Hillsborough County Florida

Public Utilities Department

Annual Financial Report

Water Enterprise Fund

For Fiscal Year
September 30, 2018

Hillsborough County Florida

Hillsborough County, Florida

Water Enterprise Fund

Public Utilities Department

Annual Financial Report

For the Fiscal Year Ended September 30, 2018

Prepared by:

County Finance Department
Pat Frank, Clerk of the Circuit Court/Comptroller

WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
PRINCIPAL OFFICIALS
September 30, 2018

Board of County Commissioners
Sandra Murman, Chair
Victor D. Crist, Vice Chairman
Stacy White, Chaplain
Ken Hagan
Al Higginbotham
Pat Kemp
Lesley "Les" Miller, Jr.

Constitutional Officers
Pat Frank, Clerk of Circuit Court/Comptroller
Doug Belden, Tax Collector
Chad Chronister, Sheriff
Craig Latimer, Supervisor of Elections
Bob Henriquez, Property Appraiser

Appointed Officials
Michael S. Merrill, County Administrator
Chip Fletcher, County Attorney
George Cassady, Director, Public Utilities Department

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

REPORT CONTENTS

Hillsborough County Florida

Report of Independent Auditor

Board of County Commissioners
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Hillsborough County, Florida, Water Enterprise Fund (the "System"), an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2018 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Other Information
As discussed in Note 1 to the financial statements, the financial statements referred to above present only the System and do not purport to, and do not, present fairly the financial position of Hillsborough County, Florida as of September 30, 2018, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle
As discussed in Notes 1. N. and 6 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 85, *Omnibus 2017,* during the year ended September 30, 2018. Our opinions are not modified with respect to this matter.

Change in Accounting Principle
As discussed in Notes 1. G. and 5 to the financial statements, the County adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* during the year ended September 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 and the required supplementary information on pages 51-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the statistical section.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tampa, Florida
March 20, 2019

Cherry Bekaert LLP
CPAs & Advisors

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 Hillsborough County, Florida, Water Enterprise Fund (the "System"), an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2018, and have issued our report thereon dated March 20, 2019.

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 2010 and Series 2016, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of any such noncompliance.

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

Cherry Bekaert LLP

Tampa, Florida
March 20, 2019

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

The Hillsborough County Water Enterprise Fund (System) presents the following review of its financial activities for the fiscal years ended September 30, 2018. 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, 2018. All amounts, unless otherwise stated, are presented in thousands of dollars.

Fiscal Year 2018 Financial Summary

- Fiscal year 2018 operating revenues of $243,215 were $8,099 higher than fiscal year 2017 revenues of $235,116. The change was 3.4%.

- The System recognized $59,457 in capital contributions from special assessment revenues, impact fees, grants and developer constructed capital improvements.

The fiscal year 2018 Change in Net Position was $38,947. This was a decrease of $763 or 1.9% lower than fiscal year 2017 Change in Net Position of $39,710. This change was primarily due to increases in operating expenses. The System's Net Position on September 30, 2018, was $1,415,930 compared to $1,376,983 on September 30, 2017.

Management believes the System was compliant with all covenant requirements for the fiscal year ended September 30, 2018.

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.

(Amounts in Thousands)

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 Activities. 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.

Financial Analysis: Condensed Statement of Net Position for 2018 Compared to 2017

To provide financial data for evaluation and comparison, an analysis of the System's Statement of Net Position on September 30, 2018, compared to September 30, 2017, follows:

	2018	2017	Change	Percent Change
Assets				
Current and other assets	$ 655,470	691,732	(36,262)	(5.2%)
Capital assets, net	1,214,856	1,127,337	87,519	7.8%
Total assets	1,870,326	1,819,069	51,257	2.8%
Deferred outflows of resources	21,792	18,496	3,296	17.8%
Liabilities				
Current liabilities	76,649	56,134	20,515	36.5%
Other liabilities	393,965	400,961	(6,996)	(1.7%)
Total liabilities	470,614	457,095	13,519	3.0%
Deferred inflows of resources	5,574	3,487	2,087	59.9%
Net position				
Net investment in capital assets	940,620	931,704	8,916	1.0%
Restricted	115,451	90,916	24,535	27.0%
Unrestricted	359,859	354,363	5,496	1.6%
Total net position	$ 1,415,930	1,376,983	38,947	2.8%

(Amounts in Thousands)

Total net position – Total net position increased $38,947 or 2.8% for the fiscal year ended September 30, 2018, due to various operational factors, but primarily due to $59,457 in capital contributions.

Condensed Statements of Activities

Comparative revenues, expenses, and changes in net position for fiscal years ended September 30, 2018 and 2017 were as follows:

	2018	2017	Change	Percent Change
Revenues:				
Operating revenues	$ 243,215	235,116	8,099	3.4%
Nonoperating revenues	14,325	12,845	1,480	11.5%
Total revenues	257,540	247,961	9,579	3.9%
Expenses:				
Operating expenses, before depreciation	174,871	164,048	10,823	6.6%
Nonoperating expenses (benefit)	21,232	12,812	8,420	65.7%
Depreciation and amortization	81,947	67,805	14,142	20.9%
Total expenses	278,050	244,665	33,385	13.6%
Income (loss) before capital contribution	(20,510)	3,296	(23,806)	(722.3%)
Capital contributions	59,457	36,414	23,043	63.3%
Change in net position	38,947	39,710	(763)	(1.9%)
Net position, beginning of year	1,376,983	1,337,273		
Net position, end of year	$ 1,415,930	1,376,983	38,947	2.8%

Operating revenues - Fiscal year 2018 operating revenues of $243,215 increased $8,099 or 3.4% over fiscal year 2017. **Water, wastewater and reclaimed water charges** increased $8,013 or 3.6% over last year and **customer billing charges** increased $368, or 4.2%, **accrued guaranteed revenue fees** increased by $494 or 771.9% and **general operating revenues** decreased $776, 82.4
% from fiscal year 2017.

Nonoperating revenues - Fiscal year 2018 nonoperating revenues of $14,325 increased $1,480 or 11.5% from fiscal year 2017. Investment earnings increased $1,148 or 12.4% and other miscellaneous revenues increased $332 or 9.2% over fiscal year 2017.

Total operating expenses - Fiscal year 2018 operating expenses before depreciation, of $174,871 increased $10,823 or 6.6% from last year. The increase was related to the following net factors. **Employee services**: increased by $1,335 or 2.4% related to performance management increases. **Contractual services** increased $9,159 or 11.8% from last year related to bulk water purchases, indirect administration costs, wastewater pumping, transport and disposal of liquid bio-solids. **Fleet services** increased $196 or 8.5% from last year. **Repairs and maintenance** increased $2,660 or 25.3% related to increased contracted manhole, lift station and pipe cleaning in the north county reclaimed water transmission lines and south county waste water collection lines. **Utilities** increased $277 or 2.3% from last year. **Supplies** increased $85 or 8.6% over last year. **Other expenses** decreased $141 or 4.5% over last year. **Pension expense** decreased $329 or 13.0% over last year. **OPEB benefit** decreased $2,419 or 3,359.7% from last year.

(Amounts in Thousands)

Nonoperating expenses - Fiscal year 2018 nonoperating expenses of $21,232 increased $8,420 or 65.7% from fiscal year 2017. Interest expense increased $4,967 or 84.0%, loss on asset disposals increased $3,664 or 54.8% and other expenses decreased by $211 or 100.0%

Depreciation and amortization costs: There was a $14,142 or 20.9% increase in annual depreciation costs due to the acquisition of new equipment and improvements other than buildings related to the System's ongoing plant modernization program.

Capital contributions - Fiscal year 2018 capital contributions were $59,457 compared to $36,414 for fiscal year 2017. The comparative $23,043 or 63.3% increase in capital contributions was due to an $8,887 or 50.5% increase in developer contributions, a $2,597 or 48.0% increase in impact fee collections and $11,559 or 86.2% increase in special assessment contributions. Comparative fiscal year 2018 and 2017 capital contributions were as follows:

		2018	2017
Contributed capital assets	$	26,477	17,590
Impact fees collections		8,010	5,413
Special assessment contributions		24,970	13,411
Total capital contributions	$	59,457	36,414

Capital Asset Activities

On September 30, 2018, capital assets, net of accumulated depreciation, were $1,214,856 compared to $1,127,337 for fiscal year 2017. The $87,519 or 7.8% increase over last year was related to the following net factors. First, $139,520 was expended on capital outlay for buildings, equipment, intangible assets, equipment and improvements other than buildings. Second, the System received contributed assets of $26,477 from developers. Third, these capital asset additions were offset by the depreciation and amortization expense of $81,701 and net asset disposal loss of $10,354. Lastly, the 2003 acquisitions of the FSW Utility and FGUA Carrollwood Utility assets were recorded to deferred outflows of resources. See Note 5 in the accompanying financial statement notes for additional information on fiscal year 2018 capital asset activities.

Debt Administration

On September 30, 2018, outstanding bonds payable were $353,310 compared to $356,638 for fiscal year 2017. The $3,328 or 0.9 % decrease from last year was due to a $2,740 Utility Revenue Bonds, Series 2010A, principal payment, a decrease in amortized bond issuance premiums and discounts of $588.

Requests for 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 year ended September 30, 2018. Additional information concerning System operations and the services provided to Hillsborough County residents may be obtained from:

Hillsborough County Public Utilities Department
Attention: Director
P. O. Box 1110
Tampa, FL 33601-1110

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018
(Amounts in Thousands)

	September 30, 2018
ASSETS	
Current assets:	
Cash and cash equivalents	$ 22,926
Investments	219,904
Accounts receivable, net	21,878
Other receivables, current portion	1,271
Interest receivable	929
Due from other governments	17
Inventories	3,541
Prepaid items	1,577
Total current assets	**272,043**
Restricted current assets:	
Cash and cash equivalents	20,829
Investments	199,785
Accounts receivable	4
Other receivables, current portion	6,495
Interest receivable	844
Due from other governments	1,736
Total restricted current assets	**229,693**
Total current assets	**501,736**
Capital assets, net of accumulated depreciation and amortization:	
Land	29,242
Buildings and utility plants	210,996
Improvements other than buildings	706,860
Equipment	11,512
Intangibles	1,071
Construction in progress	255,175
Total capital assets, net	**1,214,856**
Other assets:	
Other receivables	153,734
Total other assets	**153,734**
Total capital assets, net, and other assets	**1,368,590**
Total assets	**1,870,326**
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	15,147
Purchase price in excess of book value	6,645
Total deferred outflows of resources	**$ 21,792**

	September 30, 2018
LIABILITIES	
Current liabilities:	
Accounts and contracts payable	$ 18,895
Accrued payroll	2,143
Unearned revenues	1,675
Compensated absences, current portion	3,161
Revenue bonds payable, current maturities	2,805
Total current liabilities	**28,679**
Current liabilities payable from restricted assets:	
Accounts and contracts payable	29,857
Accrued interest	2,552
Unearned revenues	52
Deposits	15,509
Total current liabilities payable from restricted assets	**47,970**
Total current liabilities	**76,649**
Other liabilities:	
Revenue bonds payable, net, less current maturities	350,505
Net pension liability	40,452
Net OPEB liability	3,008
Total other liabilities	**393,965**
Total liabilities	**470,614**
DEFERRED INFLOWS OF RESOURCES	
Pensions	5,337
OPEB	237
Total deferred inflows of resources	**5,574**
NET POSITION	
Net investment in capital assets	940,620
Restricted for:	
Bond covenants-renewal and replacement	43,443
Debt service	71,178
Grants and similar projects	830
Unrestricted	359,859
Total net position	**$ 1,415,930**

The accompanying notes are an integral part of this statement.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

	Year Ended September 30, 2018
Operating revenues:	
Charges for services	**$ 243,215**
Operating expenses:	
Employee services	56,438
Contractual services	86,528
Fleet services	2,511
Repairs and maintenance	13,166
Utilities	12,438
Supplies	1,071
Depreciation and amortization	81,947
Other	3,017
Pension expense	2,193
OPEB benefit	(2,491)
Total operating expenses	**256,818**
Operating loss	**(13,603)**
Nonoperating revenues (expenses):	
Investment earnings	10,376
Interest expense	(10,878)
Asset disposal loss	(10,354)
Other revenues	3,949
Total nonoperating revenues (expenses), net	**(6,907)**
Loss before capital contributions	**(20,510)**
Capital contributions	59,457
Change in net position	**38,947**
Net position, beginning of year	**1,376,983**
Net position, end of year	**$ 1,415,930**

The accompanying notes are an integral part of this statement.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

Cash flows from operating activities:		
Cash received from customers	$	242,496
Cash payments to suppliers for goods and services		(118,317)
Cash payments for employee services		(56,434)
Cash received from other operating sources		3,591
Net cash provided by operating activities		**71,336**
Cash flows from capital and related financing activities:		
Capital contributions		15,128
Capital outlay		(139,598)
Revenue bonds principal maturity payments		(2,740)
Revenue bonds interest payments		(11,528)
Proceeds from surplus capital asset sales		245
Net cash used for capital and related financing activities		**(138,493)**
Cash flows from investing activities:		
Investment maturity and sale proceeds		260,980
Investment purchases		(230,582)
Investment earnings		10,906
Net cash provided by investing activities		**41,304**
Change in cash and cash equivalents		**(25,853)**
Cash and cash equivalents, beginning of year		**69,608**
Cash and cash equivalents, end of year		**43,755**
Cash and cash equivalent components:		
Cash and cash equivalents		22,926
Restricted cash and cash equivalents		20,829
Total cash and cash equivalents	**$**	**43,755**

The accompanying notes are an integral part of this statement.

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

Operating loss	**$ (13,603)**
Depreciation and amortization	81,947
Other revenues	3,591
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(770)
(Increase) decrease in due from other governments	(12)
(Increase) decrease in inventories	(499)
(Increase) decrease in other prepaid charges	(139)
(Increase) decrease in deferred outflows	1,193
Increase (decrease) in accounts and contracts payable	1,053
Increase (decrease) in accrued and other liabilities	87
Increase (decrease) in unearned revenues	(556)
Increase (decrease) in compensated absences	(83)
Increase (decrease) in pension liabilities	(956)
Increase (decrease) in OPEB liabilities	(2,622)
Increase (decrease) in deposits	619
Increase (decrease) in deferred inflows	2,086
Total adjustments	**84,939**
Net cash provided by operating activities	**$ 71,336**
Noncash investing, capital, and financing activities:	
Contributed capital assets	$ 44,329
Amortization of bond discounts/premiums	588
Net book value of disposed assets	(10,599)

The accompanying notes are an integral part of this statement.

(1) Significant Accounting Policies Summary

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, Comprehensive Annual Financial Report.

(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, or where the governing body has decided that the determination of net income and capital maintenance is appropriate.

(C) Accounting Basis

The accrual accounting basis 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.

(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) Allowance for Doubtful Accounts

The System utilizes the allowance method for recognizing bad debt expense and for recording bad debt recoveries. During fiscal year 2018, the System's allowance for doubtful accounts was $224.

(F) Inventories and Prepaid Items

Inventories are valued at 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.

(G) Capital Assets

The System records capital asset additions, other than intangibles, with an original cost of at least one 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. Subsequent customer reimbursements are recorded as an offset to 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.

(Amounts in Thousands)

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

Capital asset categories	Estimated useful life (in years)
Buildings and utility plants	5 – 50
Improvements other than buildings	10 – 35
Equipment	1 – 10
Intangible	2 – 30

Effective October 1, 2017, the Fund early implemented GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* which changed the way interest costs on construction work in progress are reported. Interest costs are now expensed as opposed to being included as part of the underlying asset.

(H) 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 installment method over the life of the debt issue. For fiscal year 2018, reductions of unamortized bond premiums and discounts amortized to interest expense were $588.

(I) Compensated Absences Obligation

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 Hillsborough County Civil Service Rules, 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. 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.

(J) Operating and Nonoperating Revenues and Expenses

The System reports its operating revenues and expenses separately from its nonoperating revenues and expenses. Operating revenues are earned from the principal activities of providing potable water and the treatment and environmentally safe disposal of wastewater. Operating expenses include employee salaries and benefits, contractual costs, plant operating and maintenance costs, and capital asset depreciation. Nonoperating revenues and expenses are those transactions unrelated to the System's principal activities, such as investment earnings and long-term debt interest charges.

(K) 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 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 per person and $300 per occurrence. Negligence claims in excess of the statutory limits can only be recovered through a special state of Florida legislative act.

For fiscal year 2018, settled claims did not exceed insurance coverage. During fiscal year 2018, the System paid premiums of $2,830 to the BOCC Self-Insurance Internal Service Fund for workers' compensation, automotive, general liability, and property insurance coverage.

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 per person annually. Stop-loss insurance was purchased to cover an unlimited lifetime amount per person above the $550 per person deductible. During fiscal year 2018, the System paid $7,875 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.

(L) 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 12, *Employee Retirement Plans*, for more information.

(M) 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 and to special risk retired employees from ages 55 to 65. This monthly stipend is $5 for each year of service up to a maximum benefit of $150 per month for all other 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. The County follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 9, *Other Postemployment Benefits (OPEB)*, for more information.

(N) Deferred Outflows of Resources and Deferred Inflows of Resources

The System follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

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 and purchase price in excess of book value that qualify as deferred outflows of resources. These items totaled $21,792 at September 30, 2018. See Note 11, *Employee Retirement Plans*, for more information. During fiscal year 2018, the System recorded deferred outflows of resources in the amount of $6,645 for the purchase price in excess of book value of acquired private water/wastewater utility systems. For fiscal year 2018, the purchase price in excess of book value of $311 was amortized to operating expense and included in "depreciation and amortization."

During fiscal year 2018, the System implemented GASB Statement No. 85, *Omnibus 2017*, which allowed the System to report all net "purchase price in excess of book value" present prior to the implementation of GASB Statement No. 69 as deferred outflows of resources. As a result of GASB Statement No. 85, "purchase price in excess of book value" and the associated "accumulated depreciation—purchase price in excess of book value," which had values of $10,155,000 and $4,746,000 at October 1, 2017, respectively, were reclassified from intangible capital assets to deferred outflows of resources in the Statement of Net Position. For more information, see Note 5, *Capital Asset Changes* and Note 6, *Reporting Purchase Price in Excess of Book Value*. The other provisions of GASB Statement No. 85 had no effect on the System.

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 ($5,337) and ($237), respectively, at September 30, 2018. See Note 12, *Employee Retirement Plans*, for more information and Note 9, *Other Post Employment Benefits (OPEB)*.

(O) Use of Restricted Versus Unrestricted Net Position

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.

(P) Subsequent Events

The System has evaluated subsequent events through March 20, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available for publication.

(Amounts in Thousands)

(2) Cash Deposits and Investments

(A) Deposits

On September 30, 2018, total cash deposits were $7,362 and total bank balances were $11,312. 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.

Bond investments are shown in Level 2 because the price of similar bonds would be a Level 2 input. Bond investments are valued monthly with a pricing service that uses matrix pricing. 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.

System cash, cash equivalents, and investments on September 30, 2018 were as follows:

Description	Fair Value Level	Duration (Years)	Credit Ratings (a)	2018
U. S. treasury securities	2	1.2	AA+/A-1+	$ 308,356
Federal agency securities	2	1.1	AA+/A-1+	74,457
Corporate notes	2	1.2	AA+/AA/AAA	20,304
Municipal bonds	2	2.4	AA	1,316
Commercial paper notes	2	0.0	A-1/A-1+	15,256
Total investments				419,689
Open-ended money market funds	-	0.1	AAA	598
Florida PRIME	-	0.2	AAAm	35,795
Total cash equivalents and investments				456,082
Cash deposits				7,362
Total cash, cash equivalents and investments				$ 463,444

(a) Standard & Poor's long-term and short-term ratings

(Amounts in Thousands)

Reconciliation of total cash, cash equivalents, and investment components to amounts reported on the Statement of Net Position follows:

		2018
Cash and cash equivalents:	Current	$ 22,926
	Restricted	20,829
	Total cash and cash equivalents	43,755
Investments:	Current	219,904
	Restricted	199,785
	Total investments	419,689
	Total cash, cash equivalents, and investments	$ 463,444

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 1.05. 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 of the System's investments are insured or registered, or held by the BOCC or its agent in the BOCC's name. On September 30, 2018, there was no amount held by counterparties. Excluding the United States government, its agencies or instrumentalities, and mutual funds or investment pools that invest in such securities, no one issuer represents five percent or more of the BOCC's total investments.

(C) SBA's Florida PRIME

The 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, but the County's position in Florida PRIME is considered to be equivalent to fair value. Florida PRIME has a constant net asset value of one dollar and penny rounding.

Florida PRIME currently does not have withdrawal limits or redemption notice periods. With regard to redemption gates, Chapter 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, 2018, 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.

(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 US government.

c. Obligations of US government agencies such as the Government National Mortgage Association.

d. Obligations of US 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. US Securities and Exchange Commission registered 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 companies or investment trusts registered under the Investment Company Act of 1940 as amended, provided the portfolio is limited to obligations of the US government or its agencies and instrumentalities, and to repurchase agreements fully collateralized by such investments, provided the investment company or investment trust takes delivery of the 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, Hillsborough County Ordinance 08-6 restricts BOCC investments as follows:

a. The entire portfolio may be invested in US Treasury securities with a maximum maturity length of 10 years, but investments in Treasury strips are limited to 10% of the portfolio.

b. A maximum of 50% of the portfolio may be invested in the state of Florida's Local Government Investment Pool, known as Florida PRIME.

c. A maximum of 50% of the portfolio may be invested in US government agency securities, with no more than 10% of the portfolio in any individual US government agency.

d. A maximum of 60% of the portfolio may be invested in obligations of US 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.

e. 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.

f. A maximum of 20% of the portfolio may be invested in nonnegotiable interest-bearing time certificates of 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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).

l. 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.

m. Reverse repurchase agreements and securities lending transactions are not permitted.

n. 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.

(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.

(Amounts in Thousands)

The September 30, 2018 accounts receivable and other receivables components were as follows:

Customer receivables:	2018
Customer receivables–billed	$ 11,875
Customer receivables–unbilled	10,227
Other receivables-current	1,271
Total customer receivables	23,373
Less allowance for doubtful accounts	(224)
Net customer receivables	23,149
Restricted receivables:	
Customer impact fee receivables	4
Other receivables (impact fee	6,495
Total current account receivables	29,648
Other accounts receivable, less current portion:	
Impact fees	163
Special assessment units	146,501
Tampa Bay Water	8,827
TBW unamortized asset sale gain	(1,757)
Total other receivables	153,734
Total accounts receivable, net and other receivables	$ 183,382

(4) Due From Other Governments

Due from other governments represents unrestricted special assessments 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, 2018, current and restricted amounts due from other governments were $1,753.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
FINANCIAL STATEMENT NOTES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

(5) Capital Asset Changes

System capital asset changes for the fiscal year ended September 30, 2018 were as follows:

	Balance 10/1/17	Increases	Decreases	Balance 9/30/2018
Capital assets, non-depreciable:				
Land	$ 29,237	5	-	29,242
Construction work in progress	237,121	147,976	(129,922)	255,175
Total non-depreciable capital assets	266,358	147,981	(129,922)	284,417
Capital assets, depreciable:				
Buildings and utility plants	522,014	12,442	(13,441)	521,015
Improvements other than buildings	1,360,210	150,187	-	1,510,397
Equipment	28,067	4,095	(1,261)	30,901
Intangible Assets - Goodwill*	10,155	-	(10,155)	-
Intangible Assets - Software	1,376	260	-	1,636
Total depreciable capital assets	1,921,822	166,984	(24,857)	2,063,949
Accumulated depreciation:				
Buildings and utility plants	(287,282)	(25,675)	2,938	(310,019)
Improvements other than buildings	(751,041)	(52,496)	-	(803,537)
Equipment	(17,513)	(3,122)	1,246	(19,389)
Intangible Assets - Goodwill*	(4,746)	(39)	4,785	-
Intangible Assets - Software	(261)	(304)	-	(565)
Total accumulated depreciation	(1,060,843)	(81,636)	8,969	(1,133,510)
Total depreciated capital assets, net	860,979	85,348	(15,888)	930,439
Total capital assets, net	$ 1,127,337	233,329	(145,810)	1,214,856

**Intangible assets include easements and software. "Purchase price in excess of book value" (formerly known as goodwill) in both "intangibles" and "accumulated depreciation--intangibles" were reclassified to "purchase price in excess of goodwill" in "deferred outflows of resources" during fiscal year 2018. See Note 1.N, Deferred Outflows of Resources and Deferred Inflows of Resources, for more information.*

(Amounts in Thousands)

During fiscal year 2018, substantially completed construction projects of $129,922 were transferred from construction work in progress to buildings and building improvements. The System's construction work in progress related to the expansion of the water and wastewater system to accommodate customer growth and to rehabilitate existing facilities. Projects include installation of new water and sewer lines, reclaimed water distribution facilities, and water and wastewater treatment plant construction and modernization.

GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of Construction Period,* was early implemented effective October 1, 2017 on a prospective basis. As a result no interest is capitalized starting with fiscal year 2018.

(6) Reporting Purchase Price in Excess of Book Value

On March 17, 2015, Hillsborough County Water Enterprise Fund acquired the operations of the Pluris Eastlake and Pluris PCU, a privately owned water/wastewater utility system, in exchange for $14,100. The County operated and maintained the water and wastewater enterprise for public use and accounted for its operations in the enterprise fund. The acquisition included all the assets of Pluris Eastlake and Pluris PCU, consisting of inventories, land, buildings, equipment, improvements and customer deposit liabilities. During fiscal year 2018, the City of Tampa connected the E Pluris PCU to its water/wastewater system and the System disposed of the assets and goodwill associated with the E Pluris PCU.

On August 24, 2015, Hillsborough County Public Utilities Water Enterprise Fund acquired the operations of the Hillsborough County Waterworks, Inc., a privately owned water/wastewater utility system, in exchange for $230. The County will operate and maintain the water and wastewater enterprise for public use and account for its operations in the enterprise fund. The acquisition included all the assets of Hillsborough Waterworks, Inc., which consisted of improvements other than buildings.

At the end of fiscal year 2018, the System recorded deferred outflows of resources – price paid in excess of book value of $6,645, of which $311 was amortized to operating expense and included in "depreciation and amortization." Also, as required by GASB Statement 85, the 2003 acquisitions of FSW Utility and the FGUA Carrollwood Utility assets were recorded to deferred outflows or resources.

	Balance 10/01/2017	Increases	Decreases	Balance 09/30/2018
Deferred outflow – price paid in excess of book value	$ 2,155	5,273	783	6,645

(Amounts in Thousands)

(7) Current Liabilities

(A) Accounts Payable

Accounts and contracts payable balances on September 30, 2018 were as follows:

	2018
Vouchers payable	$ 32,680
Contracts payable	16,072
Total Accounts and contracts payable	$ 48,752

(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, 2018, unearned AGRF restricted and unrestricted deposits were $1,727.

(8) Other Liabilities

(A) Revenue Bonds

On November 16, 2010, the System issued $150,000 in capital expansion and improvement bonds as follows:

$18,035 Tax Exempt Utility Revenue Bonds, Series 2010A. The interest rate is 2.05% with interest payable semiannually. On both September 30, 2018, the unpaid Series 2010A Bonds principal, (including current maturities of $2,805) was $2,805. The bonds mature on August 1, 2019.

$110,265 Utility Revenue Bonds, Federally Taxable-Build America Bonds-Direct Payment-35% interest subsidy, Series 2010B, serial and term bonds. The net interest rate, after deducting the 35% interest subsidy, is 3.43% with interest payable semiannually. On both September 30, 2018, the unpaid Series 2010B Bonds principal was $110,265. The serial bonds mature on August 1, 2030 and the term bonds mature on August 1, 2037.

$21,700 Utility Revenue Bond, Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment-45% interest subsidy, Series 2010C term bond. The net interest rate, after deducting the 45%

interest subsidy, is 3.22% with interest payable semiannually. On September 30, 2018, the unpaid Series 2010C Bonds principal was $21,700. The term bond matures on August 1, 2040.

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

$207,795 Tax Exempt Utility Revenue Bonds, Series 2016. The interest rate is 2.83% with interest payable semiannually. On September 30, 2018, the unpaid Series 2016 Bonds principal, including current maturities of $0 was $207,795. The bonds mature on August 1, 2046.

(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.

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.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
FINANCIAL STATEMENT NOTES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

A summary of the outstanding bonds debt service requirements, including current maturities of $2,805, follows:

Fiscal Year ending September 30,	Principal	Interest	Subsidy	Total
2019	$ 2,805	13,776	(2,544)	14,037
2020	7,870	13,692	(2,544)	19,018
2021	8,035	13,464	(2,481)	19,018
2022	8,325	13,108	(2,413)	19,020
2023	8,625	12,731	(2,341)	19,015
2024-2028	48,255	57,251	(10,420)	95,086
2029-2033	57,155	45,668	(7,736)	95,087
2034-2038	68,050	31,341	(4,363)	95,028
2039-2043	79,650	16,013	(590)	95,073
2044-2048	53,795	3,261	-	57,056
Total Principal & Interest	342,565	220,305	(35,432)	527,438
Add unamortized bond issue premium	11,118			
Less unamortized bond issue discount	(373)			
Revenue bonds payable, net	353,310			
Deduct current maturities	(2,805)			
Other revenue bonds payable, net	$ 350,505			

(D) Compensated Absences Obligation

GAAP requires recording a liability for unpaid compensated absences. On September 30, 2018, the compensated absences liability was $3,161, of which $3,161 was a current liability.

(Amounts in Thousands)

(E) Total Long-Term Liability Changes

The System's total other liability changes for the fiscal years ended September 30, 2018 is as follows:

Fiscal Year 2018	Balance 10/01/2017	Additions	Reductions	Balance 09/30/2018	Due Within one year
2010 bonds	$ 137,510	-	2,740	134,770	2,805
2016 bonds	207,795	-	-	207,795	-
Unamortized bond issuance premiums	11,742	-	624	11,118	-
Unamortized bond issuance discounts	(409)	-	36	(373)	-
Compensated absences	3,244	3,143	3,226	3,161	3,161
Net pension liability	41,408		956	40,452	-
Net OPEB liability	5,630	-	2,622	3,008	-
Total other liabilities	$ 406,920	3,143	10,204	399,931	5,966

(9) – Other Postemployment Benefits (OPEB)

The County has a single-employer defined benefit OPEB plan. Some non-County employers participate in the County OPEB plan, but in the sense of purchasing an insured benefit. Their participation is immaterial individually and in total. These non-County employers are the Arts Council, Port Authority, Tampa Sports Authority, Children's Board and Expressway Authority and they represent less than 5% of total assessments for the County's 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 the future benefits over their working careers.

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 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 and to special risk retirees from ages 55 to 65. This monthly stipend is $8 for each year of service up to a maximum benefit of $240 per month for Sheriff's employees or $5 per month for each year of service up to a maximum benefit of $150 per month for all other employees. 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, 2018, the OPEB Plan covered approximately 5,455 active employees, consisting of those currently eligible and those not yet fully eligible, as well as 965 retirees or other inactive employees.

Net OPEB Liability

Actuarial Method and Assumptions - The net OPEB liability was actuarially determined based on several actuarial assumptions. September 30, 2018 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, 2018 OPEB Plan valuation were based on the results of an actuarial experience study for the period from October 1, 2017 through September 30, 2018.

The entry age normal actuarial cost method was used in the September 30, 2018 actuarial valuation. Other actuarial assumptions included an inflation rate of 2.5% and a discount rate of 4.18%. In addition, the initial annual healthcare cost trend rate assumptions were 6.5% (6.5% post-Medicare) grading down to ultimate rates of 4.5% for the BOCC. In addition, the average age of active participants was 46.0 years and the average age of inactive participants was 61.0 years. Mortality rates were based on the RP-2014 generation table scaled using MP-2017 and applied on a gender-specific basis.

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 net OPEB liability, as well as what the System’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.18%) or 1 percentage-point higher (5.18%) than the current discount rate. The second chart below presents the System's net OPEB liability, as well as what the System’s net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower (5.5%) or 1 percentage-point higher (7.5%) than the current healthcare trend rate.

(Amounts in Thousands)

Sensitivity of Net OPEB Liability to Changes in Discount Rate			Sensitivity of Net OPEB Liability to Changes in Healthcare Trend Rate		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Healthcare Trend Rate	1% Increase
3.18%	4.18%	5.18%	5.50%	6.50%	7.50%
$ 3,255	3,008	2,715	2,874	3,008	3,378

The healthcare trend rate of 6.5% is an initial rate. The net OPEB liability shown on the preceding chart, however, is based on the following healthcare trend rates. Approximately 6.5% grading down 1% per year to ultimate rates of 4.5% for the BOCC.

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

	OPEB Plan
Total OPEB liability	$ 3,008
Plan fiduciary net position	--
Net OPEB liability	$ 3,008
Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered payroll (active plan members)	$ 39,029
Net OPEB liability as a percentage of covered payroll	7.71%

OPEB Liabilities - At September 30, 2018, the System reported net OPEB liabilities of $3,008. The net OPEB liability was measured as of September 30, 2018. The components of the System's total OPEB liability at September 30, 2018 were as follows:

If cash and investments were placed in an irrevocable trust for OPEB, then the cash and investments would be subtracted to determine the "net OPEB liability." The County has set aside $17.415 million in the Self-Insurance Internal Service Fund for OPEB. Fair value was used to value the cash and investments set aside. This $17.415 million represents 65.94% of the County's net OPEB liability at September 30, 2018. However, since an irrevocable trust was not established, none of this $17.415 million in cash and investment is considered to be "plan fiduciary net position." Therefore "total OPEB liability" equals "net OPEB liability." However, net OPEB liability is reported in the accompanying financial statements of net position because OPEB benefit payments are considered employer contributions as shown on the following table.

(Amounts in Thousands)

The change in the net OPEB liability during fiscal year 2018 as well as the beginning and ending net OPEB liability is shown below.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at October 1, 2017	$ 5,630	-	5,630
Changes for the fiscal year:			
Service cost	44	-	44
Interest	134	-	134
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions and other inputs	(2,438)	-	(2,438)
Contributions-employer	-	(362)	(362)
Benefit payments	(362)	362	-
Net changes	(2,622)	-	(2,622)
Balance at September 30, 2018	$ 3,008	-	3,008

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 net 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. The discount rate was increased from 3.6% to 4.18%.

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 money each year for OPEB. Total assessments were $255 for fiscal year 2018. The status of the plan as of September 30, 2018, was as follows:

OPEB (Benefit) Expense - For the fiscal year ended September 30, 2018, the System recognized OPEB expense (benefit) of ($2,491). Changes in net OPEB liability are recognized in OPEB expense during the fiscal year except for as indicated in the section on Deferred Outflows/Inflows of Resources.

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 2018, 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:

(a) 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.
(b) 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.
(c) Differences between expected and actual earnings on OPEB plan investments are amortized over five years.

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

	OPEB Plan	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Changes in assumptions	$ -	(237)
Total	$ -	(237)

(Amounts in Thousands)

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:

Fiscal Year Ending September 30	OPEB Expense (Benefit)
2019	$ (21)
2020	(21)
2021	(21)
2022	(21)
2023	(21)
Thereafter	(132)

The System funds did not have any interfund payables to the Self-Insurance Fund's OPEB Plan at September 30, 2018.

(10) Capital Contributions

Capital contributions for fiscal years 2018 was as follows:

	2018
Contributed capital assets	26,477
Impact fee collections and capital grants	8,010
Special Assessment contributions	24,970
Total capital contributions	$ 59,457

(11) Restricted Components of Net Position

Under GAAP restricted components of net position are either: (a) restricted externally by constraints imposed by creditors through bond covenants, grant agreements and laws, or (b) restricted by enabling legislation to the sole purpose specified by that legislation. The restricted net position for the fiscal year ended September 30, 2018 was $115,451.

(12) 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 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.

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

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. Special Risk Class and Special Risk Administrative Support Class members such as sworn law enforcement officers, firefighters, and correctional officers who retire at or after age 55 with 6 years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life equal to 3.0% of their final average compensation for each year of credited service.

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. Special risk class employees such as sworn law enforcement officers, firefighters, and correctional officers who retire at or after age 60 with 8 years of credited service, or with 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life.

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.

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, 2018, 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, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular—7.92% and 8.26%; Special Risk Administrative Support—34.63% and 34.98%; Special Risk—23.27% and 24.50%; Senior Management Service—22.71% and 24.06%; Elected Officers—45.50% and 48.70%; and DROP participants—13.26% and 14.03%. These employer contribution rates include 1.66% and 1.66% HIS Program subsidies.

- HIS Program

  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, 2017 through September 30, 2018 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 period of October 1, 2017 through September 30, 2018. 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.

  Total System contributions, to the FRS Pension Plan were $2,366 for the fiscal year ended September 30, 2018. The System’s contributions to the HIS Program were $648.

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

Pension Liabilities - At September 30, 2018, the System reported net pension liabilities of $28,189 and $12,263, 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The System's proportionate share of the net pension liability was based on the System's contributions as a percentage of all contributions from participating members for the state of Florida fiscal year ended June 30, 2018. At June 30, 2018, the System's proportionate shares for the FRS Pension Plan and HIS Program were 0.093% and 0.118%, respectively, which were 0.002 and 0.002 percentage points lower than the respective proportionate shares measured as of June 30, 2017. The components of the System's net pension liabilities at September 30, 2018 were as follows:

Pension Liabilities: (amounts in thousands)		**FRS Pension Plan**	**HIS Program**	**Total**
Total pension liability	$	179,047	12,533	191,580
Plan fiduciary net position		(150,858)	(270)	(151,128)
Net pension liability	$	28,189	12,263	40,452
Plan fiduciary net position as a percentage of total pension liability		84.26%	2.15%	78.89%

"Plan fiduciary net position" represents cash and investment assets held to pay pension liabilities as they mature. "Net pension liability" represents the equity in the applicable pension plan. "Plan fiduciary net position" represents the portion of the total pension liability that is funded by cash and investments. 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 Comprehensive Annual Financial Report*. To obtain this report, see the second paragraph of Note 12.

Pension Expense - For the fiscal year ended September 30, 2018, the System recognized pension expense of $1,886 and $307 for the Pension Plan and HIS Program, respectively.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
FINANCIAL STATEMENT NOTES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

Deferred Outflows/Inflows of Resources – For the fiscal year ended September 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS Pension Plan		HIS Program	
Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 2,365	(91)	186	(21)
Changes in assumptions	9,121	-	1,353	(1,315)
Net difference between projected and actual earnings on plan investments		(2,285)	7	-
Changes in proportion and differences between County contributions and proportionate share of contributions	- 793	(1,213)	452	(412)
County contributions subsequent to the measurement date	713	not applic.	157	not applic.
	$ 12,992	(3,589)	2,155	(1,748)

The deferred outflows of resources totaling $713 and $157 resulting from System's contributions to the Pension Plan and HIS Program, respectively, which were subsequent to the June 30, 2018 measurement date, are recognized as a reduction of pension liability in the fiscal year ending September 30, 2018.

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
2019	$ 3,470	207
2020	2,368	206
2021	330	145
2022	1,577	32
2023	1,054	(201)
Thereafter	157	(92)
	$ 8,955	296

(Amounts in Thousands)

Actuarial Assumptions – The total pension liabilities for the FRS Pension Plan and HIS Program in the June 30, 2018 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate of 2.60%

Average rate of salary increases of 3.25%, including inflation

Investment rate of return, net of pension plan investment expense of 7.00%, including inflation for FRS Pension Plan

A municipal bond rate of 3.87% was used as the investment rate of return, including inflation for the HIS Program

Average expected remaining service life of employees provided with FRS Pension Plan at June 30, 2018 was 6.4 years

Average expected remaining service life of employees provided with HIS Program at June 30, 2018 was 7.2 years

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables

The actuarial assumptions used in the July 1, 2018, FRS Pension Plan valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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 2.6% was assumed along with a standard deviation of 1.9%.

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:

Asset Class	Target Allocation	Annual Arithmetic Return	Standard Deviation
Cash	1%	2.90%	1.80%
Fixed income	18%	4.40%	4.00%
Global equity	54%	7.60%	17.00%
Real estate (property)	11%	6.60%	11.30%
Private equity	10%	10.70%	26.50%
Strategic investments	6%	6.00%	8.60%

(Amounts in Thousands)

Discount Rates

The FRS Pension Plan discount rate used to measure the total pension liability was 7.00%. 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 3.87%. 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 show 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 6.0%, 7.0% or 8.0% as well as the net pension liability of the HIS Program if its discount rates were 2.87%, 3.87% or 4.87%.

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, 2018.

Proportionate Share of FRS Net Pension Plan Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
6.00%	7.00%	8.00%
$ 51,446	28,189	8,873

Proportionate Share of HIS Net Pension Plan Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
2.87%	3.87%	4.87%
13,967	12,263	10,843

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 Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the 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 FRS 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 his or her 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, 2018, 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 $280 for fiscal year 2018.

(13) Outstanding Purchase Orders and Contracts

At September 30, 2018, construction or capital improvement commitments measured by purchase orders and contracts outstanding were $105,281.

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, renovation, initial fixtures and equipment, and administration. The Capital Improvement Program does not identify all project costs. It only identifies what will probably be appropriated during the period. Total capital costs will be greater. The Capital Improvement Program for fiscal years 2019 through 2023 incorporates projects with a total cost of $107,848.

(14) 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 and $18,818, respectively. With respect to Tampa Bay Water's $19,326 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, 2018, including current maturities of $722, was $9,549.

This transaction resulted in a $12,926 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, 2018 was $1,757. For fiscal years 2018, the gain amortized to other nonoperating revenues was $359.

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 2018 operating costs and debt service requirements. Tampa Bay Water's audited financial statements for the fiscal year ended September 30, 2018 may be obtained from:

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

(15) Contingent Liabilities

(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.

(16) Non-Commitment Special Assessment Debt

The following non-commitment special assessment debt obligation is not recorded in the System's financial statements, since the System is not, and has not been, legally obligated to repay the bonds.

On September 4, 2015 the BOCC issued $42,835 in Capacity Assessment Special Assessment Revenue Note, Series 2015, to refinance the Capacity Assessment Special Assessment Revenue Bonds, Series 2006, with a fixed interest rate of 1.67%. Interest is payable semiannually to Wells Fargo Municipal Capital Strategies, LLC. $8,895 of the debt service reserve and $7,219 of excess fund equity were used to refinance the Series 2006 Bonds and pay note issuance costs of $116. To secure repayment of the note, the System irrevocably pledged the related special assessment collections of approximately $10,000 annually to Wells Fargo Municipal Capital Strategies, LLC. This refinance resulted in a savings of $25,308 in debt service costs over the remaining 10 years of the outstanding Series 2006 bonds. On September 30, 2018, the Capacity Assessment Special Refunding Revenue Note, Series 2015, outstanding balance was $17,860.

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
Last Five Fiscal Years
(Amounts in Thousands)

FRS Pension Plan

Amounts in thousands

	2018	2017	2016	2015	2014
System's proportion of net pension liability	0.093%	0.095%	0.095%	0.099%	0.101%
System's proportionate share of net pension liability	$ 28,189	28,722	24,360	11,799	5,718
System's covered payroll	39,029	38,151	36,709	35,455	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	72.23%	75.29%	66.36%	33.28%	16.36%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

Health Insurance Subsidy Program

Amounts in thousands

	2018	2017	2016	2015	2014
System's proportion of net pension liability	0.118%	0.120%	0.115%	0.114%	0.114%
System's proportionate share of net pension liability	$ 12,263	12,686	13,583	11,639	10,677
System's covered payroll	39,029	38,151	36,709	35,455	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	31.42%	33.73%	37.00%	32.83%	30.55%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

Data was unavailable prior to FY 2014.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
Schedule of Contributions - Florida Retirement System Pension Plan and Health Insurance Subsidy
Last Five Fiscal Years
(Amounts in Thousands)
`

FLORIDA RETIREMENT SYSTEM

	2018	2017	2016	2015	2014
Contractually required contributions	$ 1,530	2,421	2,620	2,175	2,005
Contributions in relation to the contractually required contributions	1,530	2,421	2,620	2,175	2,005
Contributions deficiency (excess)	$ -	-	-	-	-
System's covered payroll	$ 39,029	38,151	36,709	35,455	34,953
Contributions as a percentage of covered payroll	3.92%	6.35%	3.86%	6.13%	5.74%

HEALTH INSURANCE SUBSIDY PROGRAM

	2018	2017	2016	2015	2014
Contractually required contributions	$ 2,661	277	253	335	300
Contributions in relation to the contractually required contributions	2,661	277	253	335	300
Contributions deficiency (excess)	$ -	-	-	-	-
System's covered payroll	$ 39,029	$ 38,151	36,709	35,455	34,953
Contributions as a percentage of covered payroll	6.82%	0.73%	0.69%	0.94%	0.86%

Data was unavailable prior to FY 2014.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Three Fiscal Years

(Amounts in Thousands)

Amounts in thousands

	2018	2017	2016 (Restated)
System's net OPEB liability	$ 3,008	$ 5,630	5,693
System's covered payroll	39,029	38,151	36,709
System's net OPEB liability as a percentage of its covered payroll	7.7%	14.8%	15.5%
Plan fiduciary net position as a percentage of the OPEB liability	11.50%	0.00%	0.00%

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

Hillsborough County has set aside $17.415 million in the Self-Insurance Internal Service Fund for OPEB. This amount represents 65.9% of the County's total OPEB liability at September 30, 2018. However, since an irrevocable trust was not established, none of this $17.415 million in cash and investment is considered to be "plan fiduciary net position." The Water Enterprise Fund's total OPEB liability represents 11.4% of the County's total OPEB liability.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
Schedule of Contributions
OPEB Plan
Last Three Fiscal Years
(Amounts in Thousands)

Amounts in thousands

	2018	2017	2016
Actuarially determined	$ 362	5,630	Not available
System contributions in relation to the actuarially determined contribution**	362	5,630	Not available
Contribution deficiency (excess)	-	-	Not available
County's covered payroll	$ 39,029	38,151	36,709
County's contributions as a percentage of covered payroll	0.9%	14.8%	0.6%

*Since GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was implemented for fiscal year 2017, the net OPEB liability was not available prior to fiscal year 2017.

**These contributions represents amounts "set aside" for OPEB during fiscal years 2018, 2017, and 2016. The County has set aside a total of $17.415 million in the Self-Insurance Internal Service Fund for OPEB at September 30, 2018. This amount represents 65.9% of the total OPEB liability at September 30, 2018. However, since an irrevocable trust was not established, none of this $17.415 million in cash and investment is considered to be "plan fiduciary net position."

Notes to Schedule

Actuarially determined contribution rates were calculated as of September 30, 2018. Methods and assumptions used to determine contribution rates:

Amounts in thousands

Actuarial cost method	Entry age normal
Inflation	2.50%
Discount rate	4.18%
Initial healthcare cost trend rate	6.50%

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

	BUDGET	ACTUAL	CHANGE POSITIVE (NEGATIVE)
Operating revenues:			
Charges for services	**$ 235,862**	**243,215**	**7,353**
Operating expenses:			
Employee services	65,097	56,438	8,659
Contractual services	83,735	86,528	(2,793)
Fleet services	3,295	2,511	784
Repairs and maintenance	16,489	13,166	3,323
Utilities	14,730	12,438	2,292
Supplies	509	1,071	(562)
Other	3,209	3,017	192
Total operating expenses before unbudgeted depreciation, amortization, pension and OPEB expense	187,064	175,169	11,895
Operating income before unbudgeted depreciation, amortization, pension and OPEB expense	**$ 48,798**	**68,046**	**19,248**
Depreciation and amortization expense		81,947	
Pension expense		2,193	
OPEB (benefit)		(2,491)	
Operating loss		**$ (13,603)**	

Hillsborough County Florida

SUPPLEMENTARY SCHEDULES

EXHIBIT A
HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
UTILITY REVENUE BONDS SERIES, 2010A
(TAX-EXEMPT)
ISSUED NOVEMBER 16, 2010
DEBT SERVICE SCHEDULE
(Amounts of Thousands)

Fiscal Year	Principal	Interest	Total
2019	$ 2,805	84	2,889
	$ 2,805	**84**	**2,889**

EXHIBIT B
HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
UTILITY REVENUE BONDS, SERIES 2010B
(FEDERALLY TAXABLE-BUILD AMERICA BONDS-DIRECT PAYMENT)
ISSUED NOVEMBER 16, 2010
DEBT SERVICE SCHEDULE
(Amounts of Thousands)

Fiscal Year	**Principal**	**Interest**	**Less 35% Subsidy**	**Total**
2019	$ -	5,637	1,973	3,664
2020	4,675	5,637	1,973	8,339
2021	4,790	5,457	1,910	8,337
2022	4,920	5,263	1,842	8,341
2023	5,050	5,056	1,770	8,336
2024	5,195	4,837	1,693	8,339
2025	5,350	4,598	1,609	8,339
2026	5,515	4,341	1,519	8,337
2027	5,695	4,065	1,423	8,337
2028	5,885	3,775	1,321	8,339
2029	6,085	3,469	1,214	8,340
2030	6,295	3,146	1,101	8,340
2031	6,515	2,806	982	8,339
2032	6,750	2,448	857	8,341
2033	6,990	2,077	727	8,340
2034	7,240	1,629	592	8,277
2035	7,495	1,294	453	8,336
2036	7,770	878	307	8,341
2037	8,050	446	156	8,340
	$ 110,265	**66,859**	**23,422**	**153,702**

*The entire Build America Bonds federal subsidy is shown, however the subsidy for fiscal year 2017 will be reduced by 6.9% due to sequestration mandated by the American Taxpayer Relief Act of 2012.

EXHIBIT C
HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
UTILITY REVENUE BONDS SERIES, 2010C
(FEDERALLY TAXABLE-RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS-DIRECT PAYMENT)
ISSUED NOVEMBER 16, 2010
DEBT SERVICE SCHEDULE
(Amounts of Thousands)

Fiscal Year	Principal	Interest	Less 45% Subsidy	Total
2019	$ -	1,269	571	698
2020	-	1,269	571	698
2021	-	1,269	571	698
2022	-	1,269	571	698
2023	-	1,269	571	698
2024	-	1,269	571	698
2025	-	1,269	571	698
2026	-	1,269	571	698
2027	-	1,269	571	698
2028	-	1,269	571	698
2029	-	1,269	571	698
2030	-	1,269	571	698
2031	-	1,269	571	698
2032	-	1,269	571	698
2033	-	1,269	571	698
2034	-	1,269	571	698
2035	-	1,269	571	698
2036	-	1,269	571	698
2037	-	1,269	571	698
2038	7,005	1,269	571	7,703
2039	7,230	860	387	7,703
2040	7,465	445	203	7,707
	$ 21,700	**26,685**	**12,010**	**36,375**

*The entire Build America Bonds federal subsidy is shown, however the subsidy for fiscal year 2017 will be reduced by 6.9% due to sequestration mandated by the American Taxpayer Relief Act of 2012.

EXHIBIT D
HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
UTILITY REVENUE BONDS SERIES, 2016
(TAX-EXEMPT)
ISSUED JULY 26, 2016
DEBT SERVICE SCHEDULE
(Amounts of Thousands)

Fiscal Year	Principal	Interest	Total
2019	$ -	6,786	6,786
2020	3,195	6,786	9,981
2021	3,245	6,738	9,983
2022	3,405	6,576	9,981
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	556	19,021
	$ 207,795	**126,678**	**334,473**

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR ACCOUNTS RESTRICTED BY BOND COVENANT OR RESERVED BY BOCC POLICY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
(Amounts in Thousands)

	Restricted by Bond Covenant or Other Legislation										Reserved by BOCC Policy		
(Amounts in thousands)	**Impact Fee Revenues**	**Debt Service Sinking Fund**	**Fund A Renewal and Replacement**	**Fund B Renewal and Replacement**	**Non-Bonded Impact Fee Assmt Units**	**2010 Bonds Construction Proceeds**	**2016 Bonds Construction Proceeds**	**2010 Bonds DSR**	**Water Grants**	**Total Restricted**	**2010 Bonds BAB & RZED Subsidies**	**Non-Bonded Assmt Units**	**Total System**
Balance, October 1, 2017	**$ 23,398**	**9,610**	**31,519**	**27**	**13,672**	**473**	**156,960**	**11,581**	**-**	**247,240**	**2,927**	**8,703**	**258,870**
Receipts:													
Impact fee revenues	-	-	-	-	12,635	-	-	-	-	12,635	-	-	**12,635**
Impact fee investment earnings	-	-	-	-	21	-	-	-	-	21	19	524	**564**
Investment earnings - debt service account	-	17	-	-	-	-	-	-	-	17	-	-	**17**
Investment earnings - construction accounts	343	102	-	-	111	118	1,179	-	-	1,853	-	-	**1,853**
2010 bonds--BAB & RZED subsidies	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Proceeds from asset sales	-	-	183	-	-	-	-	-	-	183	-	392	**575**
Special assessment revenues	-	-	-	-	603	-	-	-	-	603	-	-	**603**
Other revenues	-	-	1,023	-	-	-	-	-	-	1,023	1	-	**1,024**
Transfer from impact fee account	8,997	11,609	-	-	-	-	-	-	-	20,606	-	-	**20,606**
Transfers from the revenue account	3,490	-	25,409	-	-	-	-	-	2,367	31,266	-	-	**31,266**
Transfers from bond subsidy accounts	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Tampa Bay Water - water purchase credits	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Total receipts	**12,830**	**11,728**	**26,615**	**-**	**13,370**	**118**	**1,179**	**-**	**2,367**	**68,207**	**20**	**916**	**69,143**
Disbursements:													
Capital outlay	-	-	14,718	-	-	94	92,175	-	1,536	108,523	-	544	**109,067**
Operating expenses	(236)	-	-	-	193	-	-	-	1	(42)	-	12	**(30)**
Interest payments	-	13,800	-	-	-	-	-	-	-	13,800	-	-	**13,800**
Principal payments	-	2,740	-	-	-	-	-	-	-	2,740	-	-	**2,740**
Transfers to impact fee account	-	-	-	-	8,514	-	-	-	-	8,514	-	-	**8,514**
Transfers to operating and maintenance account	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers to debt service sinking account	-	-	-	-	-	-	-	-	-	-	63	-	**63**
Total disbursements	**(236)**	**16,540**	**14,718**	**0**	**8,707**	**94**	**92,175**	**0**	**1,537**	**133,535**	**63**	**556**	**134,154**
Balance, September 30, 2018	**$ 36,464**	**4,798**	**43,416**	**27**	**18,335**	**497**	**65,964**	**11,581**	**830**	**181,912**	**2,884**	**9,063**	**193,859**
Notes:	**(B)**	**(B)**	**(A)**	**(A)**	**(B)**	**(C)**	**(C)**	**(B)**	**(E)**		**(D)**	**(D)**	

(*) Restricted by bond covenant or other legislation includes the following accounts:
Federal and State grants and the System's bond proceed and impact fee funded capital improvement program.

Components of restricted and reserved net position:	
(A) Bond covenants	$ 43,443
(B) Debt service	71,178
(E) Grants and similar projects	830
Total restricted	**115,451**
(C) Invested in capital assets, restricted	66,461
(D) Reserved	11,947
Balance September 30, 2018	**$ 193,859**

Financial Trends Information:
These schedules present comparative financial data over the last ten fiscal years. This provides information to financial statement user concerning the System's financial management and performance.

Schedules:

Net Position by Components
Current Ratio
Return on Capital Assets
Accounts Receivable Collection Days
Statement of Activities
Components of Charges for Services
Components of Other Nonoperating Revenues

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
(Amounts in Thousands)

Financial Trend Schedules:

Components of Net Position
Fiscal Years - 2009 Through 2018
(amounts in thousands)

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

	2018	2017	Restated 2016***	2015	2014**	Restated 2013	Restated 2012	2011	2010*	2009*
Net investment in capital assets	$ 940,620	931,704	901,940	826,175	786,009	727,689	738,301	756,401	788,041	801,480
Restricted net position	115,451	90,916	67,670	72,759	77,980	76,115	70,311	67,335	48,603	31,582
Unrestricted net position	359,859	354,363	367,663	398,173	389,567	405,887	359,377	308,849	277,397	273,018
Total net position	**$ 1,415,930**	**$ 1,376,983**	**1,337,273**	**1,297,107**	**1,253,556**	**1,209,691**	**1,167,989**	**1,132,585**	**1,114,041**	**1,106,080**

*Note: Fiscal years 2010 and prior not restated for GASB Statement No. 65
**Note: Fiscal years 2014 and prior were not restated for implementation of GASB Statement No. 68 and No. 71.
***Note: Fiscal year 2016 restated for GASB Statement No. 75, prior years not restated.

Current Ratio
Fiscal Years - 2009 Through 2018
(amounts in thousands)

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total current assets	$ 501,736	553,319	573,662	384,060	403,393	425,365	436,866	414,535	261,383	235,122
Total current liabilities	76,649	56,134	48,563	41,730	54,633	50,859	52,907	53,808	58,161	57,117
Ratio	**6.5**	**9.9**	**11.8**	**9.2**	**7.4**	**8.4**	**8.3**	**7.7**	**4.5**	**4.1**

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
(Amounts in Thousands)

Financial Trend Schedules (continued):

Return on Capital Assets
Fiscal Years - 2009 Through 2018
(amounts in thousands)

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

	2018	2017	2016	2015	2014**	Restated 2013	Restated 2012	2011*	2010*	2009*
Change in net position	$ 38,947	39,710	45,974	69,241	41,702	41,702	35,404	21,000	7,961	39,076
Average total capital assets, net	1,171,097	1,059,108	1,028,547	949,751	864,160	864,160	847,892	849,652	868,287	867,157
Return on Capital Assets	**3.3%**	**3.7%**	**4.5%**	**7.3%**	**4.8%**	**4.8%**	**4.2%**	**2.5%**	**0.9%**	**4.5%**

*Note: Fiscal years 2011 and prior not restated for GASB Statement No. 65
**Note: Fiscal years 2014 and prior were not restated for implementation of GASB Statement No. 68 and No. 71.

Accounts Receivable Collection Days Over 365 Collection Days and Bad Debt Expenses
Fiscal Years - 2009 Through 2018
(amounts in thousands)

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Charges for services	$ 243,215	235,116	220,724	209,549	205,716	205,197	202,199	196,512	177,315	175,692
Accounts receivable before allowance	23,373	22,371	22,220	20,912	21,105	20,536	20,383	17,798	18,079	16,049
Accounts Receivable Collection days	**35.1**	**34.7**	**36.7**	**36.4**	**37.4**	**36.5**	**36.8**	**33.1**	**37.2**	**33.3**
Allowance for doubtful accounts	224	51	192	390	415	581	476	425	358	384
Percent of charges for services	**0.09%**	**0.02%**	**0.09%**	**0.19%**	**0.20%**	**0.28%**	**0.24%**	**0.22%**	**0.20%**	**0.22%**

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
(Amounts in Thousands)

Financial Trend Schedules (continued):

Statement of Activities
Fiscal Years - 2009 Through 2018
(amounts in thousands)

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

	2018	2017	Restated 2016	Restated 2015	2014**	2013	Restated 2012	Restated 2011	2010*	2009*
Operating revenues:										
Charges for services	$ 243,215	235,116	220,724	209,549	205,716	205,197	202,199	196,512	177,315	175,692
Operating expenses:										
Employee services	56,438	55,103	54,296	48,660	46,536	39,052	39,257	41,111	40,869	47,486
Contractual services	86,528	77,369	81,481	73,533	73,543	69,678	69,450	70,291	69,445	68,320
Communication services	-	-	-	-	-	1,245	1,275	1,269	1,319	1,350
Fleet services	2,511	2,315	2,439	2,585	2,396	2,403	2,513	2,075	1,816	1,506
Repairs and maintenance	13,166	10,506	10,588	11,647	9,653	8,859	8,117	7,964	5,924	7,692
Utilities	12,438	12,161	12,609	11,891	12,312	9,508	10,230	9,256	8,876	10,917
Supplies	1,071	986	722	587	536	354	325	324	297	1,196
Depreciation and amortization	81,947	67,805	59,875	51,143	51,238	54,986	55,650	57,391	58,536	52,754
Other	3,017	3,158	2,675	2,055	2,262	2,144	2,047	1,827	2,003	2,306
Pension expense (benefit)	2,193	2,522	1,598	(1,363)	-	-	-	-	-	-
OPEB expense (benefit)	(2,491)	(72)	-	-	-	-	-	-	-	-
Total operating expenses	**256,818**	**231,853**	**226,283**	**200,738**	**198,476**	**188,229**	**188,864**	**191,508**	**189,085**	**193,527**
Operating expenses - percentage of revenue	**105.59%**	**98.61%**	**102.52%**	**96.48%**	**96.48%**	**91.7%**	**93.4%**	**97.5%**	**106.6%**	**110.2%**
Operating income (loss)	**(13,603)**	**3,263**	**(5,559)**	**8,811**	**7,240**	**16,968**	**13,335**	**5,004**	**(11,770)**	**(17,835)**
Nonoperating revenues (expenses):										
Investment earnings	10,376	9,228	7,674	7,902	5,807	7,232	9,071	9,011	9,974	12,091
Interest expense	(10,878)	(5,911)	618	(4,757)	(3,566)	(3,975)	(3,764)	(6,046)	(2,327)	(6,814)
Other revenues	3,949	3,617	7,584	107	3,044	1,730	1,591	3,585	4,082	3,156
Loss on debt defeasance	-	-	-	0	0	-	-	-	-	(6,813)
Other expenses	(10,354)	(6,901)	661	(485)	(679)	(299)	(278)	(2,970)	(312)	(716)
Total nonoperating revenue (expense)	**(6,907)**	**33**	**16,537**	**2,767**	**4,606**	**4,688**	**6,620**	**3,580**	**11,417**	**904**
Income (loss) before contributions and transfers	**(20,510)**	**3,296**	**10,978**	**11,578**	**11,846**	**21,656**	**19,955**	**8,584**	**(353)**	**(16,931)**
Capital contributions	59,457	36,414	34,996	57,663	32,019	19,925	15,330	9,770	7,847	56,007
Transfers	-	-	-	0	0	121	119	190	467	-
Change in net position	**38,947**	**39,710**	**45,974**	**69,241**	**43,865**	**41,702**	**35,404**	**18,544**	**7,961**	**39,076**
Net position, beginning of year	**1,376,983**	**1,343,081**	**1,297,107**	**1,253,556**	**1,209,691**	**1,167,989**	**1,132,585**	**1,114,041**	**1,106,080**	**1,067,004**
Restatement for GASB Statement No. 68	**-**	**-**	**-**	**(25,690)**	**-**	**-**	**-**	**-**	**-**	**-**
Restatement for GASB Statement No. 75	**-**	**(5,808)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net position, beginning of year, as restated	**1,376,983**	**1,337,273**	**1,297,107**	**1,227,866**	**1,209,691**	**1,167,989**	**1,132,585**	**1,114,041**	**1,106,080**	**1,067,004**
Net position, end of year	**$ 1,415,930**	**1,376,983**	**1,343,081**	**1,297,107**	**1,253,556**	**1,209,691**	**1,167,989**	**1,132,585**	**1,114,041**	**1,106,080**

*Note: Fiscal years 2010 and prior not restated for GASB Statement No. 65
**Note: Fiscal years 2014 and prior were not restated for implementation of GASB Statement No. 68 and No. 71.
***Note: Fiscal year 2016 restated for GASB Statement No. 75, prior years not restated.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
(Amounts in Thousands)

Financial Trend Schedules (Continued):

Components of Charges for Services
Fiscal Years - 2009 Through 2018
(amounts in thousands)

This schedule identifies the System's principal components of charges for services.

	2018	PCT	2017	PCT	2016	PCT	2015	PCT	2014	PCT	2013	PCT	2012	PCT	2011	PCT	2010	PCT	2009	PCT
Water charges	$ 118,210	48.6	114,891	48.9	106,016	48.0	99,912	47.8	94,562	46.0	93,628	45.6	94,772	46.9	92,182	46.9	77,859	43.9	76,203	43.3
Wastewater charges	112,667	46.3	107,931	45.9	103,020	46.7	98,376	46.9	98,416	47.7	91,350	44.5	89,997	44.5	87,544	44.6	84,114	47.4	83,201	47.4
Reclaimed water charges	2,384	1.0	2,426	1.0	2,200	1.0	2,165	1.0	2,190	1.1	2,039	1.0	2,050	1.0	2,049	1.0	1,911	1.1	1,819	1.0
Accrued guaranteed revenue fees	558	0.2	64	-	103	-	283	0.1	2,384	1.2	9,464	4.6	7,009	3.5	6,164	3.1	5,171	2.9	5,030	2.9
Customer billing charges	9,230	3.8	8,862	3.8	8,517	3.9	8,214	3.9	7,435	3.6	7,909	3.9	7,488	3.7	7,450	3.8	7,262	4.1	7,030	4.0
General operating revenues	166	0.1	942	0.4	868	0.4	599	0.3	729	0.4	807	0.4	883	0.4	1,123	0.6	998	0.6	2,409	1.4
Charges for services	**$ 243,215**	**100.0**	**$ 235,116**	**100.0**	**220,724**	**100.0**	**209,549**	**100.0**	**205,716**	**100.0**	**205,197**	**100.0**	**202,199**	**100.0**	**196,512**	**100.0**	**177,315**	**100.0**	**175,692**	**100.0**

Components of Other Nonoperating Revenues
Fiscal Years - 2009 Through 2018
(amounts in thousands)

This schedule identifies the principal components of the System's other nonoperating revenues.

	2018	PCT	2017	PCT	2016	PCT	2015	PCT	2014	PCT	2013	PCT	2012	PCT	2011	PCT	2010	PCT	2009	PCT
Investment earnings	$ 10,376	19.8	9,228	25.3	7,674	15.1	7,902	12.0	5,807	14.3	7,232	23.8	9,071	31.9	9,011	40.0	9,974	44.6	12,091	17.0
Capital contributions	59,457	113.1	36,414	99.9	34,996	68.7	57,663	87.8	32,019	78.3	19,925	65.7	15,330	53.8	9,770	43.3	7,847	35.1	56,007	78.6
General revenues	(17,283)	(32.9)	(9,195)	(25.2)	8,245	16.2	107	0.2	3,044	7.4	3,046	10.1	3,960	13.9	3,585	15.9	4,082	18.2	3,156	4.4
Transfers	-	-	-	-	-	-	0	-	0	-	121	0.4	119	0.4	190.00	0.8	467	2.1	0	-
Total other nonoperating revenues	**$ 52,550**	**100.0**	**36,447**	**100.0**	**50,915**	**100.0**	**65,672**	**100.0**	**40,870**	**100.0**	**30,324**	**100.0**	**28,480**	**100.0**	**22,556**	**100.0**	**22,370**	**100.0**	**71,254**	**100.0**

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
(Amounts in Thousands)

Debt Schedules:

Outstanding Debt Compared to Net Position
Fiscal Years - 2008 Through 2017
(amounts in thousands)

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

	2018	2017	Restated 2016***	2015	2014**	Restated 2013	Restated 2012	2011*	2010*	2009*
Revenue bonds and notes outstanding	$ 342,565	345,305	347,940	142,720	155,720	167,720	179,110	197,150	64,255	80,525
Net position	1,415,930	1,376,983	1,337,273	1,297,107	1,253,556	1,180,979	1,167,989	1,135,041	1,114,041	1,106,080
Percent	**24.2%**	**25.1%**	**26.0%**	**11.0%**	**12.4%**	**14.2%**	**15.3%**	**17.4%**	**5.8%**	**7.3%**

*Note: Fiscal years 2011 and prior not restated for GASB Statement No. 65
**Note: Fiscal years 2014 and prior were not restated for implementation of GASB Statement No. 68 and No. 71.
***Note: Fiscal year 2016 restated for GASB Statement No. 75, prior years not restated.

HILLSBOROUGH COUNTY, FLORIDA
WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
General Operating Statistics
Fiscal Years - 2009 Through 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital Assets (amounts are actual):										
Number of Water Plants	4	4	4	4	4	4	4	4	4	4
Number of Wastewater Treatment Plants	7	7	7	7	7	7	7	7	7	7
Water Distribution line miles (estimated)	2,437	2,414	2,326	2,246	2,246	2,214	2,399	2,391	2,336	2,255
Wastewater Transmission line miles (estimated)	2,199	2,180	2,091	2,019	2,019	2,084	2,229	2,215	2,105	2,063
Reclaimed Water Transmissions line miles (estimated)	368	366	354	348	348	344	335	333	331	328
Number of Pump Stations (estimated)	807	796	775	737	737	721	709	703	699	690
Staffing:										
Number of budgeted positions per 1,000 customers	4.9	4.9	4.9	4.9	4.9	5.1	4.3	4.4	4.6	4.6
Average Number of Customer Accounts Billed Monthly										
Water Customers	**161,279**	**160,358**	**155,384**	**153,812**	**153,812**	**148,740**	**147,379**	**144,317**	**141,988**	**141,615**
Percent Change	0.6%	3.2%	8.5%	1.7%	3.4%	0.9%	2.1%	1.6%	0.3%	-0.1%
Wastewater Customers	**153,720**	**148,408**	**144,339**	**142,416**	**140,040**	**136,275**	**135,240**	**133,979**	**134,904**	**131,588**
Percent Change	3.6%	2.8%	1.4%	1.7%	2.8%	0.8%	0.9%	-0.7%	2.5%	-0.2%
Annual Use/Flows										
Annual Water Consumption (thousands of gallons)	20,665	20,608	19,062	19,332	17,281	16,646	17,407	17,566	16,461	16,379
Annual Treated Wastewater Flows (thousands of gallons)	15,368	15,110	14,290	13,841	13,573	13,131	13,143	13,007	12,508	12,641
Operating Costs (amounts in thousands):										
Operating Expenses	$ 256,818	231,853	226,283	200,738	198,476	188,229	188,864	191,508	189,085	193,527
Less: Depreciation and amortization	81,947	67,805	59,875	51,143	51,238	54,986	55,650	57,391	58,536	52,754
Less: Purchased Water	54,377	54,377	57,220	52,954	52,524	49,279	49,184	48,164	46,659	42,733
Net Operating Cost	$ 120,494	109,671	109,188	96,641	94,714	83,964	84,030	85,953	83,890	98,040
Number of Accounts Billed Annually	1,985	1,970	1,920	1,991	1,980	1,752	1,880	1,845	1,839	1,844
Monthly Operating Cost per Statement (amounts are actual)	**$ 61**	**56**	**57**	**49**	**48**	**48**	**45**	**47**	**46**	**53**

Sources:
Water Enterprise Fund Annual Audited Financial Reports for Fiscal Years 2009 Through 2018
Water Enterprise Fund Operating Data

Hillsborough County Florida
Public Utilities

Public Utilities Department
925 E. Twiggs Street
Tampa, Florida 33602
(813) 272-5977
HCFLGov.net/PublicUtilities