

# PUBLIC UTILITIES SYSTEM



*Annual Financial Report*

## **MANATEE COUNTY** FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2014

**On the cover:** Photo by Cathy Slusser

Water is a precious commodity particularly in the State of Florida where we are dependent upon rainwater to replenish our aquifer, the main source of our drinking water. There are many things that Florida residents can do to protect and preserve our water supply including reducing pollutants and waste water that seep into the aquifer and conserving fresh water. Another way is to utilize a type of landscaping called xeriscape. The word xeriscape comes from the Greek word, xeros, which means dry and scape, a view or scene. It means taking into account the needs of the plants to select ones that are slow growing and drought tolerant. It also requires designing their installation so that the landscape is waste-efficient and conserves water. The new landscaping at the Historic Manatee County Courthouse incorporates this type of planning and uses native plants in that process. Native plants naturally occur in the region in which they evolved. They are adapted to local soil, rainfall and temperature conditions, and have developed natural defenses to many insects and diseases. Because of these traits, native plants will grow with minimal use of water, fertilizers, and pesticides. Wildlife species evolve with plants; therefore, they use native plant communities as their habitat. Using native plants helps preserve the balance and beauty of natural ecosystems and contributes to Florida's ecology by conserving water and protecting our aquifer.

**MANATEE COUNTY, FLORIDA  
PUBLIC UTILITIES SYSTEM**

for the fiscal year ended

**September 30, 2014**

**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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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 2-4 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 15, 2014, 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 15, 2014

## 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, 2014 and 2013. 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, 2014 and 2013 by \$781,958 and \$757,128 (net position), respectively. Of these amounts, \$153,316 for 2014 and \$145,651 for 2013 (unrestricted net position) were available to meet the System's ongoing obligations.
- The System's total net position increased \$24,830 in fiscal year 2014 and \$29,523 in fiscal year 2013.
- Total bonded debt, at par, of the Public Utilities System amounts to \$121,205 at September 30, 2014, a decrease of \$7,050 from fiscal year 2013.
- Interest earning rates increased from 0.362% in 2013 to 0.491% in 2014, resulting in higher interest earnings for the System.
- Closure estimates of the County's Lena Road Landfill approved by state and federal authorities resulted in an increase to the closure liability of \$1,242 for fiscal year 2014. The County now holds \$35,010 for these closure purposes with the current estimated remaining landfill life of 31 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 5 to 6.

The Statements of Revenues, Expenses and Changes in Fund Net Position, provided on page 7, 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 2014 and 2013 can indicate the on-going health of a business operation.

The Public Utilities System's Statements of Cash Flows, presented on pages 8 to 9, 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 10 to 16 and are an integral part of the financial statements.

Other information, not presented as a part of the basic financial statements, that may be of additional interest to readers is available on pages 17 to 24.

### 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 2014 and 2013 as well as a look at changes in revenues and expenses as presented in the accompanying statements.

<b>Net position (in thousands)</b>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>			
Current and other assets	\$ 238,790	\$ 245,006	\$ 237,991
Capital assets	725,020	699,004	687,215
Total assets	<u>963,810</u>	<u>944,010</u>	<u>925,206</u>
Deferred outflows of resources	<u>850</u>	<u>1,024</u>	<u>1,309</u>
<b>Liabilities:</b>			
Long-term liabilities	163,532	168,828	183,385
Other liabilities	19,170	19,078	15,525
Total liabilities	<u>182,702</u>	<u>187,906</u>	<u>198,910</u>
<b>Net position:</b>			
Net investment in capital assets	620,533	602,251	603,683
Restricted for debt service	905	905	4,169
Restricted for landfill closure	7,204	8,321	9,345
Unrestricted	153,316	145,651	110,408
Total net position	<u>\$ 781,958</u>	<u>\$ 757,128</u>	<u>\$ 727,605</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 \$24,830, a decrease of \$4,693 over the 2013

increase in net position of \$29,523. The change is primarily due to an increase in expenses resulting from the addition in fiscal year 2014 of a payment in lieu of franchise fees that was paid to the County's General Fund. However, these increased expenses are offset by higher revenues related to a rate increase in the prior year. Additionally, water installations are up 51% and reclaimed water connection fees are up 122% over the prior year, as the economy continues to improve after several years adrift. The System had an increase of \$9,816 in net position over 2012. 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 \$781,958 in net position, \$620,533 (79%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. The remaining balance of \$161,425 consists of \$153,316 (20%) in unrestricted net position that may be used to meet the System's ongoing obligations, as well as \$8,109 (1%) in restricted net position. In comparison to the System's \$757,128 in net position for fiscal year 2013, \$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, 2014 amounted to \$216,447, a decrease of \$6,336 from fiscal year 2013. At September 30, 2013, cash and cash equivalents amounted to \$222,783, an increase of \$7,663 over fiscal year 2012. The 2.84% decrease for fiscal year 2014 can be attributed to payments to other funds in lieu of franchise fees, as well as acquisition and construction of capital assets, while the 3.56% increase in fiscal year 2012 was 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 \$15,662 net of a \$1,983 allowance for uncollectible accounts, represents a 6.77% increase from fiscal year 2013, primarily due to an increase in billings during September 2014 as a result of late fees, treated water sales and sewer service charges which all increased during fiscal year 2014. In 2013, there was a 22% increase 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>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:			
Program revenues			
Charges for services	\$ 143,505	\$ 140,781	\$ 137,419
Operating grants and contributions	85	69	145
Capital grants and contributions	18,293	18,868	11,799
General revenues			
Interest income	796	732	1,444
Miscellaneous	1,350	359	293
Bond interest rebate	1,752	1,805	1,887
Gain on disposition of assets	77	60	-
Total revenues	<u>165,858</u>	<u>162,674</u>	<u>152,987</u>
Expenses:			
Water and sewer operations	99,507	92,116	93,597
Solid waste operations	33,181	32,463	31,605
Stormwater operations	5,051	4,894	4,116
Total expenses	<u>137,739</u>	<u>129,473</u>	<u>129,318</u>
Increase in net position before transfers	28,119	33,201	23,669
Transfers (net)	<u>(3,289)</u>	<u>(3,678)</u>	<u>(3,962)</u>
Increase in net position	<u>24,830</u>	<u>29,523</u>	<u>19,707</u>
Net position - beginning	<u>757,128</u>	<u>727,605</u>	<u>707,898</u>
Net position - ending	<u>\$ 781,958</u>	<u>\$ 757,128</u>	<u>\$ 727,605</u>

### Operations

Charges for services increased by \$2,724 during fiscal year 2014. 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 3,033 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 \$18,293 during fiscal year 2014. This was down from fiscal year 2013 by \$575, primarily due to less donated infrastructure and lower 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 \$8,266, 6.38% across all operations as a result of recovering economic factors and increased costs for maintenance materials within the system. Water and sewer operations experienced higher operating expenses due to paying 5.9% of

revenues to the General fund for payment in lieu of franchise fees. Solid waste expenses continued to be elevated due to 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 2014 included the following (in thousands):

- \$592 - Rehabilitation of wet well and channel, located at the Master Lift Station 27A at 53<sup>rd</sup> Avenue West, including liner removal, new stop gates and a new comminutor designed to automatically cut up large sewage solids into smaller particles.
- \$223 - Additional construction for the Bayshore On The Lakes potable water line replacement. Completion 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.
- \$287 - Construction of reuse line extension to an existing dry line system, including approximately 4,000 linear feet of 8 inch and 10 inch lines for Country Meadows development in the north service area.
- \$147 - Installation of a booster pump station along 44<sup>th</sup> Avenue East between 65<sup>th</sup> Street and 67<sup>th</sup> Street East.
- The System added \$40,540 in ongoing construction projects (CIP).

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.
- The System added \$29,385 in ongoing construction projects (CIP).

Additional information related to the System's capital assets can be found in Note 5 on page 12 of this report.

### Administration of Debt

At September 30, 2014, the System had total bonded debt outstanding of \$121,205.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ 121,205	\$ 128,255	\$ 138,778
State Revolving Fund Loan	-	683	1,342
Total	<u>\$ 121,205</u>	<u>\$ 128,938</u>	<u>\$ 140,120</u>

During fiscal years 2014 and 2013, the System's total debt decreased by \$7,733 and \$11,182 respectively. The decrease in fiscal year 2014 was primarily related to normal bond maturities and loan principal payments, as was the decrease in the prior year.

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 13 to 14 of this report.

### Economic Factors and Year 2015 Budgets and Rates

Factors considered in preparing Manatee County's budget for the 2015 fiscal year included:

- The Consumer Price Index increased 1.7% 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 September 2014 was 6.1%, an encouraging decrease from the 7.2% rate reported in the previous fiscal year.
- Population increased by 1.16% from the fiscal year ending September 30, 2013 to 337,546.
- The number of construction permits issued (not rounded) in fiscal year 2014 was 21,964. This is 4,018 more than the previous year, a 22.39% increase. Continued growth in new housing starts and in commercial construction are the main components of this increase, reflecting improving market conditions.
- The number of metered water and sewer customers has increased in each of the last five years.
- Interest earnings rates increased slightly in fiscal year 2014, resulting in an average portfolio yield of 0.491%. As in prior years, interest earnings continue to be budgeted on a conservative basis for revenue purposes.

### 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](http://www.manateclerk.com) for further financial information.

*Manatee County*



*Florida*

**Manatee County Public Utilities System  
Statements of Net Position  
September 30, 2014 and 2013  
(Amounts expressed in thousands)**

<u>Assets</u>	<u>2014</u>	<u>2013</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 161,128	\$ 153,212
Accounts receivable:		
Trade (net of allowance of \$1,983 and \$1,754 for 2014 and 2013, respectively)	9,848	8,454
Unbilled revenue	5,814	6,215
Interest receivable	140	114
Sewer assessments receivable	50	52
Due from other governmental units	1,182	2,158
Prepaid items	675	559
Inventory	2,671	2,511
Deposits	379	482
Total current assets	<u>181,887</u>	<u>173,757</u>
<b>Current restricted assets:</b>		
Cash and cash equivalents	20,309	34,686
Interest receivable	16	24
Total current restricted assets	<u>20,325</u>	<u>34,710</u>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	35,010	34,885
Advances to other funds	1,300	1,300
Sewer assessments receivable	233	311
Unamortized bond insurance	35	43
Land and other nondepreciable assets	140,428	100,535
Capital assets, net of accumulated depreciation	584,592	598,469
Total noncurrent assets	<u>761,598</u>	<u>735,543</u>
Total assets	<u>963,810</u>	<u>944,010</u>
<b>Deferred outflows of resources:</b>		
Deferred charge on refunding	850	1,024
Total deferred outflows of resources	<u>850</u>	<u>1,024</u>

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

<u>Liabilities</u>	<u>2014</u>	<u>2013</u>
<b>Current liabilities:</b>		
Accounts payable	4,068	4,528
Wages and benefits payable	1,510	1,250
Due to other governmental units	1	1
Contracts and retainages payable	4,058	3,243
Compensated absences	159	152
Deposits	273	123
Total current liabilities	<u>10,069</u>	<u>9,297</u>
<b>Current liabilities (payable from restricted assets):</b>		
Accounts payable	153	282
Interest payable	-	12
Contracts and retainages payable	1,709	1,859
Loan payable	-	683
Customer deposits	7,239	6,945
Total current liabilities (payable from restricted assets)	<u>9,101</u>	<u>9,781</u>
<b>Noncurrent liabilities:</b>		
Compensated absences	3,364	3,134
Other post employment benefits	8,604	7,753
Closure liability	27,806	26,564
Revenue bonds noncurrent (net of premium)	123,758	131,377
Total noncurrent liabilities	<u>163,532</u>	<u>168,828</u>
Total liabilities	<u>182,702</u>	<u>187,906</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	620,533	602,251
Restricted for debt service	905	905
Restricted for landfill closure	7,204	8,321
Unrestricted	153,316	145,651
Total net position	<u>\$ 781,958</u>	<u>\$ 757,128</u>

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

**Manatee County Public Utilities System  
Statements of Revenues, Expenses and  
Changes in Fund Net Position  
For the Fiscal Years ended September 30, 2014 and 2013  
(Amounts expressed in thousands)**

	<u>2014</u>	<u>2013</u>
<b>Operating revenues:</b>		
Water sales	\$ 43,407	\$ 42,625
Wastewater treatment charges	61,962	60,468
Solid waste charges	38,136	37,688
Miscellaneous revenues	<u>1,350</u>	<u>359</u>
Total operating revenues	<u>144,855</u>	<u>141,140</u>
<b>Operating expenses:</b>		
Water and sewer:		
Personal services	22,965	22,475
General and administrative	22,368	15,701
Water treatment and distribution	9,474	9,166
Wastewater collection and treatment	15,266	13,876
Solid waste:		
Personal services	2,864	2,879
Landfill operation	5,185	4,790
Closure	1,242	1,155
Garbage collection	21,654	20,802
Stormwater:		
Personal services	2,496	2,366
General and administrative	2,212	2,146
Depreciation and amortization	<u>26,378</u>	<u>26,994</u>
Total operating expenses	<u>132,104</u>	<u>122,350</u>
Operating income	<u>12,751</u>	<u>18,790</u>
<b>Nonoperating revenues (expenses):</b>		
Operating grants	85	69
Interest income	796	732
Interest expense	(5,635)	(7,123)
Bond interest rebate	1,752	1,805
Gain on disposition of assets	<u>77</u>	<u>60</u>
Total nonoperating revenues (expenses)	<u>(2,925)</u>	<u>(4,457)</u>
Income before contributions and transfers	9,826	14,333
Capital grants and contributions	18,293	18,868
Transfers to other funds	<u>(3,289)</u>	<u>(3,678)</u>
Change in net position	24,830	29,523
Net position - beginning	<u>757,128</u>	<u>727,605</u>
Net position - ending	<u>\$ 781,958</u>	<u>\$ 757,128</u>

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

*Manatee County*



*Florida*

**Manatee County Public Utilities System  
Statements of Cash Flows  
For Fiscal Years Ended September 30, 2014 and 2013  
(Amounts expressed in thousands)**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 144,306	\$ 141,838
Cash payments to vendors for goods and services	(51,861)	(49,823)
Cash payments to employees for services	(22,798)	(21,857)
Cash payments to other funds	(28,853)	(20,724)
Net cash provided by operating activities	<u>40,794</u>	<u>49,434</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating grants	81	63
Transfers out	(3,279)	(3,678)
Net cash provided (used) by noncapital financing activities	<u>(3,198)</u>	<u>(3,615)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(45,580)	(31,755)
Deposits paid on construction agreements	-	(100)
Principal payments on debt	(7,733)	(11,182)
Interest payments on debt	(7,419)	(13,581)
Bond interest rebate	1,752	1,970
Receipt of contributed capital	14,158	15,487
Proceeds from sale of assets	115	253
Net cash provided (used) by capital and related financing activities	<u>(44,707)</u>	<u>(38,908)</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>775</u>	<u>752</u>
Net increase (decrease) in cash and cash equivalents	(6,336)	7,663
Cash and cash equivalents, October 1	<u>222,783</u>	<u>215,120</u>
Cash and cash equivalents, September 30	<u>\$ 216,447</u>	<u>\$ 222,783</u>
<b>Classified as:</b>		
Current assets	\$ 161,128	\$ 153,212
Restricted assets	<u>55,319</u>	<u>69,571</u>
Cash and cash equivalents, September 30	<u>\$ 216,447</u>	<u>\$ 222,783</u>

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

	<u>2014</u>	<u>2013</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>12,751</u>	\$ <u>18,790</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,368	26,975
Amortization	10	19
Provision for uncollectables	624	724
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,617)	(292)
Prepaid items	(116)	(109)
Inventory	(160)	231
Increase (decrease) in:		
Accounts payable	(100)	123
Wages and benefits payable	260	69
Compensated absences	237	34
Other post employment benefits	851	1,449
Closure liability	1,242	1,155
Customer deposits	444	266
Total adjustments	<u>28,043</u>	<u>30,644</u>
Net cash provided by operating activities	\$ <u><u>40,794</u></u>	\$ <u><u>49,434</u></u>
<b>Non-cash investing, capital, and financing activities:</b>		
Acquisition of contributed assets	\$ 5,194	\$ 2,118
Assets transferred to other funds	10	-

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

**Manatee County Public Utilities System  
Notes to Financial Statements  
September 30, 2014  
(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 (the "Public Utilities System" or the "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, 2014. 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.

**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

**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>2014</u>	<u>2013</u>
Interest cost	\$ 7,012	\$ 7,871
Less amount capitalized	1,377	748
Net amount expensed	\$ 5,635	\$ 7,123

**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.

**Manatee County Public Utilities System  
Notes to Financial Statements  
September 30, 2014  
(Amounts expressed in thousands)**

**Note 1 Summary of Significant Accounting Policies - Continued**

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statements 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 statements 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 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, 2014, available at [www.manateeclerk.com](http://www.manateeclerk.com).

The portfolio composition at September 30, 2014 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 (9)	Cost	\$ 98,993
External Government Investment Pools (4)	Amortized Cost or NAV	242,317
US Treasury Notes (11)	Quoted Market	88,090
Government Sponsored Enterprises (29)	Quoted Market	207,303
Total		<u>\$ 636,703</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, 2014</u>			
	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
Debt service funds	\$ 899	\$ 6	\$ 905
Customer deposits	7,239	-	7,239
Construction funds	12,171	10	12,181
Landfill closure escrow	35,010	-	35,010
Total	<u>\$ 55,319</u>	<u>\$ 16</u>	<u>\$ 55,335</u>
<u>September 30, 2013</u>			
	<u>Cash and Cash Equivalents</u>	<u>Interest 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	34,885	-	34,885
Total	<u>\$ 69,571</u>	<u>\$ 24</u>	<u>\$ 69,595</u>

**Manatee County Public Utilities System**  
**Notes to Financial Statements**  
**September 30, 2014**  
(Amounts expressed in thousands)

**Note 5 Capital Assets**

	<u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30</u>
<b>As of September 30, 2013</b>				
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>
<b>As of September 30, 2014</b>				
Capital assets not depreciated:				
Land	\$ 24,715	\$ -	\$ -	\$ 24,715
Construction in progress	75,820	45,865	5,972	115,713
Total assets not depreciated	<u>100,535</u>	<u>45,865</u>	<u>5,972</u>	<u>140,428</u>
Capital assets depreciated:				
Buildings	29,331	153	-	29,484
System infrastructure	941,494	11,092	-	952,586
Machinery and equipment	33,907	1,300	950	34,257
Total assets depreciated	<u>1,004,732</u>	<u>12,545</u>	<u>950</u>	<u>1,016,327</u>
Less accumulated depreciation:				
Buildings	7,425	691	-	8,116
System infrastructure	376,966	23,437	-	400,403
Machinery and equipment	21,872	2,240	896	23,216
Total accumulated depreciation	<u>406,263</u>	<u>26,368</u>	<u>896</u>	<u>431,735</u>
Total depreciable capital assets, net	<u>598,469</u>	<u>(13,823)</u>	<u>54</u>	<u>584,592</u>
Total capital assets, net	<u>\$ 699,004</u>	<u>\$ 32,042</u>	<u>\$ 6,026</u>	<u>\$ 725,020</u>

Depreciation expense was \$26,368 and \$26,975 for fiscal years ending September 30, 2014 and 2013, respectively.

**Manatee County Public Utilities System  
Notes to Financial Statements  
September 30, 2014  
(Amounts expressed in thousands)**

**Note 6 Revenue Bonds Payable**

The following is long-term liability activity for the fiscal years 2013 and 2014:

	<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, 2012	\$ 144,078	\$ 1,342	\$ 3,252	\$ 6,304	\$ 25,409	\$ 180,385
Additions	482	-	1,534	1,449	1,155	4,620
Deductions	16,305	659	1,500	-	-	18,464
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>
Additions	-	-	1,857	851	1,242	3,950
Deductions	7,050	683	1,620	-	-	9,353
September 30, 2014	<u>\$ 121,205</u>	<u>\$ -</u>	<u>\$ 3,523</u>	<u>\$ 8,604</u>	<u>\$ 27,806</u>	<u>\$ 161,138</u>
Due within one year at:						
September 30, 2013	\$ -	\$ 683	\$ 152	\$ -	\$ -	\$ 835
September 30, 2014	-	-	159	-	-	159

Revenue bonds payable consisted of the following at September 30:

	<u>2014</u>	<u>2013</u>
\$44,895 Public Utilities Revenue Improvement Bonds, Series 2006, plus unamortized premium of \$437 and \$554 for 2014 and 2013, respectively.	\$ 24,987	\$ 28,024
\$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 \$158 and \$207 for 2014 and 2013, respectively.	6,878	6,927
\$8,190 Public Utilities Revenue Improvement Bonds, Series 2010D	5,945	8,190
\$22,650 Public Utilities Revenue Refunding Bonds, Series 2011, plus unamortized premium of \$1,958 and \$2,361 for 2014 and 2013, respectively.	22,723	25,011
Total	<u>\$ 123,758</u>	<u>\$ 131,377</u>

**\$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 \$3,065 of principal due October 1, 2015 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 \$2,320 of principal due October 1, 2015 to \$1,215 due October 1, 2017; interest at 3.894% 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 \$1,945 of principal due October 1, 2015 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.

**Manatee County Public Utilities System  
Notes to Financial Statements  
September 30, 2014  
(Amounts expressed in thousands)**

**Note 6 Revenue Bonds Payable - Continued**

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>
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	8,670	5,776	14,446
2020-2024	33,735	22,312	56,047
2025-2029	19,125	14,685	33,810
2030-2034	23,260	7,205	30,465
2035	5,230	386	5,616
Total	<u>\$ 121,205</u>	<u>\$ 76,958</u>	<u>\$ 198,163</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 Statements 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, 2014 and 2013.

**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 at September 30, 2013.

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 year ended September 30, 2013.

**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.

**Manatee County Public Utilities System**  
**Notes to Financial Statements**  
**September 30, 2014**  
**(Amounts expressed in thousands)**

**Note 8 Defeased Revenue Bonds – Continued**

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.

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, which have been fully paid, by issuing the 2011 Public Utilities Revenue Refunding Bonds.

The above bonds have been fully retired as of September 30, 2013.

All 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 (the "FRS") in 1970. Substantially all full-time county employees are participants in the FRS, a multiple-employer, cost-sharing public retirement system. The FRS, which is controlled by the State Legislature and administered by the State of Florida, Department of Management Services, Division of Retirement, covers over 660,000 full-time employees of various governmental units within the State of Florida.

The FRS 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 FRS on a pre-tax basis.

Effective with the State fiscal year 2002, the State created a new retirement plan within the FRS; 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 FRS. 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 FRS 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 FRS. 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](http://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, 7.37%, special risk employees, 19.82%, elected officials, 43.24% and senior management, 21.14%. The County's contributions made during the years ended September 30, 2014, 2013 and 2012 were \$18,280, \$13,680 and \$11,616, respectively, which include the Public Utilities System's contribution of \$1,477, \$1,093 and \$881, respectively, equal to the actuarially determined contribution requirements for each year. The employee contributions were \$534, \$520 and \$491, for fiscal years 2014, 2013 and 2012, respectively.

**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 \$8,604 and \$7,753 as of September 30, 2014 and 2013, 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, 2014.

**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.

**Manatee County Public Utilities System**  
**Notes to Financial Statements**  
**September 30, 2014**  
**(Amounts expressed in thousands)**

**Note 11 Commitments and Contingencies - Continued**

**Contract Commitments** - Open construction contracts totaled approximately \$21,682 and \$10,937 at September 30, 2014 and 2013, respectively.

**Note 12 Recognition of Closure and Post Closure Cost**

State and federal laws require final cover and closure as well as post closure 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>2014</u>	<u>2013</u>
Closure Costs (286 acres)	\$ 37,292	\$ 36,668
Post Closure Costs (316 acres)	14,060	13,825
Current Closure Cost Estimate	<u>\$ 51,352</u>	<u>\$ 50,493</u>
Remaining Life	31	27
Landfill Capacity Used (%)	52.92%	51.34%
Closure/Post Closure Liability	\$ 27,806	\$ 26,564
Current Year Closure/Post Closure Cost	\$ 1,242	\$ 1,155
Landfill Cash Escrow Account	\$ 35,010	\$ 34,885

The closure/post closure 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, 2014 and 2013, with cash and investments of \$35,010 and \$34,885 respectively, held for these purposes. In the event closure escrows and interest earnings prove inadequate due to inflation, changes in technology or additional closure/post closure 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, 2014  
(Amounts expressed in thousands)**

	<b>Revenue Improvement Series 2006</b>	<b>Revenue Improvement Series 2010A</b>	<b>Revenue Improvement Series 2010B</b>	<b>Revenue Improvement Series 2010C</b>	<b>Revenue Improvement Series 2010D</b>	<b>Revenue Refunding Series 2011</b>
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	20,345	-	-	-	2,245	1,885
Refunded	-	-	-	-	-	-
Balance outstanding	<u><u>\$ 24,550</u></u>	<u><u>\$ 17,925</u></u>	<u><u>\$ 45,300</u></u>	<u><u>\$ 6,720</u></u>	<u><u>\$ 5,945</u></u>	<u><u>\$ 20,765</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	4.25% Maturity 2015-2016	5.951% Maturity 2015-2020	7.178% Maturity 2015-2030	4.00%-5.00% Maturity 2015-2017	3.894% Maturity 2015	3.00% Maturity 2015
	5.00% Maturity 2017	6.151% Maturity 2021	7.378% Maturity 2031-2035	3.50%-5.00% Maturity 2018	4.798% Maturity 2016	4.00% Maturity 2016-2017
	4.00% Maturity 2018	6.351% Maturity 2022		4.00%-5.00% Maturity 2019	5.048% Maturity 2017	5.00% Maturity 2018-2023
	5.00% Maturity 2019-2021	6.551% Maturity 2023				
		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, 2014  
(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
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>\$ 24,550</u>	<u>\$ 4,918</u>	<u>\$ 29,468</u>	<u>\$ 17,925</u>	<u>\$ 9,809</u>	<u>\$ 27,734</u>	<u>\$ 45,300</u>	<u>\$ 55,119</u>	<u>\$ 100,419</u>



**Manatee County Public Utilities System  
Schedules of Debt Service Coverage  
For the Fiscal Years Ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Water and sewer	\$ 106,577	\$ 103,310
Stormwater	53	130
Solid waste	38,225	37,700
Interest earned:		
Water and sewer	579	533
Stormwater	9	10
Solid waste	208	189
Less interest not considered revenue for debt coverage:		
Interest earned on construction trust funds	(50)	(98)
Add revenue available for debt service coverage not included as operating revenues in financial statements:		
Operating grants	<u>85</u>	<u>69</u>
Total revenues available for debt service coverage	145,686	141,843
Add federal direct payments	1,752	1,970
Less operating expenses (excluding depreciation and amortization)	<u>(105,726)</u>	<u>(95,356)</u>
Net revenues available for debt service	\$ 41,712	\$ 48,457
Debt service requirement	\$ 14,446	\$ 24,056
Debt service coverage	289%	201%

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

**Fiscal Year Ended September 30**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>					
Water sales	\$ 43,407	\$ 42,625	\$ 41,959	\$ 40,513	\$ 37,038
Wastewater treatment charges	61,962	60,468	58,647	54,689	52,424
Solid waste charges	38,136	37,688	36,813	34,953	36,065
Miscellaneous	1,435	428	438	368	576
Federal direct payment (FDP) <sup>(1)</sup>	1,752	1,970	1,722	1,426	-
Interest income <sup>(2)</sup>	746	634	1,092	1,097	1,920
Total operating revenues	<u>147,438</u>	<u>143,813</u>	<u>140,671</u>	<u>133,046</u>	<u>128,023</u>
<b>Operating Expenses:</b>					
Water operations	27,468	24,630	25,242	24,417	26,112
Sewer operations	42,605	36,588	36,554	36,405	37,912
Solid waste operations	30,945	29,626	28,840	22,239	28,097
Stormwater operations	4,708	4,512	3,713	3,545	2,950
Total operating expenses	<u>105,726</u>	<u>95,356</u>	<u>94,349</u>	<u>86,606</u>	<u>95,071</u>
Net revenue available for debt service	<u>\$ 41,712</u>	<u>\$ 48,457</u>	<u>\$ 46,322</u>	<u>\$ 46,440</u>	<u>\$ 32,952</u>
Debt service requirement <sup>(3)</sup>	\$ 14,446	\$ 24,056	\$ 24,034	\$ 22,917	\$ 19,099
Coverage ratio of debt service requirement	2.89x	2.01x	1.93x	2.03x	1.73x

(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) Beginning with fiscal year 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, 2014)**

**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	\$ 34.93/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	\$ 48.00/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	
In-county	\$ 200.00/ton
Out-of-county	\$ 400.00/ton
Hillsborough County	
Standard Waste/Construction & Demolition Debris	
In-county	\$ 61.81/ton
Out-of-county	N/A
Processable	\$ 68.16/ton
Tires	\$ 71.50/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, 2014)**

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2014	110,051	94,900
2013	107,018	92,760
2012	104,430	90,989
2011	103,091	89,745
2010	96,113	88,758

**Single-Family Residential Water and Wastewater Bills  
in Manatee County and Surrounding Areas  
(as of September 30, 2014) <sup>(1)</sup>**

	<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	52.55	79.83	62.58	75.74	115.13	155.57
Manatee County	19.48	29.08	44.43	61.39	63.91	90.47
Pinellas County	34.03	53.15	39.93	58.24	73.96	111.39
Hillsborough County	35.25	54.57	39.53	48.21	74.78	102.78

Source: Manatee County

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

**Manatee County, Florida  
Public Utilities System  
Historical Operating Results of System  
(amounts expressed in thousands)**

**Summary of Historical System Operating Results and Debt Coverage**

Description	Historical Fiscal Year Ended September 30				
	2010	2011	2012	2013	2014
Charges for Services	\$ 125,527	\$ 130,155	\$ 137,419	\$ 140,781	\$ 143,505
Miscellaneous Revenues & Interest Income <sup>(1)</sup>	2,304	1,404	1,537	1,134	2,204
Federal Direct Payments	-	1,426	1,722	1,970	1,752
<b>Total Gross Revenues</b>	<b>127,831</b>	<b>132,985</b>	<b>140,678</b>	<b>143,885</b>	<b>147,461</b>
<b>Total Operating Expenses <sup>(2)</sup></b>	<b>95,071</b>	<b>86,606</b>	<b>94,349</b>	<b>95,356</b>	<b>105,726</b>
<b>Net Revenue</b>	<b>32,760</b>	<b>46,379</b>	<b>46,329</b>	<b>48,529</b>	<b>41,735</b>
<b>Net Revenue Ratio</b>	<b>25.63%</b>	<b>34.88%</b>	<b>32.93%</b>	<b>33.73%</b>	<b>28.30%</b>
<b>Outstanding Bonds:</b>					
Annual Debt Service Requirement	19,099	22,917	24,034	24,056	14,446
Calculated Coverage	1.72	2.02	1.93	2.02	2.89
Required Coverage	1.15	1.15	1.15	1.15	1.15
<b>Subordinate Obligations: <sup>(3)</sup></b>					
Net Revenues after Outstanding Bonds Payments	13,661	23,462	22,295	24,473	27,289
Subordinate Obligations Debt Service Requirement	707	707	707	707	707
State Revolving Loan Fund Calculated Coverage	19.32	33.19	31.53	34.62	38.60
Required Coverage	1.15	1.15	1.15	1.15	1.15
Net Available for Other Required Transfers <sup>(4)</sup>	12,954	22,755	21,588	23,766	26,582
Other Required Transfers:					
Debt Service Reserve Account <sup>(5)</sup>	-	-	-	-	-
Net Available for Capital Improvement Fund Transfer <sup>(6)</sup>	12,954	22,755	21,588	23,766	26,582
System Facility Investment Fees	6,167	6,507	7,332	12,651	12,033
<b>Total Available for Other System Purposes</b>	<b>\$ 19,121</b>	<b>\$ 29,262</b>	<b>\$ 28,920</b>	<b>\$ 36,417</b>	<b>\$ 38,615</b>

(1) Amounts shown do not include interest income earned on balances in the Restricted Construction Fund(s) (earnings restricted to such account by resolution or law), or any unrealized gain or loss on the fair market adjustment of investments (to recognize realized earnings).

(2) Amounts shown do not include depreciation or amortization expenses pursuant to the Resolution.

(3) The County has secured a low-interest loan through the State Revolving Loan Fund Program. Pursuant to the Loan Agreement, the County has pledged the Net Revenues, net of any parity bonds debt service payments.

(4) Amount represents the available Net Revenue after the payment of the Annual Debt Service Requirement and the loan repayment of the Subordinate Obligation.

(5) The Debt Service Reserve Account on the Outstanding Bonds are secured by a Reserve Account Credit Facility Substitute equal to the applicable Debt Service Reserve Requirement for each series of Outstanding Bonds; therefore, no additional required transfers are reflected during the Historical Period.

(6) Pursuant to the Resolution, all available revenue after payment of Operating Expenses, deposits, if any, to the Rate Stabilization Fund, satisfy the Annual Debt Service Requirement on all Bonds, and required transfers shall be deposited into the Capital Improvement Fund for the benefit of the Public Utilities System. Generally, this account is used by the County to fund ongoing capital expenditures that are not funded by Public Utilities System debt and other funding obligations of the Public Utilities System.

Source: Manatee County, Florida

*Manatee County*



*Florida*

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, 2014 and 2013, 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 15, 2014.

### 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.

A handwritten signature in blue ink that reads "Shinn & Company LLC".

CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida  
December 15, 2014