Public Utilities Department

Hillsborough County

Annual Financial Report

Water Enterprise Fund

For Fiscal Years Ended September 30, 2012 and 2011

HILLSBOROUGH COUNTY, FLORIDA

PUBLIC UTILITIES DEPARTMENT

WATER ENTERPRISE FUND

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Prepared by:

FINANCE DEPARTMENT
CLERK OF CIRCUIT COURT
PAT FRANK, Clerk

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2012

Board of County Commissioners
Ken Hagan, Chair
Sandra L. Murman, Vice-chair
Kevin Beckner
Victor D. Crist
Al Higginbotham
Les Miller, Jr.
Mark Sharpe

Constitutional Officers
Pat Frank, Clerk of Circuit Court
Doug Belden, Tax Collector
David Gee, Sheriff
Earl Lennard, Supervisor of Elections
Rob Turner, Property Appraiser

Appointed Officials
Mike Merrill, County Administrator
John Lyons, Director, Public Utilities Department

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
ANNUAL FINANCIAL REPORT
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

REPORT CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of County Commissioners of
Hillsborough County, Florida:

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 years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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, 2012 and 2011, 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.

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 15, 2013 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The accompanying supplementary information and statistical section, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Cherry Bekaert LLP

Tampa, Florida
March 15, 2013

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Bond Compliance

To the Board of County Commissioners of
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, 2012, and have issued our report thereon dated March 15, 2013.

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 Refunding Utility Revenue Bonds, Series 2001, 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 15, 2013

FINANCIAL STATEMENTS

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

The Hillsborough County Water Enterprise Fund (System) presents the following review of its financial activities for the fiscal years ended September 30, 2012 and 2011. 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 condition and operating results for the fiscal years ended September 30, 2012 and 2011. All amounts, unless otherwise stated, are presented in thousands of dollars.

Fiscal Year 2012
Financial Summary

- Fiscal year 2012 operating revenues of $202,199 were $5,687 or 2.9% higher than fiscal year 2011 revenues of $196,512. The increase was attributed to the following: the Purchase Water Pass Through Consumption Charge changed from two dollars and seventy-seven cents to two dollars and ninety-three cents or 5.8% per thousand gallons effective October 1, 2011; increased water consumption enhanced by a return to twice-weekly lawn irrigation; and, automatic user rate index adjustments based on an index factor published by the Florida Public Service Commission.

- The System recognized $15,330 in capital contributions from impact fees and developer constructed capital improvements.

- The System exceeded its rate covenant test requirements by the following amounts:

Test Requirements	**I**	**II**	**III**
Excess Funds over Requirements	$56,790	$62,744	$54,753

The fiscal year 2012 Change in Net Assets was $35,213. This was an increase of $14,213 or 67.7% over the $21,000 fiscal year 2011 Change in Net Assets. This change was primarily due to increases in operating revenues and capital contributions. Net Assets on September 30, 2012, were $1,170,254 compared to $1,135,041 on September 30, 2011.

Fiscal Year 2011
Financial Summary

- On November 16, 2010, the Board of County Commissioners (BOCC) issued $150 million in Hillsborough County, Florida, Utility Revenue Bonds. The bond issuance has three separate and distinct bond series: $18,035, Series 2010A (Tax Exempt); $110,265, Series B (Federally Taxable-Build America Bonds-Direct Payment; 35% subsidy) and $21,700, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment; 45% subsidy). Bond proceeds together with other available unrestricted System moneys were appropriated to: fund capital expansion, fund the Debt Service Reserve Account requirement, fund capitalized interest through August 1, 2012, and pay bond issuance costs. The final bond maturity is August 1, 2040.

- Fiscal year 2011 operating revenues of $196,512 were $19,197 or 10.8% higher than fiscal year 2010 revenues of $177,315. The increase was attributed to the following: the Purchase Water Pass Through Consumption Charge increased from two dollars and forty-three cents to two dollars and seventy-seven cents or 14% per thousand gallons effective October 1, 2010; increased water consumption enhanced by a return to year-round twice-weekly lawn irrigation from once per week watering last year; and, automatic user rate index adjustments based on an index factor published by the Florida Public Service Commission.

- The System recognized $9,770 in capital contributions from impact fees and developer constructed capital improvements.

- The System exceeded its rate covenant test requirements by the following amounts:

Test Requirements	**I**	**II**	**III**
Excess Funds over Requirements	$51,216	$56,125	$47,601

The fiscal year 2011 Change in Net Assets was $21,000. This was an increase of $13,039 or 163.8% over the $7,961 fiscal year 2010 Change in Net Assets. This change was primarily due to increases in operating revenues and capital contributions. Net Assets on September 30, 2011, were $1,135,041 compared to $1,114,041 on September 30, 2010.

The System was compliant with all covenant requirements for the fiscal years ended September 30, 2012 and 2011.

Overview of the Financial Statements

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

Required Financial Statements

The System reports its financial activities by using accounting methods similar to those in the private business sector. The financial statements offer both current and noncurrent data about its financial activities. The Balance Sheet includes assets and liabilities 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 list current and noncurrent balances. The System's operating results are reported on the Statement of Revenues, Expenses, and Changes in Net Assets. 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
Fiscal Year 2012 Financial Comparison with Fiscal Year 2011
Condensed Balance Sheets

A measure of the System's financial viability is net assets and the amount of unrestricted net assets compared to total net assets. An analysis of the Balance Sheet including net assets on September 30, 2012, compared to September 30, 2011, follows:

Assets:	**2012**	**2011**	**($) Change**	**(%) Change**
Current, restricted and other assets	$542,592	$520,884	$21,708	4.2%
Capital assets, net	848,596	847,187	1,409	0.2
Total assets	**$1,391,188**	**$1,368,071**	**$23,117**	**1.7%**
Liabilities:				
Current liabilities	$52,907	$53,808	($901)	(1.7%)
Noncurrent liabilities	168,027	179,222	(11,195)	(6.2)
Total liabilities	**220,934**	**233,030**	**(12,096)**	**(5.2%)**
Net assets:				
Invested in capital assets, net of related debt	738,301	756,401	(18,100)	(2.4%)
Restricted net assets	70,311	67,335	2,976	4.4
Unrestricted net assets	361,642	311,305	50,337	16.2
Total net assets	**1,170,254**	**1,135,041**	**35,213**	**3.1**
Total liabilities and net assets	**$1,391,188**	**$1,368,071**	**$23,117**	**1.7%**

Total net assets – Total net assets increased $35,213 or 3.1% for the fiscal year ended September 30, 2012, primarily due to the increase in operating revenues and capital contributions, while unrestricted net assets increased $50,337 or 16.2% due to the decline in net assets invested in capital assets, net of related debt, and the fiscal year 2012 Change in Net Assets.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

Comparative revenues, expenses, and changes in net assets for fiscal years ended September 30, 2012 and 2011 were as follows:

	2012	2011	($) Change	(%) Change
Revenues:				
Operating revenues	$202,199	$196,512	$5,687	2.9%
Nonoperating revenues	13,031	12,596	435	3.5
Total revenues	**215,230**	**209,108**	**6,122**	**2.9**
Expenses:				
Operating expenses, before depreciation	133,214	134,117	(903)	(0.7)
Nonoperating expenses	6,602	6,560	42	0.6
Depreciation and amortization	55,650	57,391	(1,741)	(3.0)
Total expenses	**195,466**	**198,068**	**(2,602)**	**(1.3)**
Income before capital contributions	**19,764**	**11,040**	**8,724**	**79.0**
Capital contributions and transfers in	15,449	9,960	5,489	55.1
Change in net assets	**35,213**	**21,000**	**14,213**	**67.7**
Net assets, beginning of year	**1,135,041**	**1,114,041**	**21,000**	**1.9**
Net assets, end of year	**$1,170,254**	**$1,135,041**	**$35,213**	**3.1%**

Operating revenues - Fiscal year 2012 operating revenues of $202,199 increased $5,687 or 2.9% compared to fiscal year 2011. The increase was attributed to the following: the Purchase Water Pass Through Consumption Charge changed from two dollars and seventy-seven cents to two dollars and ninety-three cents or 5.8% per thousand gallons effective October 1, 2011; increased water consumption enhanced by a return to twice-weekly lawn irrigation and, automatic user rate index adjustments based on an index factor published by the Florida Public Service Commission.

Nonoperating revenues - Fiscal year 2012 nonoperating revenues of $13,031 increased $435 or 3.5% compared to fiscal year 2011. The increase was primarily due from restitution and settlement of prior year damage claims.

Total operating expenses - Fiscal year 2012 operating expenses of $133,214 decreased $903 or 0.7% from last year. The decrease was related to the following net factors. **Employee services**: there was a $1,854 or 4.5% decrease in employee services primarily related to a decline in compensated absence costs and to the fiscal year 2011 voluntary separation incentive program (VSIP). The VSIP provided an incentive for long-time employees nearing retirement to terminate employment early on June 30, 2011. These employees were subsequently replaced by entry level or mid-range compensated employees. **Contractual services**: there was a net $841 or 1.2% decrease in contractual service costs. This net increase relates to the water suppliers' annual pass-through cost adjustment, offset by a $1.8 million decrease in BOCC indirect administrative charges from last year. **Fleet services:** there was a $438 or 21.1% increase in fleet service costs related to higher fuel costs to operate certain plant machinery as well as to fuel additional vehicles to accommodate an expanding geographical service area. **Utilities**: there was a $974 or 10.5% increase in power costs to accommodate the ongoing water and wastewater treatment plant expansion program, especially at the sludge processing facility over last year. **Communications, repairs, and supply costs:** there was a $160 or 1.7% increase in these expenses related to cost inflation over last year.

Other general operating costs: there was a $220 or 12.4% increase in general costs primarily related to higher equipment rental costs as well as higher general and automotive insurance costs over last year.

Nonoperating expenses: there was a $42 or 0.6% increase in costs primarily related to a comparative loss on asset disposals from last year, offset by a decrease in interest expense cost due to a life to date customer deposit interest expense liability reduction.

Depreciation and amortization costs: there was a $1,741 or 3% decrease in annual depreciation costs due to a significant amount of heavy plant machinery reaching full depreciation status as well as to an increase in obsolete and disposed plant improvements related to the ongoing plant modernization program.

Capital contributions and transfers-in - Fiscal year 2012 capital contribution revenues were $15,330 compared to $9,770 for fiscal year 2011. While fiscal year 2012 interfund transfers-in were $119 compared to $190 last year. The comparative $5,560 or 56.9% capital contributions increase was primarily due to a boost in developer constructed capital asset contributions, as well as higher special assessment contributions. Comparative fiscal year 2012 and 2011 capital contributions were as follows:

	2012	2011
Contributed assets	$7,180	$3,788
Impact fees collections	2,664	3,679
Special assessment contributions	5,486	2,303
Total capital contributions	**$15,330**	**$9,770**

Financial Analysis
Fiscal Year 2011 Financial Comparison with Fiscal Year 2010
Condensed Balance Sheets

To provide additional financial data for evaluation and comparison, an analysis of the System's Balance Sheet including net assets on September 30, 2011, compared to September 30, 2010, follows:

Assets:	**2011**	**2010**	**($) Change**	**(%) Change**
Current, restricted and other assets	$520,884	$367,077	$153,807	41.9%
Capital assets, net	847,187	852,118	(4,931)	(0.6)
Total assets	**$1,368,071**	**$1,219,195**	**$148,876**	**12.2%**
Liabilities:				
Current liabilities	$53,808	$58,161	($4,353)	(7.5%)
Noncurrent liabilities	179,222	46,993	132,229	281.4
Total liabilities	**233,030**	**105,154**	**127,876**	**121.6**
Net assets:				
Invested in capital assets, net of related debt	756,401	788,041	(31,640)	(4.0)
Restricted net assets	67,335	48,603	18,732	38.5
Unrestricted net assets	311,305	277,397	33,908	12.2
Total net assets	**1,135,041**	**1,114,041**	**21,000**	**1.9**
Total liabilities and net assets	**$1,368,071**	**$1,219,195**	**$148,876**	**12.2%**

Total net assets – Total net assets increased $21,000 or 1.9% for the fiscal year ended September 30, 2011, primarily due to the increase in operating revenues and capital contributions, while unrestricted net assets increased $33,908 or 12.2% due to the decline in net assets invested in capital assets, net of related debt.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

The System's operating results for fiscal year 2011 compared to fiscal year 2010 were as follows:

	2011	2010	($) Change	(%) Change
Revenues:				
Operating revenues	$196,512	$177,315	$19,197	10.8%
Nonoperating revenues	12,596	14,056	(1,460)	(10.4)
Total revenues	**209,108**	**191,371**	**17,737**	**9.3**
Expenses:				
Operating expenses, before depreciation	134,117	130,549	3,568	2.7
Nonoperating expenses	6,560	2,639	3,921	148.6
Depreciation and amortization	57,391	58,536	(1,145)	(2.0)
Total expenses	**198,068**	**191,724**	**6,344**	**3.3**
Income (loss) before capital contributions	**11,040**	**(353)**	**11,393**	**3,227.5**
Capital contributions and transfers in	9,960	8,314	1,646	19.8
Change in net assets	**21,000**	**7,961**	**13,039**	**163.8**
Net assets, beginning of year	**1,114,041**	**1,106,080**	**7,961**	**0.7**
Net assets, end of year	**$1,135,041**	**$1,114,041**	**$21,000**	**1.9%**

Operating revenues - Fiscal year 2011 operating revenues of $196,512 increased $19,197 or 10.8% compared to fiscal year 2010. This was due to the Purchase Water Pass Through Consumption Charge increase from two dollars and forty-three cents to two dollars and seventy-seven cents or 14% per thousand gallons effective October 1, 2010, increased water consumption enhanced by a return to twice-weekly lawn irrigation and automatic user index rate adjustments based on an index factor published by the Florida Public Service Commission.

Nonoperating revenues - Fiscal year 2011 nonoperating revenues of $12,596 decreased $1,460 or 10.4% compared to fiscal year 2010. This decrease was primarily due to a decline in investment earnings related to the historic low interest rates earned on invested moneys.

Total expenses - Fiscal year 2011 total expenses of $198,068 increased $6,344 or 3.3% compared to fiscal year 2010. This increase was related to the following net factors. An increase in employee services of $242 or 0.6% due to higher health insurance premiums. A net increase in contractual service costs of $846 or 1.2%. This net increase related to the water suppliers' annual pass-through cost adjustment, offset by decreases in the BOCC administrative charges as well as reductions in professional, and other contractual service costs. An increase in repair and maintenance costs of 2,040 or 34.4% related to ongoing plant modernization upgrades and associated maintenance costs. An increase in fleet costs of $259 or 14.3% due to higher vehicle fuel and maintenance costs. An increase in utilities costs of $380 or 4.3% related to operating the System's expanded water and wastewater treatment plants. An increase in long-term debt interest costs of $3,719 or 159.8% related to the issuance of $150 million in capital expansion and improvement bonds.

An increase in other nonoperating expenses of $202 or 64.7% related to amortization of deferred 2010 bond issuance costs. These increases were partially offset by total net decreases of $1,344 or 2.2% in depreciation/amortization, communication, supplies and other general operating costs from last year.

Capital contributions - Fiscal year 2011 capital contribution revenues were $9,770 compared to $7,847 for fiscal year 2010. The comparative $1,923 or 24.5% increase was primarily due to higher impact fee collections over last year. Comparative 2011 and 2010 capital contributions were as follows:

	2011	**2010**
Contributed assets	$3,788	$4,689
Impact fees collections	3,679	634
Special assessment contributions	2,303	2,524
Total capital contributions	**$9,770**	**$7,847**

Capital Asset Activities

Fiscal Year 2012

On September 30, 2012, capital assets, net of accumulated depreciation, were $848,596 compared to $847,187 for fiscal year 2011. The $1,409 or 0.2% increase over last year was related to the following net factors. First, $49,687 was expended on the acquisition and construction of capital and intangible assets. Second, the System received contributed assets of $7,180 from developers. Third, eligible current period eligible interest costs of $2,650 were capitalized to construction work in progress. Fourth, these capital asset additions were offset by the combined fiscal year 2012 charge for depreciation and amortization plus net disposals of $58,108. See Note 5(A) in the accompanying financial statement notes for additional information on fiscal year 2012 capital asset activities.

Fiscal Year 2011

On September 30, 2011, capital assets, net of accumulated depreciation, were $847,187 compared to $852,118 for fiscal year 2010. The $4,931 or 0.6% decrease from last year was related to the following net factors. First, $46,935 was expended on the acquisition and construction of capital and intangible assets. Second, the System received contributed assets of $3,788 from developers. Third, eligible current period eligible interest costs of $2,084 were capitalized to construction work in progress. Fourth, these capital asset additions were offset by the combined fiscal year 2011 charge for depreciation and amortization plus net disposals of $57,738. See Note 5(B) in the accompanying financial statement notes for additional information on fiscal year 2011 capital asset activities.

Debt Administration

Fiscal Year 2012

On September 30, 2012, noncurrent liabilities were $168,027 compared to $179,222 for fiscal year 2011. The $11,195 or 6.2% decrease from last year was primarily due to the following net transactions: there was a $8 net decrease in noncurrent compensated absences and VSIP liabilities; the $11,390 fiscal year 2013 scheduled serial bond payment was transferred to current liabilities; and to a combined $203 net increase in amortized deferred refunding losses ($528), amortized deferred bond issuance premiums ($361), and amortized deferred bond issuance discounts ($36). See the accompanying financial statement notes for additional information on the VSIP implementation, Note 1(S), and fiscal year 2012 noncurrent liability transactions, Note 7(E).

Fiscal Year 2011

On September 30, 2011, noncurrent liabilities were $179,222 compared to $46,993 for fiscal year 2010. This $132,229 or 281.41% increase over last year was primarily due to the following net transactions: on November 16, 2010, the BOCC issued $150 million in capital expansion and improvement project revenue bonds, offset by the scheduled fiscal year 2012 principal bond payment of $18,040 on the outstanding series 2001 bonds, combined with the $362 current year reduction in compensated absences, the $566 net increase in combined amortized deferred bond issuance discounts and premiums, and deferred bond refunding loss amortization, and an $65 increase other noncurrent liabilities related to the Volunteer Separation Incentive Program (VSIP) implemented during fiscal year 2011. See the accompanying financial statement notes for additional information on the VSIP implementation, Note 1(S), and fiscal year 2011 noncurrent liability transactions, Note 7(E).

Fiscal Year 2013 Outlook

Economic Factors and Next Year's Budget and Rates (amounts are actual dollars).

Overall revenues are expected to remain stable with no erosion of the customer base although consumption patterns will continue to be influenced by rainfall as well as mandated water restrictions and the lingering negative effects of the general economy. Rates are expected to be marginally increased by the inflationary index effective June 1, 2013 (approximately 1%) coupled with a marginal increase in the Purchased-Water Pass-Through Consumption Charge that was effective on October 1, 2012, (change from $2.92 to $2.93 per thousand gallons purchased) due primarily to Tampa Bay Water stabilizing the water supply cost for the benefit of the region.

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 years ended September 30, 2012 and 2011. 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 33602

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011
(Amounts in Thousands)

	September 30,	
ASSETS	**2012**	**2011**
Current assets:		
Cash and cash equivalents	$47,372	$48,748
Investments	197,566	149,296
Accounts receivable, net	19,671	17,295
Accounts receivable, long-term, current portion	999	939
Interest receivable	633	473
Due from other governments	89	22
Inventories	1,781	2,173
Other current assets	763	669
Total unrestricted current assets	**268,874**	**219,615**
Restricted current assets:		
Cash and cash equivalents	31,473	46,836
Investments	131,243	143,447
Accounts receivable	236	78
Accounts receivable, long-term, current portion	4,600	3,800
Interest receivable	399	566
Due from other governments	41	193
Total restricted current assets	**167,992**	**194,920**
Total current assets	**436,866**	**414,535**
Capital assets, net of accumulated depreciation and amortization:		
Buildings and utility plants	175,873	179,521
Building improvements	544,633	564,677
Construction work in progress	88,368	61,608
Equipment	3,149	4,504
Land	28,572	28,559
Intangibles	8,001	8,318
Total capital assets, net	**848,596**	**847,187**
Other noncurrent assets:		
Accounts receivable	103,461	103,893
Deferred costs	2,265	2,456
Total other noncurrent assets	**105,726**	**106,349**
Total noncurrent assets	**954,322**	**953,536**
Total assets	**$1,391,188**	**$1,368,071**

LIABILITIES AND NET ASSETS	September 30, 2012	2011
Current liabilities:		
Accounts and contracts payable	$4,919	$6,826
Accrued payroll	650	637
Compensated absences, current portion	2,600	2,778
Unearned revenues	3,988	5,419
Revenue bonds payable, current maturities	11,390	18,040
Other liabilities, current maturities	36	33
Current liabilities	**23,583**	**33,733**
Current liabilities payable from restricted assets:		
Accounts and contracts payable	15,528	5,568
Accrued interest	1,889	3,182
Deposits	11,840	11,187
Unearned revenues	67	138
Current liabilities payable from restricted assets	**29,324**	**20,075**
Total current liabilities	**52,907**	**53,808**
Noncurrent liabilities:		
Compensated absences, less current portion	736	708
Revenue bonds payable, net, less current maturities	167,262	178,449
Other liabilities, less current maturities	29	65
Total noncurrent liabilities	**168,027**	**179,222**
Total liabilities	**220,934**	**233,030**
Net Assets:		
Invested in capital assets, net of related debt	738,301	756,401
Restricted net assets:		
Bond covenants-renewal and replacement	49,458	44,155
Debt service	20,853	23,180
Unrestricted net assets	361,642	311,305
Total net assets	**1,170,254**	**1,135,041**
Total liabilities and net assets	**$1,391,188**	**$1,368,071**

The accompanying notes are an integral part of this statement.

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Thousands)

	Year ended September 30,	
	2012	**2011**
Operating revenues:		
Charges for services	**$202,199**	**$196,512**
Operating expenses:		
Employee services	39,257	41,111
Contractual services	69,450	70,291
Communication services	1,275	1,269
Fleet services	2,513	2,075
Repairs and maintenance	8,117	7,964
Utilities	10,230	9,256
Supplies	325	324
Depreciation and amortization	55,650	57,391
Other	2,047	1,827
Total operating expenses	**188,864**	**191,508**
Operating income	**13,335**	**5,004**
Nonoperating revenues (expenses):		
Investment earnings	9,071	9,011
Interest expense	(3,764)	(6,046)
Asset disposal (loss) gain	(2,369)	61
Other revenues	3,960	3,524
Other expenses	(469)	(514)
Total nonoperating revenues	**6,429**	**6,036**
Income before capital contributions and transfers	**19,764**	**11,040**
Capital contributions	15,330	9,770
Transfers-in	119	190
Change in net assets	**35,213**	**21,000**
Net assets, beginning of year	**1,135,041**	**1,114,041**
Net assets, end of year	**$1,170,254**	**$1,135,041**

The accompanying notes are an integral part of this statement.

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Thousands)

	Year ended September 30,	
	2012	**2011**
Cash flows from operating activities:		
Cash received from customers	$198,901	$196,361
Cash received from other operating sources	4,095	3,717
Cash payments to suppliers for goods and services	(85,606)	(100,990)
Cash payments for employee services	(39,426)	(42,777)
Net cash provided by operating activities	**77,964**	**56,311**
Cash flows from capital and related financing activities:		
Capital contributions	7,695	8,160
Proceeds from surplus capital asset sales	89	280
Revenue bonds issued	-	150,240
Capital asset acquisition and construction	(49,687)	(46,847)
Revenue bonds interest payments	(7,079)	(7,139)
Revenue bonds-principal maturity payments	(18,040)	(17,105)
Net cash (used in) provided by capital and related financing activities	**(67,022)**	**87,589**
Cash flows from investing activities:		
Investment maturity and sale proceeds	269,341	338,012
Investment purchases	(304,424)	(493,223)
Investment earnings	7,402	7,651
Net cash used in investing activities	**(27,681)**	**(147,560)**
Change in cash and cash equivalents	**(16,739)**	**(3,660)**
Cash and cash equivalents, beginning of year	**95,584**	**99,244**
Cash and cash equivalents, end of year	**$78,845**	**$95,584**
Cash and cash equivalent components:		
Cash and cash equivalents	$47,372	$48,748
Restricted cash and cash equivalents	31,473	46,836
Total cash and cash equivalents	**$78,845**	**$95,584**

	Year ended September 30, 2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$13,335**	**$5,004**
Depreciation and amortization	55,650	57,391
Other nonoperating revenues	4,095	3,716
Changes in assets and liabilities:		
Change in accounts receivable	(2,585)	501
Change in allowance for doubtful accounts	51	67
Change in accrued and other liabilities	(1,489)	(5,033)
Change in accounts and contracts payable	8,053	(4,359)
Change in compensated absences and VSIP liability	(182)	(307)
Change in deposits	653	515
Change in due from other governments	85	(70)
Change in inventories	392	(969)
Change in other current assets	(94)	(145)
Total adjustments	**64,629**	**51,307**
Net cash provided by operating activities	**$77,964**	**$56,311**
Noncash investing, capital, and financing activities:		
Contributed capital assets	$7,180	$3,788
Special assessment impact fee contributions	5,486	2,303
GASB Statement 31- change in investment fair value	983	15
Interest expense capitalized to construction work in progress	2,650	2,084

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), formerly Water Resource Division Enterprise Fund, financial statements:

(A) Financial 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 BOCC's basic financial statements and 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, and is collectively designated as demand deposits. Demand deposits are carried at cost, which approximates fair value. For financial statement presentation purposes, cash equivalents are highly liquid investments with an original maturity of three months or less.

Cash is deposited in qualified public depositories. Deposits are fully insured by the Federal Deposit Insurance Corporation and 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. See Note 2 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 2012 and 2011, the System’s bad debt expense, recorded as an operating expense, was $275 and $278, respectively.

(F) Inventories

Inventories, consisting of maintenance materials and supplies, are stated at the lower of cost, based on the average cost method, or market. Materials are charged to operating expense when consumed.

(G) Capitalized Interest Costs

The System capitalized fiscal year 2012 and 2011 interest costs of $2,650 and $2,084, respectively, to construction work in progress. Total interest costs incurred during fiscal years 2012 and 2011 were $6,414 and $8,130, respectively.

(H) Capital Assets

The System records capital asset equipment additions with an original cost of at least one thousand dollars and with an estimated useful life in excess of two years. Donated capital assets are valued at their estimated fair value on the date received and are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Assets. 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, capital assets include goodwill, software, and easements. Goodwill represents the excess paid to acquire four independent water and wastewater franchise providers over the fair value of the tangible capital assets acquired and is amortized over thirty-years.

(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
Building improvements	10 – 35
Equipment	5 – 10
Goodwill	30
Intangible	2 – 5

(I) Bond Issuance Costs and Bond Market Issue Premiums

Bond issuance costs are deferred and recorded as deferred bond issuance costs on the Balance Sheet. Bond market issue premiums are deferred and recorded as an increase in bonds payable on the Balance Sheet. These deferrals are amortized using the installment method over the life of the debt issue. Bond issuance costs are amortized to nonoperating expense, while bond market issue premiums are amortized to interest expense. For fiscal years 2012 and 2011, bond issuance costs, amortized to and increasing other nonoperating expenses were $191 and $207, respectively. Combined deferred bond market issue premiums and discounts, net, amortized to and decreasing interest expense, were $325 and $392, respectively.

(J) 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 and eighty hours and half of the sick time accrued over nine hundred and 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 and eighty hours and half of the sick time accrued over nine hundred and 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 as well as the System's required Florida Retirement System pension contributions.

(K) Deferred Refunding Debt Losses

GAAP requires the deferral and amortization of losses incurred on refunding debt transactions. The amount deferred is reported as a component of noncurrent bonds payable on the Balance Sheet. The amount amortized, using the effective interest method, is reported as an interest expense component on the Statement of Revenues, Expenses and Changes in Net Assets. The refunding loss amortization period is the shorter of the remaining life of the old debt, or the life of the new debt. For fiscal years 2012 and 2011, the deferred refunding losses, amortized to and increasing interest expense, were $528 and $719, respectively.

(L) 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, long-term debt interest charges and losses incurred on refunded debt transactions.

(M) Use of Restricted or Unrestricted Current Assets

When an expense is incurred for which restricted and unrestricted resources are available, System policy is to liquidate the expense with restricted resources first, as appropriate.

(N) Proprietary Fund Financial Reporting

GAAP provides guidance on business-type accounting and financial reporting to governmental entities that use proprietary fund accounting. This guidance offers governmental entities the option of (a) following all applicable GASB pronouncements and those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 (unless those FASB pronouncements conflict with, or contradict, GASB pronouncements), or (b) following all applicable GASB and FASB pronouncements (unless those FASB pronouncements conflict with, or contradict, GASB pronouncements). The System follows all applicable GASB pronouncements and only those applicable FASB pronouncements issued on or before November 30, 1989.

(O) Self-Insurance

The System participates in a self-insurance internal service fund maintained by the BOCC. This BOCC Self-Insurance Internal Service Fund encompasses two major sections -- risk management and employee group health insurance.

(Amounts in Thousands)

Risk management includes workers' compensation, automotive, and general liability. The BOCC is self-insured for workers' compensation claims up to a maximum of $350 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. The BOCC has commercial insurance with a limit of $2 million per occurrence with a general aggregate limit of $5 million to address automotive and general liability claims above the State statutory limits. Negligence claims in excess of the statutory limits can only be recovered through a special State of Florida legislative act. For fiscal years 2012, 2011, and 2010, settled claims did not exceed insurance coverage. During fiscal years 2012 and 2011, the System paid premiums of $2,272 and $2,458, respectively, to the BOCC 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 provides coverage of up to $500 per person annually. Stop-loss insurance was purchased to cover an unlimited lifetime amount per person above the $500 per person deductible. During fiscal years 2012 and 2011, the System paid $4,762 and $4,896, respectively, 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.

(P) Fair Value Investment Accounting and Financial Reporting

GAAP requires governmental entities, as of the Balance Sheet date, to calculate investments at fair value and to record the related change as an investment earnings component on the Statement of Revenues, Expenses, and Changes in Net Assets. For the fiscal years ended September 30, 2012 and 2011, the investment earnings components were as follows:

	2012	2011
Interest and dividends	$8,088	$8,996
Fair value change	983	15
Investment earnings, as reported	$9,071	$9,011

(Q) Voluntary Separation Incentive Program for System Employees

In May 2011, the BOCC approved a "Voluntary Separation Incentive Program" (VSIP) for BOCC employees who were eligible for normal retirement under the Florida Retirement System (FRS) on June 30, 2011 or current FRS Deferred Retirement Option Plan (DROP) participants who were scheduled to terminate January 1, 2012 or later. A total of 165 employees accepted the separation incentive from a total of approximately 660 eligible employees. The incentive program offered (a) three consecutive years of single employee premium payments for the Coverage First Group Health Plan or a one-time cash payment of $10 and (b) twelve weeks of salary up to a maximum of $25. To participate in the VSIP, eligible employees had to terminate by June 30, 2011. Ninety-five employees chose to receive three consecutive years of single employee health insurance coverage, five of which were System employees. On September 30, 2012 and 2011, the System's VSIP liability was $65 and $98, respectively, representing thirty-three months single employee coverage for those five employees. The VSIP liability was based on a 10% escalation rate for health care costs in fiscal years 2013 and 2014. Future estimated payments considered in determining the VSIP liability were not discounted as the discounting effect was immaterial.

(R) Reclassifications

Certain fiscal year 2011 financial statement amounts were reclassified for consistency with the fiscal year 2012 presentation.

(S) Subsequent Events

The System has evaluated subsequent events through March 15, 2013, in connection with the preparation of these financial statements, which is the date the financial statements were available for publication.

(2) Cash Deposits and Investments

(A) Deposits

On September 30, 2012 and 2011, total System cash deposits were $12,038 and $31,034, respectively, and System total bank balances were $15,270 and $33,587, respectively. Bank balances are fully insured by federal depository insurance or through financial institutions participating in the Florida Security for Public Deposits Act pursuant to Chapter 280, Florida Statutes.

(B) Investments

In accordance with GAAP, investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. If quoted market prices are available, they are used to determine fair value. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

(Amounts in Thousands)

System cash, cash equivalents, and investments on September 30, 2012 and 2011, were as follows:

			Fair Value	
Description	Duration (years)	Credit Rating	2012	2011
U. S. Treasury Securities	1.2	AA+/A-1+	$133,002	$95,983
Federal Agency Securities	1.6	AA+/A-1+	163,408	166,587
Corporate Notes-FDIC guaranteed	.5	AAA	-	5,526
Corporate Notes	1.9	AAA	18,255	18,684
Municipal bonds	1.4	AA	10,408	2,467
Fund B	4.8	Unrated	3,736	3,496
Total Investments			328,809	292,743
Open-ended mutual funds	.1	AAA	2,991	4,137
Commercial paper notes	.2	A-1,A-1+	12,078	13,807
Florida PRIME	.1	AAAm	51,738	46,606
Total cash equivalents and investments			395,616	357,293
Cash deposits			12,038	31,034
Total cash, cash equivalents, and investments			$407,654	$388,327

Reconciliation of total cash, cash equivalents, and investment components to amounts reported on the Balance Sheet follows:

	2012	2011
Cash and cash equivalents: Current	$47,372	$48,748
Restricted	31,473	46,836
Total cash and cash equivalents	78,845	95,584
Investments: Current	197,566	149,296
Restricted	131,243	143,447
Total investments	328,809	292,743
Total cash, cash equivalents, and investments	$407,654	$388,327

Effective duration is a measure of interest rate risk. It measures the sensitivity of an investment's price to interest rate changes. To illustrate, if an investment security has an effective 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 an effective duration of two years to increase in value by two percent. The effective duration of the BOCC investment portfolio at September 30, 2012 and 2011, was approximately 1.2 years for both fiscal years.

The 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 counterparty fails to fulfill its obligations. All the System's investments are insured or registered, or held by the BOCC or its agent in the BOCC's name, except for overnight repurchase agreements, which are held by the counterparty. On September 30, 2012 and 2011, there were no amounts 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 and Fund B Surplus Funds Trust Fund

The System has investments with the Florida Local Government Surplus Funds Trust Fund, managed by the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund consists of two funds, Florida PRIME and Fund B.

Florida PRIME, which is a 2a-7 like pool, is carried at amortized cost. A 2a-7 like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which regulates money market funds. Therefore, Florida PRIME operates essentially as a money market fund. The fair value of the System's position in the pool is the same as the value of the pool shares. System investments are listed by category of investment, fair value, effective duration in years, and credit rating. As United States Treasury Securities, with the explicit backing of the United States Government, are considered not to have credit risk, they are shown with the highest credit rating. All investment income, including investment fair value changes, was reported as a component of investment earnings on the Statement of Revenues, Expenses, and Changes in Net Assets.

Fund B is an unrated fund and is not evidenced by securities that exist in physical or book entry form. The System's investment in Fund B represents moneys invested on November 29, 2007, when the Florida State Board of Administration implemented a freeze on investments held. Participants are prohibited from withdrawing funds from Fund B, and a formal withdrawal policy has not been developed, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life. On September 30, 2012, the Fund B investment earnings were reported at fair value on the Statement of Revenues, Expenses, and Changes in Net Assets.

D. Investment Policy

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

a. The State of Florida's Florida PRIME Fund.

b. Direct obligations of the United States.

c. Obligations of the United States Government such as Government National Mortgage Association.

d. Obligations of United States Government sponsored agencies such as the Federal Farm Credit Banks, Freddie Mac and the Federal Home Loan Mortgage Corporation.

e. Interest bearing time deposits or savings accounts in qualified public depositories as defined in Section 280.02 Florida Statutes.

f. United States Securities and Exchange Commission money market funds with the highest credit quality ratings from a nationally recognized rating agency.

g. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, as amended, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

h. Other investments authorized for the BOCC by law, county ordinance, or resolution.

In addition to the preceding, Hillsborough County Ordinance 08-6 restricts BOCC investments as follows:

a. The entire portfolio may be invested in United States Treasury securities with a maximum maturity length of ten-years, but investments in Treasury Strips are limited to ten percent of the portfolio.

b. A maximum of fifty percent of the portfolio may be invested in the State of Florida's Florida PRIME fund.

c. A maximum of fifty percent of the portfolio may be invested in United States Government agency securities, with no more than ten percent of the portfolio invested in any individual United States Government agency.

d. A maximum of sixty percent of the portfolio may be invested in obligations of United States Government instrumentalities with a maturity length of ten-years, provided that no more than thirty percent of the portfolio is invested in any one issuer and no more than twenty-five percent of the portfolio is invested in callable securities.

e. A maximum of twenty percent of the portfolio may be invested in repurchase agreements, excluding one business day agreements and overnight sweep agreements, with no more than ten percent of the portfolio in the repurchase agreements of a single institution.

f. A maximum of twenty percent of the portfolio may be invested in non-negotiable interest bearing certificates of deposit with a institution having deposits secured by the Florida Security for Public Deposits Act, provided that the maximum maturity on any certificate of deposit is no greater than one-year and no more than ten percent of the portfolio is invested with any one issuer.

g. A maximum of twenty percent of the portfolio may be invested in prime commercial paper (i.e. rated Prime-1 by Moody's, A-1 by Standard and Poor's, or AA by two nationally recognized rating agencies if backed by a letter of credit), provided no more than five percent of the portfolio is invested in the commercial paper of a single issuer. The maximum length to maturity shall be two hundred seventy days from the purchase date.

h. A maximum of fifty percent 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-G or better by Standard &Poor's or the equivalent by another nationally recognized rating agency. No more than twenty-five percent of the portfolio may be invested in any one money market fund.

i. A maximum of fifteen percent of the portfolio may be invested in high quality corporate notes (rated Aa by Moody's and AA by Standard and Poor's) provided no more than five percent of the portfolio is invested in a single issuer's notes.

j. A maximum of twenty percent of the portfolio may be invested in intergovernmental investment pools, provided that the total does not exceed twenty-five percent of the intergovernmental pool.

k. A maximum of twenty-five percent of the portfolio may be invested in state or local government taxable or tax exempt general obligation or revenue bonds (rated Aa by Moody’s an AA by Standard and Poor’s) or short-term debt (rated MIG-2 by Moody’s and SP-2 by Standard and Poor’s).

l. A maximum of twenty percent of the portfolio may be invested in bankers acceptances issued by a domestic bank or federally chartered domestic office of a foreign bank (rated P-1 by Moody’s and A-1 by Standard and Poor’s) with a maximum of five percent of available funds invested with any one issuer. The maximum length to maturity shall be one hundred eighty days from purchase date.

m. Investment in reverse repurchase agreements is prohibited.

n. The maximum maturities shown above may be exceeded if investments are acquired to fulfill long-term debt service reserve requirements in which case investments are permitted to have maturities dates throughout the debt service reserve term.

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. In accordance with bond resolutions or other legal agreements, certain deposits are invested outside the pool to prevent commingling of funds.

(Amounts in Thousands)

(3) Accounts Receivable, net

Accounts receivable has 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 noncurrent accounts receivable, which represent long-term impact fee charges, impact fee special assessments, reclaimed water improvement special assessments for lawn irrigation and water conservation construction projects, and amounts due from Tampa Bay Water (TBW). The twenty-year impact fee and reclaimed water improvement special assessment receivables are fully guaranteed through a lien on real property and through delinquent ad-valorem tax certificate sales. The September 30, 2012 and 2011, accounts receivable components were as follows:

Customer receivables:	2012	2011
Customer receivables–billed	$12,643	$10,586
Customer receivables–unbilled	7,504	7,134
Current-portion non-current receivables	999	939
Total customer receivables	21,146	18,659
Less allowance for doubtful accounts	476	425
Net customer receivables	20,670	18,234
Restricted receivables:		
Impact assessment fees	4,836	3,878
Total current account receivables	25,506	22,112
Non-current accounts receivable, less current portion:		
Impact fees	471	507
Special assessment units	94,441	94,769
Tampa Bay Water	12,840	13,411
TBW deferred asset sale gain	(4,291)	(4,794)
Total non-current receivables	103,461	103,893
Total accounts receivable, net	$128,967	$126,005

(4) Due from Other Governments

Due from other governments represents unrestricted special assessment revenues and collection fee refunds due from the Hillsborough County Tax Collector, and restricted amounts due for unreimbursed capital and operating grant expenditures. On September 30, 2012 and 2011, current and restricted amounts due from other governments were $130 and $215, respectively.

(Amounts in Thousands)

(5) Capital Asset Changes

System capital asset changes for the fiscal years ended September 30, 2012 and 2011 were as follows:

(A) Fiscal Year 2012

	Balance 10/01/11	Additions/ Transfers-in	Deletions/ Transfers-out	Balance 9/30/12
Capital assets, non-depreciable:				
Land	$28,559	$13	$ -	$28,572
Construction work in progress	61,608	47,159	20,399	88,368
Total non-depreciable capital assets	90,167	47,172	20,399	116,940
Capital assets, depreciable:				
Buildings and utility plants	380,863	5,425	-	386,288
Building improvements	1,084,780	26,668	7,640	1,103,808
Equipment	19,906	510	586	19,830
Intangibles	10,980	88	-	11,068
Total depreciable capital assets	1,496,529	32,691	8,226	1,520,994
Accumulated depreciation:				
Buildings and utility plants	(201,342)	(9,073)	-	(210,415)
Building improvements	(520,103)	(44,324)	(5,252)	(559,175)
Equipment	(15,402)	(1,848)	(569)	(16,681)
Intangibles	(2,662)	(405)	-	(3,067)
Total accumulated depreciation	(739,509)	(55,650)	(5,821)	(789,338)
Total depreciated capital assets, net	757,020	(22,959)	2,405	731,656
Total capital assets, net	$847,187	$24,213	$22,804	$848,596

During fiscal year 2012, substantially completed construction projects of $20,399 were transferred from construction work in progress to building improvements. Also, in accordance with GAAP, $2,650 of long-term debt interest charges, net of investment earnings, were capitalized to construction work in progress. The September 30, 2012 and 2011, the System’s construction work in progress of $88,368 and $61,608, respectively, 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.

(Amounts in Thousands)

(B) Fiscal Year 2011

	Balance 10/01/10	Additions/ Transfers-in	Deletions/ Transfers-out	Balance 9/30/11
Capital assets, non-depreciable:				
Land	$28,558	$1	$ -	$28,559
Construction work in progress	52,854	42,879	34,125	61,608
Total non-depreciable capital assets	81,412	42,880	34,125	90,167
Capital assets, depreciable:				
Buildings and utility plants	379,899	964	-	380,863
Building improvements	1,042,558	42,366	144	1,084,780
Equipment	21,690	532	2,316	19,906
Intangibles	10,790	190	-	10,980
Total depreciable capital assets	1,454,937	44,052	2,460	1,496,529
Accumulated depreciation:				
Buildings and utility plants	(192,292)	(9,050)	-	(201,342)
Building improvements	(474,421)	(45,694)	(12)	(520,103)
Equipment	(15,229)	(2,273)	(2,100)	(15,402)
Intangibles	(2,289)	(374)	(1)	(2,662)
Total accumulated depreciation	(684,231)	(57,391)	(2,113)	(739,509)
Total depreciated capital assets, net	770,706	(13,339)	347	757,020
Total capital assets, net	$852,118	$29,541	$34,472	$847,187

During fiscal year 2011, substantially completed construction projects of $34,125 were transferred from construction work in progress to building improvements. Also, in accordance with GAAP, $2,084 of long-term debt interest charges, net of investment earnings, were capitalized to construction work in progress. On September 30, 2011 and 2010, the System's construction work in progress of $61,608 and $52,854, respectively, 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.

(6) Current Liabilities

(A) Accounts Payable

Accounts and contracts payable balances on September 30, 2012 and 2011 were as follows:

	2012	2011
Vouchers payable	$17,771	$6,826
Contracts payable	2,676	5,568
Total accounts and contracts payable	$20,447	$12,394

(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, 2012 and 2011, unearned AGRF restricted and unrestricted deposits were $4,055 and $5,557, respectively.

(7) Noncurrent Liabilities

(A) Revenue Bonds

On May 17, 2001, the BOCC issued $186,105 Junior Lien Refunding Utility Revenue Bonds, Series 2001, to refund outstanding debt obligations as follows: $181,145 Refunding Utility Revenue Bonds, Series 1991A, $13,145 Refunding Utility Revenue Bonds, Series 1991B, and $18,570 Refunding Utility Revenue Bonds, Series 1993. The Series 2001 bonds consist of $186,105 in serial bonds. The interest rate is 5.06% with interest payable semiannually. On September 30, 2012 and 2011, the unpaid Series 2001 bonds principal, including current maturities of $9,035 and $18,040 respectively, was $29,110 and $47,150, respectively.

On November 16, 2010, the BOCC 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, 2012 and 2011, the unpaid Series 2010A Bonds principal, including current maturities of $2,355 and $0, was $18,035. 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, 2012 and 2011, 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, 2034 and 2037, respectively; and,

$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 both September 30, 2012 and 2011, the unpaid Series 2010C Bonds principal was $21,700. The term bond matures on August 1, 2040.

(C) Revenues Pledged for Debt Service and Future Debt Service Requirements.

Under the System's 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.

(Amounts in Thousands)

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

A summary of the outstanding bonds debt service requirements, including current maturities of $11,390 follows:

Fiscal Year Ending September 30,	Principal	Interest	Interest Subsidy	Total
2013	$11,390	$9,032	($2,544)	$17,878
2014	12,000	8,465	(2,544)	17,921
2015	13,000	7,868	(2,544)	18,324
2016	2,575	7,223	(2,544)	7,254
2017	2,635	7,164	(2,544)	7,255
2018-2022	19,930	34,213	(12,526)	41,617
2023-2027	26,805	29,242	(10,869)	45,178
2028-2032	31,530	21,987	(8,330)	45,187
2033-2037	37,545	12,731	(5,090)	45,186
2038-2040	21,700	2,578	(1,161)	23,117
Total principal and interest	179,110	$140,503	($50,696)	$268,917
Add deferred bond issue premium	797			
Deduct: deferred refunding losses	(668)			
bond issuance discount	(587)			
Revenue bonds payable, net	178,652			
Deduct current maturities	(11,390)			
Noncurrent revenue bonds payable, net	$167,262			

(D) Compensated Absences Obligation

GAAP requires recording a liability for unpaid compensated absences. On September 30, 2012 and 2011, the current and noncurrent accumulated compensated absences liabilities were $3,336 and $3,486, respectively.

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
FINANCIAL STATEMENT NOTES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Thousands)

(E) Total Noncurrent Liability Changes

The System's total noncurrent liability changes for the fiscal years ended September 30, 2012 and 2011 follows:

Fiscal Year 2012	Balance 10/1/11	Additions	Reductions	Balance 9/30/12	Due within one year
2001 bonds	$47,150	$ -	$18,040	$29,110	$9,035
2010 bonds	150,000	-	-	150,000	2,355
Deferred bond issuance premiums	1,158	-	361	797	-
Deferred bond issuance discounts	(623)	-	(36)	(587)	-
Deferred bond refunding losses	(1,196)	-	(528)	(668)	-
Compensated absences	3,486	2,439	2,589	3,336	2,600
VSIP	98	-	33	65	36
Total noncurrent liabilities	$200,073	$2,439	$20,459	$182,053	$14,026

Fiscal Year 2011	Balance 10/1/10	Additions	Reductions	Balance 9/30/11	Due within one year
2001 bonds	$64,255	$ -	$17,105	$47,150	$18,040
2010 bonds	-	150,000	-	150,000	-
Deferred bond issuance premiums	688	898	428	1,158	-
Deferred bond issuance discounts		(659)	(36)	(623)	-
Deferred bond refunding losses	(1,915)	-	(719)	(1,196)	-
Compensated absences	3,890	2,374	2,778	3,486	2,778
VSIP	-	98	-	98	33
Total noncurrent liabilities	$66,918	$152,711	$19,556	$200,073	$20,851

(8) Defeased Debt Summary

On September 30, 2012 and 2011, outstanding principal balances on defeased debt were as follows:

	2012	2011
1983 Refunding Utility Revenue Bonds	$ -	$3,945
2001 Refunding Utility Revenue Bonds	10,000	10,000
2003 Refunding Utility Revenue Bonds	3,700	8,700
Total Defeased Debt	$13,700	$22,645

(Amounts in Thousands)

(9) Capital Contributions

Capital contributions for fiscal years 2012 and 2011 were as follows:

	2012	2011
Contributed facilities	$7,180	$3,788
Impact fee collections and capital grants	2,664	3,679
Special assessment contributions	5,486	2,303
Total capital contributions	$15,330	$9,770

(10) Net Asset Restrictions

Under GAAP restricted net assets 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. Restricted net assets for the fiscal years ended September 30, 2012 and 2011 were $70,311 and $67,335, respectively.

(11) Defined Benefit Pension Plan

Plan Description. With a few exceptions, all full and part-time System employees working in regularly established positions are Florida Retirement System (FRS) members. FRS is a cost sharing, multiple-employer, public retirement system administered by the State of Florida. FRS is a defined benefit pension plan, qualified under Section 401(a) of the Internal Revenue Code. As a general rule, FRS membership is compulsory for all 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. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries as well as a Deferred Retirement Option Program (DROP).

Under DROP an employee may retire and have their retirement benefit accumulate in the FRS Trust Division, earning interest, while continuing to work for the employer up to a maximum of five years. Upon DROP termination, the employee receives the accumulated DROP benefit, and payment of the monthly retirement benefit to the retiree commences.

Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code (FAC). Amendments to the law can be made only by an act of the Florida Legislature. Benefits are computed on the basis of age, average final compensation, and service credit. During the 2011 Florida Legislature session certain changes to this statute addressing average final compensation and vesting were enacted and became law effective July 1, 2011. These changes primarily affect first time employees enrolling in FRS on July 1, 2011 and thereafter. Under the revised law, there is no change to average final compensation (AFC) for employees hired prior to July 1, 2011. That AFC is the five highest fiscal years of salary earned during credited service; for employees hired on or after July 1, 2011, the AFC becomes the eight highest fiscal years of salary earned during credited service. In addition, regular class employees, hired prior to July 1, 2011, who retire on or after age sixty-two with six years of credited service or thirty years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation; for regular class employees hired on or after July 1, 2011, who retire on or after age sixty-five must have eight years of credited service or thirty-three years of credited service regardless of age before they are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation. Vested employees with less than thirty or thirty-three years of service, respective to hire date, may retire before age sixty-two and receive reduced retirement benefits. A post-employment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with Florida Statutes.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report was for the fiscal year ended June 30, 2012. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, 2639 North Monroe Street, Tallahassee, Florida 32399-1560.

Funding Policy. Effective July 1, 2011, FRS requires all members to contribute three percent of their annual compensation to the plan, while governmental employers are required to contribute the balance to FRS based on established contribution rates. FRS establishes contribution rates by calendar year. For fiscal years 2012 and 2011, the contribution rate for the regular job classification was 4.91% of covered payroll. The System's FRS contributions for the fiscal years ended September 30, 2010, 2011, and 2012 were $3,055, $2,620 and $1,438, respectively. These annual contributions equaled each fiscal year’s actuarially determined contribution. All pension expenses and related liabilities are recorded in the financial statements in accordance with governmental accounting requirements. The System’s pension expenses and related liabilities, which are included in accrued liabilities at year-end, were reported in conformity with GAAP.

(12) Other Post-Employment Benefits (OPEB)

GAAP requires public sector employers to record an expense for the future portion of post-employment benefits earned by the employee in the current period rather than recognizing these obligations on a “pay as you go” basis.

The BOCC provides the following OPEB to retirees: (a) retirees are permitted to purchase healthcare coverage at the same “group insurance rates” current employees are charged in accordance with Florida Statute 112.0801. Retirees purchasing health insurance at group rates is a benefit and represents an “implicit subsidy” as they may purchase health insurance at a cost below the comparable market cost associated with their age category and (b) with some exceptions, retirees between the ages of sixty-two and sixty-five are provided a health insurance stipend to partially offset health insurance costs. This benefit is subject to BOCC cancellation at any time.

On September 30, 2012, the BOCC’s annual OPEB cost, as calculated by an independent actuary in accordance with GAAP was $6.3 million. This annual cost represents a thirty-year annual funding level that will subsidize all current and future employee as well as earned retiree OPEB benefits including amortization of prior year unfunded OPEB liabilities, if any. For fiscal years 2012 and 2011, the BOCC OPEB liability allocated to and paid by the System was $98 and $161, respectively. The budgeted fiscal year 2013 OPEB expense is $129.

(13) Outstanding Purchase Orders and Contracts

On September 30, 2012 and 2011, outstanding purchase orders and contracts were $94,378 and $34,062, respectively.

(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. This new agreement secures the System's ability to meet its customer's water supply requirements. The new 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, 2012 and 2011, including current maturities of $571 and $545 respectively, was $13,411 and $13,956, respectively.

This transaction resulted in a $12,926 deferred gain. On September 30, 1998, this gain was recorded as a reduction of Tampa Bay Water's long-term receivable. The deferred 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 deferred gain on September 30, 2012 and 2011 was $4,291 and $4,794, respectively. For fiscal years 2012 and 2011, the deferred gain amortized to other nonoperating revenues was $503 and $524, respectively.

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 2013 operating costs and debt service requirements. Tampa Bay Water's audited financial statements for the fiscal year ended September 30, 2012, 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 (DEP) 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) No Commitment Special Assessment Debt

(A) Fiscal Year 2001

On December 8, 2000, the BOCC issued $4.9 million in Reclaimed Water Special Assessment Revenue Bonds, Series 2000 and $29.6 million in Capacity Assessment Special Assessment Revenue Bonds, Series 2000. These bonds have interest rates that vary from 4.30% to 5.00% with interest payable semiannually. Reclaimed Water Special Assessment net bond proceeds were used to redeem approximately $4 million in outstanding System notes payable. Impact Fee Assessment bond proceeds were used to expand the System’s water and wastewater facilities. Payment of debt service is secured and payable from impact fee assessment unit and reclaimed water improvement unit special assessment revenues. On September 30, 2012 and 2011, the Capacity Assessment Special Assessment Revenue Bonds, Series 2000, outstanding balance was $13,585 and $15,240, respectively, and the Reclaimed Water Improvement Special Assessment Revenue Bonds, Series 2000, outstanding balance was $1,820 and $2,145, respectively.

(B) Fiscal Year 2006

On May 3, 2006, the BOCC issued $101.1 million in Capacity Assessment Special Assessment Revenue Bonds, Series 2006, with interest rates from 3.55% to 5.00%. Interest is payable semiannually. Bond proceeds were combined with a market issue premium of $5 million and used to fund a System capital improvement account deposit of $93.8 million, to fund a debt service reserve of $9 million, to fund capitalized interest costs of $3 million, and to pay bond issuance costs of $.3 million. To secure repayment of the bonds, the System irrevocably pledged (“sold”) $97.8 million in long-term impact fee assessment accounts receivable and the related annual special assessment collections of approximately $10 million to the bondholders for the $93.8 million capital improvement account funding. On September 30, 2012 and 2011, the Capacity Assessment Special Assessment Revenue Bonds, Series 2006, outstanding balance was $74,245 and $79,300, respectively.

These no-commitment special assessment debt obligations are not recorded in the County’s financial statements, since neither the BOCC nor the System are legally obligated to repay the bonds.

SUPPLEMENTAL INFORMATION

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(Amounts in Thousands)

	BUDGET	ACTUAL	CHANGE POSITIVE (NEGATIVE)
Operating revenues:			
Charges for services	**$192,291**	**$202,199**	**$9,908**
Operating expenses:			
Employee services	43,202	39,257	3,945
Contractual services	70,880	69,450	1,430
Communication services	1,643	1,275	368
Fleet services	2,131	2,513	(382)
Utilities	11,604	10,230	1,374
Repairs and maintenance	8,385	8,117	268
Supplies	571	325	246
Other	2,015	2,047	(32)
Total operating expenses before depreciation and amortization expense	**140,431**	**133,214**	**7,217**
Operating income before depreciation and amortization expense	**$51,860**	**68,985**	**$17,125**
Depreciation and amortization expense *		55,650	
Operating income		**$13,335**	

*** Depreciation and amortization expenses are not budgeted.**

EXHIBIT A
HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
REFUNDING UTILITY REVENUE BONDS SERIES, 2001
ISSUED MAY 17, 2001
DEBT SERVICE SCHEDULE
UNAUDITED
(Amounts in Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2013	$9,035	$1,592	$10,627
2014	9,575	1,095	10,670
2015	10,500	570	11,070
	$29,110	**$3,257**	**$32,367**

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

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2013	$2,355	$534	$2,889
2014	2,425	464	2,889
2015	2,500	391	2,891
2016	2,575	316	2,891
2017	2,635	258	2,893
2018	2,740	153	2,893
2019	2,805	84	2,889
	$18,035	**$2,200**	**$20,235**

EXHIBIT C

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

FISCAL YEAR	PRINCIPAL	INTEREST	LESS 35% DIRECT PAY SUBSIDY	TOTAL
2013	$ -	$5,637	$1,973	$3,664
2014	-	5,637	1,973	3,664
2015	-	5,637	1,973	3,664
2016	-	5,637	1,973	3,664
2017	-	5,637	1,973	3,664
2018	-	5,637	1,973	3,664
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	1,692	592	8,340
2035	7,495	1,294	453	8,336
2036	7,770	878	307	8,341
2037	8,050	445	156	8,339
	$110,265	**$100,743**	**$35,260**	**$175,748**

EXHIBIT D

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

FISCAL YEAR	PRINCIPAL	INTEREST	LESS 45% DIRECT PAY SUBSIDY	TOTAL
2013	$ -	$1,269	$571	$698
2014	-	1,269	571	698
2015	-	1,269	571	698
2016	-	1,269	571	698
2017	-	1,269	571	698
2018	-	1,269	571	698
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	449	203	7,711
	$21,700	**$34,303**	**$15,436**	**$40,567**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
RATE COVENANT TESTS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(Amounts in Thousands)

		REQUIREMENTS		
		I	II	III
Operating revenues	$202,199			
Additions:				
Investment earnings	9,071			
Other operating receipts	997			
Non-impact fee special assessment revenues	815			
Deductions:				
Non-covenant investment earnings and fair value change:				
Bond proceed construction accounts	654			
Debt service sinking fund account	71			
Fair value change	983			
Impact fee assessment unit non-bonded revenues (A)	30			
Impact fee revenue account (B)	13			
Non-impact fee special assessments revenue accounts	8			
Special assessment revenue installment interest charges	4,965			
Gross revenues		**$206,358**	**$206,358**	**$206,358**
Pledged available impact fees:				
Impact fee revenues	2,834			
Impact fee assessment unit revenues	9,182			
Investment earnings (A+B)	43			
Pledged available impact fees		**12,059**	**12,059**	**-**
Total funds available		**218,417**	**218,417**	**206,358**
Funds and deposits required:				
Total operating expenses	188,864			
Deductions:				
Depreciation and amortization	55,650			
Capitalized operating expenses	1,831			
County-wide Water Conservation Trust refund	119			
Operation and maintenance costs		**131,264**	**131,264**	**131,264**
Renewal and replacement deposit		**10,022**	**-**	**-**
Bond service requirements:				
2001 bond interest requirement	2,263			
2001 bond principal requirement	18,040			
2010A/B/C bonds interest requirement	7,441			
Deductions:				
2010A/B/C bonds capitalized interest	5,530			
2010B/C bonds interest subsidy	1,802			
Total bond service requirement	**20,412**			
Less debt service sinking fund investment earnings	71			
Total bond service requirement		**20,341**	**20,341**	**20,341**
Requirement II - 20% of total bond service requirements		**-**	**4,068**	**-**
Total funds and deposits required		**161,627**	**155,673**	**151,605**
Funds in excess of requirements - September 30, 2012		**$56,790**	**$62,744**	**$54,753**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
RATE COVENANT TESTS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

REQUIREMENTS

This report was prepared in accordance with BOCC Resolutions R03-112, the amended and restated BOCC Utility System Bond Resolution, Article XI, Section 11.02. The following requirements were met for the fiscal year ended September 30, 2012.

I. Gross Revenues together with Pledged Impact Fees, exceeded Required Deposits;

II. Net Revenues, together with Pledged Impact Fees, exceeded 120% of Bond Service Requirements; and,

III. Net Revenues exceeded Bond Service Requirements.

(Net Revenues = Gross Revenues less the Cost of Operations and Maintenance)

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
EXCESS RATE COVENANT TEST FUNDS RECONCILED TO
CHANGE IN NET ASSETS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(Amounts in thousands)

		REQUIREMENTS		
		I	**II**	**III**
Excess Funds over Covenant Requirements - September 30, 2012		**$56,790**	**$62,744**	**$54,753**
Items considered in determining the change in net assets, but not considered in the rate covenant calculation:				
Investment earnings on restricted accounts:				
Bond proceed construction accounts		654	654	654
Impact fee revenue account		13	13	13
Impact assessment unit account		30	30	30
Non-impact fee special assessment revenue accounts		7	7	7
Special assessment revenue installment interest charges		4,966	4,966	4,966
Fair value change		983	983	983
Non-impact fee special assessment revenues		(815)	(815)	(815)
Other-operating receipts		(997)	(997)	(997)
Depreciation and amortization		(55,650)	(55,650)	(55,650)
Capitalized operating expenses		(1,831)	(1,831)	(1,831)
Asset disposal loss		(2,369)	(2,369)	(2,369)
Nonoperating revenues		3,683	3,683	3,683
Nonoperating expenses		(192)	(192)	(192)
Difference between interest expense as reported on the Statement of Revenues, Expenses and Changes in Net Assets and the Rate Covenant Test due to amortization of deferred refunding losses, bond issuance premiums, and capitalized interest costs:				
Rate Covenant Test	$2,372			
Statement of Revenues, Expenses and Changes in Net Assets	3,764			
Difference		(1,392)	(1,392)	(1,392)
Items considered for rate covenant requirements, but not considered in determining the change in net assets:				
Pledged impact fees		(12,059)	(12,059)	-
2001 bonds principal bond service requirement		18,040	18,040	18,040
Additional 20% of bond service requirements		-	4,068	-
Renewal and replacement account deposit		10,022	-	-
Capital contributions		15,330	15,330	15,330
Change in net assets - September 30, 2012		**$35,213**	**$35,213**	**$35,213**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR ACCOUNTS RESTRICTED BY BOND COVENANT OR RESERVED BY BOCC POLICY
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(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**	**2010 Bonds DSR Proceeds**	**Total Restricted**	**2010 Bonds BAB & RZED Subsidies**	**Non-Bonded RWIU Assmt Units**	**Non-Bonded Infrastructure Assmt Units**	**Total System**
Balance, October 1, 2011	**$2**	**$7,717**	**$42,688**	**$1,467**	**$80**	**$105,703**	**$11,581**	**$169,238**	**$1,807**	**$552**	**$85**	**$171,682**
Receipts:												
Impact fee revenues	2,834	-	-	-	-	-	-	2,834	-	-	-	**2,834**
Impact fee investment earnings	13	-	-	-	30	-	-	43	-	-	-	**43**
GASB 31 - fair value change	4	30	-	-	14	253	-	301	5	3	-	**309**
Investment earnings - debt service account	-	71	-	-	-	-	-	71	12	-	-	**83**
Investment earnings - construction accounts	-	-	-	-	-	654	-	654	-	7	1	**662**
2010 bonds--BAB & RZED subsidies	-	-	-	-	-	-	-	-	2,544	-	-	**2,544**
Proceeds from asset sales	-	-	89	-	-	-	-	89	-	-	-	**89**
Special assessment revenues	-	-	-	-	9,182	-	-	9,182	-	809	6	**9,997**
Other revenues	-	7	845	-	4,600	-	-	5,452	-	-	-	**5,452**
Transfer from impact fee account	9,132	9,086	-	-	-	-	-	18,218	-	-	-	**18,218**
Transfers from the revenue account	-	13,646	10,022	-	-	-	-	23,668	-	-	-	**23,668**
Transfers from bond subsidy accounts	-	1,803	-	-	-	-	-	1,803	-	-	-	**1,803**
Tampa Bay Water - water purchase credits	-	-	1,238	-	-	-	-	1,238	-	-	-	**1,238**
Total receipts	**11,983**	**24,643**	**12,194**	**-**	**13,826**	**907**	**-**	**63,553**	**2,561**	**819**	**7**	**66,940**
Disbursements:												
Capital outlay	-	-	5,684	1,207	-	38,253	-	45,144	-	-	-	**45,144**
Operating expenses	-	-	-	-	121	-	-	121	-	10	1	**132**
Interest payments	-	9,702	-	-	-	-	-	9,702	-	-	-	**9,702**
Principal payments	-	18,040	-	-	-	-	-	18,040	-	-	-	**18,040**
Transfers to impact fee account	-	-	-	-	9,132	-	-	9,132	-	-	-	**9,132**
Transfers to operating and maintenance account	2,898	-	-	-	-	-	-	2,898	-	-	-	**2,898**
Transfers to debt service sinking account	9,086	-	-	-	-	-	-	9,086	1,803	-	-	**10,889**
Total disbursements	**11,984**	**27,742**	**5,684**	**1,207**	**9,253**	**38,253**	**-**	**94,123**	**1,803**	**10**	**1**	**95,937**
Balance, September 30, 2012	**$1**	**$4,618**	**$49,198**	**$260**	**$4,653**	**$68,357**	**$11,581**	**$138,668**	**$2,565**	**$1,361**	**$91**	**$142,685**
Notes:	**(B)**	**(B)**	**(A)**	**(A)**	**(B)**	**(C)**	**(B)**		**(D)**	**(D)**	**(D)**	

(1) Investment earnings of $398 from the renewal and replacement accounts were deposited into the revenue account.
(2) The System's fiscal year 2012 fair value change was $983. Fair value of $309 was recorded in the above restricted accounts, while $674 was recorded in the System's unrestricted accounts.
(3) Restricted by BOCC Policy includes the following accounts:
Federal and State grants and the System's bond proceed and impact fee funded capital improvement program.

Restricted and reserved net assets:	
(A) Bond covenants	$49,458
(B) Debt service	20,853
(C) Bond proceeds	68,357
Total restricted	**$138,668**
(D) Reserved	4,017
Total	**$142,685**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
STATISTICAL SECTION
UNAUDITED

SECTION CONTENTS

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 Assets by Category
Current Ratio
Return on Capital Assets
Accounts Receivable Collection Days
Revenues, Expenses, and Changes in Net Assets
Charges for Services - Components
Other Nonoperating Revenue Components

Debt Capacity Information:

These schedules present the System's comparative outstanding debt and debt service requirements to net assets, charges for services and rate covenant requirements.

Schedules:

Outstanding Debt Compared to Net Assets
Historical Debt Service Coverage

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
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

Financial Trend Schedules:

Net Assets by Category
Fiscal Years - 2003 through 2012
(amounts in thousands)

This schedule shows the System's increase in comparative net value (total assets less total liabilities = net assets).

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Invested in capital assets, net of related debt	$738,301	$756,401	$788,041	$801,480	$726,046	$545,229	$467,644	$434,986	$405,444	$384,945
Restricted net assets	70,311	67,335	48,603	31,582	51,073	132,958	157,340	73,570	53,496	64,897
Unrestricted net assets	361,642	311,305	277,397	273,018	289,885	341,544	313,058	337,114	319,423	239,001
Total net assets	**$1,170,254**	**$1,135,041**	**$1,114,041**	**$1,106,080**	**$1,067,004**	**$1,019,731**	**$938,042**	**$845,670**	**$778,363**	**$688,843**

Current Ratio
Fiscal Years - 2003 through 2012
(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 2:1, whereby current assets exceed current liabilities.

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Total current assets	$436,866	$414,535	$261,383	$235,122	$336,776	$482,379	$478,811	$348,522	$317,486	$278,383
Total current liabilities	$52,907	$53,808	$58,161	$57,117	$81,974	$70,642	$54,052	$54,721	$44,044	$40,153
Ratio	**8.3:1**	**7.7:1**	**4.5:1**	**4.1:1**	**4.1:1**	**6.8:1**	**8.9:1**	**6.4:1**	**7.2:1**	**6.9:1**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

Financial Trend Schedules (continued):

Return on Capital Assets
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Change in net assets	$35,213	$21,000	$7,961	$39,076	$47,273	$81,689	$92,372	$67,307	$89,520	$53,301
Average total capital assets, net	$847,892	$849,652	$868,287	$867,157	$769,037	$658,314	$619,669	$603,338	$592,019	$588,440
Return on Capital Assets	**4.2%**	**2.5%**	**0.9%**	**4.5%**	**6.1%**	**12.4%**	**14.9%**	**11.2%**	**15.1%**	**9.1%**

Accounts Receivable Collection Days over 365 Collection Days and Bad Debt Expenses
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Charges for services	$202,199	$196,512	$177,315	$175,692	$180,715	$188,386	$188,120	$173,094	$163,016	$149,488
Accounts receivable before allowance	$20,383	$17,798	$18,079	$16,049	$17,499	$17,839	$15,640	$15,373	$14,050	$13,628
Accounts Receivable Collection days	**36.8**	**33.1**	**37.2**	**33.3**	**35.3**	**34.6**	**30.3**	**32.4**	**31.5**	**33.3**
Bad debt expense	$275	$278	$253	$453	$395	$472	$463	$229	$328	$221
Percent of charges for services	**0.01%**	**0.01%**	**0.01%**	**0.03%**	**0.02%**	**0.03%**	**0.03%**	**0.01%**	**0.02%**	**0.01%**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

Financial Trend Schedules (continued):

Revenues, Expenses, and Changes in Net Assets
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Operating revenues:										
Charges for services	$202,199	$196,512	**$177,315**	**$175,692**	**$180,715**	**$188,386**	**$188,120**	**$173,094**	**$163,016**	**$149,488**
Operating expenses:										
Employee services	39,257	41,111	40,869	47,486	45,618	42,625	39,275	36,058	33,155	29,147
Contractual services	69,450	70,291	69,445	68,320	73,650	68,063	58,437	55,255	48,520	42,553
Communication services	1,275	1,269	1,319	1,350	1,393	1,287	1,178	1,058	941	989
Fleet services	2,513	2,075	1,816	1,506	2,131	1,701	1,669	1,570	1,426	685
Repairs and maintenance	8,117	7,964	5,924	7,692	7,903	6,801	6,373	6,640	6,882	8,910
Utilities	10,230	9,256	8,876	10,917	10,411	7,822	7,246	5,825	5,192	4,615
Supplies	325	324	297	1,196	3,840	5,012	2,804	3,534	1,792	1,203
Depreciation and amortization	55,650	57,391	58,536	52,754	51,445	49,846	48,144	47,772	41,929	38,227
Other	2,047	1,827	2,003	2,306	2,774	2,429	2,338	3,105	2,255	2,316
Total operating expenses	**188,864**	**191,508**	**189,085**	**193,527**	**199,165**	**185,586**	**167,464**	**160,817**	**142,092**	**128,645**
Operating expenses - percentage of revenues	**93.41%**	**97.45%**	**106.64%**	**110.2%**	**110.2%**	**98.5%**	**89.0%**	**92.9%**	**87.2%**	**86.1%**
Operating (loss) income	**13,335**	**5,004**	**(11,770)**	**(17,835)**	**(18,450)**	**2,800**	**20,656**	**12,277**	**20,924**	**20,843**
Nonoperating revenues (expenses):										
Investment earnings	9,071	9,011	9,974	12,091	17,564	28,297	24,928	13,636	10,605	12,434
Interest expense	(3,764)	(6,046)	(2,327)	(6,814)	(10,184)	(11,580)	(13,042)	(14,432)	(15,846)	(19,071)
Other revenues	1,591	3,585	4,082	3,156	3,822	4,062	4,989	5,016	6,568	8,156
Loss on debt defeasance	-	-	-	(6,813)	-	-	-	-	-	-
Other expenses	(469)	(514)	(312)	(716)	(542)	(523)	(3,350)	(882)	(3,999)	(1,470)
Total nonoperating revenues (expenses)	**6,429**	**6,036**	**11,417**	**904**	**10,660**	**20,256**	**13,525**	**3,338**	**(2,672)**	**49**
Income (loss) before contributions and transfers	**19,764**	**11,040**	**(353)**	**(16,931)**	**(7,790)**	**23,056**	**34,181**	**15,615**	**18,252**	**20,892**
Capital contributions	15,330	9,770	7,847	56,007	55,063	58,633	58,141	49,875	71,163	32,268
Transfers in	119	190	467	-	-	-	50	1,817	105	141
Change in net assets	**35,213**	**21,000**	**7,961**	**39,076**	**47,273**	**81,689**	**92,372**	**67,307**	**89,520**	**53,301**
Net assets, beginning of year, as restated	**1,135,041**	**1,114,041**	**1,106,080**	**1,067,004**	**1,019,731**	**938,042**	**845,670**	**778,363**	**688,843**	**635,542**
Net assets, end of year	**$1,170,254**	**$1,135,041**	**$1,114,041**	**$1,106,080**	**$1,067,004**	**$1,019,731**	**$938,042**	**$845,670**	**$778,363**	**$688,843**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

Financial Trend Schedules (Continued):

Charges for Services - Components
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	PCT	2011	PCT	2010	PCT	2009	PCT	2008	PCT	2007	PCT	Restated 2006	PCT	Restated 2005	PCT	Restated 2004	PCT	Restated 2003	PCT
Water charges	94,772	46.9%	92,182	46.9%	$77,859	43.9%	$76,203	43.4%	$79,101	43.8%	$82,788	43.9%	$80,008	42.5%	$67,638	39.1%	$62,982	38.6%	$53,793	36.0%
Wastewater charges	89,997	44.5%	87,544	44.5%	84,114	47.4%	83,201	47.4%	84,159	46.6%	83,274	44.2%	81,063	43.1%	76,736	44.3%	72,852	44.7%	67,566	45.2%
Reclaimed water charges	2,050	1.0%	2,049	1.0%	1,911	1.1%	1,819	1.0%	1,818	1.0%	1,401	0.7%	1,312	0.7%	1,302	0.8%	1,296	0.8%	1,165	0.8%
Accrued guaranteed revenue fees	7,009	3.5%	6,164	3.1%	5,171	2.9%	5,030	2.9%	5,840	3.2%	11,063	5.9%	16,056	8.5%	17,841	10.3%	17,579	10.8%	19,053	12.7%
Customer billing charges	7,488	3.7%	7,450	3.8%	7,262	4.1%	7,030	4.0%	7,082	3.9%	6,970	3.7%	6,873	3.7%	6,593	3.8%	6,256	3.8%	5,836	3.9%
Other general operating revenues	883	0.4%	1,123	0.7%	998	0.6%	2,409	1.4%	2,715	1.5%	2,890	1.5%	2,808	1.5%	2,984	1.7%	2,051	1.3%	2,075	1.4%
Charges for services	**$202,199**	**100.0%**	**$196,512**	**100.0%**	**$177,315**	**100.0%**	**$175,692**	**100.0%**	**$180,715**	**100.0%**	**$188,386**	**100.0%**	**$188,120**	**100.0%**	**$173,094**	**100.0%**	**$163,016**	**100.0%**	**$149,488**	**100.0%**

Other Non-Operating Revenue Components
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	PCT	2011	PCT	2010	PCT	2009	PCT	2008	PCT	2007	PCT	Restated 2006	PCT	Restated 2005	PCT	Restated 2004	PCT	Restated 2003	PCT
Investment earnings	$9,071	31.9%	$9,011	39.9%	$9,974	44.6%	$12,091	17.0%	$17,564	23.0%	$28,297	31.1%	$24,928	28.3%	$13,636	19.4%	$10,605	12.0%	$12,434	16.1%
Capital contributions	15,330	53.8%	9,770	43.4%	7,847	35.1%	56,007	78.6%	55,063	72.0%	58,633	64.4%	58,141	66.0%	49,875	70.9%	71,163	80.5%	56,721	73.2%
Other general revenues	3,960	13.9%	3,585	15.9%	4,082	18.2%	3,156	4.4%	3,822	5.0%	4,062	4.5%	4,989	5.7%	5,016	7.1%	6,568	7.4%	8,156	10.5%
Transfers in	119	0.4%	190	0.8%	467	0.0%	0	0.0%	-	0.0%	-	0.0%	50	0.1%	1,817	2.6%	105	0.1%	141	0.2%
Total other non-operating revenues	**$28,480**	**100.0%**	**$22,556**	**100.0%**	**$22,370**	**100.0%**	**$71,254**	**100.0%**	**$76,449**	**100.0%**	**$90,992**	**100.0%**	**$88,108**	**100.0%**	**$70,344**	**100.0%**	**$88,441**	**100.0%**	**$77,452**	**100.0%**

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

Debt Schedules:

Outstanding Debt Compared to Net Assets
Fiscal Years - 2003 through 2012
(amounts in thousands)

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

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Revenue bonds and notes outstanding	$179,110	$197,150	$64,255	$80,525	$130,470	$151,628	$171,980	$190,015	$207,555	$224,152
Net assets	$1,170,254	$1,135,041	$1,114,041	$1,106,080	$1,067,004	$1,019,731	$938,042	$845,670	$778,363	$688,843
Percent	**15.3%**	**17.4%**	**5.8%**	**7.3%**	**12.2%**	**14.9%**	**18.3%**	**22.5%**	**26.7%**	**32.5%**

Debt Schedules (Continued):

Historical Debt Service Coverage
Fiscal Years - 2003 through 2012
(amounts in thousands)

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Gross Revenues (1)	$206,358	$200,442	$180,351	$183,260	$193,349	$206,971	$202,554	$182,309	$170,338	$159,254
Less Cost of Operation & Maintenance (3)	131,264	132,296	128,323	139,269	145,429	134,471	118,220	110,271	96,780	87,117
Total Net Revenues	**$75,094**	**$68,146**	**$52,028**	**$43,991**	**$47,920**	**$72,500**	**$84,334**	**$72,038**	**$73,558**	**$72,137**
Pledged Impact Fees (2)	**12,059**	**12,663**	**11,559**	**10,088**	**8,211**	**11,798**	**20,535**	**15,184**	**19,916**	**13,099**
Total Pledged System Revenues	**$87,153**	**$80,809**	**$63,587**	**$54,079**	**$56,131**	**$84,298**	**$104,869**	**$87,222**	**$93,474**	**$85,236**
Required Deposits										
Cost of Operation and Maintenance (3)	$131,264	$132,296	$128,323	$139,269	$145,429	$134,471	$118,220	$110,271	$96,780	$87,117
Bond Service Requirement	20,341	20,545	20,347	20,820	26,912	26,455	26,506	27,556	27,309	29,616
Deposit to Renewal and Replacement Account	10,022	9,018	9,163	9,667	10,446	10,161	9,083	8,603	8,083	7,681
Total Required Deposits	**$161,627**	**$161,859**	**$157,833**	**$169,756**	**$182,787**	**$171,087**	**$153,809**	**$146,430**	**$132,172**	**$124,414**
20% of Bond Service Requirements	**$4,068**	**$4,109**	**$4,069**	**$4,164**	**$5,382**	**$5,291**	**$5,301**	**$5,511**	**$5,462**	**$5,923**
Subordinate Debt Service Requirement	-	-	-	-	-	-	**$3,778**	-	-	-
Required Coverage:										
(A).=> 100%	**1.35**	**1.32**	**1.22**	**1.14**	**1.10**	**1.28**	**1.45**	**1.35**	**1.44**	**1.39**
(B).=> 120%	**4.28**	**3.93**	**3.13**	**2.60**	**2.09**	**3.19**	**3.96**	**3.17**	**3.42**	**2.88**
(C).=> 100%	**3.69**	**3.32**	**2.56**	**2.11**	**1.78**	**2.74**	**3.18**	**2.61**	**2.69**	**2.44**
(D).=> 100%	-	-	-	-	-	-	**2.78**	-	-	-

(A). Gross Revenues, plus Pledged Impact Fees Divided by Required Deposits (Required Coverage = 1.00).
(B). Net Revenues, plus Pledged Impact Fees Divided by Bond Service Requirement (Required Coverage = 1.20).
(C). Net Revenues Divided by the Bond Service Requirement (Required Coverage = 1.00).
(D). Net Revenues Divided by the Sum of the Bond Service Requirement and Subordinate Debt Service requirement (Required Coverage = 1.00).

(1) Includes meter installation fees and interest income on operating reserves.
(2) Impact Fees are pledged to the extent that Water and Wastewater Impact Fees, respectively, do not exceed the respective Expansion Project Percentage.
(3) Includes the Tampa Bay Water contracted water supply cost.

HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER ENTERPRISE FUND
UNAUDITED

General Operating Statistics:
Fiscal Years - 2003 through 2012

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Capital Assets (amounts are actual):										
Number of Water Plants	4	4	4	4	3	3	3	3	3	3
Number of Wastewater Treatment Plants	7	7	7	7	7	7	7	7	7	7
Water Distribution line miles (estimated)	2,399	2,391	2,336	2,255	2,227	2,192	1,994	1,930	1,910	1,890
Wastewater Transmission line miles (estimated)	2,229	2,215	2,105	2,063	2,007	1,864	1,740	1,710	1,680	1,650
Reclaimed Water Transmissions line miles (estimated)	335	333	331	328	325	323	310	300	290	280
Number of Pump Stations	709	703	699	690	682	674	640	622	602	573
Staffing:										
Number of budgeted positions per 1,000 customers	4.3	4.4	4.6	4.6	4.7	4.3	4.4	4.5	4.6	4.6
Average Number of Customer Accounts Billed Monthly										
Water Customers	**147,379**	**144,317**	**141,988**	**141,615**	**141,690**	**141,355**	**139,609**	**135,033**	**128,080**	**121,521**
Percent Change	2.1%	1.6%	0.3%	-0.1%	0.2%	1.3%	3.4%	5.4%	5.4% (2)	9.2% (1)
Wastewater Customers	**135,240**	**133,979**	**134,904**	**131,588**	**131,890**	**132,420**	**130,821**	**126,308**	**119,483**	**113,072**
Percent Change	0.9%	-0.7%	2.5%	-0.2%	-0.4%	1.2%	3.6%	5.7%	5.7% (2)	9.0% (1)

(1) Acquisition of 3,500 connections from a private franchise in September 2003
(2) Acquisition of 1,200 connections from a private franchise in April 2004

	2012	2011	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003
Annual Use/Flows										
Annual Water Consumption (thousands of gallons)	17,407	17,566	16,461	16,379	17,014	18,137	17,971	15,633	15,262	13,159
Annual Treated Wastewater Flows (thousands of gallons)	13,143	13,007	12,508	12,641	12,434	12,303	12,473	11,873	11,277	10,244
Operating Costs (amounts in thousands):										
Operating Expenses	$188,864	$191,508	$189,085	$193,527	$199,165	$185,586	$167,464	$160,817	$142,092	$128,645
Less: Depreciation and amortization	55,650	57,391	58,536	52,754	51,445	49,846	48,144	47,772	41,929	38,227
Less: Purchased Water	49,184	48,164	46,659	42,733	43,395	41,380	39,326	34,572	31,631	28,022
Net Operating Cost	$84,030	$85,953	$83,890	$98,040	$104,325	$94,360	$79,994	$78,473	$68,532	$62,396
Number of Accounts Billed Annually	1,880	1,845	1,839	1,844	1,845	1,837	1,805	1,728	1,651	1,529
Monthly Operating Cost per Statement (amounts are actual)	**$45**	**$47**	**$46**	**$53**	**$57**	**$51**	**$44**	**$45**	**$42**	**$41**

Sources:
Water Resources Services Annual Audited Financial Reports for Fiscal Years 2003 through 2012
FAMIS Accounting Data
Water Enterprise Fund Operating Data