



PUBLIC UTILITIES

System

Annual Financial Report

MANATEE COUNTY
FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2011



In the past, the Three R's stood for reading, writing and arithmetic. Today, they also refer to reduce, reuse and recycle. Even the youngest school child knows these three principles of sustainability. Two other Rs that support conservation of resources are restore and rehabilitate. Preservation of historic buildings is an important component of sustainable development. Reducing waste deposited in landfills by continued use of existing buildings also decreases the demand for energy and natural resources. In recent decades, Manatee County has recognized the importance of this concept by restoring and adapting many historic buildings for new uses. Historical Buildings have successfully been rehabilitated into community gathering places, event venues, museums, visitor centers and environmental classrooms. By saving these treasures of the past from the landfill, Manatee County preserves our community's heritage as well as renewable resources for the benefit of future generations.

In the 1890s, William C. Bratton built the first commercial building at Hunter's Point, the original name of the area eventually to be called Cortez. In 1900, rooms were added creating an inn which became known as the Albion Inn. In 1974, the inn closed and the property was sold to the US Coast Guard. Community effort spearheaded by the Cortez Village Historical Society and the Organized Fisherman of Florida saved the store from demolition in 1991. The building was moved to the grounds of the Florida Maritime Museum in 2006. A restored historic cistern was added to the back of the building to demonstrate how early residents collected rainwater for drinking, bathing and washing.

**MANATEE COUNTY, FLORIDA
PUBLIC UTILITIES SYSTEM**

for the fiscal year ended

September 30, 2011

Board of County Commissioners

Carol Whitmore, Chairman

Larry Bustle

Michael Gallen

John Chappie

Donna Hayes

Robin DiSabatino

Joe McClash

**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



**MANATEE COUNTY
FLORIDA**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Manatee County, Florida, Public Utilities System (the "System"), as of and for the years ended September 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of Manatee County, Florida, as of September 30, 2011 and 2010, and changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2011 and 2010, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration, of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report, is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

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



Shinn & Company, P.A.
Bradenton, Florida



LarsonAllen LLP
Tampa, Florida

December 16, 2011

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, 2011 and 2010. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The System's assets exceeded its liabilities at September 30, 2011 and 2010 by \$708,961 and \$685,918 (net assets), respectively. Of these amounts, \$90,113 for 2011 and \$81,890 for 2010 (unrestricted net assets) were available to meet the System's ongoing obligations.
- The System's total net assets increased \$23,043 in fiscal year 2011 and \$18,130 in fiscal year 2010.
- Total bonded debt, at par, of the Public Utilities System amounts to \$152,598 at September 30, 2011, an increase of \$65,480 from fiscal year 2010.
- Interest rates continued to decline this past fiscal year, resulting in decreased interest earnings for the System. Interest earning rates declined from 1.22% in 2010 to .682% in 2011.
- 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 \$247 for fiscal year 2011. The County now holds \$34,553 for closure purposes with the current estimated remaining landfill life of 29 years.

Overview of the Financial Statements

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

The Statements of Revenues, Expenses and Changes in Fund Net Assets, provided on page 9, present the revenues and expenses of the current and previous fiscal years, which resulted from operations. The net of revenue less expense, when combined with other nonoperating sources such as interest income, interest expense, grants and contributions, results in the net income the System generated for the fiscal year, which increased the net assets presented on the Statements of Net Assets. A review of this statement for both fiscal years 2011 and 2010 can indicate the on-going health of a business operation.

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

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

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

Analysis of Financial Statements

My discussion of the Public Utilities System's financial statements includes an analysis of major changes in the System's assets and liabilities for fiscal years 2011 and 2010 as well as a look at changes in revenues and expenses as presented in the accompanying statements.

| | Net assets (in thousands) | | |
|---|---------------------------|-------------------|-------------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Assets: | | | |
| Current and other assets | \$ 229,855 | \$ 152,326 | \$ 171,583 |
| Capital assets | 690,917 | 687,540 | 664,007 |
| Total assets | <u>920,772</u> | <u>839,866</u> | <u>835,590</u> |
| Liabilities: | | | |
| Long-term liabilities | 196,075 | 136,726 | 148,952 |
| Other liabilities | 15,736 | 17,222 | 18,850 |
| Total liabilities | <u>211,811</u> | <u>153,948</u> | <u>167,802</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 601,576 | 597,733 | 568,304 |
| Restricted for debt service | 7,248 | - | - |
| Restricted for construction projects | - | 1,481 | 1,791 |
| Restricted for landfill closure | 10,024 | 4,814 | 3,986 |
| Unrestricted | 90,113 | 81,890 | 93,707 |
| Total net assets | <u>\$ 708,961</u> | <u>\$ 685,918</u> | <u>\$ 667,788</u> |

Net Assets

As noted earlier in my discussion, changes in net assets over time can be one of the best and most useful indicators of the System's financial position. The System's increase in net assets for this fiscal year amounts to \$23,043, an increase of \$4,913 over the 2010 increase in net assets of \$18,130. The change is attributable primarily to a rate increase that went into effect in January, 2011, as well as a substantial decrease in the amount of closure estimates.

Of the Public Utilities System's \$708,961 in net assets, \$601,576 (85%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. The remaining balance of \$107,385 consists of \$90,113 (13%) in unrestricted net assets that may be used to meet the System's ongoing obligations, as well as \$17,272 (2%) in restricted net assets.

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

Cash and Accounts Receivable

The System's cash and cash equivalents as of September 30, 2011 amounted to \$208,508, an increase of \$79,537 over fiscal year 2010. At September 30, 2010, cash and cash equivalents amounted to \$128,971, a decrease of \$20,670 over fiscal year 2009. The 61.67% increase for fiscal year 2011 can be attributed mainly to new debt borrowing, while the 13.81% decrease in FY10 was attributable mainly to payments to vendors and contractors for operating supplies and services acquisition and construction of capital assets and lower interest earnings.

Accounts receivable for trade and unbilled revenues of \$13,506 net of a \$3,795 allowance for uncollectible accounts, represents a 5.22% decrease from fiscal year 2010, mainly due to a slight increase in customer consumption as a result of the economy's overall recovering conditions, offset by an increase of \$784 for allowance for bad debts as a result of increased customer bankruptcies and vacated properties. Accounts receivable balances in fiscal year 2010 increased 10.82% from the prior year. A rate increase effective January 1, 2011 helped to increase the System's operating revenues in fiscal year 2011.

Change in Net Assets

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

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|-------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ 130,155 | \$ 125,527 | \$ 127,401 |
| Operating grants and contributions | 6 | 43 | 192 |
| Capital grants and contributions | 12,118 | 15,236 | 23,099 |
| General revenues | | | |
| Interest income | 1,478 | 2,006 | 4,739 |
| Miscellaneous | 362 | 533 | 1,168 |
| Bond interest rebate | 1,426 | - | - |
| Gain on disposition of assets | 2 | 38 | 64 |
| Total revenues | <u>145,547</u> | <u>143,383</u> | <u>156,663</u> |
| Expenses: | | | |
| Water and sewer operations | 90,969 | 88,292 | 88,527 |
| Solid waste operations | 25,074 | 31,394 | 30,010 |
| Stormwater operations | 3,961 | 3,383 | 3,888 |
| Total expenses | <u>120,004</u> | <u>123,069</u> | <u>122,425</u> |
| Increase in net assets before transfers | 25,543 | 20,314 | 34,238 |
| Transfers (net) | <u>(2,500)</u> | <u>(2,184)</u> | <u>(1,937)</u> |
| Increase in net assets | 23,043 | 18,130 | 32,301 |
| Net assets - beginning | <u>685,918</u> | <u>667,788</u> | <u>635,487</u> |
| Net assets - ending | <u>\$ 708,961</u> | <u>\$ 685,918</u> | <u>\$ 667,788</u> |

Operations

Charges for services increased by \$4,628 during fiscal year 2011. A significant portion of the increase is related to the water and sewer operations offset by a decrease in Solid Waste. The Solid Waste decrease is attributable to a reduction in garbage collection, both residential and commercial, due to an increasing number of vacant homes through foreclosures, coupled with decreased revenue generated from recyclable white goods and yard waste received at the landfill. The Water and Sewer increase is attributable to an increase in water consumption in addition to an increase in water and wastewater rates that went into effect January 2011. Capital grants and contributions totaled \$12,118 during fiscal year 2011. This was down from the fiscal year 2010 amount of \$15,236 primarily due to reduced donated infrastructure and reimbursements to the water and sewer operations from the Environmental Protection Agency and the Southwest Florida Water Management District for costs related to the Wares Creek project.

Total expenses decreased by \$3,065 (2.49%) across all operations as a result of economic factors and restructuring of services to obtain a lower cost base within the system. Overall the decrease in Water and Sewer operating expenses from 2010 was offset by an increase in debt service interest payments. The decrease in Solid Waste operating expenses is attributable to a decrease in closure reserve expenses related to both an increase in estimated life at the Lena Road Landfill and lower post-closure cost estimates.

Capital Assets

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

Major additions of assets in fiscal year 2011 included the following (in thousands):

- \$3,422 for the implementation and installation of a new customer service utility billing system (Customer Suite).
- \$7,327 for the expansion of the Northwest water treatment plant and renovation of the influent structure.
- \$7,991 for the water line expansion at Wellfield Estates.
- \$1,517 for donated equipment and infrastructure assets to the water and sewer systems.
- \$5,211 utility relocation at State Road 64 and Lakewood Ranch.
- \$8,941 for the water lines rehabilitation projects located at Anna Maria Island and Trailer Estates.
- \$3,587 for the waterline replacement at Piney Point road, installation of the water filtrations system at the water treatment plant and installation of the water booster generator at Elwood Park.

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

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

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, 2011, the System had total bonded debt outstanding of \$152,598 and a State Revolving Fund loan of \$1,979.

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------------|-------------------|------------------|-------------------|
| Revenue bonds | \$ 152,598 | \$ 86,908 | \$ 98,996 |
| State Revolving Fund Loan | <u>1,979</u> | <u>2,594</u> | <u>3,187</u> |
| Total | <u>\$ 154,577</u> | <u>\$ 89,502</u> | <u>\$ 102,183</u> |

During fiscal years 2011 and 2010, the System's total debt increased by \$65,075 and decreased by \$12,681, respectively. The increase in fiscal year 2011 was primarily related to a new debt issuance offset by the normal bond maturities and loan principal payments. While in the prior year, the decrease was primarily related to the normal bond maturities and loan principal payments.

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

Economic Factors and Year 2012 Budgets and Rates

Factors considered in preparing Manatee County's budget for the 2012 fiscal year included:

- The Consumer Price Index increased 3.9% over the previous year's rate. Although not specific to Manatee County, it does provide economic guidance for budgeting.
- The unemployment rate for Manatee County is currently 10.9%, a significant decrease from the 12.6% rate reported in the previous fiscal year.
- Population increased 1.88% from the fiscal year ending September 30, 2010 to 324,168.
- The number of construction permits increased 3.77% over the previous fiscal year reflecting the beginning of a rebound in new housing starts during the current fiscal year.
- The number of metered water and sewer customers has increased in each of the last five years.
- In October 2008, utility rates were increased, as planned for in the most recent rate resolution, for both water and sewer in order to provide revenues for maintenance and improvements to the systems. New solid waste hauler franchise agreements became effective October 1, 2008, one in each of the two franchise service areas. During January of 2011, both utility rates and tipping fees increased. Required rate increases for fiscal year 2012 became effective in November, 2011.

Requests for Information:

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



**MANATEE COUNTY
FLORIDA**

**Manatee County Public Utilities System
Statements of Net Assets
September 30, 2011 and 2010
(Amounts expressed in thousands)**

| <u>Assets</u> | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 98,164 | \$ 83,092 |
| Accounts receivable: | | |
| Trade (net of allowance of \$3,795 and \$3,011 for 2011 and 2010, respectively) | 7,832 | 7,610 |
| Unbilled revenue | 5,674 | 6,641 |
| Interest receivable | 106 | 153 |
| Due from other funds | 51 | 49 |
| Sewer assessments receivable | 46 | 44 |
| Due from other governmental units | 491 | 1,055 |
| Prepaid items | 432 | 449 |
| Inventory | 2,808 | 2,870 |
| Deposits | 2,206 | 3,353 |
| Total current assets | 117,810 | 105,316 |
| Current restricted assets: | | |
| Cash and cash equivalents | 75,791 | 11,573 |
| Interest receivable | 50 | 18 |
| Total current restricted assets | 75,841 | 11,591 |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 34,553 | 34,306 |
| Advances to other funds | - | 51 |
| Sewer assessments receivable | 339 | 392 |
| Deferred charges | 1,312 | 670 |
| Land and other nondepreciable assets | 82,478 | 103,754 |
| Capital assets, net of accumulated depreciation | 608,439 | 583,786 |
| Total noncurrent assets | 727,121 | 722,959 |
| Total assets | 920,772 | 839,866 |

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

| <u>Liabilities</u> | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable | 3,699 | 5,792 |
| Wages and benefits payable | 1,114 | 1,107 |
| Due to other governmental units | 5 | 2 |
| Contracts and retainages payable | 976 | 1,745 |
| Compensated absences | 142 | 143 |
| Deposits | 117 | - |
| Total current liabilities | <u>6,053</u> | <u>8,789</u> |
| Current liabilities (payable from restricted assets): | | |
| Accounts payable | 576 | 5 |
| Interest payable | 36 | 46 |
| Contracts and retainages payable | 1,661 | 1,310 |
| Loan payable | 637 | 615 |
| Customer deposits | 6,773 | 6,457 |
| Total current liabilities (payable from restricted assets) | <u>9,683</u> | <u>8,433</u> |
| Noncurrent liabilities: | | |
| Arbitrage Rebate | 74 | 129 |
| Compensated absences | 2,965 | 3,035 |
| Other post-employment benefits | 5,157 | 3,906 |
| Closure liability | 24,529 | 29,492 |
| Loan payable | 1,342 | 1,979 |
| Revenue bonds noncurrent (net of discount/ premium/loss and plus accreted interest) | <u>162,008</u> | <u>98,185</u> |
| Total noncurrent liabilities | <u>196,075</u> | <u>136,726</u> |
| Total liabilities | <u>211,811</u> | <u>153,948</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 601,576 | 597,733 |
| Restricted for debt service | 7,248 | - |
| Restricted for construction projects | - | 1,481 |
| Restricted for landfill closure | 10,024 | 4,814 |
| Unrestricted | <u>90,113</u> | <u>81,890</u> |
| Total net assets | <u>\$ 708,961</u> | <u>\$ 685,918</u> |



**MANATEE COUNTY
FLORIDA**

**Manatee County Public Utilities System
Statements of Revenues, Expenses and
Changes in Fund Net Assets
For the Fiscal Years ended September 30, 2011 and 2010
(Amounts expressed in thousands)**

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Operating revenues: | | |
| Water sales | \$ 40,513 | \$ 37,038 |
| Wastewater treatment charges | 54,689 | 52,424 |
| Solid waste charges | 34,953 | 36,065 |
| Miscellaneous revenues | 362 | 533 |
| Total operating revenues | <u>130,517</u> | <u>126,060</u> |
| Operating expenses: | | |
| Water and sewer: | | |
| Personal services | 22,464 | 23,082 |
| General and administrative | 16,588 | 17,161 |
| Water treatment and distribution | 8,521 | 9,484 |
| Wastewater collection and treatment | 13,249 | 14,297 |
| Solid waste: | | |
| Personal services | 2,914 | 2,937 |
| Landfill operation | 4,763 | 4,818 |
| Closure | (4,963) | 1,196 |
| Garbage collection | 19,525 | 19,146 |
| Stormwater: | | |
| Personal services | 1,859 | 1,426 |
| General and administrative | 1,686 | 1,524 |
| Depreciation and amortization | 25,971 | 23,991 |
| Total operating expenses | <u>112,577</u> | <u>119,062</u> |
| Operating income | <u>17,940</u> | <u>6,998</u> |
| Nonoperating revenues (expenses): | | |
| Operating grants | 6 | 43 |
| Interest income | 1,478 | 2,006 |
| Interest expense | (7,414) | (3,773) |
| Bond interest rebate | 1,426 | - |
| Gain (loss) on disposition of assets | (11) | (196) |
| Total nonoperating revenues (expenses) | <u>(4,515)</u> | <u>(1,920)</u> |
| Income before contributions and transfers | 13,425 | 5,078 |
| Capital grants and contributions | 12,118 | 15,236 |
| Transfers from other funds | 1,782 | 1,782 |
| Transfers to other funds | (4,282) | (3,966) |
| Change in net assets | <u>23,043</u> | <u>18,130</u> |
| Total net assets - beginning | <u>685,918</u> | <u>667,788</u> |
| Total net assets - ending | <u>\$ 708,961</u> | <u>\$ 685,918</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, 2011 and 2010
(Amounts expressed in thousands)

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 131,697 | \$ 124,509 |
| Cash payments to vendors for goods and services | (46,364) | (50,674) |
| Cash payments to employees for services | (21,255) | (21,312) |
| Cash payments to other funds | <u>(22,552)</u> | <u>(21,429)</u> |
| Net cash provided by operating activities | <u>41,526</u> | <u>31,094</u> |
| Cash flows from noncapital financing activities: | | |
| Operating grants | 25 | 317 |
| Transfers in | 1,782 | 1,782 |
| Transfers out | (4,282) | (3,966) |
| Repayment of advance between funds | 49 | 46 |
| Net cash provided (used) by noncapital financing activities | <u>(2,426)</u> | <u>(1,821)</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (28,309) | (40,010) |
| Deposits paid on construction agreements | - | (2,275) |
| Refund of deposits paid on construction agreements | 651 | 126 |
| Principal payments on debt | (13,072) | (12,682) |
| Interest payments on debt | (10,552) | (7,125) |
| Bond interest rebate | 1,426 | - |
| Debt issuing expenses | 78,489 | - |
| Debt proceeds | (851) | - |
| Receipt of contributed capital | 11,198 | 8,924 |
| Proceeds from sale of assets | <u>35</u> | <u>1,065</u> |
| Net cash provided (used) by capital and related financing activities | <u>39,015</u> | <u>(51,977)</u> |
| Cash flows from investing activities: | | |
| Interest on investments | <u>1,422</u> | <u>2,034</u> |
| Net increase (decrease) in cash and cash equivalents | 79,537 | (20,670) |
| Cash and cash equivalents, October 1 | 128,971 | 149,641 |
| Cash and cash equivalents, September 30 | <u>\$ 208,508</u> | <u>\$ 128,971</u> |
| Classified as: | | |
| Current assets | \$ 98,164 | \$ 83,092 |
| Restricted assets | <u>110,344</u> | <u>45,879</u> |
| Cash and cash equivalents, September 30 | <u>\$ 208,508</u> | <u>\$ 128,971</u> |

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

| | <u>2011</u> | <u>2010</u> |
|---|-------------------------|-------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ <u>17,940</u> | \$ <u>6,998</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 25,762 | 23,852 |
| Amortization | 209 | 139 |
| Provision for uncollectables | 942 | 601 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (196) | (1,992) |
| Prepaid items | 17 | (362) |
| Inventory | 62 | 116 |
| Increase (decrease) in: | | |
| Accounts payable | 130 | (1,441) |
| Due to other governmental units | 3 | - |
| Wages and benefits payable | 7 | 56 |
| Compensated absences | (69) | 148 |
| Other post employment benefits | 1,250 | 1,313 |
| Closure liability | (4,963) | 1,196 |
| Customer deposits | 432 | 470 |
| Total adjustments | <u>23,586</u> | <u>24,096</u> |
| Net cash provided by operating activities | \$ <u><u>41,526</u></u> | \$ <u><u>31,094</u></u> |
| Non-cash investing, capital, and financing activities: | | |
| Loss on disposition of assets | \$ 13 | \$ 235 |
| Acquisition of contributed assets | 1,517 | 7,905 |

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(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 Public Utilities System applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations but has elected not to apply FASB pronouncements issued after November 30, 1989.

The following is a summary of the significant accounting policies:

Reporting Entity - In January 1991, the "Public Utilities System Revenue Bond Resolution" was passed which established the Manatee County Public Utilities System. The Public Utilities System is the combination of the Water and Sewer, Solid Waste, and Stormwater Enterprise Funds, which are included in the Comprehensive Annual Financial Report of Manatee County for the fiscal year ended September 30, 2011. The Public Utilities System accounts for the operation of the County's potable water, wastewater, and reclaimed water services, as well as the operations of solid waste collection, disposal and recycling. It also includes the operations of the stormwater (surface water) management system.

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

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental units, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates. 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, 2011
(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>2011</u> | <u>2010</u> |
|-------------------------|-----------------|-----------------|
| Interest cost | \$ 8,331 | \$ 5,153 |
| Less amount capitalized | 917 | 1,380 |
| Net amount expensed | <u>\$ 7,414</u> | <u>\$ 3,773</u> |

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

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

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

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

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, 2011, available at www.manateeclerk.com.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 3 Investments - Continued

The portfolio composition at September 30, 2011 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 | \$ 146,339 |
| External Government Investment Pools (4) | Amortized Cost or NAV | 225,968 |
| US Treasury Notes (15) | Quoted Market | 120,637 |
| Government Sponsored Enterprises (18) | Quoted Market | 136,704 |
| Total | | <u>\$ 629,648</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, 2011</u> | | |
|-------------------------|--------------------------------------|--------------------------------|-------------------|
| | <u>Cash and Cash Equivalents</u> | <u>Interest Receivable</u> | <u>Total</u> |
| Debt service funds | \$ 7,906 | \$ 13 | \$ 7,919 |
| Customer deposits | 6,773 | - | 6,773 |
| Construction funds | 61,112 | 37 | 61,149 |
| Landfill closure escrow | 34,553 | - | 34,553 |
| Total | <u>\$ 110,344</u> | <u>\$ 50</u> | <u>\$ 110,394</u> |

| | <u>September 30, 2010</u> | | |
|-------------------------|--------------------------------------|--------------------------------|------------------|
| | <u>Cash and Cash Equivalents</u> | <u>Interest Receivable</u> | <u>Total</u> |
| Debt service funds | \$ 648 | \$ 13 | \$ 661 |
| Customer deposits | 6,457 | - | 6,457 |
| Construction funds | 4,468 | 5 | 4,473 |
| Landfill closure escrow | 34,306 | - | 34,306 |
| Total | <u>\$ 45,879</u> | <u>\$ 18</u> | <u>\$ 45,897</u> |

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(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, 2010 | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 24,332 | \$ 363 | \$ - | \$ 24,695 |
| Construction in progress | 136,184 | 36,933 | 94,058 | 79,059 |
| Total assets not depreciated | <u>160,516</u> | <u>37,296</u> | <u>94,058</u> | <u>103,754</u> |
| Capital assets depreciated: | | | | |
| Buildings | 22,607 | 6,978 | 396 | 29,189 |
| System infrastructure | 761,720 | 93,023 | - | 854,743 |
| Machinery and equipment | 28,739 | 5,406 | 3,985 | 30,160 |
| Total assets depreciated | <u>813,066</u> | <u>105,407</u> | <u>4,381</u> | <u>914,092</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 5,085 | 611 | 246 | 5,450 |
| System infrastructure | 289,196 | 20,259 | - | 309,455 |
| Machinery and equipment | 15,294 | 2,982 | 2,875 | 15,401 |
| Total accumulated depreciation | <u>309,575</u> | <u>23,852</u> | <u>3,121</u> | <u>330,306</u> |
| Total depreciable capital assets, net | <u>503,491</u> | <u>81,555</u> | <u>1,260</u> | <u>583,786</u> |
| Total capital assets, net | <u>\$ 664,007</u> | <u>\$ 118,851</u> | <u>\$ 95,318</u> | <u>\$ 687,540</u> |
| As of September 30, 2011 | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 24,695 | \$ 3 | \$ - | \$ 24,698 |
| Construction in progress | 79,059 | 27,343 | 48,622 | 57,780 |
| Total assets not depreciated | <u>103,754</u> | <u>27,346</u> | <u>48,622</u> | <u>82,478</u> |
| Capital assets depreciated: | | | | |
| Buildings | 29,189 | 220 | 113 | 29,296 |
| System infrastructure | 854,743 | 45,329 | 1 | 900,071 |
| Machinery and equipment | 30,160 | 4,914 | 485 | 34,589 |
| Total assets depreciated | <u>914,092</u> | <u>50,463</u> | <u>599</u> | <u>963,956</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 5,450 | 702 | 113 | 6,039 |
| System infrastructure | 309,455 | 21,874 | - | 331,329 |
| Machinery and equipment | 15,401 | 3,186 | 438 | 18,149 |
| Total accumulated depreciation | <u>330,306</u> | <u>25,762</u> | <u>551</u> | <u>355,517</u> |
| Total depreciable capital assets, net | <u>583,786</u> | <u>24,701</u> | <u>48</u> | <u>608,439</u> |
| Total capital assets, net | <u>\$ 687,540</u> | <u>\$ 52,047</u> | <u>\$ 48,670</u> | <u>\$ 690,917</u> |

Depreciation expense was \$25,762 and \$23,852 for fiscal years ending September 30, 2011 and 2010, respectively.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 6 Revenue Bonds Payable

The following is long-term liability activity for the fiscal years 2010 and 2011:

| | <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, 2009 | \$ 109,909 | \$ 3,187 | \$ 3,029 | \$ 2,593 | \$ 28,296 | \$ 147,014 |
| Additions | 1,098 | - | 1,556 | 1,478 | 1,196 | 5,328 |
| Deductions | <u>14,800</u> | <u>593</u> | <u>1,408</u> | <u>165</u> | - | <u>16,966</u> |
| September 30, 2010 | 96,207 | 2,594 | 3,177 | 3,906 | 29,492 | 135,376 |
| Additions | 79,043 | - | 1,370 | 1,570 | - | 81,983 |
| Deductions | <u>15,220</u> | <u>615</u> | <u>1,440</u> | <u>319</u> | <u>4,963</u> | <u>22,557</u> |
| September 30, 2011 | <u>\$ 160,030</u> | <u>\$ 1,979</u> | <u>\$ 3,107</u> | <u>\$ 5,157</u> | <u>\$ 24,529</u> | <u>\$ 194,802</u> |
| Due within one year at: | | | | | | |
| September 30, 2010 | \$ - | \$ 615 | \$ 143 | \$ - | \$ - | \$ 758 |
| September 30, 2011 | - | 637 | 142 | - | - | 779 |

Revenue bonds payable consisted of the following at September 30:

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|------------------|
| \$62,664 Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C, less unamortized discount of \$4 and \$7 for 2011 and 2010, respectively, plus value accretion on Capital Appreciation bonds of \$4,992 and \$7,068 for 2011 and 2010, respectively | \$ 6,534 | \$ 9,466 |
| \$51,152 Public Utilities Revenue Refunding Bonds, Series 1993A, less unamortized discount of \$2 and \$4 for 2011 and 2010, respectively, less unamortized loss of \$141 and \$211 for 2011 and 2010, respectively, plus value accretion on Capital Appreciation bonds of \$2,440 and \$2,231 for 2011 and 2010, respectively. | 3,734 | 3,454 |
| \$74,545 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003, plus unamortized premium of \$997 and \$1,226 for 2011 and 2010. | 39,502 | 48,721 |
| \$44,895 Public Utilities Revenue Improvement Bonds, Series 2006, plus unamortized premium of \$823 and \$974 for 2011 and 2010, respectively. | 33,798 | 36,544 |
| \$17,925 Public Utilities Revenue Improvement Bonds, Series 2010A | 17,925 | - |
| \$45,300 Public Utilities Revenue Improvement Bonds, Series 2010B | 45,300 | - |
| \$6,720 Public Utilities Revenue Improvement Bonds, Series 2010C, plus unamortized premium of \$305 for 2011. | 7,025 | - |
| \$8,190 Public Utilities Revenue Improvement Bonds, Series 2010D | 8,190 | - |
| Total | <u>\$ 162,008</u> | <u>\$ 98,185</u> |

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 6 Revenue Bonds Payable – Continued

\$62,664 Public Utilities Revenue Refunding and Improvement Bonds, Series 1991C - These bonds are dated July 1, 1991, with an interest rate of 7.25% and amounts ranging from \$800 of capital appreciation serial bonds due October 1, 2012 to \$746 due October 1, 2013 and are payable upon redemption or at maturity in an amount (the accreted value) equal to the initial principal amount of such bonds, plus interest compounded semi-annually on April 1 and October 1 of each year.

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

\$74,545 Public Utilities Revenue Refunding and Improvement Bonds, Series 2003 - These bonds are dated October 1, 2003, with interest rates varying from 3.60% to 5.25% and amounts ranging from \$9,415 of principal due October 1, 2012 to \$2,890 due October 1, 2023 with a maximum principal payment of \$9,415 due October 1, 2012. Interest is payable semi-annually on April 1 and October 1 of each year until final maturity in 2023.

\$44,895 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 \$2,700 of principal due October 1, 2012 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.

\$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 5.95% 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%.

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> |
|--------------------|-------------------|-------------------|-------------------|
| 2012 | \$ 12,915 | \$ 11,247 | \$ 24,162 |
| 2013 | 10,523 | 13,642 | 24,165 |
| 2014 | 7,065 | 7,505 | 14,570 |
| 2015 | 7,360 | 7,212 | 14,572 |
| 2016 | 7,680 | 6,891 | 14,571 |
| 2017-2021 | 44,050 | 28,731 | 72,781 |
| 2022-2026 | 22,590 | 18,743 | 41,333 |
| 2027-2031 | 20,680 | 11,894 | 32,574 |
| 2032-2035 | 19,735 | 3,712 | 23,447 |
| Total | <u>\$ 152,598</u> | <u>\$ 109,577</u> | <u>\$ 262,175</u> |

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

The Public Utilities Revenue Bonds, Series 1991C, Series 1993A, Series 2003, Series 2006 and Series 2010 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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 6 Revenue Bonds Payable – Continued

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, 2011 and 2010.

On December 29, 2010 the County issued \$78,135 Public Utilities Revenue Bonds Series 2010 A, B, C and D. The purpose of these bonds is as follows:

Series 2010 A and B, with issued amounts of \$17,925 and \$45,300, respectively:

- Financing a portion of the costs of certain additions, extensions, improvements, renewals and replacements to the County’s existing Water and Sewer System, Storm Management System and Solid Waste System (“2010 project”).
- Funding the debt service reserve requirement and paying issue costs.

Series 2010 C with an issue amount of \$6,720:

- Financing a portion of the costs of the 2010 project.
- Funding the debt service reserve requirement and paying issue costs.
- Funding capitalized interest in the Series C bonds.

Series 2010 D with an issue amount of \$8,190:

- Funding the debt service reserve requirement and paying issue costs.
- Funding capitalized interest in the Series A, B and D bonds.

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 \$1,979 and \$2,594 at September 30, 2011 and 2010, 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> |
|--------------------|------------------|-----------------|-----------------|
| 2012 | \$ 637 | \$ 71 | \$ 708 |
| 2013 | 659 | 48 | 707 |
| 2014 | 683 | 24 | 707 |
| Total | <u>\$ 1,979</u> | <u>\$ 143</u> | <u>\$ 2,122</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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 7 State Revolving Fund Loan - Continued

the System's revenue bond issues. The System was in compliance with this covenant for the years ended September 30, 2011 and 2010.

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.

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

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

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 688,944 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. The normal retirement date has also changed depending on hire date. Normal retirement benefits are available for employees hired before

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 9 Retirement Plan - Continued

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.

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, 4.91%, special risk employees, 14.10%, elected officials, 11.14% and senior management, 6.27%. The County's contributions made during the years ended September 30, 2011, 2010 and 2009 were \$19,324, \$20,500, and \$20,255, respectively, which include the Public Utilities System's contribution of \$1,599, \$1,927 and \$1,830, respectively, equal to the actuarially determined contribution requirements for each year. The employee contributions were \$110 for fiscal year 2011.

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 \$5,157 and \$3,906 as of September 30, 2011 and 2010, 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 20 and the Required Supplementary Information included in the Manatee County's CAFR for the fiscal year ended September 30, 2011.

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 \$10,255 and \$12,062 at September 30, 2011 and 2010, respectively.

Arbitrage Rebate - In accordance with the Tax Reform Act of 1986, any interest earnings on borrowed construction funds in excess of the interest costs are required to be rebated to the federal government.

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2011
(Amounts expressed in thousands)

Note 11 Commitments and Contingencies - Continued

The County has estimated that the liability in the Public Utilities System to be \$74 and \$129 at September 30, 2011 and 2010, respectively. These amounts have been reflected as a reduction of interest income for each year.

Note 12 Recognition of Closure and Post Closure Cost

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

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

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|------------------|------------------|
| Closure Costs (286 acres) | \$ 35,579 | \$ 39,098 |
| Post Closure costs (316 acres) | 13,420 | 27,675 |
| Current Closure Cost Estimate | <u>\$ 48,999</u> | <u>\$ 66,773</u> |
| Remaining Life | 29 | 23 |
| Landfill Capacity Used (%) | 48.73% | 46.89% |
| Closure/Postclosure liability | \$ 24,529 | \$ 29,492 |
| Current year closure/postclosure cost | \$ (4,963) | \$ 1,196 |
| Landfill Cash Escrow Account | \$ 34,553 | \$ 34,306 |

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 at 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, 2011 and 2010, with cash and investments of \$34,553 and \$34,306 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.

Note 13 Subsequent Events

On December 14, 2011, the system issued \$22,650 of Public Utilities Revenue Refunding bonds for the purpose of refunding a portion of the Public Utilities System's outstanding series 2003 bonds.

Manatee County, Florida
Revenue Bond Issues - Description
September 30, 2011
(Amounts expressed in thousands)

| | Public Utilities System Bonds | | |
|-------------------------------------|---|---|---|
| | Revenue Refunding and Improvement Series 1991C | Revenue Refunding Series 1993A | Revenue Refunding and Improvement Series 2003 |
| Original authorization | \$ 62,664 | \$ 55,000 | \$ 74,545 |
| Unissued | - | 3,848 | - |
| Issued | 62,664 | 51,152 | 74,545 |
| Retirements | 44,898 | 13,495 | 36,040 |
| Refunded | 16,220 | 36,220 | - |
| Balance outstanding | <u>\$ 1,546</u> | <u>\$ 1,437</u> | <u>\$ 38,505</u> |
| Date of issue | July 1, 1991 | September 1, 1993 | October 1, 2003 |
| Principal payment date | October 1 | October 1 | October 1 |
| Interest payment dates | October | April-October | April-October |
| Denominations (amounts not rounded) | \$5,000 | \$5,000 | \$5,000 |
| Interest rates | 7.25% Maturity 2012-2013 | 5.00% Maturity 2013 | 3.60%-5.0% Maturity 2012 3.70%-5.0% Maturity 2013 3.75% Maturity 2014 3.95%-5.25% Maturity 2015 4.0%-5.25% Maturity 2016 4.125%-5.25% Maturity 2017 4.25%-5.125% Maturity 2018 5.125% Maturity 2019-2021 4.60% Maturity 2022 4.70% Maturity 2023 |
| Effective interest cost rate | 6.8156% | 5.1965% | 3.7840% |
| Call feature | N/A | 2007-Maturity 100 | 2014-Maturity 100 |
| Paying agent | US Bank New York, NY | Bank of New York Jacksonville, FL | US Bank Jacksonville, FL |

Public Utilities System Bonds

| Revenue Improvement Series 2006 | Revenue Series 2010A | Revenue Series 2010B | Revenue Series 2010C | Revenue Series 2010D |
|--|---------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| \$ 44,895 | \$ 17,925 | \$ 45,300 | \$ 6,720 | \$ 8,190 |
| - | - | - | - | - |
| 44,895 | 17,925 | 45,300 | 6,720 | 8,190 |
| 11,920 | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 32,975</u> | <u>\$ 17,925</u> | <u>\$ 45,300</u> | <u>\$ 6,720</u> | <u>\$ 8,190</u> |
| September 13, 2006 | December 29, 2010 | | | |
| October 1 | October 1 | October 1 | October 1 | October 1 |
| April-October | April-October | April-October | April-October | April-October |
| \$5,000 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| 4.00% Maturity 2012-2013 | 5.951% Maturity 2012-2020 | 7.178% Maturity 2012-2030 | 4.00%-5.00% Maturity 2012-2017 | 3.394% Maturity 2012-2014 |
| 5.00% Maturity 2014 | 6.151% Maturity 2021 | 7.378% Maturity 2031-2035 | 3.50%-5.00% Maturity 2018 | 3.894% Maturity 2015 |
| 4.25% Maturity 2015-2016 | 6.351% Maturity 2022 | | 4.00%-5.00% Maturity 2019 | 4.798% Maturity 2016 |
| 5.00% Maturity 2017 | 6.551% Maturity 2023 | | | 5.048% Maturity 2017 |
| 4.00% Maturity 2018 | 6.701% Maturity 2024 | | | |
| 5.00% Maturity 2019-2021 | 6.801% Maturity 2025 | | | |
| 4.0410% | 4.1890% | 4.0116% | 3.6261% | 4.3106% |
| 2016-Maturity 100 | 2020-Maturity 100 | 2020-Maturity 100 | N/A | N/A |
| TD Bank Jacksonville, FL | US Bank New York, NY | US Bank New York, NY | US Bank New York, NY | US Bank New York, NY |

Manatee County, Florida
Schedule of Debt Service Requirements
September 30, 2011
(Amounts expressed in thousands)

Public Utilities System Revenue Bonds

| Fiscal Year | <u>\$62,664</u> Series 1991C Bonds | | | <u>\$51,152</u> Series 1993A Bonds | | |
|-------------|---------------------------------------|-----------------|-----------------|---------------------------------------|-----------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$ 800 | \$ 2,835 | \$ 3,635 | \$ - | \$ - | \$ - |
| 2013 | 746 | 2,889 | 3,635 | 1,437 | 2,893 | 4,330 |
| 2014 | - | - | - | - | - | - |
| 2015 | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - |
| 2019 | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - |
| | <u>\$ 1,546</u> | <u>\$ 5,724</u> | <u>\$ 7,270</u> | <u>\$ 1,437</u> | <u>\$ 2,893</u> | <u>\$ 4,330</u> |

| Fiscal Year | <u>\$17,925</u> Series 2010A Bonds | | | <u>\$45,300</u> Series 2010B Bonds | | |
|-------------|---------------------------------------|------------------|------------------|---------------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$ - | \$ 1,149 | \$ 1,149 | \$ - | \$ 3,300 | \$ 3,300 |
| 2013 | - | 1,149 | 1,149 | - | 3,300 | 3,300 |
| 2014 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2015 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2016 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2017 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2018 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2019 | - | 1,150 | 1,150 | - | 3,300 | 3,300 |
| 2020 | 2,880 | 1,150 | 4,030 | - | 3,300 | 3,300 |
| 2021 | 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>\$ 17,925</u> | <u>\$ 13,257</u> | <u>\$ 31,182</u> | <u>\$ 45,300</u> | <u>\$ 65,019</u> | <u>\$ 110,319</u> |

Manatee County, Florida
Schedule of Debt Service Requirements
September 30, 2011
(Amounts expressed in thousands)

State Revolving Fund Loan - Public Utilities System

| Fiscal Year | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|-------------------------|------------------------|---------------------|
| 2012 | \$ 637 | \$ 71 | \$ 708 |
| 2013 | 659 | 48 | 707 |
| 2014 | <u>683</u> | <u>24</u> | <u>707</u> |
| | <u>\$ 1,979</u> | <u>\$ 143</u> | <u>\$ 2,122</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, 2011 and 2010**

| | <u>2011</u> | <u>2010</u> |
|--|-----------------|-----------------|
| Operating revenues: | | |
| Water and sewer | \$ 95,503 | \$ 89,934 |
| Stormwater | 45 | 41 |
| Solid waste | 34,969 | 36,084 |
| Interest earned: | | |
| Water and sewer | 1,077 | 1,307 |
| Stormwater | 30 | 79 |
| Solid waste | 371 | 621 |
| Less interest not considered revenue for debt coverage: | | |
| Interest earned on construction trust funds | (381) | (86) |
| Add revenue available for debt service coverage not included as operating revenues in financial statements: | | |
| Operating grants | <u>6</u> | <u>43</u> |
| Total revenues available for debt service coverage | 131,620 | 128,023 |
| Add federal direct payments | 1,426 | - |
| Less operating expenses (excluding depreciation and amortization) | <u>(86,606)</u> | <u>(95,071)</u> |
| Net revenues available for debt service | \$ 46,440 | \$ 32,952 |
| Debt service requirement | \$ 22,917 | \$ 19,099 |
| Debt service coverage | 203% | 173% |

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

Fiscal Year Ended September 30

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues: | | | | | |
| Water sales | \$ 40,513 | \$ 37,038 | \$ 38,698 | \$ 41,195 | \$ 39,635 |
| Wastewater treatment charges | 54,689 | 52,424 | 51,782 | 48,059 | 46,731 |
| Solid waste charges | 34,953 | 36,065 | 36,921 | 41,448 | 40,780 |
| Miscellaneous | 368 | 576 | 1,360 | 545 | 746 |
| Federal direct payment (FDP) | 1,426 | - | - | - | - |
| Interest income ⁽¹⁾ | 1,097 | 1,920 | 4,349 | 6,104 | 8,154 |
| Total operating revenues | <u>133,046</u> | <u>128,023</u> | <u>133,110</u> | <u>137,351</u> | <u>136,046</u> |
| Operating Expenses: | | | | | |
| Water operations | 24,417 | 26,112 | 27,667 | 28,835 | 26,799 |
| Sewer operations | 36,405 | 37,912 | 37,934 | 38,030 | 35,623 |
| Solid waste operations | 22,239 | 28,097 | 26,934 | 37,997 | 35,778 |
| Stormwater operations | 3,545 | 2,950 | 3,453 | 4,003 | 3,708 |
| Total operating expenses | <u>86,606</u> | <u>95,071</u> | <u>95,988</u> | <u>108,865</u> | <u>101,908</u> |
| Net revenue available for debt service | <u>\$ 46,440</u> | <u>\$ 32,952</u> | <u>\$ 37,122</u> | <u>\$ 28,486</u> | <u>\$ 34,138</u> |
| Debt service requirement ⁽²⁾ | \$ 22,917 | \$ 19,099 | \$ 19,101 | \$ 19,088 | \$ 19,103 |
| Coverage ratio of debt service requirement | 2.03x | 1.73x | 1.94x | 1.49x | 1.79x |

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

(2) For fiscal years ended September 30, 2011, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2003, 2006, 2010A, 2010B, 2010C and 2010D Public Utilities Systems Bonds. For fiscal years ended September 30, 2010, 2009, 2008 and 2007, the debt service requirements are based on the annual debt service for the Series 1991C, 1993A, 2001A, 2003 and 2006 Public Utilities Systems Bonds.

**Manatee County, Florida
Public Utilities System
Solid Waste Tipping Fee Comparison
(as of September 30, 2011)**

Landfill Tipping Fees

| | |
|---|-------------------|
| Manatee County | |
| Standard Waste | |
| Autos | \$ 5.00/min |
| All other vehicles | |
| In-county | \$ 36.00/ton |
| Out-of-county | \$ 108.00/ton |
| Construction & Demolition Debris | |
| In-county | \$ 61.00/ton |
| Out-of-county | \$ 183.00/ton |
| Tires | \$ 86.00/ton |
| Lee County | |
| Standard Waste | |
| In-county | \$ 61.48/ton |
| Out-of-county | N/A |
| Construction & Demolition Debris | |
| In-county | \$ 30.00/ton |
| Out-of-county | N/A |
| Tires | \$ 90.00/ton |
| Tires (Off Road) | \$ 140.00/ton |
| Sarasota County | |
| Standard Waste | |
| In-county | \$ 57.56/ton |
| Out-of-county | N/A |
| Construction & Demolition Debris | |
| In-county | \$ 51.99/ton |
| Out-of-county | N/A |
| Tires | \$ 115.00/ton |
| Charlotte County | |
| Standard Waste/Construction & Demolition Debris | |
| In-county | \$ 36.00/ton |
| Out-of-county | \$ 72.00/ton |
| Tires | |
| In-county | \$ 115.00/ton |
| Out-of-county | \$ 130.00/ton |
| DeSoto County | |
| Standard Waste/Construction & Demolition Debris | |
| In-county | \$ 42.00/ton |
| 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 | \$ 42.23/ton |
| Out-of-county | N/A |
| Processable | \$ 70.25/ton |
| Tires | \$ 82.61/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, 2011)**

| <u>Year</u> | <u>Water</u> | <u>Wastewater</u> |
|-------------|--------------|-------------------|
| 2011 | 103,091 | 89,745 |
| 2010 | 96,113 | 88,758 |
| 2009 | 95,349 | 87,723 |
| 2008 | 94,446 | 86,875 |
| 2007 | 93,375 | 85,890 |

**Single-Family Residential Water and Wastewater Bills
in Manatee County and Surrounding Areas
(as of September 30, 2011) ⁽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 | \$ 18.47 | \$ 31.65 | \$ 35.04 | \$ 52.56 | \$ 53.51 | \$ 84.21 |
| 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 | 18.36 | 27.40 | 41.90 | 57.90 | 60.26 | 85.30 |
| Pinellas County | 32.03 | 51.15 | 33.54 | 48.90 | 65.57 | 100.05 |
| Hillsborough County | 33.80 | 52.28 | 38.43 | 46.87 | 72.23 | 99.15 |

Source: Manatee County

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



**MANATEE COUNTY
FLORIDA**

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 the basic financial statements of the Manatee County, Florida, Public Utilities System (the "System") as of and for the year ended September 30, 2011, and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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



Shinn & Company, P.A.
Bradenton, Florida



LarsonAllen LLP
Tampa, Florida

December 16, 2011