1,300	1,300
Sewer assessments receivable	311	389
Unamortized bond insurance	43	61
Land and other nondepreciable assets	100,535	78,458
Capital assets, net of accumulated depreciation	598,469	608,757
Total noncurrent assets	<u>735,543</u>	<u>723,719</u>
Total assets	<u>944,010</u>	<u>925,206</u>
Deferred outflows of resources:		
Deferred charge on refunding	1,024	1,309
Total deferred outflows of resources	<u>1,024</u>	<u>1,309</u>

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

<u>Liabilities</u>	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	4,528	4,043
Wages and benefits payable	1,250	1,181
Due to other governmental units	1	1
Contracts and retainages payable	3,243	415
Compensated absences	152	145
Deposits	123	121
Total current liabilities	<u>9,297</u>	<u>5,906</u>
Current liabilities (payable from restricted assets):		
Accounts payable	282	430
Interest payable	12	24
Contracts and retainages payable	1,859	1,825
Loan payable	683	659
Customer deposits	6,945	6,681
Total current liabilities (payable from restricted assets)	<u>9,781</u>	<u>9,619</u>
Noncurrent liabilities:		
Compensated absences	3,134	3,107
Other post employment benefits	7,753	6,304
Closure liability	26,564	25,409
Loan payable	-	683
Revenue bonds noncurrent (net of discount/ premium/loss and plus accreted interest)	<u>131,377</u>	<u>147,882</u>
Total noncurrent liabilities	<u>168,828</u>	<u>183,385</u>
Total liabilities	<u>187,906</u>	<u>198,910</u>
<u>Net Position</u>		
Net investment in capital assets	602,251	603,683
Restricted for debt service	905	4,169
Restricted for landfill closure	8,321	9,345
Unrestricted	<u>145,651</u>	<u>110,408</u>
Total net position	<u>\$ 757,128</u>	<u>\$ 727,605</u>

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

Manatee County



Florida

**Manatee County Public Utilities System
Statements of Revenues, Expenses and
Changes in Fund Net Position
For the Fiscal Years ended September 30, 2013 and 2012
(Amounts expressed in thousands)**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water sales	\$ 42,625	\$ 41,959
Wastewater treatment charges	60,468	58,647
Solid waste charges	37,688	36,813
Miscellaneous revenues	359	293
Total operating revenues	<u>141,140</u>	<u>137,712</u>
Operating expenses:		
Water and sewer:		
Personal services	22,475	22,091
General and administrative	15,701	16,323
Water treatment and distribution	9,166	9,368
Wastewater collection and treatment	13,876	14,014
Solid waste:		
Personal services	2,879	2,967
Landfill operation	4,790	5,005
Closure	1,155	880
Garbage collection	20,802	19,988
Stormwater:		
Personal services	2,366	2,126
General and administrative	2,146	1,587
Depreciation and amortization	26,994	26,641
Total operating expenses	<u>122,350</u>	<u>120,990</u>
Operating income	<u>18,790</u>	<u>16,722</u>
Nonoperating revenues (expenses):		
Operating grants	69	145
Interest income	732	1,444
Interest expense	(7,123)	(7,961)
Bond interest rebate	1,805	1,887
Bond issue cost	-	(276)
Gain (loss) on disposition of assets	60	(91)
Total nonoperating revenues (expenses)	<u>(4,457)</u>	<u>(4,852)</u>
Income before contributions and transfers	14,333	11,870
Capital grants and contributions	18,868	11,799
Transfers to other funds	<u>(3,678)</u>	<u>(3,962)</u>
Change in net position	29,523	19,707
Net position - beginning	<u>727,605</u>	<u>707,898</u>
Net position - ending	<u>\$ 757,128</u>	<u>\$ 727,605</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, 2013 and 2012
(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 141,838	\$ 136,023
Cash payments to vendors for goods and services	(49,823)	(48,223)
Cash payments to employees for services	(21,857)	(20,854)
Cash payments to other funds	<u>(20,724)</u>	<u>(22,875)</u>
Net cash provided by operating activities	<u>49,434</u>	<u>44,071</u>
Cash flows from noncapital financing activities:		
Operating grants	63	151
Transfers in	-	-
Transfers out	(3,678)	(3,962)
Increase in advance to other funds	-	(1,300)
Repayment of advance between funds	-	51
Net cash provided (used) by noncapital financing activities	<u>(3,615)</u>	<u>(5,060)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(31,755)	(18,863)
Deposits paid on construction agreements	(100)	(807)
Principal payments on debt	(11,182)	(13,552)
Interest payments on debt	(13,581)	(11,190)
Bond interest rebate	1,970	1,722
Debt issuing expenses	-	(276)
Debt proceeds	-	25,817
Defeasance of bonds	-	(25,533)
Receipt of contributed capital	15,487	8,565
Proceeds from sale of assets	<u>253</u>	<u>372</u>
Net cash provided (used) by capital and related financing activities	<u>(38,908)</u>	<u>(33,745)</u>
Cash flows from investing activities:		
Interest on investments	<u>752</u>	<u>1,346</u>
Net increase (decrease) in cash and cash equivalents	7,663	6,612
Cash and cash equivalents, October 1	<u>215,120</u>	<u>208,508</u>
Cash and cash equivalents, September 30	<u>\$ 222,783</u>	<u>\$ 215,120</u>
Classified as:		
Current assets	\$ 153,212	\$ 118,067
Restricted assets	<u>69,571</u>	<u>97,053</u>
Cash and cash equivalents, September 30	<u>\$ 222,783</u>	<u>\$ 215,120</u>

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

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>18,790</u>	\$ <u>16,722</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,975	26,608
Amortization	19	33
Provision for uncollectables	724	119
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(292)	(1,714)
Prepaid items	(109)	(18)
Inventory	231	66
Increase (decrease) in:		
Accounts payable	123	109
Due to other governmental units	-	(4)
Wages and benefits payable	69	67
Compensated absences	34	144
Other post employment benefits	1,449	1,148
Closure liability	1,155	880
Customer deposits	266	(89)
Total adjustments	<u>30,644</u>	<u>27,349</u>
Net cash provided by operating activities	\$ <u><u>49,434</u></u>	\$ <u><u>44,071</u></u>
Non-cash investing, capital, and financing activities:		
Loss on disposition of assets	\$ -	\$ 91
Acquisition of contributed assets	2,118	2,854

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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

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 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, 2013. 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 non-operating 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. Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

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 (this and the following threshold amounts are not expressed in thousands). 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 repair 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, 2013
(Amounts expressed in thousands)

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>2013</u>	<u>2012</u>
Interest cost	\$ 7,871	\$ 8,530
Less amount capitalized	748	569
Net amount expensed	<u>\$ 7,123</u>	<u>\$ 7,961</u>

Unamortized Bond Insurance – Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is recorded as unamortized bond insurance. Other bond issuing costs are expensed when incurred.

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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position may include a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

Note 3 Investments - Continued

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 Note 3 of the Manatee County Comprehensive Annual Financial Report (CAFR), for the fiscal year ended September 30, 2013, available at www.manateeclerk.com.

The portfolio composition at September 30, 2013 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 (8)	Cost	\$ 110,925
External Government Investment Pools (7)	Amortized Cost or NAV	180,237
US Treasury Notes (18)	Quoted Market	152,116
Government Sponsored Enterprises (28)	Quoted Market	<u>209,079</u>
Total		<u>\$ 652,357</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, 2013</u>			
	<u>Cash and Cash</u>	<u>Interest</u>	
	<u>Equivalents</u>	<u>Receivable</u>	<u>Total</u>
Debt service funds	\$ 1,591	\$ 9	\$ 1,600
Customer deposits	6,945	-	6,945
Construction funds	26,150	15	26,165
Landfill closure escrow	<u>34,885</u>	<u>-</u>	<u>34,885</u>
Total	<u>\$ 69,571</u>	<u>\$ 24</u>	<u>\$ 69,595</u>

<u>September 30, 2012</u>			
	<u>Cash and Cash</u>	<u>Interest</u>	
	<u>Equivalents</u>	<u>Receivable</u>	<u>Total</u>
Debt service funds	\$ 4,675	\$ 13	\$ 4,688
Customer deposits	6,681	-	6,681
Construction funds	50,943	32	50,975
Landfill closure escrow	<u>34,754</u>	<u>-</u>	<u>34,754</u>
Total	<u>\$ 97,053</u>	<u>\$ 45</u>	<u>\$ 97,098</u>

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

Note 5 Capital Assets

	<u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30</u>
As of September 30, 2012				
Capital assets not depreciated:				
Land	\$ 24,698	\$ 17	\$ -	\$ 24,715
Construction in progress	57,780	19,084	23,121	53,743
Total assets not depreciated	<u>82,478</u>	<u>19,101</u>	<u>23,121</u>	<u>78,458</u>
Capital assets depreciated:				
Buildings	29,296	-	-	29,296
System infrastructure	900,071	25,157	-	925,228
Machinery and equipment	34,589	2,232	1,901	34,920
Total assets depreciated	<u>963,956</u>	<u>27,389</u>	<u>1,901</u>	<u>989,444</u>
Less accumulated depreciation:				
Buildings	6,039	695	-	6,734
System infrastructure	331,329	22,590	-	353,919
Machinery and equipment	18,149	3,323	1,438	20,034
Total accumulated depreciation	<u>355,517</u>	<u>26,608</u>	<u>1,438</u>	<u>380,687</u>
Total depreciable capital assets, net	<u>608,439</u>	<u>781</u>	<u>463</u>	<u>608,757</u>
Total capital assets, net	<u>\$ 690,917</u>	<u>\$ 19,882</u>	<u>\$ 23,584</u>	<u>\$ 687,215</u>
As of September 30, 2013				
Capital assets not depreciated:				
Land	\$ 24,715	\$ -	\$ -	\$ 24,715
Construction in progress	53,743	36,347	14,270	75,820
Total assets not depreciated	<u>78,458</u>	<u>36,347</u>	<u>14,270</u>	<u>100,535</u>
Capital assets depreciated:				
Buildings	29,296	35	-	29,331
System infrastructure	925,228	16,308	42	941,494
Machinery and equipment	34,920	537	1,550	33,907
Total assets depreciated	<u>989,444</u>	<u>16,880</u>	<u>1,592</u>	<u>1,004,732</u>
Less accumulated depreciation:				
Buildings	6,734	692	1	7,425
System infrastructure	353,919	23,081	34	376,966
Machinery and equipment	20,034	3,202	1,364	21,872
Total accumulated depreciation	<u>380,687</u>	<u>26,975</u>	<u>1,399</u>	<u>406,263</u>
Total depreciable capital assets, net	<u>608,757</u>	<u>(10,095)</u>	<u>193</u>	<u>598,469</u>
Total capital assets, net	<u>\$ 687,215</u>	<u>\$ 26,252</u>	<u>\$ 14,463</u>	<u>\$ 699,004</u>

Depreciation expense was \$26,975 and \$26,608 for fiscal years ending September 30, 2013 and 2012, respectively.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

Note 6 Revenue Bonds Payable

The following is long-term liability activity for the fiscal years 2012 and 2013:

	<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, 2011	\$ 160,030	\$ 1,979	\$ 3,107	\$ 5,157	\$ 24,529	\$ 194,802
Additions	23,353	-	1,655	1,147	880	27,035
Deductions	<u>39,305</u>	<u>637</u>	<u>1,510</u>	-	-	<u>41,452</u>
September 30, 2012	144,078	1,342	3,252	6,304	25,409	180,385
Additions	482	-	1,534	1,449	1,155	4,620
Deductions	<u>16,305</u>	<u>659</u>	<u>1,500</u>	-	-	<u>18,464</u>
September 30, 2013	<u>\$ 128,255</u>	<u>\$ 683</u>	<u>\$ 3,286</u>	<u>\$ 7,753</u>	<u>\$ 26,564</u>	<u>\$ 166,541</u>
Due within one year at:						
September 30, 2012	\$ -	\$ 659	\$ 145	\$ -	\$ -	\$ 804
September 30, 2013	-	683	152	-	-	835

Revenue bonds payable consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
\$62,664 Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C, less unamortized discount of \$0 and \$2 for 2013 and 2012, respectively, plus value accretion on Capital Appreciation bonds of \$0 and \$2,640 for 2013 and 2012, respectively	\$ -	\$ 3,384
\$51,152 Public Utilities Revenue Refunding Bonds, Series 1993A, less unamortized discount of \$0 and \$1 for 2013 and 2012, respectively, plus value accretion on Capital Appreciation bonds of \$0 and \$2,660 for 2013 and 2012, respectively.	-	4,096
\$74,545 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003, plus unamortized premium of \$0 and \$104 for 2013 and 2012.	-	5,639
\$44,895 Public Utilities Revenue Improvement Bonds, Series 2006, plus unamortized premium of \$554 and \$683 for 2013 and 2012, respectively.	28,024	30,958
\$17,925 Public Utilities Revenue Improvement Bonds, Series 2010A	17,925	17,925
\$45,300 Public Utilities Revenue Improvement Bonds, Series 2010B	45,300	45,300
\$6,720 Public Utilities Revenue Improvement Bonds, Series 2010C, plus unamortized premium of \$207 and \$256 for 2013 and 2012, respectively.	6,927	6,976
\$8,190 Public Utilities Revenue Improvement Bonds, Series 2010D	8,190	8,190
\$22,650 Public Utilities Revenue Refunding Bonds, Series 2011, plus unamortized premium of \$2,361 and \$2,764 for 2013 and 2012, respectively.	25,011	25,414
Total	<u>\$ 131,377</u>	<u>\$ 147,882</u>

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

Note 6 Revenue Bonds Payable - Continued

\$44,895 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 \$2,920 of principal due October 1, 2014 to \$4,010 due October 1, 2021. Interest is payable semi-annually on April 1 and October 1 of each year until final maturity in 2021.

The following bonds are dated December 29, 2010:

\$17,925 Series 2010A Public Utilities Revenue Bonds - with \$2,880 of principal due October 1, 2020 to \$2,315 due October 1, 2025; interest at 5.951% to 6.801%.

\$45,300 Series 2010B Public Utilities Revenue Bonds - with \$1,210 of principal due October 1, 2025 to \$5,230 due October 1, 2035; interest at 7.178% to 7.378%.

\$6,720 Series 2010C Public Utilities Revenue Bonds - with \$1,310 of principal due October 1, 2017 to \$2,760 due October 1, 2019; interest at 3.50% to 5.00%.

\$8,190 Series 2010D Public Utilities Revenue Bonds - with \$2,245 of principal due October 1, 2014 to \$1,215 due October 1, 2017; interest at 3.394% to 5.048%.

\$22,650 Public Utilities Revenue Refunding Bonds, Series 2011 - These bonds are dated December 14, 2011, with interest rates varying from 3.00% to 5.00% and amounts ranging from \$1,885 of principal due October 1, 2014 to \$2,765 due October 1, 2023. Interest is payable semi-annually on April 1 and October 1 of each year until final maturity in 2023.

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>
2014	\$ 7,050	\$ 7,396	\$ 14,446
2015	7,330	7,117	14,447
2016	7,610	6,838	14,448
2017	7,935	6,506	14,441
2018	8,310	6,133	14,443
2019-2023	39,025	24,404	63,429
2024-2028	18,375	15,979	34,354
2029-2033	22,360	8,838	31,198
2034-2035	10,260	1,143	11,403
Total	<u>\$ 128,255</u>	<u>\$ 84,354</u>	<u>\$ 212,609</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 Position.

The Public Utilities Revenue Bonds, Series 2006, Series 2010 and Series 2011 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 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, 2013 and 2012.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

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. 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 with interest at 3.57%. The State Revolving Fund Loan payable consisted of \$683 and \$1,342 at September 30, 2013 and 2012, 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>
2014	\$ <u>683</u>	\$ <u>24</u>	\$ <u>707</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, 2013 and 2012.

Note 8 Defeased Revenue Bonds

On November 20, 1984, the County refunded all bonds outstanding at that date by issuance of \$72,872 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 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 Water and Sewer Revenue Improvement Bonds, Series 1987 by issuance of the \$37,840 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 Water and Sewer Revenue Refunding Bonds, Series 1987.

On July 2, 1991, the County refunded \$10,865 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1984, \$31,310 Water and Sewer Revenue Refunding and Improvement Bonds, Series 1986 and \$15,250 Water and Sewer Revenue Improvement Bonds, Series 1988 by issuance of the \$62,664 Public Utilities Revenue Refunding Bonds, Series 1991C.

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

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

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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

Note 8 Defeased Revenue Bonds – Continued

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

The above bonds have been fully retired as of September 30, 2009.

On December 14, 2011, the County refunded \$23,555 of outstanding Public Utilities Revenue Refunding and Improvement Bonds Series 2003, maturing in the years 2014 through 2023, by issuing the 2011 Public Utilities Revenue Refunding Bonds. These refunded bonds had an outstanding principal balance of \$23,555 at September 30, 2013.

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

The Florida legislature established the Florida Retirement System (FRS) in 1970. 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 664,000 full-time employees of various governmental units within the State of Florida.

The System provides for vesting of benefits based upon date of hire. Employees hired before July 1, 2011 are vested after 6 years of creditable service. For those hired on or after July 1, 2011 vesting of benefits occurs after the completion of 8 years of creditable service. Normal retirement benefits are available for employees hired before July 1, 2011 who retire at age 62 with 6 years of service or after 30 years if under age 62. For employees hired on or after July 1, 2011, normal retirement benefits are available at age 65 with 8 years of service or after 33 years, if under age 65. Early retirement is available for those vested 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. Average compensation is computed as the average of an individual's 5 highest years of earnings for employees hired before July 1, 2011 or 8 highest years of earnings for employees hired on or after July 1, 2011.

Effective July 1, 2011, all FRS members, excluding Deferred Retirement Option Program (DROP) members and re-employed retirees are required to contribute 3% of their salary to the System on a pre-tax basis.

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 (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. Participating employees are required to contribute 3% to the FRS Investment Plan effective July 1, 2011.

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 the Florida Division of Retirement, P. O. Box 9000, Tallahassee, FL 32315-9000, by calling (850) 488-5706 or online at www.dms.myflorida.com.

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, 6.95%, special risk employees, 19.06%, elected officials, 33.03% and senior management, 18.31%. The County's contributions made during the years ended September 30, 2013, 2012 and 2011 were \$13,680, \$11,616 and \$19,324, respectively, which include the Public Utilities System's contribution of \$1,093, \$881 and \$1,599, respectively, equal to the actuarially determined contribution requirements for each year. The employee contributions were \$520, \$491 and \$110, for fiscal years 2013, 2012 and 2011, respectively.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2013
(Amounts expressed in thousands)

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 system has recognized an other post employment benefits liability of \$7,753 and \$6,304 as of September 30, 2013 and 2012, respectively, related to its participation in the County's single-employer defined benefit healthcare plan. 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 CAFR for the fiscal year ended September 30, 2013.

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 \$10,937 and \$24,640 at September 30, 2013 and 2012, respectively.

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.

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

	<u>2013</u>	<u>2012</u>
Closure Costs (286 acres)	\$ 36,668	\$ 35,949
Post Closure costs (316 acres)	13,825	13,554
Current Closure Cost Estimate	<u>\$ 50,493</u>	<u>\$ 49,503</u>
Remaining Life	27	28
Landfill Capacity Used (%)	51.34%	50.03%
Closure/post closure liability	\$ 26,564	\$ 25,409
Current year closure/post closure cost	\$ 1,155	\$ 880
Landfill Cash Escrow Account	\$ 34,885	\$ 34,754

The closure/postclosure liability for the landfill capacity that has been used is net, for both years reported above, of \$3,213 in closure payments paid in prior years. Closure costs of a permanently closed 30-acre section of Lena Road amounting to \$2,132 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, 2013 and 2012, with cash and investments of \$34,885 and \$34,754 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.

OTHER INFORMATION

Manatee County



Florida

**Manatee County Public Utilities System
Revenue Bond Issues - Description
September 30, 2013
(Amounts expressed in thousands)**

	<u>Revenue Improvement Series 2006</u>	<u>Revenue Improvement Series 2010A</u>	<u>Revenue Improvement Series 2010B</u>	<u>Revenue Improvement Series 2010C</u>	<u>Revenue Improvement Series 2010D</u>	<u>Revenue Refunding Series 2011</u>
Original authorization	\$ 44,895	\$ 17,925	\$ 45,300	\$ 6,720	\$ 8,190	\$ 22,650
Unissued	-	-	-	-	-	-
Issued	<u>44,895</u>	<u>17,925</u>	<u>45,300</u>	<u>6,720</u>	<u>8,190</u>	<u>22,650</u>
Retirements	17,425	-	-	-	-	-
Refunded	-	-	-	-	-	-
Balance outstanding	<u><u>\$ 27,470</u></u>	<u><u>\$ 17,925</u></u>	<u><u>\$ 45,300</u></u>	<u><u>\$ 6,720</u></u>	<u><u>\$ 8,190</u></u>	<u><u>\$ 22,650</u></u>
Date of issue	September 13, 2006		December 29, 2010			December 14, 2011
Principal payment date	October 1		October 1	October 1	October 1	October 1
Interest payment dates	April-October		April-October	April-October	April-October	April-October
Denominations (amounts not rounded)	\$5,000		\$5,000	\$5,000	\$5,000	\$5,000
Interest rates	5.00% Maturity 2014	5.951% Maturity 2014-2020	7.178% Maturity 2014-2030	4.00%-5.00% Maturity 2014-2017	3.394% Maturity 2014	3.00% Maturity 2014-2015
	4.25% Maturity 2015-2016	6.151% Maturity 2021	7.378% Maturity 2031-2035	3.50%-5.00% Maturity 2018	3.894% Maturity 2015	4.00% Maturity 2016-2017
	5.00% Maturity 2017	6.351% Maturity 2022		4.00%-5.00% Maturity 2019	4.798% Maturity 2016	5.00% Maturity 2018-2023
	4.00% Maturity 2018	6.551% Maturity 2023			5.048% Maturity 2017	
	5.00% Maturity 2019-2021	6.701% Maturity 2024				
		6.801% Maturity 2025				
Effective interest cost rate	4.0410%	4.1890%	4.0116%	3.6261%	4.3106%	2.6571%
Call feature	2016-Maturity 100	2020-Maturity 100	2020-Maturity 100	N/A	N/A	N/A
Paying agent	TD Bank Jacksonville, FL	US Bank New York, NY	Bank of New York Mellon Trust Co., N.A. Jacksonville, FL			

**Manatee County Public Utilities System
Schedule of Debt Service Requirements
September 30, 2013
(Amounts expressed in thousands)**

Public Utilities System Revenue Bonds

Fiscal Year	\$44,895 Series 2006 Bonds			\$17,925 Series 2010A Bonds			\$45,300 Series 2010B Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 2,920	\$ 1,292	\$ 4,212	\$ -	\$ 1,150	\$ 1,150	\$ -	\$ 3,300	\$ 3,300
2015	3,065	1,146	4,211	-	1,150	1,150	-	3,300	3,300
2016	3,195	1,015	4,210	-	1,150	1,150	-	3,300	3,300
2017	3,330	879	4,209	-	1,150	1,150	-	3,300	3,300
2018	3,495	713	4,208	-	1,150	1,150	-	3,300	3,300
2019	3,635	573	4,208	-	1,150	1,150	-	3,300	3,300
2020	3,820	391	4,211	2,880	1,150	4,030	-	3,300	3,300
2021	4,010	201	4,211	2,995	978	3,973	-	3,300	3,300
2022	-	-	-	3,115	794	3,909	-	3,300	3,300
2023	-	-	-	3,240	596	3,836	-	3,300	3,300
2024	-	-	-	3,380	384	3,764	-	3,300	3,300
2025	-	-	-	2,315	157	2,472	1,210	3,300	4,510
2026	-	-	-	-	-	-	3,675	3,213	6,888
2027	-	-	-	-	-	-	3,820	2,950	6,770
2028	-	-	-	-	-	-	3,975	2,675	6,650
2029	-	-	-	-	-	-	4,130	2,390	6,520
2030	-	-	-	-	-	-	4,295	2,094	6,389
2031	-	-	-	-	-	-	4,460	1,785	6,245
2032	-	-	-	-	-	-	4,645	1,456	6,101
2033	-	-	-	-	-	-	4,830	1,113	5,943
2034	-	-	-	-	-	-	5,030	757	5,787
2035	-	-	-	-	-	-	5,230	386	5,616
	<u>\$ 27,470</u>	<u>\$ 6,210</u>	<u>\$ 33,680</u>	<u>\$ 17,925</u>	<u>\$ 10,959</u>	<u>\$ 28,884</u>	<u>\$ 45,300</u>	<u>\$ 58,419</u>	<u>\$ 103,719</u>

State Revolving Fund Loan - Public Utilities System

Fiscal Year	Principal	Interest	Total
2014	<u>\$ 683</u>	<u>\$ 24</u>	<u>\$ 707</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Water and sewer	\$ 103,310	\$ 100,790
Stormwater	130	94
Solid waste	37,700	36,828
Interest earned:		
Water and sewer	533	1,048
Stormwater	10	29
Solid waste	189	367
Less interest not considered revenue for debt coverage:		
Interest earned on construction trust funds	(98)	(352)
Add revenue available for debt service coverage not included as operating revenues in financial statements:		
Operating grants	<u>69</u>	<u>145</u>
Total revenues available for debt service coverage	141,843	138,949
Add federal direct payments ⁽¹⁾	1,970	1,722
Less operating expenses (excluding depreciation and amortization)	<u>(95,356)</u>	<u>(94,349)</u>
Net revenues available for debt service	\$ 48,457	\$ 46,322
Debt service requirement	\$ 24,056	\$ 24,034
Debt service coverage	201%	193%

(1) For fiscal year 2012, \$165 of eligible federal direct payments were not received before year end, so are excluded from the coverage test. This amount was received and included in the coverage test for fiscal year 2013.

Manatee County Public Utilities System
Five-Year Summary of Historic Operating Data
(Amounts expressed in thousands)

Fiscal Year Ended September 30

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues:					
Water sales	\$ 42,625	\$ 41,959	\$ 40,513	\$ 37,038	\$ 38,698
Wastewater treatment charges	60,468	58,647	54,689	52,424	51,782
Solid waste charges	37,688	36,813	34,953	36,065	36,921
Miscellaneous	428	438	368	576	1,360
Federal direct payment (FDP) ⁽¹⁾	1,970	1,722	1,426	-	-
Interest income ⁽²⁾	634	1,092	1,097	1,920	4,349
Total operating revenues	<u>143,813</u>	<u>140,671</u>	<u>133,046</u>	<u>128,023</u>	<u>133,110</u>
Operating Expenses:					
Water operations	24,630	25,242	24,417	26,112	27,667
Sewer operations	36,588	36,554	36,405	37,912	37,934
Solid waste operations	29,626	28,840	22,239	28,097	26,934
Stormwater operations	4,512	3,713	3,545	2,950	3,453
Total operating expenses	<u>95,356</u>	<u>94,349</u>	<u>86,606</u>	<u>95,071</u>	<u>95,988</u>
Net revenue available for debt service	<u>\$ 48,457</u>	<u>\$ 46,322</u>	<u>\$ 46,440</u>	<u>\$ 32,952</u>	<u>\$ 37,122</u>
Debt service requirement ⁽³⁾	\$ 24,056	\$ 24,034	\$ 22,917	\$ 19,099	\$ 19,101
Coverage ratio of debt service requirement	2.01x	1.93x	2.03x	1.73x	1.94x

(1) For fiscal year 2012, \$165 of eligible federal direct payments were not received before year end, so are excluded from the coverage test. This amount was received and included in the coverage test for fiscal year 2013.

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

(3) For fiscal years ended September 30, 2013, the debt service requirements are based on the annual debt service for the Series 2006, 2010A, 2010B, 2010C, 2010D and 2011 Public Utilities Systems Bonds. For fiscal years ended September 30, 2012, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2003, 2006, 2010A, 2010B, 2010C, 2010D and 2011 Public Utilities Systems Bonds.

**Manatee County, Florida
Public Utilities System
Solid Waste Tipping Fee Comparison
(as of September 30, 2013)**

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	\$ 37.74/ton
Out-of-county	N/A
Construction & Demolition Debris	
In-county	\$ 30.00/ton
Out-of-county	N/A
Tires	\$ 50.00/ton
Tires (Off Road)	\$ 110.00/ton
Sarasota County	
Standard Waste	
In-county	\$ 57.56/ton
Out-of-county	N/A
Construction & Demolition Debris	
In-county	\$ 52.94/ton
Out-of-county	N/A
Tires	\$ 152.26/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
Mixed Unsorted Loads	\$ 84.00/ton
Out-of-county	\$ 84.00/ton
Tires	\$ 200.00/ton
Hillsborough County	
Standard Waste/Construction & Demolition Debris	
In-county	\$ 61.81/ton
Out-of-county	N/A
Processable	\$ 68.16/ton
Tires	\$ 71.52/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, 2013)**

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2013	107,018	92,760
2012	104,430	90,989
2011	103,091	89,745
2010	96,113	88,758
2009	95,349	87,723

**Single-Family Residential Water and Wastewater Bills
in Manatee County and Surrounding Areas
(as of September 30, 2013) ⁽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	\$ 19.51	\$ 34.68	\$ 37.68	\$ 56.52	\$ 57.19	\$ 91.20
Sarasota County	31.99	48.81	60.13	90.29	92.12	139.10
DeSoto County	50.04	76.00	59.56	84.60	109.60	160.60
Manatee County	19.48	29.08	44.43	61.39	63.91	90.47
Pinellas County	33.03	52.15	37.66	54.90	70.69	107.05
Hillsborough County	35.15	54.43	39.14	47.82	74.29	102.25

Source: Manatee County

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

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the
Board of County Commissioners
Manatee 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 financial statements of the Manatee County, Florida Public Utilities System (the "System"), as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 System'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 System's financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
December 16, 2013