

PUBLIC UTILITIES SYSTEM



Annual Financial Report

MANATEE COUNTY
FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2015

**MANATEE COUNTY, FLORIDA
PUBLIC UTILITIES SYSTEM**

for the fiscal year ended

September 30, 2015

Board of County Commissioners

Betsy Benac, Chairman

Vanessa Baugh

Larry Bustle

John Chappie

Robin DiSabatino

Charles Smith

Carol Whitmore

**Clerk of Circuit Court and Comptroller
Angelina “Angel” Colonnese**

**County Administrator
Ed Hunzeker**

**Finance Director
Daniel R. Wolfson**

Prepared by the Office of the Clerk of Circuit Court

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CONTENTS

	<u>Page</u>
Financial Section:	
Independent Auditor's Report.....	1a-1c
Management's Discussion and Analysis	2-5
Basic Financial Statements:	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Fund Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9-19
Required Supplementary Information:	
Schedule of the System's Proportionate Share of the Net Pension Liability For the FRS and HIS Pension Plans	20
Schedule of the System's Contributions to the FRS and HIS Pension Plans	21
Other Information:	
Revenue Bond Issues – Description	22
Schedule of Debt Service Requirements	23-24
Schedules of Debt Service Coverage.....	25
Five-Year Summary of Historic Operating Data	26
Solid Waste Tipping Fee Comparison	27
Historic Growth of Water and Wastewater Divisions Services and Single-Family Residential Water and Wastewater Bills in Manatee County and Surrounding Areas	28
Historical Operating Results of System.....	29
Additional Auditor's Report:	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31

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 year ended September 30, 2015, 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, 2015, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2015, the System adopted new accounting guidance, GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. Our opinion is not modified with respect to these matters.

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, 2015, and the respective changes in its financial position, and, cash flows thereof for the year 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 2–5, the schedule of the System's proportionate share of net pension liability for the FRS and HIS pension plans, and schedule of the System's contributions to the FRS and HIS pension plans on pages 20-21 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 May 11, 2016, 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.



SHINN & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, FL
May 11, 2016

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, 2015. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- In fiscal year 2015, the County implemented Governmental Accounting Standards Board Statement 68, "Accounting and Financial Reporting for Pensions." Accordingly, the 2014 amounts presented have been restated, resulting in a decrease in beginning net position of \$15,360 for that year.
- The System's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at September 30, 2015 by \$802,522 (net position). Of these amounts, \$152,468 for 2015 and \$137,956, as restated, for 2014 (unrestricted net position) were available to meet the System's ongoing obligations.
- The System's total net position increased \$35,924 in fiscal year 2015.
- Total bonded debt, at par, of the Public Utilities System amounts to \$187,070 at September 30, 2015, an increase of \$65,865 from fiscal year 2014.
- Interest earning rates decreased from 0.491% in 2014 to 0.486% in 2015. However, total interest earnings for the System increased because of investments from bond proceeds.
- Closure estimates of the County's Lena Road Landfill approved by state and federal authorities resulted in an increase to the closure liability of \$824 for fiscal year 2015. The County now holds \$35,180 for these closure purposes with the current estimated remaining landfill life of 30 years.

Overview of the Financial Statements

The Statement of Net Position provides the reader with detail about the assets plus deferred outflows of resources of the Public Utilities System as well as its outstanding liabilities and deferred inflows of resources. The difference between assets and deferred outflows of resources and liabilities plus deferred inflows of resources 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 Statement of Net Position appears on page 6.

The Statement of Revenues, Expenses and Changes in Fund Net Position, provided on page 7, presents the revenues and expenses of the current fiscal year, 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 Statement of Net Position. A review of this statement for fiscal year 2015 can indicate the on-going health of a business operation.

The Public Utilities System's Statement of Cash Flows, presented on page 8, shows 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 Statement 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 9 to 19 and are an integral part of the financial statements.

This report presents certain required supplementary information on pages 20 to 21 concerning progress in funding of Manatee County's obligation to provide other post-employment benefits to its employees as well as information related to the County's participation in the Florida Retirement System pension plans. Additional information about the System, which may be of interest to the reader, is found under the Other Information section of this report, beginning on page 22.

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, deferred inflows of resources and net position for fiscal year 2015 as well as a look at changes in revenues and expenses as presented in the accompanying statements.

Net position (in thousands)

	<u>2015</u>	<u>2014</u> ⁽¹⁾
Assets:		
Current and other assets	\$ 318,824	\$ 238,790
Capital assets	754,514	725,020
Total assets	<u>1,073,338</u>	<u>963,810</u>
Deferred outflows of resources		
	<u>7,546</u>	<u>2,178</u>
Liabilities:		
Long-term liabilities	253,725	173,556
Other liabilities	19,414	19,170
Total liabilities	<u>273,139</u>	<u>192,726</u>
Deferred inflows of resources		
	<u>5,223</u>	<u>6,664</u>
Net position:		
Net investment in capital assets	642,291	620,533
Restricted for debt service	1,213	905
Restricted for landfill closure	6,550	7,204
Unrestricted	152,468	137,956
Total net position	<u>\$ 802,522</u>	<u>\$ 766,598</u>

(1) Certain balance sheet items have been restated due to the implementation of GASB 68.

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 \$35,924, an increase of \$10,275 over 2014. The increase is primarily due to higher charges for services related to a rate increase and increased customer accounts, an increase in capital grants and a decrease in the System's net pension obligation. 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.

Of the Public Utilities System's \$802,522 in net position, \$642,291 (80%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets. The remaining balance of \$160,231 consists of \$152,468 (19%) in unrestricted net position that may be used to meet the System's ongoing obligations, as well as \$7,763 (1%) in restricted net position. In comparison to the System's \$766,598 in net position for fiscal year 2014, as restated, \$620,533 (81%) reflects its investment in capital assets, less any outstanding debt used to acquire those assets.

At the end of the current fiscal year, 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, 2015 amounted to \$295,015, an increase of \$78,568 from fiscal year 2014. The 36.30% increase for fiscal year 2015 can be attributed to the issuance of the 2015 Revenue Refunding Bond generating \$79,887 in net proceeds. In addition, a customer based rate increase went into effect, offset by payments to vendors and contractors for operating supplies and services.

Accounts receivable for trade and unbilled revenues of \$16,170 net of a \$2,279 allowance for uncollectible accounts, represents a 3.24% increase from fiscal year 2014, primarily due to an increase in billings during 2015 as a result of late fees, treated water sales and sewer service charges which all increased during fiscal year 2015. In 2015, there was a 15% 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>2015</u>	<u>2014</u> ⁽¹⁾
Revenues:		
Program revenues		
Charges for services	\$ 150,415	\$ 143,505
Operating grants and contributions	124	85
Capital grants and contributions	28,214	18,293
General revenues		
Interest income	1,553	796
Miscellaneous	1,880	1,350
Bond interest rebate	1,750	1,752
Gain (loss) on disposition of assets	(34)	77
Total revenues	<u>183,902</u>	<u>165,858</u>
Expenses:		
Water and sewer operations	104,199	98,843
Solid waste operations	34,726	33,087
Stormwater operations	5,212	4,990
Total expenses	<u>144,137</u>	<u>136,920</u>
Increase in net position before transfers	39,765	28,938
Transfers (net)	<u>(3,841)</u>	<u>(3,289)</u>
Increase in net position	35,924	25,649
Net position - beginning	766,598	740,949
Net position - ending	<u>\$ 802,522</u>	<u>\$ 766,598</u>

(1) Fiscal year 2014 expenses have been restated due to the implementation of GASB 68.

Operations

Charges for services increased by \$6,910 during fiscal year 2015. A significant portion is related to the water and sewer operations as well as an improvement in solid waste operations. The solid waste increase is attributable to an increased demand for garbage collection, both residential and commercial, as the system added new customer accounts, leading to an improvement in tipping fee revenue. The water and sewer increase is attributable to 2,991 new customers (not rounded), in addition to an increase in water and wastewater rates that went into effect January 2015. Capital grants and contributions totaled \$28,214 during fiscal year 2015. This was up from fiscal year 2014 by \$9,921, primarily due to a larger amount of donated infrastructure and higher 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 \$7,217, 5.27% 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. Additional increases are due to changes in the net pension liability, along with the related pension inflows and outflows. Solid waste expenses continued to be elevated due to waste hauler payments. An extension on the original contract was approved in October 2014 and expires in 2023.

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 2015 included the following (in thousands):

- \$8,000 – Lake Manatee Coffey Dam tainter gate project. Repairs to the gates, structural upgrades and restoring the submerged concrete surfaces of the spillway. Installation of new stop-log and storage support system to scoured areas.
- \$15,900 – Southwest Water Reclamation Facility project. Conversion of the existing unlined north effluent storage pond to a lined reject holding pond and a lined effluent holding pond. Renovation of the lake filtration system including a new gravity filter system was completed.
- \$7,000 – Expansion Phase 1 - North Water Reclamation Facility project. Improvements to enhance the biological treatment and reclaimed system water quality and reliability. Modifications include new dissolved oxygen probes in the aeration basins and replacement of the internal recirculation pumps.
- \$2,000 – South East Water Force Main 34 Replacement project. Approximately 7,200 linear feet of ductile iron force main will be replaced with high density polyethylene (HDPE) directional drill force main and all ancillary piping, valves and connections.
- The System added \$35,920 in ongoing construction projects (CIP).

Additional information related to the System's capital assets can be found in Note 5 on page 11 of this report.

Administration of Debt

At September 30, 2015, the System had total bonded debt outstanding of \$187,070.

	<u>2015</u>	<u>2014</u>
Total Revenue bonds	\$ 187,070	\$ 121,205

During fiscal years 2015 and 2014, the System's total debt increased by \$65,865 and decreased by \$7,733 respectively. The increase in fiscal year 2015 was primarily related to a new bond issuance of \$91,485, refunding of debt of \$18,290 and the normal bond maturities of \$7,330. The decrease in the prior year was due to 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, 7 and 8 on pages 12 to 14 of this report.

Economic Factors and Year 2016 Budgets and Rates

Factors considered in preparing Manatee County's budget for the 2016 fiscal year included:

- The Consumer Price Index was essentially unchanged 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 2015 was 5.1%, an encouraging decrease from the 6.1% rate reported in the previous fiscal year.
- Population increased by 1.14% from the fiscal year ending September 30, 2014 to 341,405.
- The number of construction permits issued (not rounded) in fiscal year 2015 was 23,764. This is 1,800 more than the previous year, an 8.20% increase. Consistent growth in new commercial construction is the main component 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 decreased slightly in fiscal year 2015, resulting in an average portfolio yield of 0.486%. 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.manateeclerk.com for further financial information.

**Manatee County Public Utilities System
Statement of Net Position
For the Fiscal Year Ended September 30, 2015
(Amounts expressed in thousands)**

<u>Assets</u>		<u>Liabilities</u>	
Current assets:		Current liabilities:	
Cash and cash equivalents	\$ 174,474	Accounts payable	4,819
Accounts receivable:		Wages and benefits payable	1,690
Trade (net of allowance of \$2,279)	9,703	Due to other governmental units	2
Unbilled revenue	6,467	Contracts and retainages payable	2,837
Interest receivable	134	Compensated absences	167
Sewer assessments receivable	43	Deposits	92
Due from other governmental units	1,803	Total current liabilities	<u>9,607</u>
Prepaid items	637		
Inventory	2,695	Current liabilities (payable from restricted assets):	
Deposits	<u>795</u>	Accounts payable	262
Total current assets	<u>196,751</u>	Contracts and retainages payable	2,117
		Customer deposits	<u>7,428</u>
Current restricted assets:		Total current liabilities (payable from restricted assets)	<u>9,807</u>
Cash and cash equivalents	85,361		
Interest receivable	<u>51</u>	Noncurrent liabilities:	
Total current restricted assets	<u>85,412</u>	Pension liability	15,410
		Compensated absences	3,565
Noncurrent assets:		Other post employment benefits	9,504
Restricted cash and cash equivalents	35,180	Closure liability	28,630
Advances to other funds	1,300	Revenue bonds noncurrent (net of premium)	<u>196,616</u>
Sewer assessments receivable	181	Total noncurrent liabilities	<u>253,725</u>
Land and other nondepreciable assets	147,382	Total liabilities	<u>273,139</u>
Capital assets, net of accumulated depreciation	<u>607,132</u>		
Total noncurrent assets	<u>791,175</u>	Deferred inflows of resources:	
Total assets	<u>1,073,338</u>	Deferred pension inflows	<u>5,223</u>
		Total deferred inflows of resources	<u>5,223</u>
Deferred outflows of resources:			
Deferred charge on refunding	1,573	Net Position	
Deferred pension outflows	<u>5,973</u>	Net investment in capital assets	642,291
Total deferred outflows of resources	<u>7,546</u>	Restricted for debt service	1,213
		Restricted for landfill closure	6,550
		Unrestricted	<u>152,468</u>
		Total net position	<u>\$ 802,522</u>

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

**Manatee County Public Utilities System
Statement of Revenues, Expenses and
Changes in Fund Net Position
For the Fiscal Year Ended September 30, 2015
(Amounts expressed in thousands)**

Operating revenues:

Water sales	\$ 45,467
Wastewater treatment charges	65,465
Solid waste charges	39,483
Miscellaneous revenues	<u>1,880</u>
Total operating revenues	<u>152,295</u>

Operating expenses:

Water and sewer:	
Personal services	23,437
General and administrative	24,385
Water treatment and distribution	9,859
Wastewater collection and treatment	15,468
Solid waste:	
Personal services	2,941
Landfill operation	5,918
Closure	824
Garbage collection	21,785
Stormwater:	
Personal services	2,450
General and administrative	2,450
Depreciation and amortization	<u>28,021</u>
Total operating expenses	<u>137,538</u>
Operating income	<u>14,757</u>

Nonoperating revenues (expenses):

Operating grants	124
Interest income	1,553
Interest expense	(5,887)
Bond interest rebate	1,750
Bond issue cost	(712)
Gain (loss) on disposition of assets	<u>(34)</u>
Total nonoperating revenues (expenses)	<u>(3,206)</u>
Income before contributions and transfers	11,551
Capital grants and contributions	28,214
Transfers to other funds	<u>(3,841)</u>
Change in net position	35,924
Total net position - beginning, as previously reported	781,958
Restatement of net position due to implementation of GASB 68	<u>(15,360)</u>
Total net position - beginning, restated	<u>766,598</u>
Total net position - ending	<u>\$ 802,522</u>

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

**Manatee County Public Utilities System
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2015
(Amounts expressed in thousands)**

Cash flows from operating activities:

Cash received from customers	\$ 151,796
Cash payments to vendors for goods and services	(51,183)
Cash payments to employees for services	(24,044)
Cash payments to other funds	(32,060)
Net cash provided by operating activities	<u>44,509</u>

Cash flows from noncapital financing activities:

Operating grants	117
Transfers out	(3,841)
Net cash provided (used) by noncapital financing activities	<u>(3,724)</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(45,836)
Deposits paid on construction agreements	(439)
Principal payments on debt	(7,335)
Interest payments on debt	(8,417)
Bond interest rebate	1,750
Debt proceeds	99,788
Debt issuing expenses	(712)
Defeasance of bonds	(19,504)
Receipt of contributed capital	16,868
Proceeds from sale of assets	100
Net cash provided (used) by capital and related financing activities	<u>36,263</u>

Cash flows from investing activities:

Interest on investments	<u>1,520</u>
Net increase in cash and cash equivalents	78,568
Cash and cash equivalents, October 1	<u>216,447</u>
Cash and cash equivalents, September 30	<u>\$ 295,015</u>

Classified as:

Current assets	\$ 174,474
Restricted assets	<u>120,541</u>
Cash and cash equivalents, September 30	<u>\$ 295,015</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	<u>\$ 14,757</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,986
Amortization	35
Provision for uncollectables	382
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(890)
Prepaid items	38
Inventory	(24)
Deferred pension outflows	(4,645)
Increase (decrease) in:	
Accounts payable	801
Due to other governmental units	2
Wages and benefits payable	181
Compensated absences	210
Other post employment benefits	900
Closure liability	824
Customer deposits	7
Pension liability	5,386
Deferred pension inflows	(1,441)
Total adjustments	<u>29,752</u>

Net cash provided by operating activities \$ 44,509

Non-cash investing, capital, and financing activities:

Loss on disposition of assets	\$ 58
Acquisition of contributed assets	10,789

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

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(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, 2015. 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>2015</u>
Interest cost	\$ 7,602
Less amount capitalized	<u>1,715</u>
Net amount expensed	<u>\$ 5,887</u>

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

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

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

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

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)

Note 1 Summary of Significant Accounting Policies – Continued

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second type of item is deferred pension which is related to various actuarial assumption changes and valuations related to the System's portion of the Florida Retirement System Pension Plan and Retiree Health Insurance Subsidy Program annual valuations, and retirement contribution payments made by the System after the valuation date of the Florida Retirement System's latest valuation but before the end of the System's fiscal year.

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. Only one item qualifies for reporting in this category. It is the deferred pension which is comprised of various actuarial assumption changes and valuations related to the System's portion of the Florida Retirement System Pension Plan and Retiree Health Insurance Subsidy Program annual valuations. These amounts are recognized as inflows of resources in the period that they become available.

Pensions – Manatee County Public Utilities System participates in the Florida Retirement System's pension plans. For purposes of measuring the System's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, information is included from the *Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial Reports* about the System's proportion of the fiduciary net position of the Florida Retirement System's pension plans, which include the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans. Additions to and deductions from the FRS' and HIS' fiduciary net positions have been determined on the same basis as they are reported by the State. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. The FRS and HIS plans report investments in accordance with GASB Codification Section 150, Investments.

Implementation of Governmental Accounting Standards Statements - The County implemented the following GASB Statements during the fiscal year ended September 30, 2015:

- 1) Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- 2) Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68." This Statement addresses amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.
- 3) Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 and also clarifies the application of certain provisions of Statements 67 and 68.

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, 2015, available at www.manateeclerk.com.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 3 Investments - Continued

The portfolio composition at September 30, 2015 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 (3)	Cost	\$ 71,107
External Government Investment Pools (3)	Cost or NAV	357,183
US Treasury Notes (5)	Quoted Market	40,048
Government Sponsored Enterprises (31)	Quoted Market	229,806
Total (42)		<u>\$ 698,144</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, 2015</u>			
	<u>Cash and Cash Equivalents</u>	<u>Interest Receivable</u>	<u>Total</u>
Debt service funds	\$ 1,214	\$ 6	\$ 1,220
Customer deposits	7,428	-	7,428
Construction funds	76,719	45	76,764
Landfill closure escrow	35,180	-	35,180
Total	<u>\$ 120,541</u>	<u>\$ 51</u>	<u>\$ 120,592</u>

Note 5 Capital Assets

	<u>October 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30</u>
As of September 30, 2015				
Capital assets not depreciated:				
Land	\$ 24,715	\$ -	\$ -	\$ 24,715
Construction in progress	115,713	45,359	38,405	122,667
Total assets not depreciated	<u>140,428</u>	<u>45,359</u>	<u>38,405</u>	<u>147,382</u>
Capital assets depreciated:				
Buildings	29,484	-	-	29,484
System infrastructure	952,586	49,256	-	1,001,842
Machinery and equipment	34,257	1,404	1,505	34,156
Total assets depreciated	<u>1,016,327</u>	<u>50,660</u>	<u>1,505</u>	<u>1,065,482</u>
Less accumulated depreciation:				
Buildings	8,116	686	-	8,802
System infrastructure	400,403	24,304	-	424,707
Machinery and equipment	23,216	2,996	1,371	24,841
Total accumulated depreciation	<u>431,735</u>	<u>27,986</u>	<u>1,371</u>	<u>458,350</u>
Total depreciable capital assets, net	<u>584,592</u>	<u>22,674</u>	<u>134</u>	<u>607,132</u>
Total capital assets, net	<u>\$ 725,020</u>	<u>\$ 68,033</u>	<u>\$ 38,539</u>	<u>\$ 754,514</u>

Depreciation expense was \$27,986 for fiscal year ending September 30, 2015.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 6 Revenue Bonds Payable

The following is long-term liability activity for the fiscal year 2015:

	<u>Revenue Bonds</u>	<u>Compensated Absences</u>	<u>OPEB Liability</u>	<u>Closure Liability</u>	<u>Pension Liability (1)</u>	<u>Total</u>
Balance at:						
September 30, 2014	\$ 121,205	\$ 3,523	\$ 8,604	\$ 27,806	\$ 10,024	\$ 171,162
Additions	91,485	1,857	900	824	7,400	102,466
Deductions	25,620	1,648	-	-	2,014	29,282
September 30, 2015	<u>\$ 187,070</u>	<u>\$ 3,732</u>	<u>\$ 9,504</u>	<u>\$ 28,630</u>	<u>\$ 15,410</u>	<u>\$ 244,346</u>
Due within one year at:						
September 30, 2015	-	167	-	-	-	167

(1) 2014 Pension liability has been restated due to the implementation of GASB 68.

Revenue bonds payable consisted of the following at September 30:

	<u>2015</u>
\$44,895 Public Utilities Revenue Improvement Bonds, Series 2006, plus unamortized premium of \$47	\$ 3,195
\$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 \$109	6,720
\$8,190 Public Utilities Revenue Improvement Bonds, Series 2010D	3,625
\$22,650 Public Utilities Revenue Refunding Bonds, Series 2011, plus unamortized premium of \$1,589	18,820
\$91,485 Public Utilities Revenue Refunding & Improvement Bonds, Series 2015, plus unamortized premium of \$7,801	91,485
Total	<u>\$ 187,070</u>

\$44,895 Public Utilities Revenue Improvement Bonds, Series 2006 - These bonds are dated September 13, 2006, interest rates at 4.25%, with \$3,195 of principal due October 1, 2016.

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 \$2,410 of principal due October 1, 2016 to \$1,215 due October 1, 2017; interest at 4.798% to 5.048%.

\$22,650 Public Utilities Revenue Refunding Bonds, Series 2011 - These bonds are dated December 14, 2011, with interest rates varying from 4.00% to 5.00% and amounts ranging from \$2,005 of principal due October 1, 2016 to \$2,765 due October 1, 2023.

\$91,485 Public Utilities Revenue Refunding & Improvement Bonds, Series 2015 - These bonds are dated April 22, 2015, with interest rates varying from 3.00% to 5.00% and amounts ranging from \$3,160 of principal due October 1, 2017 to \$11,220 due October 1, 2039.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(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>
2016	\$ 7,610	\$ 9,911	\$ 17,521
2017	7,765	9,579	17,344
2018	8,095	9,245	17,340
2019	8,450	8,897	17,347
2020	8,855	8,488	17,343
2021-2025	30,985	36,107	67,092
2026-2030	31,020	27,339	58,359
2031-2035	41,930	16,423	58,353
2036-2040	42,360	4,318	46,678
Total	<u>\$ 187,070</u>	<u>\$ 130,307</u>	<u>\$ 317,377</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, Series 2011 and Public Utilities Revenue & Improvement Bonds, Series 2015 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 year ended September 30, 2015.

Note 7 New Debt Issues

On April 22, 2015 the County issued \$91,485 of Public Utilities Revenue Refunding and Improvement Bonds, Series 2015 for the purpose of 1) refunding \$18,290 of the Public Utilities Revenue Improvement Bonds, Series 2006; 2) financing certain additions, extensions and improvements to the Manatee County Public Utilities System; and 3) paying certain costs of issuance with respect to the bonds. These bonds have an average interest rate of 4.7562%, the refunded bonds have an average interest rate of 4.8549%. The net proceeds of \$79,887 (including a \$8,303 premium and after payment of \$397, in underwriting fees and other issuance costs) plus \$19,504 of escrow securities that were deposited in an irrevocable escrow deposit fund with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The refunding resulted in a loss of \$973 which is being amortized over the life of the refunded bonds and yielded an economic gain of \$1,413 and allowed the County to reduce its aggregate debt service \$1,511 over the next seven years. As a result, the Public Utilities Revenue Improvement Bonds, Series 2006 are considered partially defeased and the liability of the defeased portion for those bonds has been removed from the statement of net position.

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, 2015
(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.

On April 22, 2015, the County refunded \$18,290 of Public Utilities Revenue Improvement Bonds, Series 2006, maturing in the years 2017 through 2021, by issuing the 2015 Public Utilities Revenue Refunding and Improvement Bonds.

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 Public Utilities System is a participant under Manatee County in the Florida Retirement System Pension Plan (“FRS Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS”), both of which are cost-sharing multiple employer defined benefit plans managed by the State of Florida, Department of Management Services, Division of Retirement. The System also participates under Manatee County in the Florida Retirement System Investment Plan (“FRS Investment Plan”), a defined contribution plan administered by the State Board of Administration. All full-time Public Utilities System employees are required to participate in the Florida Retirement System, as part of either the FRS Pension Plan or the FRS Investment Plan.

The Florida Retirement System (“FRS”) was established under the authority of the Florida Legislature in 1970. Statutory authority for plan structure, benefit levels, contribution rates, and the administration of the state-administered retirement funds is detailed in Chapters 112 and 121, Florida Statutes, and plan changes or changes in benefit terms must be made by the Legislature. Substantially all full time Public Utilities System employees are participants in the Florida Retirement System, a multiple-employer, cost-sharing public retirement system. FRS covers over 626,000 full-time employees of various governmental units within the State of Florida. The Florida Retirement System Pension Plan and Other State-Administered Systems are administered by the State of Florida, Department of Management Services, Division of Retirement.

The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the Florida Retirement System Pension Plan and Other State-Administered Systems. The report may be obtained through the Florida Retirement website: www.frs.myflorida.com or by writing to the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, FL 32315-9000.

Plan General Information:

A. FRS Pension Plan

The FRS Pension Plan is a defined benefit plan with retirement benefits based upon age, average compensation, and years-of-service credit. Vesting of benefits is 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. Normal retirement benefits are available at age 65 with 8 years of service for employees hired on or after July 1, 2011, 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. 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.

The Deferred Retirement Option Program (“DROP”) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months.

B. FRS Investment Plan

The Public Employee Optional Retirement Program (the “FRS Investment Plan”) is a defined contribution alternative that is open to regular FRS Pension Plan members in lieu of participation in the FRS Pension Plan, except for those who are in the DROP Program. Related employer contributions are made to the FRS Investment Plan, which holds the contributions in individual investment accounts for each participating employee. As with the FRS Pension Plan, participants are required to contribute 3% of their pre-tax salaries for the fiscal year ended September 30, 2015. Participants direct their own investments, utilizing the various investment options available through the Plan. These investment accounts vest to the employee after 1 year of service and members are immediately vested in their own contributions. Investment Plan funds 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. Service retirement benefits are based solely upon the value of the member's account upon retirement. Costs of administering the plan are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members as of September 30, 2015.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 9 Retirement Plan – Continued

C. Retiree Health Insurance Subsidy

The Florida Retirement System Health Insurance Subsidy (“HIS”) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs. All eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month. To be eligible to receive the HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. The HIS plan is funded by required contributions from FRS participating employers, as set by the Legislature. Pursuant to Section 112.363 of the Florida Statutes, required employer contributions are a percentage of gross compensation for all active FRS members. The HIS availability is based on the guidelines set forth by the Legislature on an annual basis. HIS contributions are deposited in a separate trust fund, from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

D. Cost of Living Adjustments

FRS Pension Plan benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment each year. The cost-of-living adjustment for those retired or in DROP prior to August 1, 2011, is 3 percent per year. For retirees with an effective retirement date or DROP begin date on or after August 1, 2011, the cost-of-living adjustment is a percentage; the sum of the pre-July 2011 service credit divided by the total service credit at retirement, multiplied by 3 percent. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

E. Contributions

Participating employer contributions for both the FRS Pension Plan and Investment Plan are based upon statewide rates established by the Legislature of the State of Florida. Employer contribution rates for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively were as follows: Regular class: 7.37% and 7.26%; Special Risk class: 19.82% and 22.04%; Senior Management Service class: 21.14% and 21.43%; Elected Officers’ class: 43.24% and 42.27%; and DROP Participants: 12.28% and 12.88%. These contribution rates include 1.26% and 1.66% HIS Plan subsidy contributions for the same periods. The System’s contributions made during the year ended September 30, 2015 were \$1,602, equal to the actuarially determined contribution requirements for the year. The employee contributions were \$567 for fiscal year 2015.

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined by the Florida Retirement System using a forward-looking capital market economic model. This model is applicable for valuation of both the FRS Pension Plan and the HIS Plan, unless otherwise noted. The table below shows assumptions for each of the asset classes in which the plan was invested based upon the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below for year ending September 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u> ⁽¹⁾	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1.00%	3.20%	3.10%
Fixed Income	18.00%	4.80%	4.70%
Global equity	53.00%	8.50%	7.20%
Real estate (property)	10.00%	6.80%	6.20%
Private equity	6.00%	11.90%	8.20%
Strategic investments	12.00%	6.70%	6.10%
Assumed Inflation - Mean		2.60%	

(1) As outlined in the Plan's investment policy

Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)

Note 9 Retirement Plan - Continued

FRS Pension Plan

1) Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the System reported a liability of \$8,379 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The System's proportion of the net pension liability was actuarially determined, based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units. At June 30, 2015, the System's proportion was 0.064867039%, which was an increase of 0.002320193% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the System recognized pension expense of \$643. At September 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 885	\$ 198
Changes of assumptions	556	-
Net difference between projected and actual earnings on pension plan investments	2,951	4,952
Changes in proportion and differences between System contributions and proportionate share of contributions	326	42
System contributions subsequent to the measurement date	<u>357</u>	<u>-</u>
Total	<u>\$ 5,075</u>	<u>\$ 5,192</u>

Of the total reported as the deferred outflows of resources related to pensions, \$357 resulted from the System's contributions subsequent to the measurement date and will be recognized as reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ending September 30:</u>	<u>2015</u>
2016	\$ (597)
2017	(597)
2018	(597)
2019	1,008
2020	244
Thereafter	65

2) Other Key Actuarial Assumptions for the FRS Pension Plan

As of September 30, 2015 the actuarial assumptions that determined the total pension liability as of June 30, 2015 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The valuation date is July 1, 2015, and the measurement date is June 30, 2015. Key assumptions include an inflation rate of 2.60%, salary increases including inflation of 3.25%, and an investment rate of return of 7.65%, net of pension plan investment expense, including inflation. The mortality rates are based on the Generational RP-2000 with Projection Scale BB tables, and the actuarial cost method used is the Entry Age Normal method.

3) Discount Rate

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. At September 30, 2015, the related discount rate used to measure the total pension liability was 7.65%.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 9 Retirement Plan - Continued

4) Sensitivity Analysis

The following presents the System's proportionate share of the net pension liability of the FRS Pension Plan as of September 30, 2015, calculated using the discount rate of 7.65 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65 percent) or one percentage point higher (8.65 percent) than the current rate.

Fiscal year ending <u>September 30:</u>	1% Decrease <u>6.65%</u>	Current Discount Rate <u>7.65%</u>	1% Increase <u>8.65%</u>
2015	\$ 21,710	\$ 8,379	\$ (2,716)

Retiree Health Insurance Subsidy

1) Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the System reported a liability of \$7,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The System's proportion of the net pension liability was actuarially determined, based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units. At June 30, 2015, the System's proportion was 0.068945189%, which was an increase of 0.002560664% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the System recognized pension expense of \$553. At September 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	553	-
Net difference between projected and actual earnings on pension plan investments	4	-
Changes in proportion and differences between System contributions and proportionate share of contributions	259	31
System contributions subsequent to the measurement date	82	-
Total	<u>\$ 898</u>	<u>\$ 31</u>

Of the total reported as deferred outflows of resources, \$82 related to pensions resulting from the System's contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal year ending September 30:</u>	<u>2015</u>
2016	\$ 134
2017	134
2018	134
2019	133
2020	132
Thereafter	118

2) Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability for the HIS plan as of June 30, 2015 were based on certain results of the most recent experience study for the FRS plan, which was for the period July 1, 2008 through June 30, 2013. Because the HIS plan is funded on a pay-as-you-go basis, no separate experience study has been completed by FRS for that plan. The HIS plan valuation is updated biannually, and the most recent valuation date is July 1, 2014. This valuation is updated by FRS for GASB reporting in the year that a valuation is not performed, which applies to the July 1, 2015 valuation. Key assumptions include an inflation rate of 2.60%, salary increases including inflation of 3.25%, and a discount rate of 3.80% (municipal bond rate), net of pension plan investment expense, including inflation. The asset valuation method is fair market value. The mortality rates are based on the Generational RP-2000 with Projection Scale BB tables, and the actuarial cost method used is the Entry Age Normal method.

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 9 Retirement Plan - Continued

3) Discount Rate

In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to a municipal bond rate selected by the FRS plan sponsor. The FRS plan sponsor adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. The related discount rate used to measure the total pension liability was 3.80%. (Bond Buyer General Obligation 20-Bond Municipal Bond index), as of September 30, 2015.

4) Sensitivity Analysis

The following presents the System's proportionate share of the net pension liability of the HIS as of September 30, 2015, calculated using the discount rate of 3.80 percent for 2015, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

Fiscal year ending <u>September 30:</u>	1% Decrease <u>2.80%</u>	Current Discount Rate <u>3.80%</u>	1% Increase <u>4.80%</u>
2015	\$ 8,012	\$ 7,031	\$ 6,214

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 \$9,504 as of September 30, 2015 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, 2015.

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 \$39,415 at September 30, 2015.

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>2015</u>
Closure Costs (286 acres)	\$ 37,851
Post Closure Costs (316 acres)	14,271
Current Closure Cost Estimate	<u>\$ 52,122</u>
Remaining Life	30
Landfill Capacity Used (%)	53.73%
Closure/Post Closure Liability	\$ 28,630
Current Year Closure/Post Closure Cost	\$ 824
Landfill Cash Escrow Account	\$ 35,180

**Manatee County Public Utilities System
Notes to Financial Statements
September 30, 2015
(Amounts expressed in thousands)**

Note 12 Recognition of Closure and Post Closure Cost - Continued

The closure/post closure liability for the landfill capacity that has been used is net 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, 2015, with cash and investments of \$35,180 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.

Note 13 Restatement of Prior Year Balances

As of October 1, 2014, beginning net position of Manatee County Public Utilities System funds was restated due to the implementation of GASB Statement No. 68:

	<u>Utilities</u>
Net position - October 1, 2014	\$ 781,958
Restatement of net position due to the implementation of GASB 68	<u>(15,360)</u>
Net position - October 1, 2014 restated	<u><u>\$ 766,598</u></u>

Manatee County Public Utilities System
Required Supplementary Information for the Current and Preceding Year
Schedule of the System's Proportionate Share of The Net Pension Liability
for the FRS and HIS Pension Plans
(Amounts expressed in thousands)

FRS Pension Plan	<u>2015</u> ⁽¹⁾	<u>2014</u> ⁽¹⁾
System's proportion of the net pension liability (asset)	0.064867039%	0.062546846%
System's proportionate share of the net pension liability (asset)	\$ 8,379	\$ 3,816
System's covered-employee payroll ⁽²⁾	\$ 18,093	\$ 17,261
System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.31%	22.11%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%
HIS Pension Plan	<u>2015</u> ⁽¹⁾	<u>2014</u> ⁽¹⁾
System's proportion of the net pension liability (asset)	0.068945189%	0.066384525%
System's proportionate share of the net pension liability (asset)	\$ 7,031	\$ 6,207
System's covered-employee payroll ⁽²⁾	\$ 18,159	\$ 17,308
System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.72%	35.86%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

(1) Amounts presented for each fiscal year were determined as of June 30. Information is not available for years prior to 2014.

(2) The System's covered-employee payroll consists of the payroll of all employees provided with pensions under the FRS and HIS pension plans. This amount is equal to pensionable employee payroll. Covered-employee payroll for the FRS pension plan and the HIS pension plan may differ for certain reemployed retirees.

Manatee County Public Utilities System
Required Supplementary Information for the Current Year
Schedule of the Sytem's Contributions to the FRS and HIS Pension Plans
(Amounts expressed in thousands)

FRS Pension Plan	<u>2015</u> ⁽¹⁾
Contractually required contribution	\$ 1,583
Contributions in relation to the contractually required contribution	<u>(1,583)</u>
Contribution deficiency (excess)	<u>\$ -</u>
System's covered-employee payroll ⁽²⁾	\$ 18,231
Contributions as a percentage of covered-employee payroll	8.68%
HIS Pension Plan	<u>2015</u> ⁽¹⁾
Contractually required contribution	\$ 286
Contributions in relation to the contractually required contribution	<u>(286)</u>
Contribution deficiency (excess)	<u>\$ -</u>
System's covered-employee payroll ⁽²⁾	\$ 18,302
Contributions as a percentage of covered-employee payroll	1.56%

(1) Information is not available for years prior to 2015.

(2) The System's covered-employee payroll consists of the payroll of all employees provided with pensions under the FRS and HIS pension plans. This amount is equal to pensionable employee payroll. Covered-employee payroll for the FRS pension plan and the HIS pension plan may differ for certain reemployed retirees.

OTHER INFORMATION

**Manatee County Public Utilities System
Revenue Bond Issues - Description
September 30, 2015
(Amounts expressed in thousands)**

	<u>Revenue Improvement Series 2006</u>	<u>Revenue Improvement Series 2010A</u>	<u>Revenue Improvement Series 2010B</u>	<u>Revenue Improvement Series 2010C</u>	<u>Revenue Improvement Series 2010D</u>	<u>Revenue Refunding Series 2011</u>	<u>Revenue Refunding & Improvement Series 2015</u>
Original authorization	\$ 44,895	\$ 17,925	\$ 45,300	\$ 6,720	\$ 8,190	\$ 22,650	\$ 91,485
Unissued	-	-	-	-	-	-	-
Issued	44,895	17,925	45,300	6,720	8,190	22,650	91,485
Retirements	23,410	-	-	-	4,565	3,830	-
Refunded	18,290	-	-	-	-	-	-
Balance outstanding	<u>\$ 3,195</u>	<u>\$ 17,925</u>	<u>\$ 45,300</u>	<u>\$ 6,720</u>	<u>\$ 3,625</u>	<u>\$ 18,820</u>	<u>\$ 91,485</u>
Date of issue	September 13, 2006	December 29, 2010				December 14, 2011	April 22, 2015
Principal payment date	October 1	October 1	October 1	October 1	October 1	October 1	October 1
Interest payment dates	April-October	April-October	April-October	April-October	April-October	April-October	April-October
Denominations (amounts not rounded)	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Interest rates	4.25% Maturity 2016	5.951% Maturity 2016-2020 6.151% Maturity 2021 6.351% Maturity 2022 6.551% Maturity 2023 6.701% Maturity 2024 6.801% Maturity 2025	7.178% Maturity 2016-2030 7.378% Maturity 2031-2035	4.00%-5.00% Maturity 2016-2017 3.50%-5.00% Maturity 2018 4.00%-5.00% Maturity 2019	4.798% Maturity 2016 5.048% Maturity 2017	4.00% Maturity 2016-2017 5.00% Maturity 2018-2023	4.00% Maturity 2016-2018 5.00% Maturity 2019-2029 3.00% Maturity 2030 5.00% Maturity 2031-2033 4.00% Maturity 2034-2039
Effective interest cost rate	4.0410%	4.1890%	4.0116%	3.6261%	4.3106%	2.6571%	3.1149%
Call feature	2016-Maturity 100	2020-Maturity 100	2020-Maturity 100	N/A	N/A	N/A	2025-Maturity 100
Paying agent	TD Bank Jacksonville, FL	US Bank New York, NY	US Bank New York, NY	US Bank New York, NY	US Bank New York, NY	Bank of New York Jacksonville, FL	Hancock Bank Orlando, FL

**Manatee County Public Utilities System
Schedule of Debt Service Requirements
September 30, 2015
(Amounts expressed in thousands)**

Public Utilities System Revenue Improvement Bonds

	\$44,895														
	Series 2006 Bonds														
Fiscal	<u>Principal</u>	<u>Interest</u>	<u>Total</u>												
2016	\$ 3,195	\$ 136	\$ 3,331												
				\$17,925			\$45,300			\$6,720			\$8,190		
	Series 2010A Bonds			Series 2010B Bonds			Series 2010C Bonds			Series 2010D Bonds					
Fiscal	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>			
2016	\$ -	\$ 1,150	\$ 1,150	\$ -	\$ 3,300	\$ 3,300	\$ -	\$ 296	\$ 296	\$ 2,410	\$ 177	\$ 2,587			
2017	-	1,150	1,150	-	3,300	3,300	1,310	296	1,606	1,215	61	1,276			
2018	-	1,150	1,150	-	3,300	3,300	2,650	233	2,883	-	-	-			
2019	-	1,150	1,150	-	3,300	3,300	2,760	124	2,884	-	-	-			
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>\$ 8,659</u>	<u>\$ 26,584</u>	<u>\$ 45,300</u>	<u>\$ 51,819</u>	<u>\$ 97,119</u>	<u>\$ 6,720</u>	<u>\$ 949</u>	<u>\$ 7,669</u>	<u>\$ 3,625</u>	<u>\$ 238</u>	<u>\$ 3,863</u>			

**Manatee County Public Utilities System
Schedule of Debt Service Requirements
September 30, 2015
(Amounts expressed in thousands)**

Public Utilities System Revenue Refunding Bonds

\$22,650
Series 2011 Bonds

Public Utilities System Revenue Refunding & Improvement Bonds

\$91,485
Series 2015 Bonds

Fiscal Year	Series 2011 Bonds			Series 2015 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 2,005	\$ 900	\$ 2,905	\$ -	\$ 3,952	\$ 3,952
2017	2,080	820	2,900	3,160	3,952	7,112
2018	2,165	737	2,902	3,280	3,825	7,105
2019	2,275	629	2,904	3,415	3,694	7,109
2020	2,385	515	2,900	3,590	3,523	7,113
2021	2,510	395	2,905	3,765	3,344	7,109
2022	2,635	270	2,905	-	3,156	3,156
2023	2,765	138	2,903	-	3,156	3,156
2024	-	-	-	1,450	3,156	4,606
2025	-	-	-	1,605	3,083	4,688
2026	-	-	-	1,780	3,003	4,783
2027	-	-	-	1,990	2,914	4,904
2028	-	-	-	2,205	2,814	5,019
2029	-	-	-	2,450	2,704	5,154
2030	-	-	-	2,700	2,582	5,282
2031	-	-	-	2,925	2,500	5,425
2032	-	-	-	3,215	2,354	5,569
2033	-	-	-	3,535	2,193	5,728
2034	-	-	-	3,865	2,017	5,882
2035	-	-	-	4,195	1,862	6,057
2036	-	-	-	9,975	1,694	11,669
2037	-	-	-	10,375	1,295	11,670
2038	-	-	-	10,790	880	11,670
2039	-	-	-	11,220	449	11,669
	<u>\$ 18,820</u>	<u>\$ 4,404</u>	<u>\$ 23,224</u>	<u>\$ 91,485</u>	<u>\$ 64,102</u>	<u>\$ 155,587</u>

**Manatee County Public Utilities System
Schedule of Debt Service Coverage
For the Fiscal Year Ended September 30, 2015**

	<u>2015</u>
Operating revenues:	
Water and sewer	\$ 112,540
Stormwater	25
Solid waste	39,730
Interest earned:	
Water and sewer	1,188
Stormwater	12
Solid waste	353
Less interest not considered revenue for debt coverage:	
Interest earned on construction trust funds	(246)
Add revenue available for debt service coverage not included as operating revenues in financial statements:	
Operating grants	<u>124</u>
Total revenues available for debt service coverage	153,726
Add federal direct payments	1,750
Less operating expenses (excluding depreciation and amortization)	<u>(109,517)</u>
Net revenues available for debt service	\$ 45,959
Debt service requirement	\$ 15,753
Debt service coverage	2.92x

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

	Fiscal Year Ended September 30				
	<u>2015</u>	<u>2014</u> ⁽⁴⁾	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:					
Water sales	\$ 45,467	\$ 43,407	\$ 42,625	\$ 41,959	\$ 40,513
Wastewater treatment charges	65,465	61,962	60,468	58,647	54,689
Solid waste charges	39,483	38,136	37,688	36,813	34,953
Miscellaneous	2,004	1,435	428	438	368
Federal direct payment (FDP) ⁽¹⁾	1,750	1,752	1,970	1,722	1,426
Interest income ⁽²⁾	1,307	746	634	1,092	1,097
Total operating revenues	<u>155,476</u>	<u>147,438</u>	<u>143,813</u>	<u>140,671</u>	<u>133,046</u>
Operating Expenses:					
Water operations	29,390	27,209	24,630	25,242	24,417
Sewer operations	43,759	42,200	36,588	36,554	36,405
Solid waste operations	31,468	30,851	29,626	28,840	22,239
Stormwater operations	4,900	4,647	4,512	3,713	3,545
Total operating expenses	<u>109,517</u>	<u>104,907</u>	<u>95,356</u>	<u>94,349</u>	<u>86,606</u>
Net revenue available for debt service	<u>\$ 45,959</u>	<u>\$ 42,531</u>	<u>\$ 48,457</u>	<u>\$ 46,322</u>	<u>\$ 46,440</u>
Debt service requirement ⁽³⁾	\$ 15,753	\$ 14,446	\$ 24,056	\$ 24,034	\$ 22,917
Coverage ratio of debt service requirement	2.92x	2.94x	2.01x	1.93x	2.03x

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

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

(3) For fiscal years ended September 30, 2015, the debt service requirements are based on the annual debt service for the series 2006, 2010A, 2010B, 2010C, 2010D, 2011 and 2015. 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 and prior 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.

(4) Fiscal year 2014 expenses have been restated due to the implementation of GASB 68. Fiscal year 2013 and prior have not been restated.

**Manatee County Public Utilities System
Solid Waste Tipping Fee Comparison
(as of September 30, 2015)**

Landfill Tipping Fees

Manatee County			DeSoto County	
Standard Waste			Standard Waste/Construction & Demolition Debris	
Autos	\$	5.00/min	In-county	\$ 42.00/ton
All other vehicles			Mixed Unsorted Loads	\$ 84.00/ton
In-county	\$	36.00/ton	Out-of-county	\$ 84.00/ton
Out-of-county	\$	108.00/ton	Tires	
Construction & Demolition Debris			In-county	\$ 200.00/ton
In-county	\$	61.00/ton	Out-of-county	\$ 400.00/ton
Out-of-county	\$	183.00/ton		
Tires			Hillsborough County	
In-county	\$	86.00/ton	Standard Waste/Construction & Demolition Debris	
Out-of-county	\$	258.00/ton	In-county	\$ 61.81/ton
			Out-of-county	N/A
Lee County			Processable	\$ 68.16/ton
Standard Waste			Tires	\$ 71.50/ton
In-county	\$	36.00/ton		
Out-of-county		N/A	Pinellas County	
Construction & Demolition Debris			Standard Waste/Construction & Demolition Debris	
In-county	\$	28.00/ton	Passenger Car	\$ 2.00 per load
Out-of-county		N/A	Pickup Trucks	\$ 10.00 per load
Tires	\$	55.00/ton	In-county	\$ 37.50/ton
Tires (Off Road)	\$	110.00/ton	Out-of-county	\$ 37.50/ton
			Tires	\$ 37.50/ton
Sarasota County				
Standard Waste				
In-county	\$	57.56/ton		
Out-of-county		N/A		
Construction & Demolition Debris				
In-county	\$	48.96/ton		
Out-of-county		N/A		
Tires	\$	158.60/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		

**Manatee County Public Utilities System
 Historic Growth of Water and Wastewater Divisions Services
 Number of Meters
 (as of September 30, 2015)**

<u>Year</u>	<u>Water</u>	<u>Wastewater</u>
2015	113,042	97,084
2014	110,051	94,900
2013	107,018	92,760
2012	104,561	90,989
2011	103,091	89,745

**Single-Family Residential Water and Wastewater Bills
 in Manatee County and Surrounding Areas
 (as of September 30, 2015) ⁽¹⁾**

	<u>Water</u>		<u>Wastewater</u>		<u>Total</u>	
	<u>6,000</u>	<u>10,000</u>	<u>6,000</u>	<u>10,000</u>	<u>6,000</u>	<u>10,000</u>
City of Tampa	\$ 19.51	\$ 37.36	\$ 28.26	\$ 47.10	\$ 47.77	\$ 84.46
Sarasota County	31.99	48.81	60.13	90.29	92.12	139.10
DeSoto County	55.16	83.80	65.72	79.54	120.88	163.34
Manatee County	20.40	30.44	46.53	64.29	66.93	94.73
Pinellas County	35.03	54.15	42.30	61.66	77.33	115.81
Hillsborough County	35.42	54.82	39.89	48.65	75.31	103.47

Source: Manatee County

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

**Manatee County 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				
	2011	2012	2013	2014 ⁽⁷⁾	2015
Charges for Services	\$ 130,155	\$ 137,419	\$ 140,781	\$ 143,505	\$ 150,415
Miscellaneous Revenues & Interest Income ⁽¹⁾	1,404	1,537	1,134	2,293	3,115
Federal Direct Payments	1,426	1,722	1,970	1,752	1,750
Total Gross Revenues	132,985	140,678	143,885	147,550	155,280
Total Operating Expenses ⁽²⁾	86,606	94,349	95,356	104,907	109,517
Net Revenue	46,379	46,329	48,529	42,643	45,763
Net Revenue Ratio	34.88%	32.93%	33.73%	28.90%	29.47%
Outstanding Bonds:					
Annual Debt Service Requirement	22,917	24,034	24,056	14,446	15,753
Calculated Coverage	2.02	1.93	2.02	2.95	2.91
Required Coverage	1.15	1.15	1.15	1.15	1.15
Subordinate Obligations: ⁽³⁾					
Net Revenues after Outstanding Bonds Payments	23,462	22,295	24,473	28,197	30,010
Subordinate Obligations Debt Service Requirement					
State Revolving Loan Fund	707	707	707	707	-
Calculated Coverage	33.19	31.53	34.62	39.88	-
Required Coverage	1.15	1.15	1.15	1.15	-
Net Available for Other Required Transfers ⁽⁴⁾	22,755	21,588	23,766	27,490	30,010
Other Required Transfers:					
Debt Service Reserve Account ⁽⁵⁾	-	-	-	-	-
Net Available for Capital Improvement Fund Transfer ⁽⁶⁾	22,755	21,588	23,766	27,490	30,010
System Facility Investment Fees	6,507	7,332	12,651	12,033	14,099
Total Available for Other System Purposes	\$ 29,262	\$ 28,920	\$ 36,417	\$ 39,523	\$ 44,109

- (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 secured a low-interest loan through the state revolving loan fund program, which was paid off in fiscal year 2014. 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 is 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, satisfies the annual debt service requirement on all bonds. 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's debt and other funding obligations of the Public Utilities System.
- (7) Fiscal year 2014 expenses have been restated due to implementation of GASB 68. Fiscal year 2013 and prior have not been restated.

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 year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated May 11, 2016.

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.



SHINN & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
May 11, 2016