



Annual Financial Report

Water Enterprise Fund

For Fiscal Year
September 30, 2022



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Hillsborough
County Florida

Hillsborough County, Florida

Water Enterprise Fund Public Utilities Department Annual Financial Report

Fiscal Year Ended September 30, 2022

Prepared by: County Finance Department
Cindy Stuart, Clerk of Circuit Court/Comptroller

**WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
PRINCIPAL OFFICIALS
September 30, 2022**

Board of County Commissioners

Kimberly Overman, *Chair*
Mariella R. Smith, *Vice-Chair*
Stacy White, *Chaplain*
Harry Cohen
Ken Hagan
Pat Kemp
Gwendolyn "Gwen" Myers

Constitutional Officers

Chad Chronister, *Sheriff*
Bob Henriquez, *Property Appraiser*
Craig Latimer, *Supervisor of Elections*
Nancy C. Millan, *Tax Collector*
Cindy Stuart, *Clerk of Circuit Court*

Appointed Officials

Bonnie M. Wise, *County Administrator*
Christine M. Beck, *County Attorney*
Lucia Garsys, *Deputy County Administrator*
George Cassady, *Assistant County Administrator – Public Utilities*
Beth Schinella, *Director, Water Resources Department*

**HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Annual Financial Report
For the Year Ended September 30, 2022
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Independent Auditor's Report

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Board of County Commissioners
Hillsborough County, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water System Fund of Hillsborough County, Florida, (the System), an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System, as of September 30, 2022, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 financial position of the Hillsborough County, Florida, as of September 30, 2022, the changes in its financial position, or its cash flows 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plan schedules, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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

Management is responsible for the other information included in the annual report. The other information comprises the statistical section, the Schedule of Revenues and Expenses - Budget and Actual and the Debt Service Schedules but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Tampa, Florida
June 6, 2023



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**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
Governmental Auditing Standards**

Independent Auditor's Report

Board of County Commissioners
Hillsborough 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 Water System Fund of Hillsborough County, Florida, (the System), an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the System's financial statements, and have issued our report thereon dated June 6, 2023. Our report included an emphasis of a matter paragraph to reflect that that these financial statements are intended to present the financial position, the changes in financial position, and the cash flows of the System and do not represent a complete presentation of the financial statements of Hillsborough County, Florida.

Report on 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) as a basis for designing 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be a material weakness.

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Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2022-001.

System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The County's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Tampa, Florida
June 6, 2023

**Hillsborough County, Florida
Water Fund**

**Schedule of Findings and Responses
Year Ended September 30, 2022**

II – Financial Statement Finding Section

A. Internal Control Over Financial Reporting

Finding No. 2022-001 – Compliance with Florida Statute 218, *Local Government Prompt Payment Act*

Material Weakness

Criteria: Florida Statute 218.47(2) states that the payment due date for a local government entity for the purchase of goods and services other than construction services is 45 days after the date specified in Florida Statute, 218.73. Florida Statute 218.73(1) indicates the calculation to start with the date on which a proper invoice is received by the chief disbursement officer of the local government entity.

Condition: During our audit, we identified purchases of goods and services that were not paid within the time requirements established by Florida Statute 218, *Local Government Prompt Payment Act*.

Effect: Out of fifteen disbursements tested, six disbursements with questioned costs totaling \$5,849,345 were deemed out of compliance. The noncompliance resulted in vendors not being paid timely and within statute requirements.

Cause: The County's control procedures were not sufficient in order to mitigate the above condition.

Recommendation: We recommend Hillsborough County strengthen the internal control environment surrounding ensuring timely payment in accordance with the Criteria above.

View of Responsible Officials: Management agrees with the finding. Due to the implementation of a new accounting software and pandemic/COVID relief efforts during the fiscal year, payments were behind schedule. Additional staff has been hired and appropriate training has been conducted on the new software and the finding will be corrected before the end of the current fiscal year.

B. Compliance and Other Matters

Non-Compliance

See Finding 2022-001 - Compliance with Florida Statute 218, *Local Government Prompt Payment Act*.



RSM US LLP

Report of Independent Auditor on Bond Compliance

Board of County Commissioners
Hillsborough County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of the Water System Fund of Hillsborough County, Florida, (the System), an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2022, and have issued our report thereon dated June 6, 2023.

In connection with our audit, nothing came to our attention that caused us to believe the System failed to comply with the terms, covenants, provisions or conditions of Article XI of Hillsborough County Resolution No. R03-112, dated June 4, 2003, governing the Utility Revenue Bonds, Series 2016, 2019 and 2021, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of any such noncompliance. Accordingly, had we performed additional procedures, other matters might have come to our attention regarding the System's noncompliance with the above-referenced terms, covenants, provisions or conditions of Article XI of Resolution RO3-112, of the bond resolution, insofar as they relate to accounting matters.

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

RSM US LLP

Tampa, Florida
June 6, 2023

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HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2022

Management's Discussion and Analysis

The Hillsborough County Water Enterprise Fund (System) presents the following review of its financial activities for the fiscal year ended September 30, 2022. Readers of these financial statements are encouraged to consider this information together with the accompanying financial statement notes to obtain a comprehensive view of the System's financial position and operating results for the fiscal year ended September 30, 2022.

Financial Highlights

- Fiscal year 2022 operating revenues of \$326,215,000 were \$24,052,000 million higher than fiscal year 2021 revenues of \$302,163,000. The change was 8.0%.
- The System recognized \$26,352,000 in capital contributions from special assessment revenues, impact fees, grants and developer constructed capital improvements.

The fiscal year 2022 Change in Net Position was \$15,866,000. This was a decrease of \$47,911,000 million or 60.0% from the fiscal year 2021 Change in Net Position of \$79,802,000. This change was primarily due to a decrease in capital contributions. The System's Net Position on September 30, 2022, was \$1,635,000,000 compared to \$1,619,000,000 on September 30, 2021.

Management believes the System was compliant with all debt covenant requirements for the fiscal year ended September 30, 2022.

Overview of the Financial Statements

This analysis is intended to serve as an introduction to the financial statements. These statements consist of two parts: the financial statements and the accompanying financial statement notes. Also, the accompanying report contains supplementary and statistical information, which may provide additional insight to financial statement users.

Required Financial Statements

The System reports its financial activities by using accounting methods similar to those in the private business sector. The financial statements offer both current and other data about its financial activities. The Statement of Net Position includes assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides summary information about amounts invested in assets and amounts owed to creditors. The assets and liabilities are presented in a classified format, which lists current and other balances. The System's operating results are reported on the Statement of Revenues, Expenses, and Changes in Net Position. This Statement indicates whether the System recovered its operating and nonoperating costs through user fees and other revenues. The last required statement is the Statement of Cash Flows. The purpose of this statement is to provide data about the System's cash activities during the year. The Statement presents cash receipt and disbursement activities, as well as changes in cash balances resulting from operating, capital improvement, borrowing, and investing transactions.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2022

Financial Analysis: Condensed Statement of Net Position
for 2022 Compared to 2021

To provide financial data for evaluation and comparison, an analysis of the System's Statement of Net Position on September 30, 2022, compared to September 30, 2021, follows:

<i>(amounts in thousands)</i>	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and Other Assets	\$ 900,392	865,844	34,548	4.0 %
Capital Assets	1,318,788	1,322,411	(3,623)	(0.3)%
Total assets	<u>2,219,180</u>	<u>2,188,255</u>	<u>30,925</u>	<u>1.4 %</u>
Deferred outflows of resources	<u>19,450</u>	<u>18,716</u>	<u>734</u>	<u>3.9 %</u>
Liabilities				
Current Liabilities	72,403	47,680	24,723	51.9 %
Long-term liabilities	<u>527,079</u>	<u>510,205</u>	<u>16,874</u>	<u>3.3 %</u>
Total liabilities	<u>599,482</u>	<u>557,885</u>	<u>41,597</u>	<u>7.5 %</u>
Deferred inflows of resources	<u>4,186</u>	<u>29,990</u>	<u>(25,804)</u>	<u>(86.0)%</u>
Net position				
Net investment in capital assets	923,905	990,248	(66,343)	(6.7)%
Restricted	75,601	95,543	(19,942)	(20.9)%
Unrestricted	<u>635,456</u>	<u>533,305</u>	<u>102,151</u>	<u>19.2 %</u>
Total net position	<u>\$ 1,634,962</u>	<u>1,619,096</u>	<u>15,866</u>	<u>1.0 %</u>

Total net position - Total net position increased \$15,866,000 or 1.0% for the fiscal year ended September 30, 2022, due to various operational factors.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2022

Condensed Statement of Revenues, Expenses and Changes in Fund Balance

Comparative revenues, expenses and changes in net position for fiscal years ended September 30, 2022 and 2021 were as follows:

<i>(amounts in thousands)</i>	2022	2021	Change	Percent Change
Revenues				
Operating revenues	\$ 326,215	302,163	24,052	8.0 %
Nonoperating revenues	11,553	14,054	(2,501)	(17.8)%
Total revenues	<u>337,768</u>	<u>316,217</u>	<u>21,551</u>	<u>6.8 %</u>
Expenses				
Operating expenses before depreciation	214,744	201,973	12,771	6.3 %
Depreciation and amortization	103,614	105,190	(1,576)	(1.5)%
Nonoperating expenses	29,896	10,170	19,726	194.0 %
Total Expenses	<u>348,254</u>	<u>317,333</u>	<u>30,921</u>	<u>9.7 %</u>
Income before capital contributions	(10,486)	(1,116)	(9,370)	645.6 %
Capital contributions	26,352	80,918	(54,566)	(67.4)%
Change in net position	<u>15,866</u>	<u>79,802</u>	<u>(63,936)</u>	<u>(80.1)%</u>
Net position, beginning of year	<u>1,619,096</u>	<u>1,539,294</u>	<u>79,802</u>	<u>5.2 %</u>
Net position, end of year	<u>\$ 1,634,962</u>	<u>1,619,096</u>	<u>15,866</u>	<u>1.0 %</u>

Operating revenues - Fiscal year 2022 operating revenues of \$326,215,000 increased \$24,052,000 million or 8.0% from the prior year. Water, wastewater, reclaimed water, customer billing charges, and accrued guaranteed revenues increased \$24,063,000 or 7.9% over fiscal year 2021.

Nonoperating revenues - Fiscal year 2022 nonoperating revenues of \$11,553,000 decreased \$2,501,000 or 17.8% from fiscal year 2021. Interest earnings decreased by \$772,000 or 8.2%, asset disposal gains of \$58,000 decreased to zero as there was a disposal loss of \$775,000 recorded.

Total operating expenses - Fiscal year 2022 operating expenses before depreciation of \$214,744,000 increased \$12,771,000 or 6.3% from last year. The increase was related to the following net factors. **Employee services**: there was a \$2,869,000 or 4.4% increase in employee services related to the filling of additional positions and employee performance management increases. **Contractual services** increased \$715,000 or 0.6% over last year related to the implementation of an advanced metering infrastructure system for water and wastewater data management. **Fleet services** increased \$770,000 or 29.7% related to an increase of fuel usage by \$466,000 and an increase in fleet management services of \$307,000. **Repairs and maintenance** increased \$2,614,000 or 19.9% related to increases in building maintenance of \$1,954,000, computer maintenance \$53,000, generator maintenance \$36,000 and other preventative maintenance \$138,000 from fiscal year 2021. **Utilities** increased \$1,236,000 or 8.6% over last year. **Supplies** increased \$299,000 or 30.3% from last year. **Other expenses** increased \$161,000 or 3.7% from last year related to increases in insurance costs. Additionally, **Pension expense** increased \$4,141,000 or 114.7% over last year and **OPEB benefits** increased by \$34,000 or 35.1% from 2021.

Nonoperating expenses - Fiscal year 2022 nonoperating expenses of \$29,896,000 increased \$19,726,000 or (57.9)% from fiscal year 2021 related to interest expense.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2022

Depreciation and amortization costs - There was a \$1,576,000 or 1.5% decrease in annual depreciation costs primarily related to assets becoming fully depreciated and retired.

Capital contributions - Fiscal year 2022 capital contributions were \$26,352,000 compared to \$80,918,000 for fiscal year 2021. The comparative \$51,604,000 or 63.8% decrease in capital contributions was due to a \$3,840,000 or 14.7% decrease in developer contributions, a \$6,527,000 or 113.0% increase in impact fee collections, a \$51,935,000 or 105.4% decrease in Special assessment contributions and a \$2,356,000 or 1297.4% decrease in grant contributions. Comparative fiscal year 2022 and 2021 capital contributions were as follows:

<i>(amounts in thousands)</i>	2022	2021
Contributed capital assets	\$ 22,197	26,037
Impact fees collections	12,304	5,776
Special assessments collections	(8,149)	49,288
Grants	-	(183)
Total capital contributions	\$ 26,352	80,918

Capital Assets and Debt Administration

Capital assets - On September 30, 2022, capital assets, net of accumulated depreciation, were \$1,318,788,000 compared to \$1,322,411,000 for fiscal year 2021. The \$3,623,000 or 0.3% decrease from the prior year was related to the following net factors. First, \$83,459,000 was expended on capital outlay for buildings, equipment, intangible assets, equipment and improvements other than buildings. Second, the System received contributed assets of \$22,197,000 from developers. Third, these capital asset additions were offset by the combined fiscal year 2022 net charge for depreciation and amortization and net disposals totaling \$109,285,000. See Note 5, Capital Assets for more information.

Debt Administration - On September 30, 2022, outstanding bonds payable were \$484,390,000 compared to \$493,947,000 for fiscal year 2021. The \$9,558,000 or 1.9% decrease from last year was due principal payment of \$3,405,000 for the Utility Revenue Bonds, Series 2016, a principal payment of \$3,665,000 for the Utility Revenue Bonds, Series 2019 and a decrease in amortized bond issuance premiums of \$2,495,000. See Note 8 in the accompanying financial statement notes for additional information on fiscal year 2022 long-term debt. The System entered into a line of credit for \$37,800,000 of which \$200,000 has been drawn as of September 30, 2022, with the remaining planned to be drawn in the future to finance the construction of a new wastewater plant.

Economic Factors

The System is reviewing the current and projected growth of the System and in order to meet the increasing demand in the southern part of the county, the System entered into a line of credit for \$37,800,000 of which \$200,000 has been drawn as of September 30, 2022, with the remaining planned to be drawn in the future.

To Obtain Further Information

The purpose of this analysis as well as the financial statements, financial statement notes, and supplemental financial information is to provide a general overview of the System's financial position and operating results for the fiscal years ended September 30, 2022. Additional information concerning the System's operations and the services provided to Hillsborough County residents may be obtained from:

Hillsborough County Public Utilities Department
 Attention: Director
 PO Box 1110
 Tampa, Florida 33601-1110

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Net Position
September 30, 2022
(amounts in thousands)

	<u>September 30,</u> <u>2022</u>
ASSETS	
Unrestricted current assets:	
Cash and cash equivalents	\$ 147,753
Investments	529,790
Accounts receivable, net	26,985
Other receivables, current portion	1,458
Interest receivable	1,040
Due from other governmental units	8
Inventories	5,810
Prepaid items	1,980
Total unrestricted current assets	<u>714,824</u>
Restricted current assets:	
Cash and cash equivalents	11,864
Investments	6,928
Accounts receivable, net	78
Other receivables, current portion	11,883
Interest receivable	84
Total restricted current assets	<u>30,837</u>
Total current assets	<u>745,661</u>
Noncurrent assets:	
Cash and cash equivalents, restricted	4,013
Investments, restricted	43,286
Interest receivable, restricted	28
Due from other governments, restricted	2,834
Capital assets :	
Land	29,535
Construction in progress	160,507
Total non-depreciable assets	<u>190,042</u>
Buildings	333,407
Improvements other than buildings	781,942
Equipment	11,714
Intangibles	1,683
Total depreciable assets (net of accumulated depreciation and amortization)	<u>1,128,746</u>
Total capital assets, net	<u>1,318,788</u>
Other assets:	
Other receivables, long term	104,570
Total noncurrent assets	<u>1,473,519</u>
Total assets	<u>2,219,180</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred change on refunding	1,980
Pensions	11,205
Purchase price in excess of book value	5,066
OPEB	1,199
Total deferred outflows of resources	<u>\$ 19,450</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Net Position
September 30, 2022
(amounts in thousands)

	<u>September 30,</u> <u>2022</u>
LIABILITIES	
Current liabilities:	
Accounts and contracts payable	\$ 35,410
Accrued liabilities	1,785
Unearned revenues	8
Deposits held	197
Compensated absences, current	4,166
Total unrestricted current liabilities	<u>41,566</u>
Current liabilities payable from restricted assets:	
Accounts and contracts payable	2,672
Accrued interest payable	2,581
Unearned revenues	144
Deposits held	18,015
Bonds payable, current	7,425
Total current liabilities payable from restricted assets	<u>30,837</u>
Total current liabilities	<u>72,403</u>
Noncurrent liabilities:	
Line of credit	200
Bonds payable, net of current maturities, premiums and discounts	476,965
Total OPEB liability	3,087
Net pension liability	46,827
Total noncurrent liabilities	<u>527,079</u>
Total liabilities	<u>599,482</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	3,439
OPEB	747
Total deferred inflows of resources	<u>4,186</u>
NET POSITION	
Net investment in capital assets	923,905
Restricted for:	
Bond covenants, renewal and replacement	12,885
Debt service	25,471
Capital projects	37,245
Unrestricted	<u>635,456</u>
Total net position	<u>\$ 1,634,962</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Revenues, Expenses and Changes in Net Position
For the fiscal year ended September 30, 2022
(amounts in thousands)

	<u>September 30,</u> <u>2022</u>
Operating revenues:	
Charges for services	\$ 326,215
Total operating revenues	<u>326,215</u>
Operating expenses	
Personnel services	68,528
Contractual services	105,319
Fleet services	3,364
Repairs and maintenance	15,738
Utilities	15,611
Supplies	1,286
Depreciation and amortization	103,614
Other operating expenses	4,498
Pension expense	531
OPEB benefit	(131)
Total operating expenses	<u>318,358</u>
Operating income	<u>7,857</u>
Nonoperating revenues (expenses)	
Interest revenue	8,643
Fair value change - investments	(16,025)
Interest expense	(13,096)
Loss on disposal of capital assets	(775)
Other revenues	2,910
Total nonoperating revenues (expenses)	<u>(18,343)</u>
Loss before capital contributions	(10,486)
Capital contributions	<u>26,352</u>
Change in net position	15,866
Net position, beginning of year	<u>1,619,096</u>
Net position, end of year	<u>\$ 1,634,962</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Cash Flows
For the fiscal year ended September 30, 2022
(amounts in thousands)

Cash flows provided by operating activities:	
Receipts from customers	\$ 326,153
Payments to suppliers	(145,148)
Payments to employees	(69,947)
Cash from other sources	2,666
Net cash provided by operating activities	<u>113,724</u>
Cash flows used for capital and related financing activities:	
Proceeds from bonds and notes	200
Capital contribution	31,719
Acquisition/construction of capital assets	(62,256)
Principal paid on capital debt	(7,070)
Interest paid on capital debt	(15,448)
Proceeds from sale of assets	5,291
Net cash used for capital and related financing activities	<u>(47,564)</u>
Cash flows used for investing activities:	
Proceeds from sales and maturities of investments	249,103
Purchase of investment securities	(317,207)
Interest and dividends received	9,591
Net cash used for investing activities	<u>(58,513)</u>
Net change in cash and cash equivalents	7,647
Cash and cash equivalents, beginning of year	<u>155,983</u>
Cash and cash equivalents, end of year	<u>\$ 163,630</u>
Cash and cash equivalent components:	
Unrestricted cash and cash equivalents	147,753
Restricted cash and cash equivalents, current	11,864
Restricted cash and cash equivalents, noncurrent	4,013
Total cash and cash equivalents, end of year	<u>\$ 163,630</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Cash Flows
For the fiscal year ended September 30, 2022
(amounts in thousands)

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

Operating income	\$	7,857
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		103,614
Changes in assets, liabilities, deferred outflows and deferred inflows:		
Miscellaneous revenues (expenses)		2,666
(Increase) decrease in accounts receivable		(712)
(Increase) decrease in due from other funds/governments		42
(Increase) decrease in inventories and prepaids		(2,449)
(Increase) decrease in deferred outflows		(1,383)
Increase (decrease) in accounts and contracts payable		3,117
Increase (decrease) in accrued and other liabilities		(1,578)
Increase (decrease) in unearned revenues		32
Increase (decrease) in compensated absences payable		159
Increase (decrease) in pension liability		28,200
Increase (decrease) in OPEB liability		(613)
Increase (decrease) in deposits		576
Increase (decrease) in deferred inflows		(25,804)
Total adjustments		<u>105,867</u>
Net cash provided by operating activities	\$	<u><u>113,724</u></u>

Noncash investing, capital, and financing activities:

Capital asset contributions	\$	22,197
Amortization of Tampa Bay Water deferred gain		236
Disposal of capital assets at book value		(5,709)
Amortization of bond premiums/discounts		2,488
Acquisition/construction of capital assets included in accounts and contracts payable		24,539
Amortization of deferred refunding loss		(254)
Change in fair market value		(16,025)



Hillsborough
County Florida

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of the accompanying Water Enterprise Fund (System) financial statements.

A. Reporting Entity

The System is an enterprise fund of the Hillsborough County, Florida, Board of County Commissioners (BOCC). The System's financial statements are included in the Hillsborough County, Florida, Annual Comprehensive Financial Report. The financial statements referred to above present only the System and do not purport to, and do not, present the financial position of Hillsborough County, Florida as of September 30, 2022, and the changes in its financial position, or where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

B. Presentation Basis

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Governmental accounting requires reporting business activities similar to those found in the private business sector in an enterprise fund. An enterprise fund is used to account for an operation that is financed primarily through user charges.

C. Accounting Basis

The accrual basis of accounting was used to report the System's operations. Under this accounting basis, revenues are recognized in the period earned and expenses are recognized in the period liabilities are incurred, regardless of the timing of the related cash flows. The financial statements distinguish operating revenues and operating expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the System's principal ongoing operations. The System's principal operating revenues are charges to customers for water usage and wastewater treatment. Billings are generally based on metered consumption, which is determined at various dates each month. Operating expenses of the System include employee wages and benefits, purchases of services, supplies and materials and other expenses related to operating the System and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Contributions of real property as well as grants received from federal and state governmental agencies that are restricted for the acquisition or construction of capital assets are recognized as capital contributions when eligibility requirements are met.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

D. Cash, Cash Equivalents, and Investments

Cash consists of checking and savings accounts, collectively designated as cash deposits. Cash deposits are carried at cost. For financial statement presentation purposes, cash equivalents are highly liquid investments with maturities of three months or less from the date purchased.

Cash is deposited in qualified public depositories. Deposits are fully insured by the Federal Deposit Insurance Corporation and/or secured by multiple financial institutions collateral pool established under Chapter 280, Florida Statutes. In accordance with these statutes, qualified public depositories must pledge eligible collateral in varying percentages. Public depositor losses are covered by applicable deposit insurance, by sale of pledged securities, and if necessary, by assessments against other qualified public depositories. County Ordinance 08-6 and Section 218.415, Florida Statutes, authorize investments in United States Government obligations or its agencies and certain other investments. Investments are stated at fair value. The System follows GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 2, *Deposits and Investments*, for more information.

E. Accounts Receivable

Accounts receivable consists of special assessments receivables which is included in Other Receivables on the Statement of Net Position and billed and unbilled receivables which is included in Accounts Receivable in the Statement of Net Position. See Note 3, *Accounts Receivable* for more information.

Special Assessment Receivable - A non-current special assessment receivable is recorded for contributed capital resulting from special assessment projects. Recognition of the contributed capital is described in the revenue recognition section. A portion of the balance is reclassified as a current special assessment receivable. This current portion is estimated based on the actual tax billed by the Tax Collector. No allowance is recorded because liens are recorded against the assessed property.

Accounts Receivable and Unbilled Receivable's - Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the System are presented in the accompanying financial statements, net of an allowance for uncollectible accounts.

F. Allowance for Doubtful Accounts

The System utilizes the allowance method for recognizing bad debt expense and for recording bad debt recoveries. During fiscal year 2022, the System's allowance for doubtful accounts was \$3,059,000.

G. Inventories and Prepaid Items

Inventories are valued at the cost (using the first-in, first-out or average cost methods). The cost of inventory or prepaid items in proprietary funds is recorded as an expense at the time individual inventory or prepaid items are consumed (consumption method). Inventories on hand at fiscal year-end are reported as assets on the Statement of Net Position.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

H. Capital Assets

The System records capital asset additions, other than intangibles, with an original cost of at least five thousand dollars and with an estimated useful life in excess of one year. Donated capital assets are valued at their acquisition value on the date received and are recorded as capital contributions on the Statement of Activities. Maintenance and repair costs are expensed as incurred, while renewal and betterment disbursements are capitalized and depreciated over their estimated useful lives. Reimbursable water and sewer line construction costs incurred by the System on behalf of customers, developers, and property owners are capitalized and recorded as capital contributions. Any amounts collected that are deemed to not be capital contributions and are owed back to customers are reimbursed to customers and recorded as a reduction of capital contributions. Depreciation is provided in amounts sufficient to allocate depreciable capital asset costs to operations over their estimated service lives using the straight-line method. Additionally, intangible capital assets include software and easements. Intangible assets are capitalized with an original cost of at least five thousand dollars.

The System's capital assets have estimated useful lives as follows:

<u>Capital Asset Categories</u>	<u>Estimated Useful Life (in years)</u>
Buildings and utility plants	5 - 50
Building improvements	10 - 35
Equipment	1 - 10
Intangible	1 - 3

I. Restricted Assets

Restricted assets represent amounts set aside for debt service, construction, operating and maintenance, and renewal, replacement and improvements under the terms of outstanding bond agreements and regulatory requirements. Bond construction accounts include bond proceeds available for design and construction of capital projects. The debt service accounts contain principal and interest amounts required for payments due within one year. The bond reserve accounts contain the maximum amount of principal and interest requirements pursuant to bond resolutions. The operating and maintenance accounts, renewal, replacement and improvement accounts also contain amounts required by bond resolutions to be set aside.

J. Bond Issue Premiums and Discounts

Bond issue premiums and discounts are recorded as an increase and decrease, respectively in bonds payable on the Statement of Net Position. These costs are amortized to interest expense using the effective interest method over the life of the debt issue. For fiscal year 2022, reductions of unamortized bond premiums and discounts amortized to interest expense were \$2,488,000.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

K. Compensated Absences

GAAP requires accruing a liability for compensated absences, such as vacation and sick leave, as well as other salary-related costs associated with the payment of compensated absences. Vacation leave accrues as a liability as the employee earns the benefit. Sick leave accrues as the employee earns the benefit, but only to the extent that it is probable that employees will be compensated for this benefit through cash payments at termination or retirement.

The System's compensated sick leave liability consists of two parts. Under Human Resources Policies and Procedures, sick leave is paid at termination under two conditions. First, sick leave compensation for employees in "Plan A" includes payment at termination for all sick time hours accrued up to four hundred eighty hours and half of the sick time accrued over nine hundred sixty hours. Second, sick leave compensation for employees in "Plan B" includes payment at termination for the employee's unused sick leave hours accrued on February 2, 1997. Payment is made only for each sick time hour up to four hundred eighty hours and half of the sick time accrued over nine hundred sixty hours as of that date. Sick time is not paid for hours accrued between four hundred eighty hours and nine hundred sixty hours. The liability for employees in Plan A and Plan B is calculated using each employee's hourly pay rate. Plan B employees hired after February 2, 1997, will not receive a sick leave payment at termination.

In addition to the preceding benefits, other salary costs associated with compensated absence payments were included. These costs include the System's share of Social Security and Medicare taxes.

L. Self-Insurance

The System participates in a self-insurance internal service fund, maintained by the BOCC. This fund encompasses two-major sections: risk management and employee group health insurance.

Risk management includes workers' compensation, automotive, and general liability. The BOCC is self-insured for workers' compensation claims up to a maximum of \$650,000 per occurrence with unlimited excess coverage above the self-insurance cap. Also, the BOCC is self-insured against general liability and automotive claims with limited liability, per Section 768.28, Florida Statutes, of \$200,000 per person and \$300,000 per occurrence. Negligence claims in excess of the statutory limits can only be recovered through federal lawsuits or acts of the Florida Legislature.

For fiscal year 2022, settled claims did not exceed insurance coverage. During fiscal year 2022, the System paid premiums of \$3,353,000 to the BOCC Self-Insurance Internal Service Fund for workers' compensation, automotive, general liability, and property insurance coverage.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

The System, through the BOCC, provides health, life and disability insurance for its employees and eligible dependents on a cost-sharing basis with employees. The BOCC has an employee group health self-insurance plan to account for and to finance its uninsured losses. Under this plan, the BOCC is self-insured up to \$550,000 per person annually. Stop-loss insurance was purchased to cover an unlimited lifetime amount per person above the \$550,000 per person deductible. During fiscal year 2022, the System paid \$9,688,000 to the BOCC Internal Service Fund for group health, life and disability insurance coverage.

Based on actuarial estimates, liabilities have been established in the BOCC self-insurance fund for claims reported but not paid, and incurred but not reported. Insurance coverage costs paid by the System are reflected in the financial statements as a current year operating expense.

M. Employee Retirement Plans

With a few exceptions, all full-time and part-time employees working for the System in regularly established positions are members of the Florida Retirement System (FRS), a multiple-employer cost-sharing public retirement system administered by the state of Florida. The financial statements present the System's proportionate shares of the net pension liabilities associated with the retirement plans offered by the Florida Retirement System. The System follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68*. GASB Statement 68 and 71 cover the measurement of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense for the retirement plans offered. The System follows GASB Statement No. 82, *Pension Issues, and an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement provides for covered payroll to be used in required supplementary information. See Note 11, *Employee Retirement Plans*, for more information.

In the Statement of Net Position, pension liabilities are recognized for the System's proportionate share of the County's share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans.

Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources, depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all active and inactive participants that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources, and are amortized as a component of pension expense using a systematic and rational method over a five-year period beginning with the period in which a difference arose.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

N. Other Postemployment Benefits (OPEB)

The System, through the BOCC, provides health-related benefits to retirees and certain former employees through a limited stipend to offset the cost of health insurance for regular retirees from ages 62 to 65. This monthly stipend is \$5 for each year of service up to a maximum benefit of \$150 per month for County employees. In addition, the County is deemed to provide an “implicit subsidy” because Florida Statute 112.0801 requires governments to allow retirees and certain former employees to obtain healthcare at the same “group rates” that current employees are charged. See Note 9, *Other Postemployment Benefits (OPEB)*, for more information.

The total OPEB liability is measured as portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The total OPEB liability is reported in the statement of net position.

O. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System had pension-related items, OPEB-related items, purchase price in excess of book value, and refunding losses that qualify as deferred outflows of resources. These items totaled approximately \$19,450,000 at September 30, 2022. See Notes 9 and 11, *Other-Post Employment Benefits* and *Employee Retirement Plans*, for more information. At September 30, 2022 the System had deferred outflows of resources in the amount of \$5,066,000 for the purchase price in excess of book value acquired during the purchase of private water/wastewater utility systems, which is being amortized over its 30 year useful life.

Deferred inflows of resources represent the acquisition of resources that apply to future reporting period(s) and will not be recognized as an inflow of resource (revenue) until then. The System had pension-related and OPEB-related items that qualify as deferred inflows of resources. These items were \$3,439,000 and \$747,000, respectively, at September 30, 2022. See Note 11, *Employee Retirement Plans* and Note 9, *Other Post Employment Benefits (OPEB)*, for more information.

P. Use of Restricted Versus Unrestricted Net Position

Net position represents the residual interest in the System's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct, or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components. When an expense is incurred for which both restricted and unrestricted resources are available, System policy is to liquidate the expense with restricted resources first, as appropriate and feasible.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Q. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. GASB Statements

The System adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2022:

GASB Statement No. 87, *Leases*

Issued in June 2017, this Statement is to improve the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financing's of the right of use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The System adopted the requirements of the guidance effective October 1, 2021, however, management concluded that they did not have any arrangements that met the requirements of this standard.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*

Issued in June 2020, this Statements objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Objectives (1) and (2) of this Statement are effective immediately for the System and did not impact the System's financial position or results in operation. Objective (3) of this Statement will be effective for the System beginning with its fiscal year ending September 30, 2022. The adoption of Statement No. 97 did not impact the System's financial position or results of operations.

HILLSBOROUGH COUNTY, FLORIDA
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Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

GASB Statement No. 99, *Omnibus 2022*

The System implemented the following topics of this Statement: the requirements related to extension of the use of LIBOR; accounting for SNAP distributions; disclosures of nonmonetary transactions; pledges of future revenues by pledging governments; clarification of certain provisions in Statement 34; as amended, and terminology updates related to Statement 53 and Statement 63. The adoption of these topics from Statement No. 99 did not impact the System's financial position or results of operations.

Management is evaluating the following issued and unadopted Governmental Accounting Standards Board (GASB) Statements during fiscal year ended September 30, 2022:

GASB Statement No. 92, *Omnibus 2020*

Issued in January 2020, this Statement addresses various accounting issues including: the modification of the effective date of Statement No. 87; reporting of intra-entity transfers of assets between a primary government and a component unit defined benefit pension plan or defined benefit OPEB plan; the applicability of certain GASB statements to reporting assets accumulated for pension and OPEB; the applicability of certain requirements of Statements No. 84; and measurements of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The effective date for the change to GASB Statement No. 87 was immediate and the other provisions are effective for the System beginning with its fiscal year ending September 30, 2023. Management is currently evaluating the impact of the adoption of this Statement on the System's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Issued in March 2020, this Statement addresses global reference rate reform and the ceasing of LIBOR as the end of 2021. Under this Statement, governments are required to amend to replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This Statement will be effective for the System beginning with its fiscal year ended September 30, 2022. Management is currently evaluating the impact of the adoption of this Statement on the System's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Issued in March 2020, this Statement addresses issues related to public-private and public-public partnership arrangements. This Statement establishes the definitions of Public-Private Partnerships, Public-Public Partnerships, and Availability Payment Arrangements and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to public-private and public-public partnerships consistently and disclose important information about public-private and public-public partnership transactions. This Statement will be effective for the System beginning with its fiscal year ending September 30, 2023. Management is currently evaluating the impact of the adoption of this Statement on the System's financial statements.

HILLSBOROUGH COUNTY, FLORIDA
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For the Fiscal Year Ended September 30, 2022

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

Issued in May 2020, this Statement is to improve the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payment including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement will be effective for the System beginning with its fiscal year ending September 30, 2023. Management is currently evaluating the impact of the adoption of this statement of the System's financial statement but does not expect it to have a significant effect on its financial statements.

GASB Statement No. 99, *Omnibus 2022*

Issued in April of 2022, this Statement addresses various accounting issues including:

- Clarification of provisions in GASB 87, as amended - related to the measurement of the lease liability and lease receivable, and the identification of lease incentives.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reported periods thereafter and becomes effective for the System at the date of issuance.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53.

Management is currently evaluating the impact of the adoption of this Statement of the System's financial statements but does not expect it to have a significant effect on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB No. 62*

Issued in June 2022, this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information making decisions or assessing accountability. Management is currently evaluating the impact of the adoption of this Statement of the System's financial statements but does not expect it to have a significant effect on its financial statements.

GASB Statement No. 101, *Compensated Absences*

Issued in June 2022, this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Management is currently evaluating the impact of the adoption of this Statement of the System's financial statements but does not expect it to have a significant effect on its financial statements.

HILLSBOROUGH COUNTY, FLORIDA
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Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 2. Deposits and Investments

A. Deposits

On September 30, 2022, the System's total cash deposits were \$19,532,000 and the total bank balance was \$21,874,000. Bank balances are fully insured by federal depository insurance and/or through financial institutions participating in the Florida Security for Public Deposits Act pursuant to Chapter 280, Florida Statutes.

B. Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs other than quoted prices included in Level 1. Level 3 inputs are significant unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the hierarchy, then the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments in Florida PRIME and open-end money market mutual funds are not placed in a category because their values are measured at amortized cost. U.S. treasuries, federal agency bonds, corporate notes and municipal bonds are shown in Level 2 because the price of similar securities would be a Level 2 input. Bond investments are valued monthly with a pricing service that uses matrix pricing.

HILLSBOROUGH COUNTY, FLORIDA
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Public Utilities Department
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For the Fiscal Year Ended September 30, 2022

The System's cash deposits and investments on September 30, 2022 were as follows:

<i>(amounts in thousands)</i>	<u>Fair Value Level</u>	<u>Modified Duration</u>	<u>Credit Rating</u>	<u>2022</u>
U. S. treasury securities	2	1.0	AA+/A-1+	\$ 474,271
Federal agency securities	2	1.9	AA+/A-1+	90,480
Corporate notes	2	1.4	AA+/AA/AAA	9,250
Municipal bonds	2	1.5	AA	4,603
Mutual Funds	2	.08	AAA	1,400
Total investments				<u>580,004</u>
Open-end money market funds	--	0.1	AAAm	7,395
State Board Administration (SBA): Florida PRIME	--	0.2	AAAm	136,704
Total investments				<u>724,103</u>
Cash deposits				<u>19,532</u>
Total cash deposits and investments				<u>\$ 743,635</u>

Reconciliation of total cash, cash equivalents, and investments reported on the Statement of Net Position to cash deposits and investments shown above follows:

<i>(Amounts in thousands)</i>	<u>2022</u>
Cash and cash equivalents:	
Unrestricted, current	\$ 147,753
Restricted, current	11,864
Restricted, noncurrent	4,013
Total cash and cash equivalents	<u>163,630</u>
Investments	
Unrestricted, current	529,790
Restricted, current	6,928
Restricted, noncurrent	43,286
Total investments	<u>580,004</u>
Total cash, cash equivalents and investments	<u>\$ 743,634</u>

Modified duration is a measure of interest rate risk. It measures the sensitivity of an investment's price to interest rate changes. For example, if an investment security has a modified duration of two years, then a one percentage point increase in the market interest rate will cause the value of the security to decline by two percent. Conversely, a one percentage point decline in the market interest rate will cause the value of the security with a modified duration of two years to increase in value by two percent. The modified duration of the BOCC's investment portfolio as a whole at year-end was 0.72 years. The duration of callable securities was calculated using the call date as the maturity date.

A credit rating is a measure of credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk, a subset of credit risk, is the risk that the counterparty fails to fulfill its obligations. All the System's investments are insured or registered, or held by the BOCC or its agent in the BOCC's name. On September 30, 2022, there was no amount held by counterparties. Excluding the United States Treasury and mutual funds or investment pools that invest in such securities, the Federal Home Loan Mortgage Corporation represents more than 5% of the total investments of the County.

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C. SBA's Florida PRIME

The State Board Administration (SBA) manages Florida PRIME, an external investment pool that essentially operates as a money market fund for Florida governmental entities. Regulatory oversight of the SBA is provided by three state of Florida elected officials designated as trustees: the Governor serves as Chairman of the SBA; the Chief Financial Officer serves as Treasurer of the SBA; and the Attorney General serves as Secretary of the SBA. External oversight of the State Board of Administration is provided by the Investment Advisory Council, which reviews investment performance, strategy and decision-making, and provides insight, advice and counsel on these and other matters when appropriate. A six-member participant Local Government Advisory Council was created to review the administration of the fund and make recommendations to the trustees. Audit oversight is also provided by the state of Florida Auditor General. Since 2007, Florida PRIME has received Standard & Poor's AAAM rating each year, which is the highest rating for an investment pool.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, Florida PRIME measures its investments at amortized cost.

Florida PRIME currently does not have withdrawal limits or redemption notice periods. With regard to redemption gates, Section 218.409(8) (a), Florida Statutes, has several provisions. The principal of each account in Florida PRIME is subject to payment at any time from money in Florida PRIME. However, the Executive Director of the SBA may in good faith limit contributions to or withdrawals from Florida PRIME for 48 hours due to the occurrence of an event that has material impact on liquidity or operations. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review of the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity of the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time test, but in no case may the time set by the Trustees exceed 15 days.

Although Florida Statute 218.409(4) gives the SBA authority to impose early withdrawal penalties if the amount and purpose of such fees are disclosed in the enrollment materials, the SBA has not imposed such penalties. As of September 30, 2022, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to full account values.

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D. Investment Policy

Section 218.415, Florida Statutes, authorizes the BOCC to invest surplus money in the following:

- a. The state of Florida's Local Government Investment Pool, known as Florida PRIME.
- b. Direct obligations of the United States government.
- c. Obligations of United States government agencies such as the Government National Mortgage Association.
- d. Obligations of United States government sponsored agencies (instrumentalities) such as the Federal Farm Credit System Banks, Freddie Mac (Federal Home Loan Mortgage Corporation), the Federal Home Loan Banks, or Fannie Mae (Federal National Mortgage Association).
- e. Interest bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02, Florida Statutes.
- f. United States Securities and Exchange Commission money market funds with the highest credit quality ratings from a nationally recognized rating agency.
- g. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, as amended, provided the portfolio of such investment company or investment trust is limited to United States government obligations and to repurchase agreements fully collateralized by United States government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- h. Other investments authorized for the BOCC by law, county ordinance, or resolution.

In addition to the preceding, County Ordinance 08-06 restricts BOCC investments as follows:

- i. The entire portfolio may be invested in United States Treasury securities with a maximum maturity length of 10 years, but investments in Treasury Strips are limited to 10% of the portfolio.
- j. A maximum of 50% of the portfolio may be invested in the state of Florida's Local Government Investment Pool, known as Florida PRIME.
- k. A maximum of 50% of the portfolio may be invested in United States government agency securities, with no more than 10% of the portfolio invested in any individual United States government agency.
- l. A maximum of 60% of the portfolio may be invested in obligations of United States government instrumentalities, with a maturity length of 10 years, provided that no more than 30% of the portfolio is invested in any one issuer and no more than 25% of the portfolio is invested in callable securities.
- m. A maximum of 20% of the portfolio may be invested in repurchase agreements excluding one-business day agreements and overnight sweep agreements, with no more than 10% of the portfolio in the repurchase agreements of a single institution.
- n. A maximum of 20% of the portfolio may be invested in nonnegotiable interest-bearing time certificates of

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deposit of an institution with deposits secured by the Florida Security for Public Deposits Act, provided that the maximum maturity on any certificate is no greater than one year and no more than 10% of the portfolio is deposited with any one issuer.

- o. A maximum of 20% of the portfolio may be invested in prime commercial paper (i.e. rated Prime-1 by Moody's, A-1 by Standard & Poor's, or AA by two nationally recognized rating agencies if backed by a letter of credit), with no more than 5% of the portfolio in the commercial paper of a single issuer. The maximum length to maturity shall be 270 days from the date of purchase.
- p. A maximum of 50% of the portfolio may be invested in money market funds offered by registered investment companies and operated in accordance with 17 CFR 270.2a-7, provided that the money market funds are rated AAAM or AAAM-G or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. No more than 25% of the portfolio may be invested in any one money market fund.
- q. A maximum of 15% of the portfolio may be invested in high quality corporate notes (rated Aa by Moody's and AA by Standard & Poor's), with no more than 5% of the portfolio in the notes of a single issuer.
- r. A maximum of 20% of the portfolio may be invested in intergovernmental investment pools, provided that the total investment does not exceed 25% of the intergovernmental pool.
- s. A maximum of 25% of the total portfolio may be invested in state or local government taxable and/or tax exempt general obligation and/or revenue bonds (rated at least Aa by Moody's and AA by Standard and Poor's) or short-term debt (rated at least MIG-2 by Moody's and SP-2 by Standard & Poor's).
- t. A maximum of 20% of the total portfolio may be invested in bankers' acceptances issued by a domestic bank or federally chartered domestic office of a foreign bank (rated at least P-1 by Moody's Investors Service and A-1 by Standard & Poor's), with a maximum of 5% of available funds with any one issuer. The maximum length to maturity shall be 180 days from purchase.
- u. Reverse repurchase agreements and securities lending transactions are not permitted.
- v. The maximum maturities shown above may be exceeded if investments are purchased to fulfill long-term debt service reserve requirements, in which case investments are permitted to have maturity dates up through the life of the debt service reserves.

Deposits in excess of the System's operating requirements are pooled with and invested by the BOCC in various investments, as specified, to attain maximum yield. Investment earnings are distributed based on the average daily balance of each fund's equity in the pool or as prescribed by the investment ordinance.

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Note 3. Receivables

Accounts receivable and other receivables have three components. The first component consists of customer billings based on metered consumption determined at various dates each month. At fiscal year-end, a receivable was recorded and revenue was recognized for the estimated unbilled consumption since the last monthly meter reading. The second component consists of restricted impact fee billings, representing developer water and wastewater service fee connection charges due prior to issuance of a certificate of occupancy. The third component consists of long-term impact fee charges, impact fee special assessments, reclaimed water improvement special assessments for lawn irrigation and water conservation construction projects, and amounts due from Tampa Bay Water (TBW). The twenty-year impact fee and reclaimed water improvement special assessment receivables are fully guaranteed through a lien on real property and through delinquent ad-valorem tax certificate sales.

The September 30, 2022 accounts receivable and other receivables components were as follows:

<i>(Amounts in thousands)</i>	<u>2022</u>
Customer receivables:	
Customer receivables - billed	\$ 18,369
Customer receivables - unbilled	11,675
Other receivables - current	1,458
Less: allowance for doubtful accounts	<u>(3,059)</u>
Net customer receivables	28,443
Restricted receivables:	
Customer impact fee receivables	78
Other receivables (impact fee assessments)	<u>11,883</u>
Total current accounts receivables	<u>40,404</u>
Other accounts receivable, less current portion:	
Impact fees	115
Special assessment units	99,721
Tampa Bay Water	5,357
TBW unamortized asset sale gain	<u>(623)</u>
Total other receivables	<u>104,570</u>
Total accounts receivable, net	<u><u>\$ 151,092</u></u>

Note 4. Due From Other Governments

Due from other governments represents unrestricted special assessment revenues and collection fee refunds due from the Hillsborough County Tax Collector, and restricted amounts due for unreimbursed capital and operating grant expenditures. On September 30, 2022, current and restricted amounts due from other governments was \$8,000.

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Note 5 Capital Assets

Changes in capital assets for the year ended September 30, 2022 were as follows:

<i>(amounts in thousands)</i>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:				
Land	\$ 29,430	106	1	29,535
Construction work in progress	124,778	78,191	42,462	160,507
Total non-depreciable capital assets	<u>154,208</u>	<u>78,297</u>	<u>42,463</u>	<u>190,042</u>
Capital assets, depreciable:				
Buildings and utility plant	785,267	6,001	37,510	753,758
Building improvements	1,736,457	58,376	12,164	1,782,669
Equipment	36,530	4,829	1,345	40,014
Intangibles -- software	7,553	659	--	8,212
Total depreciable capital assets	<u>2,565,807</u>	<u>69,865</u>	<u>51,019</u>	<u>2,584,653</u>
Accumulated depreciation:				
Buildings and utility plant	(410,700)	(44,462)	(34,811)	(420,351)
Building improvements	(955,936)	(53,981)	(9,190)	(1,000,727)
Equipment	(25,824)	(3,786)	(1,310)	(28,300)
Intangibles -- software	(5,144)	(1,385)	--	(6,529)
Total accumulated depreciation	<u>(1,397,604)</u>	<u>(103,614)</u>	<u>(45,311)</u>	<u>(1,455,907)</u>
Total depreciated capital assets, net	<u>1,168,203</u>	<u>(33,749)</u>	<u>5,708</u>	<u>1,128,746</u>
Total capital assets, net	<u>\$ 1,322,411</u>	<u>44,548</u>	<u>48,171</u>	<u>1,318,788</u>

Note 6. Reporting Excess in Purchase Price Over Book Value of an Acquisition

During fiscal year 2004, the County's Water Enterprise Fund recorded goodwill of \$10,155,000 related to the purchase of four independent water and wastewater franchise providers. Goodwill represented the excess of the total price paid compared to the fair value of the tangible capital assets acquired. Through these transactions, the Water Enterprise Fund added over 4,700 customers. The goodwill was scheduled for straight-line amortization over thirty years. Effective with fiscal year 2015, the System implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. As a result of that statement, newly acquired "purchase price in excess of book value" (the new name for "goodwill") was required to be reported as a deferred outflow of resources rather than as an intangible capital asset.

For fiscal year 2022, the System recorded deferred outflows of resources - price paid in excess of book value of \$5,066,000 of which \$395,000 was amortized to operating expense and included in "depreciation and amortization."

<i>(Amounts in thousands)</i>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred Outflow - price paid in excess of book value	\$ 5,461	--	(395)	5,066

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Note 7. Current Liabilities

A. Accounts and Contracts Payable

Accounts and contracts payable balances on September 30, 2022 were as follows:

<i>(Amounts in thousands)</i>	2022
Accounts payable	\$ 13,539
Contracts payable	24,543
Total accounts and contracts payable	<u>\$ 38,082</u>

B. Unearned Revenues

Unearned revenues represent developer advance payments on the accrued guaranteed revenue fee (AGRF). The AGRF reimburses the System for a portion of the capital carrying costs and maintenance expenses incurred and paid by the System to provide the developer access to water and wastewater connections. The deposit is earned when the developer is issued a certificate of occupancy. On September 30, 2022, unearned AGRF restricted and unrestricted deposits were \$152,000.

Note 8. Other Liabilities

A. Revenue Bonds

On July 26, 2016, the System issued \$207,795,000 in capital expansion and improvement bonds as follows:

\$207,795,000 Tax Exempt Utility Revenue Bonds, Series 2016. The interest rate is 2.83% with interest payable semiannually. On September 30, 2022, the unpaid Series 2016 Bonds principal, (including current maturities of \$3,575,000 was \$197,950,000. The bonds mature on August 1, 2046.

On December 10, 2019, the System issued \$90,375,000 in capital expansion and improvement bonds as follows:

\$90,375,000 Utility Refunding Revenue Bonds, Series 2019. The interest rate is 2.32% with interest payable semiannually. On September 30, 2022, the unpaid Series 2019 Bonds principal, including current maturities of \$3,850,000 was \$81,050,000. The bonds mature August 1, 2037.

On July 19, 2021, the System issued \$155,155,000 in capital expansion and improvement bonds and \$19,780,000 of refunding revenue bonds as follows:

\$155,155,000 Utility Revenue Bonds, Series 2021A. The interest rate is 2.16% with interest payable semiannually. On September 30, 2022, the unpaid Series 2021A Bonds principal was \$155,155,000. Currently, there are no current maturities. The bonds mature August 1, 2051.

\$19,780,000 Utility Refunding Revenue Bonds, Series 2021B. The interest rate is 2.26% with interest payable semiannually. On September 30, 2022, the unpaid Series 2021B Bonds principal was \$19,780,000. Currently, there are no current maturities. The bonds mature August 1, 2040.

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B. Revenues Pledged for Debt Service and Future Debt Service Requirements

Under BOCC Bond Resolution R03-112, as amended by Resolution R10-151, article XI, section 11.02, operating revenues are pledged and distributed as follows: first, to payment of the costs of operations and maintenance and second, to annual debt service requirement on the outstanding bonds. Pledged revenues are operating revenues plus unrestricted interest income, less cost of operations plus certain unrestricted water capacity fees (impact fees). The System's net revenues of \$15,866,000 were pledged to pay debt service on issued revenue bonds. Debt service payments were \$22,498,000. Pledged revenues represent 71% of the System's debt service requirements.

There are other various requirements relating to the flow and to the amount of money required to be on deposit in bond covenant established accounts. The bonds are collateralized by a pledge of System net revenues and pledged impact fees. The bonds are also collateralized by proceeds from the sale or condemnation of System property and by property and casualty insurance proceeds.

A summary of the outstanding bonds debt service requirements, including current maturities of \$7,425,000, follows:

<i>(amounts in thousands)</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,425	14,901	22,326
2024	11,020	14,529	25,549
2025	11,565	13,978	25,543
2026	12,145	13,400	25,545
2027	12,710	12,834	25,544
2028-2032	72,465	55,243	127,708
2033-2037	87,325	40,398	127,723
2038-2042	104,960	27,722	132,682
2043-2047	104,160	11,995	116,155
2047-2051	30,161	1,909	32,070
Total principal and interest	<u>453,936</u>	<u>206,909</u>	<u>660,845</u>
Plus unamortized issue premium	30,567		
Less unamortized bond issue discount	(113)		
Revenue bonds payable, net	<u>484,390</u>		
Less current maturities	(7,425)		
Revenue bonds payable, net	<u>\$ 476,965</u>		

C. Line of Credit

On March 28, 2022 the System entered into a subordinate lien revenue non-revolving line of credit of \$37,500,000 due in annual installments plus a variable interest rate. On September 30, 2022, the System had drawn \$200,000 on the line of credit.

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D. Changes in Total Other Liabilities

The System's changes in total other liabilities for the fiscal year ended September 30, 2022 were as follows:

<i>(amounts in thousands)</i>	Beginning			Ending	Due Within
Description	Balance	Additions	Reductions	Balance	One Year
Line of Credit	\$ -	200	--	200	--
2016 bonds	201,355	--	3,404	197,951	3,575
2019 bonds	84,715	--	3,665	81,050	3,850
2021 bonds	174,935	--	--	174,935	--
Unamortized bond issue premium	33,062	--	2,495	30,567	--
Unamortized bond issue discount	(120)	--	(7)	(113)	--
Compensated absences	4,007	3,560	3,401	4,166	4,166
Net pension liability	18,627	30,410	2,210	46,827	--
Total OPEB liability	3,700	213	826	3,087	--
Total other liabilities	<u>\$ 520,281</u>	<u>34,383</u>	<u>15,994</u>	<u>538,670</u>	<u>11,591</u>

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Note 9. Other Postemployment Benefits (OPEB)

The County has a single-employer defined benefit OPEB plan. The County expenses the cost of OPEB over the active service lives of its employees, rather than using a "pay-as-you-go" basis. Expensing the cost of a future benefit over the active work-lives of employees is a fiscally sound approach because employees earn their future benefits over their working careers. The County Plan is allocated to the System based on percentage of the System's total covered employee payroll divided by the total County covered employee payroll.

OPEB Plan Description and Benefits Provided

County OPEB Plan Description. The County provides the following health-related benefits to retirees and certain former employees, which together represent the County OPEB Plan: (a) The County is required by Florida Statute 112.0801 to allow retirees and certain former employees to buy healthcare coverage at the same "group rates" that current employees are charged. Although retirees pay for healthcare at group rates, they receive a valuable benefit because they can buy insurance at costs that are lower than the costs associated with the experience rating for their age bracket. The availability of this lower cost health insurance represents an implicit subsidy for retirees. (b) The County offers a monthly stipend of \$5 for each year of service up to a maximum benefit of \$150 per month. The stipend is payable to regular retired employees from ages 62 to 65. The stipend is to be used to offset the cost of health insurance. Although the implicit subsidy is required by state law when healthcare is offered as an employee benefit, the stipend may be cancelled at any time. The County does not issue separate OPEB Plan financial statements. As a result, all required disclosures are included in this report.

Substantially all full-time employees may qualify for these OPEB benefits. At September 30, 2022, the County's OPEB Plan covered approximately 6,205 active County employees, consisting of those currently eligible and those not yet fully eligible, as well as 526 County retirees or other inactive employees.

Total OPEB Liability

Actuarial Method and Assumptions - The total OPEB liability was actuarially determined based on several actuarial assumptions. September 30, 2022 was the actuarial measurement date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the September 30, 2022 OPEB Plan valuation were based on the results of an actuarial experience study for the period from October 1, 2021 through September 30, 2022.

The entry age normal actuarial cost method was used in the September 30, 2022 actuarial valuation. Other actuarial assumptions included a composite inflation rate of 2.5% and a discount rate of 4.02% (Bond Buyer 20-Bond GO index). In addition, the initial annual healthcare cost trend rate assumptions were 6.25% grading down to an ultimate rates of 4.5% for the BOCC. In addition, the average age of active participants was 36 years and the average age of inactive participants was 62.5 years. Mortality rates were based on the PUB-2010 generational table for general purpose employees scaled using MP-20 and applied on a gender-specific basis.

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Sensitivity of Total OPEB Liability to Changes in Either the Discount Rate or Changes in the Healthcare Trend Rate – The first chart below presents the System’s total OPEB liability, as well as what the System’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.02%) or one percentage-point higher (5.02%) than the current discount rate. The second chart below presents the System’s total OPEB liability, as well as what the System’s total OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower (5.25%) or one percentage-point higher (7.25%) than the current healthcare trend rate.

Sensitivity of Total OPEB Liability to Changes in Discount Rate			Sensitivity of Total OPEB Liability to Changes in Healthcare Trend Rate		
1% Decrease (3.02%)	Discount Rate (4.02%)	1% Increase (5.02%)	1% Decrease (5.25%)	Healthcare Trend Rate (6.25%)	1% Increase (7.25%).
\$ 3,137,000	3,087,000	2,700,000	2,650,000	3,087,000	3,209,000

The healthcare trend rate of 6.25% is an initial rate. The total OPEB liability shown on the preceding chart, however, is based on the following healthcare trend rates. Approximately 6.25% grading down .5% each year to an ultimate rate of 4.5% for the BOCC.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liabilities - At September 30, 2022, the System reported total OPEB liabilities of \$3,087,000. The total OPEB liability was measured as of September 30, 2022. The System’s total OPEB liability at September 30, 2022 was as follows:

<i>(Amounts in thousands)</i>	OPEB Plan
Total OPEB Liability	\$ 3,087
Covered employee payroll (active plan members)	46,612
Total OPEB liability as a percentage of covered employee payroll	6.6 %

If cash and investments were placed in an irrevocable trust for OPEB, then the cash and investments would also be subtracted from "total OPEB liability" to determine the “net OPEB liability.” The County has set aside \$46,680,000 in the Self-Insurance Internal Service Fund for OPEB. This \$46,680,000 represents 32.78% of the County’s total OPEB liability at September 30, 2022. However, since an irrevocable trust was not established, none of this \$46,680,000 in cash and investments is considered to be “plan fiduciary net position.” Total OPEB liability is reported in the accompanying statements of net position because an irrevocable trust was not established.

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The change in the total OPEB liability during fiscal year 2022 as well as the beginning and ending total OPEB liability is shown below:

	Total OPEB Liability
<i>(Amounts in thousands)</i>	
Balance at October 1, 2021	\$ 3,700
Changes for the fiscal year:	
Service cost	134
Interest	79
Differences between expected and actual experience	(487)
Benefit payments	(339)
Net changes	(613)
Balance at September 30, 2022	\$ 3,087

Funding Policy, Status and Progress. In order for OPEB obligations to be considered funded, an irrevocable trust fund must be used. Since that would be considered very restrictive, the System did not “fund” the total OPEB obligation, but instead chose to appropriate and set aside amounts annually in the Self-Insurance Internal Service Fund so the total OPEB liability is completely offset by cash and investments over time.

Since the OPEB Plan was not considered funded, GASB Statement No. 75 requires that the plan’s discount rate be obtained using the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. As a result of implementation, the discount rate was increased from 2.26% to 4.02%.

Contributions. Assessments were made to participating funds with the goal of accumulating the cash and investments in the Self-Insurance Internal Service Fund to offset the total OPEB liability. The level of assessments are set annually by County management. There are no statutory or other legally required contribution levels. It is the System’s intent to continue setting aside additional monies each year for OPEB. Total assessments were \$162,000 for fiscal year 2022.

OPEB Benefit - For the fiscal year ended September 30, 2022, the System recognized OPEB benefit of \$131,000. Changes in total OPEB liability are recognized in OPEB expense during the fiscal year except for as indicated in the section on Deferred Outflows/Inflows of Resources.

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Deferred Outflows/Inflows of Resources – “Deferred outflows of resources” are a consumption of net position by the System that is applicable to a future reporting period. “Deferred inflows of resources” are an acquisition of net position by the System that is applicable to a future reporting period. For each of the following, a portion was recognized in OPEB expense during fiscal year 2022, and the balance was amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience regarding economic and demographic factors are amortized over the average expected remaining service life of all employees that are provided with OPEB through the OPEB plan, including both active and inactive employees.
- Changes in assumptions or other inputs are amortized over the average expected remaining service life of all employees covered by the OPEB plan, including both active and inactive employees.

Deferred outflows of resources and deferred inflows of resources related to the System’s OPEB Plan were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,000	(143,000)
Changes in assumptions	996,000	(604,000)
Total	\$ 1,199,000	(747,000)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense	OPEB Benefit
2023	\$ 77,000	\$ (55,000)
2024	77,000	(55,000)
2025	77,000	(55,000)
2026	77,000	(55,000)
2027	77,000	(55,000)
Thereafter	814,000	(472,000)

The System did not have any interfund payables to the Self-Insurance Fund’s OPEB Plan at September 30, 2022.

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Note 10. Capital Contributions

Capital contributions for fiscal year ended September 30, 2022 were as follows:

<i>(Amounts in thousands)</i>	2022
Contributed physical capital assets	\$ 22,197
Impact fees collections	12,304
Special assessments	(8,149)
Total	\$ 26,352

Note 11. Employee Retirement Plans

Florida Retirement System – General Information

Substantially all System employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two multiple-employer cost-sharing defined benefit plans administered by the Florida Department of Management Services, Division of Retirement: the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Program). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) administered by the State Board of Administration. Employees may choose the FRS Investment Plan as an alternative to the FRS Pension Plan. As a general rule, membership in the FRS is compulsory for employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the state of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature.

The state of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. For additional details, see: www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports. The report may also be obtained by writing to the state of Florida Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Plan Descriptions for Cost-Sharing Defined Benefit Plans

- The FRS Pension Plan is a multiple-employer cost-sharing qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees.
- The Retiree Health Insurance Subsidy (HIS) Program is a multiple-employer cost-sharing, defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature sets and amends the contribution requirements and benefit terms of the HIS Program.

Benefits Provided

FRS Pension Plan

The County Plan for FRS is allocated to the System based on a percentage of contributions (System contributions divided by the total County FRS contributions). Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. Regular Class, Senior Management Service Class and Elected Officers' Class plan members hired prior to July 1, 2011 at age 62 with 6 years of credited service or 30 years of service regardless of age are entitled to an annual retirement benefit payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation is the average of the employee's five highest fiscal years of salary earned during credited service. Vested employees with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Regular Class, Senior Management Service Class and Elected Officers Class plan members hired after June 30, 2011 at age 65 with 8 years of credited service or 33 years of service regardless of age are entitled to annual retirement benefits payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Average final compensation will be the average of the employee's eight highest fiscal years earned during credited service. Vested employees with less than 33 years of service may retire before age 65 and receive reduced retirement benefits.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

HIS Program

The benefit under the HIS Program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive an HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions

FRS Pension Plan

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows: Regular—10.82% and 11.91%; Senior Management Service—29.01% and 31.57%; and DROP participants—18.34% and 18.60%. These employer contribution rates include 1.66% of HIS subsidies for 2021 and 2022.

HIS Program

The County Plan for HIS is allocated to the System based on a percentage of covered payroll (System covered payroll divided by total County covered payroll). The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. The HIS contribution for the period October 1, 2021 through September 30, 2022 was 1.66%. The employer contribution rates shown in the FRS Pension Plan section above include the HIS Program contribution rate of 1.66%, for the periods of October 1, 2021 through September 30, 2022. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event that legislative appropriations and/or available funds are not sufficient, HIS benefits may be reduced or canceled.

The System's contributions, including employee contributions, to the FRS Pension Plan were \$3,858,000 for the fiscal year ended September 30, 2022. The System's contributions to the HIS Program were \$774,000 for the fiscal year ended September 30, 2022.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities - At September 30, 2022, the System reported net pension liabilities of \$34,089,000 and \$12,738,000, respectively, for its proportionate shares of the FRS Pension Plan and HIS Program net pension liabilities. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The System's proportionate share of the net pension liability was based on the System's contributions as a percentage of all County contributions to the FRS fiscal year ended June 30, 2022. At June 30, 2022, the System's proportionate shares for the FRS Pension Plan and HIS Program were 4.513% and 6.917%, respectively of the County's proportionate share. The System's proportionate shares for the FRS Pension Plan and HIS Program is measured as of June 30, 2021. The components of the System's net pension liabilities at September 30, 2022 were as follows:

	<u>FRS Pension Plan</u>	<u>HIS Program</u>	<u>Total</u>
Total pension liability	\$ 199,207	13,382	212,589
Plan fiduciary net position	(165,118)	(644)	(165,762)
Net pension liability	<u>\$ 34,089</u>	<u>12,738</u>	<u>46,827</u>
Plan fiduciary net position as a percentage of the total pension liability	82.89 %	4.81 %	77.97 %

“Plan fiduciary net position” represents cash and investment assets held to pay pension liabilities as they mature. Detailed information regarding the FRS Pension Plan and HIS Program fiduciary net position is available in the separately issued *FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report*. To obtain this report, see the second paragraph of this note.

Pension (Benefit) Expense - For the fiscal year ended September 30, 2022, the System recognized pension expense of \$520,000 and \$11,000 for the Pension Plan and HIS Program, respectively.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Deferred Outflows/Inflows of Resources – For the fiscal year ended September 30, 2022, the System reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	FRS Pension Plan		HIS Program	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,528	--	382	(58)
Changes in assumptions	3,961	--	722	(2,029)
Net difference between projected and actual earnings on plan investments	2,124	--	18	--
Changes in proportion and differences between System's contributions and proportionate share of contributions	668	(1,017)	549	(337)
System's contributions subsequent to the measurement date	1,057	--	197	--
Total	<u>\$ 9,338</u>	<u>(1,017)</u>	<u>1,868</u>	<u>(2,424)</u>

The deferred outflows of resources totaling \$1,057,000 and \$197,000, resulting from System's contributions to the Pension Plan and HIS Program, respectively, which were subsequent to the June 30, 2022 measurement date, will be recognized as a pension expense in the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan and HIS Program will be recognized in pension expense as follows:

Fiscal Year Ending September 30	FRS Pension Plan	HIS Program
2023	\$ 1,757	(180)
2024	663	(97)
2025	(593)	(44)
2026	5,162	(98)
2027	275	(228)
Thereafter	-	(106)

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Actuarial Assumptions – The total pension liabilities for the FRS Pension Plan and HIS Program in the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation rate of 2.40%
- Average rate of salary increases of 3.25%, including inflation
- Investment rate of return, net of pension plan investment expense of 6.70%, including inflation for FRS Pension Plan; this was a decrease from 6.80% in the prior year
- Investment rate of return, net of pension plan investment expense of 3.54%, including inflation for HIS Plan; this was an increase from 2.16% in the prior year
- Average expected remaining service life of active and inactive participants in the FRS Pension Plan at June 30, 2022 was 5.5 years
- Average expected remaining service life of active and inactive participants in the HIS Program at June 30, 2022 was 6.4 years
- Mortality rates were based on the PUB-2010 base table, projected generational with scale MP-2018 for the FRS Pension Plan and the HIS Program.

The actuarial assumptions used in the July 1, 2022, FRS Pension Plan valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rates of return on FRS Pension Plan and HIS Program investments were not based on historical returns, but instead were based on a forward-looking capital market economic model. 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. A mean inflation rate of 2.4% was assumed along with a standard deviation of 1.7%. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0 %	2.6 %	2.6 %	1.1 %
Fixed income	19.8 %	4.4 %	4.4 %	3.2 %
Global equity	54.0 %	8.8 %	7.3 %	17.8 %
Real estate (property)	10.3 %	7.4 %	6.3 %	15.7 %
Private equity	11.1 %	12.0 %	8.9 %	26.3 %
Strategic investments	3.8 %	6.2 %	5.9 %	7.8 %
	<u>100.0 %</u>			

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Discount Rates – The FRS Pension Plan discount rate used to measure the total pension liability was 6.70%. The FRS Pension 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.

The HIS Program discount rate used to measure the total pension liability was 3.54%. 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 the municipal bond rate selected by the HIS Program sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The System’s proportionate share of the FRS Pension Plan and HIS Program will change under varying discount rate assumptions. For example, a higher discount rate would lead to a lower net pension liability. Conversely a lower discount rate would lead to a higher net pension liability. The following chart shows the effects on the FRS Pension Plan and HIS Program net pension liabilities under discount rates that are one percentage point higher or lower than the discount rate actually used. The chart specifically shows the net pension liability of the FRS Pension Plan if its discount rates were 5.70%, 6.70% or 7.70% as well as the net pension liability of the HIS Program if its discount rates were 2.54%, 3.54% or 4.54%.

Proportionate Share of FRS Pension Plan Net Pension Liability				Proportionate Share of HIS Program Net Pension Liability			
1% Decrease		Current Discount Rate		1% Decrease		Current Discount Rate	
5.70 %		6.70 %		2.54 %		3.54 %	
7.70 %		7.70 %		4.54 %		4.54 %	
\$	58,954	34,089	13,298	14,573	12,738	11,219	

The System remits contractually required FRS Pension Plan and HIS Program contributions as established by the Florida Legislature. The System did not have a payable for outstanding contributions to the FRS Pension Plan, HIS Program or Investment Plan at September 30, 2022.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the state of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the FRS Investment Plan in lieu of the FRS Pension Plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.) as the FRS Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members. See FRS Pension Plan contribution rates in the Contributions section of this note for more information.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the System.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The System remits contractually required FRS Investment Plan contributions as established by the Florida Legislature. The System's total contributions to the Investment Plan were approximately \$735,000 for fiscal year 2022.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 12. Outstanding Purchase Orders and Contracts

On September 30, 2022, construction or capital improvement commitments measured by purchase orders and contracts were \$72,533,000.

The Capital Improvement Program is a financial plan of proposed capital projects covering a five or six-year period. Project costs can include project development, site acquisition, design, construction, renovations, initial fixtures and equipment, and administration. The Capital Improvement Program does not identify all project costs. It only identifies what is expected to be appropriated during the period. Total capital costs will be greater. The Capital Improvement Program for fiscal years 2023 through 2027 incorporates projects with a total cost of \$1,255,268,000.

Note 13. Regional Water Supply Authority

On May 1, 1998, the West Coast Regional Water Supply Authority (WCRWSA) members reorganized in accordance with Section 30, Chapter 97-160, Laws of Florida, and Chapter 373, Florida Statutes. The purpose of the reorganization was to establish a sole water supplier to meet the region's current and future water supply requirements. The reorganization resulted in a forty-year master regional water supply contract and interlocal governance agreement. The WCRWSA was renamed Tampa Bay Water. The new regional water supply agreement obligates Tampa Bay Water to provide water to the members from existing water supply sources and to develop new water supply sources for the future, while securing the System's ability to meet its customers' water supply requirements. The regional water supply agreement commenced on September 29, 1998, to coincide with Tampa Bay Water's issuance of Utility System Revenue Bonds, Series 1998A and 1998B. As a part of the agreement, members agreed to sell certain capital assets to Tampa Bay Water and Tampa Bay Water agreed to assume all outstanding member debt and to contribute certain capital assets to the members. Tampa Bay Water purchased capital assets from, and contributed assets to, the BOCC in the amounts of \$19,326,000 and \$18,818,000, respectively. With respect to Tampa Bay Water's \$19,326,000 capital asset purchase, the BOCC agreed to defer this payment by recording a long-term receivable. Payments will be received as water supply purchase credits plus interest over the thirty year term of Tampa Bay Water's 1998A and 1998B bond issues. The amount due from Tampa Bay Water on September 30, 2022, including current maturities of \$923,000 was \$6,280,000.

This transaction resulted in a \$12,926,000 unamortized gain. On September 30, 1998, this gain was recorded as a reduction of Tampa Bay Water's long-term receivable. The gain will be amortized on the installment method over the thirty year term of Tampa Bay Water's 1998A and the 1998B bond issues. The gain on September 30, 2022 was \$623,000. For fiscal years 2022, the gain amortized to other nonoperating revenues was \$236,000.

The BOCC, as one of six participants governing Tampa Bay Water, has a direct ongoing financial responsibility to contractually purchase water solely from Tampa Bay Water. Tampa Bay Water has set water rates to produce sufficient revenue from its members to meet fiscal year 2022 operating costs and debt service requirements. Tampa Bay Water's audited financial statements for the fiscal year ended September 30, 2022 may be obtained from:

Finance Director
Tampa Bay Water
2575 Enterprise Road
Clearwater, Florida 33763-1102

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2022

Note 14. Contingencies

A. Litigation

The System is involved in certain litigation arising in the ordinary course of operations. Management believes, after consulting with legal counsel, that any potential losses would not materially affect the System's financial condition.

B. State and Federal Grants

Grant funds received and disbursed are for specific purposes and are subject to review by grantor agencies and their independent auditors. Such audits may result in requests for repayments due to disallowed expenditures. Management believes that such repayments, if any, would not materially affect the System's financial condition.

C. Environmental Protection

Occasionally, the Florida Department of Environmental Protection may cite the System for accidental environmental infractions. These infractions and the related remediation activities are considered a routine part of System business operations. Management believes that any contingent liabilities arising from an accidental environmental infraction, if any, would be immaterial.



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Hillsborough
County Florida

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Schedule of Proportionate Share of the
Florida Retirement System Net Pension Liabilities for the
Pension Plan and Health Insurance Subsidy Program (Unaudited)
Last Nine Fiscal Years
(Required Supplementary Information)
Amounts in Thousands

FRS Pension Plan

	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
System's proportion of net pension liability	0.098 %	0.099 %	0.099 %	0.095 %	0.093 %	0.095 %	0.095 %	0.099 %	0.101 %
System's proportionate share of net pension liability	\$ 34,089	3,679	41,702	32,796	28,189	28,722	24,360	11,799	5,718
System's covered payroll	46,612	43,782	41,675	41,256	38,814	38,821	35,979	36,971	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	73.13 %	8.40 %	100.06 %	79.49 %	72.63 %	73.99 %	67.71 %	31.91 %	16.36 %
FRS Plan fiduciary net position as a percentage of the total pension liability	82.89 %	96.40 %	78.85 %	82.61 %	84.26 %	83.89 %	84.88 %	92.00 %	96.00 %

Health Insurance Subsidy Program

	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
System's proportion of net pension liability	0.121 %	0.122 %	0.120 %	0.118 %	0.118 %	0.120 %	0.115 %	0.114 %	0.114 %
System's proportionate share of net pension liability	\$ 12,738	14,948	14,461	13,255	12,263	12,686	13,583	11,639	10,677
System's covered payroll	46,612	43,782	41,675	41,256	38,814	38,821	35,979	36,971	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	27.33 %	34.14 %	34.70 %	32.13 %	31.59 %	32.68 %	37.75 %	31.48 %	30.55 %
HIS Plan fiduciary net position as a percentage of the total pension liability	4.81 %	3.56 %	3.00 %	2.63 %	2.15 %	1.64 %	0.97 %	0.50 %	0.99 %

*Data was unavailable prior to FY 2014.

Notes to the schedule:

1. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" was implemented in fiscal year 2015 requiring ten-year trend data. Additional years will be displayed as the data becomes available.
2. Amounts are as of June 30 of each year.
3. The discount rates used by the FRS Plan for fiscal years 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 respectively are 6.70%, 6.80%, 6.80%, 6.90%, 7.00%, 7.10%, 7.60%, 7.65% and 7.65%. The discount rates used for the HIS Program for fiscal years 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 respectively are 2.16%, 2.16%, 2.21%, 3.50%, 3.87%, 3.58%, 2.85%, 3.80% and N/A.
4. The investment rate of return used for the FRS Plan for fiscal years 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2016, and 2014 respectively are 6.70%, 6.80%, 6.80%, 6.90%, 7.00%, 7.10%, 7.60%, 7.65% and 7.65%. The investment rate of return used for the HIS Program for fiscal years 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014 respectively are 2.16%, 2.16%, 2.21%, 3.50%, 3.87%, 3.58%, 2.85%, 3.80% and N/A.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Schedule of Contributions
Florida Retirement System Pension Plan and Health Insurance Subsidy Program (Unaudited)
Last Nine Fiscal Years
(Required Supplementary Information)
Amounts in Thousands

FRS Pension Plan

	<u>9/30/22</u>	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Contractually required contributions	\$ 3,858	3,435	2,935	2,881	1,530	2,421	2,620	2,175	2,005
Contributions in relation to the contractually required contributions	<u>3,858</u>	<u>3,435</u>	<u>2,935</u>	<u>2,881</u>	<u>1,530</u>	<u>2,421</u>	<u>2,620</u>	<u>2,175</u>	<u>2,005</u>
System's covered payroll	\$ 46,612	43,224	42,702	41,595	39,029	38,151	36,709	35,455	34,953
System's contributions as a percentage of covered payroll	8.28 %	7.95 %	6.87 %	6.93 %	3.92 %	6.35 %	7.14 %	6.13 %	5.74 %

Health Insurance Subsidy Program

	<u>9/30/22</u>	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Contractually required contributions	\$ 774	727	709	690	2,661	277	253	335	300
Contributions in relation to the contractually required contributions	<u>774</u>	<u>727</u>	<u>709</u>	<u>690</u>	<u>2,661</u>	<u>277</u>	<u>253</u>	<u>335</u>	<u>300</u>
System's covered payroll	\$ 46,612	43,224	42,702	41,595	39,029	38,151	36,709	35,455	34,953
System's contributions as a percentage of covered payroll	1.66 %	1.68 %	1.66 %	1.66 %	6.82 %	0.73 %	0.69 %	0.94 %	0.86 %

*Data was unavailable prior to FY 2014.

Notes to the Schedule:

1. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" was implemented in fiscal year 2015 requiring ten-year trend data. Additional years will be displayed as the data becomes available.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
Last Seven Fiscal Years
(Required Supplementary Information)
Amounts in Thousands

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>(Restated)</u> <u>2016</u>
System's total OPEB liability	\$ 3,087	3,700	3,448	3,563	3,008	5,630	5,693
System's covered employee payroll	46,612	43,728	41,675	41,256	38,814	38,821	35,979
System's total OPEB liability as a percentage of its covered employee payroll	6.6 %	8.5 %	8.27 %	8.64 %	7.75 %	14.50 %	15.82 %

The total OPEB liability was not available prior to fiscal year 2016.

Hillsborough County has set aside \$46,680,000 in the Self-Insurance Internal Service Fund for OPEB. This amount represents 32.78% of the County's total OPEB liability at September 30, 2022. However, since an irrevocable trust was not established, none of this \$46,680,000 in cash and investment is considered to be "plan fiduciary net position." The Water Enterprise Fund's total OPEB liability represents 6.70% of the County's total OPEB liability.

Notes to schedule:

(1) *Since GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions , was implemented for fiscal year 2017, certain figures were not available prior to fiscal year 2016. See Note 9, Other Postemployment Benefits (OPEB) for more OPEB information.

(2) No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75

(3) Amounts are as of September 30 each year.

(4) The following are the discount rates used in each period:

2022	4.02%
2021	2.26%
2020	2.22%
2019	2.80%
2018	3.80%
2017	3.64%



Hillsborough
County Florida

HILLSBOROUGH COUNTY, FLORIDA
Schedule of Revenues and Expenses - Budget and Actual (Unaudited)
Water Enterprise Fund
Public Utilities Department
For the fiscal year ended September 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Charges for services	\$ 332,326	332,326	326,215	(6,111)
Total operating revenues	<u>332,326</u>	<u>332,326</u>	<u>326,215</u>	<u>(6,111)</u>
Operating Expenses				
Personnel services	78,266	78,266	68,528	9,738
Contractual services	121,035	120,799	105,319	15,480
Fleet services	3,232	3,232	3,364	(132)
Repairs and maintenance	27,770	31,006	15,738	15,268
Utilities	19,774	19,774	15,611	4,163
Supplies	1,229	1,229	1,286	(57)
Other operating expenses	6,552	6,552	4,498	2,054
Total operating expense before depreciation, amortization, pension and OPEB expense	<u>257,858</u>	<u>260,858</u>	<u>214,344</u>	<u>46,514</u>
Operating income before unbudgeted depreciation, amortization, pension and OPEB expense	<u>\$ 74,468</u>	<u>71,468</u>	111,871	<u>40,403</u>
Depreciation and amortization *			103,614	
Pension expense (benefit)			531	
OPEB benefit			(131)	
Operating income (loss)			<u>\$ 7,857</u>	

* Pension, depreciation and amortization expenses are not budgeted.

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT A

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2019

Issued December 10, 2019

Debt Service Schedule (Unaudited)

(Amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2023	\$ 3,850	3,283	7,133
2024	4,045	3,090	7,135
2025	4,245	2,888	7,133
2026	4,455	2,676	7,131
2027	4,680	2,453	7,133
2028	4,915	2,219	7,134
2029	5,160	1,973	7,133
2030	5,420	1,715	7,135
2031	5,690	1,444	7,134
2032	5,915	1,217	7,132
2033	6,155	980	7,135
2034	6,340	796	7,136
2035	6,530	605	7,135
2036	6,725	410	7,135
2037	6,925	208	7,133
	<u>\$ 81,050</u>	<u>25,957</u>	<u>107,007</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT B

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2016

Issued July 26, 2016

Debt Service Schedule (Unaudited)

(Amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2023	\$ 3,575	6,406	9,981
2024	3,755	6,227	9,982
2025	3,940	6,039	9,979
2026	4,140	5,842	9,982
2027	4,305	5,676	9,981
2028	4,475	5,504	9,979
2029	4,610	5,370	9,980
2030	4,745	5,232	9,977
2031	4,890	5,089	9,979
2032	5,035	4,943	9,978
2033	5,240	4,741	9,981
2034	5,450	4,532	9,982
2035	5,670	4,314	9,984
2036	5,835	4,143	9,978
2037	6,010	3,968	9,978
2038	7,525	3,788	11,313
2039	7,750	3,562	11,312
2040	7,980	3,330	11,310
2041	15,925	3,091	19,016
2042	16,405	2,613	19,018
2043	16,895	2,121	19,016
2044	17,405	1,614	19,019
2045	17,925	1,091	19,016
2046	18,465	555	19,020
	<u>\$ 197,950</u>	<u>99,791</u>	<u>297,741</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT C

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2021A

Issued July 19, 2021

Debt Service Schedule

(Amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2023	\$ --	4,800	4,800
2024	3,220	4,800	8,020
2025	3,380	4,639	8,019
2026	3,550	4,470	8,020
2027	3,725	4,293	8,018
2028	3,910	4,106	8,016
2029	4,105	3,911	8,016
2030	4,310	3,706	8,016
2031	4,530	3,490	8,020
2032	4,755	3,264	8,019
2033	4,990	3,026	8,016
2034	5,140	2,876	8,016
2035	5,295	2,722	8,017
2036	5,455	2,563	8,018
2037	5,565	2,454	8,019
2038	5,675	2,343	8,018
2039	5,790	2,229	8,019
2040	5,905	2,113	8,018
2041	6,020	1,995	8,015
2042	6,205	1,815	8,020
2043	6,340	1,675	8,015
2044	6,485	1,532	8,017
2045	6,680	1,338	8,018
2046	6,880	1,138	8,018
2047	7,085	931	8,016
2048	7,265	754	8,019
2049	7,445	572	8,017
2050	7,630	386	8,016
2051	7,820	197	8,017
	<u>\$ 155,155</u>	<u>74,138</u>	<u>229,293</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT D

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2021B

Issued July 19, 2021

Debt Service Schedule (Unaudited)

(Amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2023	\$ --	412	412
2024	--	412	412
2025	--	412	412
2026	--	412	412
2027	--	412	412
2028	--	412	412
2029	--	412	412
2030	--	412	412
2031	--	412	412
2032	--	412	412
2033	--	412	412
2034	--	412	412
2035	--	412	412
2036	--	412	412
2037	--	412	412
2038	6,445	412	6,857
2039	6,575	283	6,858
2040	6,760	148	6,908
	<u>\$ 19,780</u>	<u>7,023</u>	<u>26,803</u>

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statistical Section Contents

Financial Trends Information:

These schedules present comparative financial data over ten fiscal years, providing information to financial statement users concerning the System's financial management and performance.

Schedules:

Components of Net Position

Current Ratio

Return on Capital Assets

Accounts Receivable Collection Days

Statement of Revenues, Expenses, and Changes in Net Position

Components of Charges for Services

Debt Capacity Information:

These schedules present the System's outstanding debt compared to net position.

Schedule:

Outstanding Debt Compared to Net Position

General Operating Statistics:

This schedule presents the System's key operating data and general statistics.

Capital Assets

Staffing

Average number of Customer Accounts

Annual Use/Flow

Operating Costs

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Financial Trend Schedules (Unaudited)
Last Ten Fiscal Years
(amounts in thousands)

Components of Net Position

This schedule shows the System's changes in comparative net value (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources = net position).

	2022	2021	2020	2019	2018	2017	2016*** Restated	2015	2014**	2013 Restated
Net investment in capital assets	\$ 923,905	990,248	983,915	950,057	940,620	931,704	901,940	826,175	786,009	727,689
Restricted net position	75,601	95,543	139,077	143,755	115,451	90,916	67,670	72,759	77,980	76,115
Unrestricted net position	635,456	533,305	416,302	394,987	359,859	354,363	367,663	398,173	389,567	405,887
Total net position	<u>\$1,634,962</u>	<u>1,619,096</u>	<u>1,539,294</u>	<u>1,488,799</u>	<u>1,415,930</u>	<u>1,376,983</u>	<u>1,337,273</u>	<u>1,297,107</u>	<u>1,253,556</u>	<u>1,209,691</u>

**Fiscal years 2014 and prior were not restated for implementation of GASB Statement No. 68 and No. 71.

***Restated for GASB Statement No. 75

Current Ratio

This schedule shows the System's ability to pay its current liabilities such as accounts payable, accrued payroll liability, and short-term borrowing costs. The generally accepted current ratio standard is 2, whereby current assets are twice as large as current liabilities.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Current assets	\$ 745,661	674,625	339,181	319,933	501,736	553,319	573,662	384,060	403,393	425,365
Current liabilities	72,403	47,680	55,070	68,297	76,649	56,134	48,563	41,730	54,633	50,859
Current ratio	10.3	14.1	6.2	4.7	6.5	9.9	11.8	9.2	7.4	8.4

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Financial Trend Schedules (Unaudited) (Continued)
Last Ten Fiscal Years
(amounts in thousands)

Return on Capital Assets

Return on capital assets provides a means for evaluating management's effectiveness at generating an operating profit from the amounts invested in capital assets.

	2022	2021	2020	2019	2018	2017	2016	2015	2014**	2013
Change in net position	\$ 15,866	79,802	50,495	72,869	38,947	39,710	45,974	69,241	41,702	41,702
Average total capital assets	1,320,600	1,312,942	1,176,014	1,246,664	1,171,096	1,096,776	1,028,546	949,751	864,160	864,160
Return on capital assets	1.20 %	6.08 %	4.29 %	5.85 %	3.33 %	3.62 %	4.47 %	7.29 %	4.83 %	4.83 %

**Fiscal year 2014 and prior were not restated for implementation of GASB Statements No. 68 and No. 71

Accounts Receivable Collection Days Over 365 Collection Days and Associated Allowance for Doubtful Accounts

This schedule shows the average number of days required to collect charges for services billed to customers and amounts deemed uncollectible.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Charges for services	\$ 326,215	302,163	283,150	254,306	243,215	235,116	209,549	209,549	205,716	205,197
Average accounts receivable	30,009	28,441	25,175	22,740	23,373	22,371	22,220	20,912	21,105	20,536
Accounts receivable collection days	33.6	34.4	32.5	32.6	35.1	34.7	38.7	36.4	37.4	36.5
Allowance for doubtful accounts	\$ 3,563	3,563	2,177	276	224	51	192	390	415	581
Percent of charges for services	1.09 %	1.18 %	0.77 %	0.11 %	0.09 %	0.02 %	0.09 %	0.19 %	0.20 %	0.28 %

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Financial Trend Schedules (Unaudited) (Continued)
Last Ten Fiscal Years
(amounts in thousands)

Statement of Revenues, Expenses and Changes in Net Position:

This schedule presents annual operating data to assist the financial statement user evaluate the System's annual financial performance.

	2022	2021	2020	2019	2018	2017	2016	2015	2014**	2013
Operating revenues:										
Charges for services	\$ 326,215	302,163	283,150	254,306	243,215	235,116	220,724	209,549	205,716	205,197
Operating expenses:										
Personnel services	68,528	65,659	62,695	60,473	56,438	55,103	54,296	48,660	46,536	39,052
Contractual services	105,319	104,604	101,487	94,449	86,528	77,369	81,481	73,533	73,543	69,678
Communication services	--	--	--	--	--	--	--	--	--	1,245
Fleet services	3,364	2,594	2,612	2,823	2,511	2,315	2,439	2,585	2,396	2,403
Repairs and maintenance	15,738	13,124	14,165	16,460	13,166	10,506	10,588	11,647	9,653	8,859
Utilities	15,611	14,375	13,703	15,532	12,438	12,161	12,609	11,891	12,312	9,508
Supplies	1,286	987	1,002	1,037	1,071	986	722	587	536	354
Depreciation and amortization	103,614	105,190	89,330	77,102	81,947	67,805	59,875	51,143	51,238	54,986
Other operating expenses	4,498	4,337	3,914	3,761	3,017	3,158	2,675	2,055	2,262	2,144
Pension expense (benefit)	531	(3,610)	6,238	5,262	2,193	2,522	1,598	(1,363)	--	--
OPEB expense (benefit)	(131)	(97)	(209)	(173)	(2,491)	(72)	--	--	--	--
Total operating expense	318,358	307,163	294,937	276,726	256,818	231,853	226,283	200,738	198,476	188,229
Operating expense as a percentage of revenue	97.59 %	101.65 %	104.16 %	108.82 %	105.59 %	98.61 %	102.52 %	95.80 %	96.48 %	91.73 %
Operating income (loss)	7,857	(5,000)	(11,787)	(22,420)	(13,603)	3,263	(5,559)	8,811	7,240	16,968
Nonoperating revenues (expenses):										
Interest revenue	8,643	9,414	16,318	20,198	10,376	9,228	7,674	7,902	5,807	7,232
Fair value change	(16,025)	--	--	--	--	--	--	--	--	--
Interest expense	(13,096)	(10,170)	(10,502)	(10,733)	(10,878)	(5,911)	618	(4,757)	(3,566)	(3,975)
Other revenues	2,910	4,582	9,019	3,113	3,949	3,406	7,584	107	3,044	1,730
Other expenses	(775)	58	354	499	(10,354)	(6,690)	661	(485)	(679)	(299)
Total nonoperating revenues (expenses)	(18,343)	3,884	15,189	13,077	(6,907)	33	16,537	2,767	4,606	4,688
Income before contributions and transfers	(10,486)	(1,116)	3,402	(9,343)	(20,510)	3,296	10,978	11,578	11,846	21,656
Capital contributions	26,352	80,918	47,093	82,212	59,457	36,414	34,996	57,663	32,019	19,925
Transfers	--	--	--	--	--	--	--	--	--	121
Change in net position	15,866	79,802	50,495	72,869	38,947	39,710	45,974	69,241	43,865	41,702
Net position, beginning of year	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,343,081	1,297,107	1,253,556	1,209,691	1,167,989
Restatement for GASB 68 implementation	--	--	--	--	--	--	--	(25,690)	--	--
Restatement for GASB 75 implementation	--	--	--	--	--	(5,808)	--	--	--	--
Net position, beginning of year, as restated	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,337,273	1,297,107	1,227,866	1,209,691	1,167,989
Net position, end of year	\$ 1,634,962	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,343,081	1,297,107	1,253,556	1,209,691

**Fiscal year 2014 and prior were not restated for implementation of GASB Statements No. 68 and No. 71

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Financial Trend Schedules (Unaudited) (Continued)
Last Ten Fiscal Years
(amounts in thousands)

Components of Charges for Services

This schedule identifies the principal components of charges for services.

	2022	%	2021		2020	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
Water charges	\$154,920	47.5	145,890	48.3	138,943	49.1	123,212	48.5	118,210	48.4	114,891	48.9	106,016	48.0	99,912	47.7	94,562	46.0	93,628	45.6
Wastewater charges	151,355	46.4	139,842	46.3	129,576	45.8	116,980	46.0	112,667	46.3	107,931	45.9	103,020	46.7	98,376	46.9	98,416	47.8	91,350	44.5
Reclaimed water charges	2,966	0.9	2,882	1.0	2,695	1.0	2,406	0.9	2,384	1.0	2,426	1.0	2,200	1.0	2,165	1.0	2,190	1.1	2,039	1.0
Accrued guaranteed revenue fees	4,245	1.3	1,663	0.6	708	0.3	958	0.4	558	0.2	64	--	103	--	283	0.1	2,384	1.2	9,464	4.6
Customer billing charges	12,191	3.7	11,339	3.8	10,499	3.7	9,630	3.8	9,230	3.8	8,862	3.8	8,517	3.9	8,214	4.0	7,435	3.6	7,909	3.9
General operating revenues	538	0.2	547	0.2	729	0.3	1,120	0.4	166	0.3	942	0.4	868	0.4	599	0.3	729	0.3	807	0.4
Charges for services	<u>\$326,215</u>	<u>100.0</u>	<u>302,163</u>	<u>100.2</u>	<u>283,150</u>	<u>100.2</u>	<u>254,306</u>	<u>100.0</u>	<u>243,215</u>	<u>100.0</u>	<u>235,116</u>	<u>100.0</u>	<u>220,724</u>	<u>100.0</u>	<u>209,549</u>	<u>100.0</u>	<u>205,716</u>	<u>100.0</u>	<u>205,197</u>	<u>100.0</u>

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Debt Schedules (Unaudited)
Last ten fiscal years
(amounts in thousands)

Outstanding Debt Compared to Net Position

This schedule shows the System's outstanding debt as a percentage of net position.

	2022	2021	2020	2019	2018	2017	2016*** Restated	2015	2014**	2013
Bonds outstanding	\$ 484,390	493,947	335,590	339,760	342,565	345,305	347,940	142,720	155,720	167,720
Net position	1,634,962	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,337,273	1,297,107	1,253,556	1,209,691
Percentage	58.8 %	60.6 %	43.2 %	45.1 %	48.2 %	50.0 %	51.8 %	21.8 %	23.8 %	26.7 %

**Fiscal year 2014 and prior were not restated for implementation of GASB Statements No. 68 and No. 71

***Restated for GASB Statement No. 75

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
General Operating Statistics (Unaudited)
Last Ten Fiscal years

This schedule shows various general operating statistics.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Capital Assets (amounts are actual)										
Number of water plants	4	4	4	4	4	4	4	4	4	4
Number of wastewater treatment plants	5	5	7	7	7	7	7	7	7	7
Water distribution line miles (estimated)	2,606	2,576	2,484	2,484	2,437	2,414	2,326	2,246	2,246	2,214
Wastewater Transmission line miles (estimated)	2,354	2,328	2,235	2,235	2,199	2,180	2,091	2,019	2,019	2,084
Reclaimed water transmissions line miles (estimated)	394	393	377	377	368	366	--	--	--	--
Number of pump stations (estimated)	863	847	822	822	807	796	775	737	737	721
Staffing										
Number of budgeted positions per 1,000 customers	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	5.1
Average number of customer accounts billed monthly										
Water customers	192,436	182,080	168,038	168,038	161,279	160,358	155,384	153,812	153,812	148,740
Percent change from prior year	5.7 %	8.4 %	0.0 %	4.2 %	0.6 %	3.2 %	1.0 %	0.0 %	3.4 %	0.9 %
Wastewater customers	173,260	172,375	154,753	154,753	153,720	148,408	144,339	142,416	140,040	136,275
Percent change from prior year	0.5 %	11.4 %	0.0 %	0.7 %	3.6 %	2.8 %	1.4 %	1.7 %	2.8 %	0.8 %
Annual use/flows										
Annual water consumption (millions of gallons)	24,505	24,883	20,608	20,608	20,665	20,608	19,062	19,332	17,281	16,646
Annual treated wastewater flows (thousands of gallons)	17,516	15,110	15,110	15,110	15,368	15,110	14,290	13,841	13,573	13,131
Operating costs (amounts in thousands)										
Operating expenses	\$ 318,358	307,163	294,937	276,726	256,818	231,853	226,283	200,738	198,476	188,229
Less: depreciation and amortization	103,614	105,190	89,330	77,102	81,947	67,805	59,875	51,143	51,238	54,986
Less: purchased water	73,355	69,664	68,209	66,298	54,377	53,077	57,221	52,954	52,524	49,279
Net operating costs	\$ 141,389	132,309	137,398	133,326	120,494	110,971	109,187	96,641	94,714	83,964
Number of accounts billed annually	1,920	1,920	1,920	1,920	1,985	1,970	1,920	1,991	1,980	1,752
Monthly operating costs per account (actual)	\$ 74	69	72	69	60	58	57	49	48	48

Sources:

Water Enterprise Fund Annual Audited Financial Reports for Fiscal Years 2012 through 2020.
Water Enterprise Fund Operating Data



Hillsborough
County Florida

**Hillsborough County, Florida
Water Fund**

**Schedule of Findings and Responses
Year Ended September 30, 2022**

II – Financial Statement Finding Section

A. Internal Control Over Financial Reporting

See Finding 2022-001.

B. Compliance and Other Matters

Finding No. 2022-001 – Compliance with Florida Statute 218, *Local Government Prompt Payment Act*

Non-Compliance

Material Weakness

Criteria: Florida Statute 218.47(2) states that the payment due date for a local government entity for the purchase of goods and services other than construction services is 45 days after the date specified in Florida Statute, 218.73. Florida Statute 218.73(1) indicates the calculation to start with the date on which a proper invoice is received by the chief disbursement officer of the local government entity.

Condition: During our audit, we identified purchases of goods and services that were not paid within the time requirements established by Florida Statute 218, *Local Government Prompt Payment Act*.

Context: This condition is specific to cash disbursement testing performed around Hillsborough County's fiscal year end.

Effect: Out of fifteen disbursements tested, six disbursements with questioned costs totaling \$5,849,345 were deemed out of compliance. The noncompliance resulted in vendors not being paid timely and within statute requirements.

Cause: The County's control procedures were not sufficient in order to mitigate the above condition.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend Hillsborough County strengthen the internal control environment surrounding ensuring timely payment in accordance with the Criteria above.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. Due to the implementation of a new accounting software and pandemic/COVID relief efforts during the fiscal year, payments were behind schedule. Additional staff has been hired and appropriate training has been conducted on the new software and the finding will be corrected before the end of the current fiscal year.



SM

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