



Hillsborough County
Florida

Water Resource Division
Public Utilities Department



The pump room at the Lithia Water Treatment Facility. The plant supplies an average of 24 million gallons of high-quality drinking water a day to customers in central and south Hillsborough County.

Annual Financial Report

Water Resource Division Enterprise Fund

For Fiscal Years Ended
September 30, 2010 and 2009

HILLSBOROUGH COUNTY, FLORIDA

PUBLIC UTILITIES DEPARTMENT

WATER RESOURCE DIVISION ENTERPRISE FUND

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009

Prepared by:

**FINANCE DEPARTMENT
CLERK OF CIRCUIT COURT
PAT FRANK, Clerk**

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2010**

Board of County Commissioners

Ken Hagan, Chair
Kevin Beckner
Rose Ferlita
Al Higginbotham
Jim Norman
Mark Sharpe
Kevin White

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, Interim County Administrator
Renee Lee, County Attorney
Paul Vanderploog, Director, Public Utilities Department

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
ANNUAL FINANCIAL REPORT
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Hillsborough County Water Resource Division Enterprise Fund (the "System"), formerly Water Resource Services Enterprise Fund, an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The System's financial statements as of and for the year ended September 30, 2009 were audited by other auditors whose report dated January 19, 2010 expressed an unqualified opinion on those statements.

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

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

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, 2010, and the changes in its financial position and its cash flows, where applicable, for the year 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 February 18, 2011 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The accompanying supplementary information and statistical section 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 and statistical section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cheng, Behaert & Holland, L.L.P.

Tampa, Florida
February 18, 2011



INDEPENDENT AUDITORS' REPORT 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 Water Resource Division Enterprise Fund (the "System"), formerly Water Resource Services Enterprise Fund, an enterprise fund of Hillsborough County, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated February 18, 2011.

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 & Holland, L.L.P.

Tampa, Florida
February 18, 2011

Financial Statements

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

The Hillsborough County Water Resource Division Enterprise Fund (System) presents the following review of its financial activities for the fiscal years ended September 30, 2010 and 2009. Readers of these financial statements are encouraged to consider information presented here 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, 2010 and 2009. All amounts, unless otherwise stated, are presented in thousands of dollars.

Fiscal Year 2010 Financial Summary

System fiscal year 2010 operating revenues of \$177,315 were \$1,623 or .9% higher than fiscal year 2009 revenues of \$175,692. The increase was primarily due to implementation of automatic rate adjustments by indexing user charges based on an index factor published by the Florida Public Service Commission. An initial index factor of 1.72% was applied to water usage on October 1, 2009, and a subsequent index factor of 0.37% was added to water usage consumption commencing on June 1, 2010. In addition the Purchased Water-Pass -Through Consumption Charge was increased from two dollars and twenty-five cents to two dollars and forty-three cents per thousand gallons of water usage on October 1, 2009.

The System recognized \$2,524 from impact fee and reclaimed water improvement unit special assessment contributions and the related accounts receivables during fiscal year 2010.

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

Test Requirements	I	II	III
Funds in Excess of Requirements	\$34,077	\$39,171	\$31,681

The System's fiscal year 2010 Change in Net Assets was \$7,961. This was a decrease of \$31,115 or 79.6% from the fiscal year 2009 Change in Net Assets of \$39,076. This was due to a decrease in developer contributed assets related to the slow economy, to a decrease in investment earnings attributed to historic low interest rates earned on invested funds, and to an increase in depreciation and amortization costs. The System's Net Assets on September 30, 2010, were \$1,114,041 compared to \$1,106,080 for fiscal year 2009.

Fiscal Year 2009 Financial Summary

System fiscal year 2009 operating revenues of \$175,692 were \$5,023 or 2.8% less than fiscal year 2008 primarily due to the severe drought triggering mandatory lawn watering restrictions and to increased service disconnections caused by the continuing economic down-turn in the residential and commercial real estate markets.

The System recognized \$43,733 from impact fee and reclaimed water improvement unit special assessment contributions and related accounts receivables during fiscal year 2009.

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

On June 16, 2009, the System, as permitted under the governing bond resolution, defeased all outstanding Series 2003 Bonds in the amount of \$24,385 and a portion of outstanding Series 2001 Bonds in the amount of \$10,000. As a result, these transactions reduced System fiscal year 2009 bond service requirements paid from user rates by approximately \$6 million. See Note 7(B) in the accompanying financial statement for additional information.

On December 13, 2008, the System's \$75 million Commercial Paper Note Program and supporting Letter of Credit expired. Rather than renew the program, System management will participate in the BOCC's \$300 million County-wide Commercial Paper Note Program to meet future short-term capital funding requirements.

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

Test Requirements	I	II	III
Funds in Excess of Requirements	\$23,592	\$29,095	\$23,171

The System was compliant with all covenant requirements for the fiscal years ended September 30, 2010 and 2009.

Overview of the Financial Statements

This analysis is intended to serve as an introduction to the System's 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 the System's 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 amounts. The System's operating results are reported on the Statement of Revenues, Expenses, and Changes in Net Assets. This statement displays the System's operating activities for the fiscal year concluded. Also, this statement indicates whether the System recovered all 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 the System's operating, capital improvement, borrowing, and investing transactions.

Financial Analysis

A measure of the System's financial viability is its net assets and the percentage of unrestricted net assets compared to total net assets. An analysis of the System's Balance Sheet including net assets on September 30, 2010, compared to September 30, 2009, follows:

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

Condensed Balance Sheets

Assets:	2010	2009	Change	Percent
Current, restricted and other assets	\$367,077	\$342,402	\$24,675	7.2%
Capital assets, net	852,118	884,455	(32,337)	(3.7%)
Total assets	\$1,219,195	\$1,226,857	\$(7,662)	(.6%)
Liabilities:				
Current liabilities	\$58,161	\$57,117	\$1,044	1.8%
Noncurrent liabilities	46,993	63,660	(16,667)	(26.2)
Total liabilities	105,154	120,777	(15,623)	(12.9)
Net assets:				
Invested in capital assets, net of related debt	788,041	801,480	(13,439)	(1.7)
Restricted net assets	45,103	31,582	13,521	42.8
Unrestricted net assets	280,897	273,018	7,879	2.9
Total net assets	1,114,041	1,106,080	7,961	.7
Total liabilities and net assets	\$1,219,195	\$1,226,857	\$(7,662)	(.6%)

Total net assets – Total net assets increased \$7,961 or .7% for the fiscal year ended September 30, 2010, primarily due to capital contributions.

As shown above, the Balance Sheet presents the System's financial position and its net asset components on September 30, 2010, compared to September 30, 2009. The Statement of Revenues, Expenses, and Changes in Net Assets presents the System's operating results for fiscal year 2010 compared to fiscal year 2009 as follows:

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

	2010	2009	Change	Percent
Revenues:				
Operating revenues	\$177,315	\$175,692	\$1,623	.9%
Nonoperating revenues	14,056	15,247	(1,191)	(7.8)
Total revenues	191,371	190,939	432	.2%
Expenses:				
Operating expenses, before depreciation	130,549	140,773	(10,224)	(7.3)
Nonoperating expenses	2,639	14,343	(11,704)	(81.6)
Depreciation and amortization	58,536	52,754	5,782	11.0
Total expenses	191,724	207,870	(16,146)	(7.8)
Loss before capital contributions	(353)	(16,931)	16,578	(97.9)
Capital contributions and transfers in	8,314	56,007	(47,693)	(85.2)
Change in net assets	7,961	39,076	(31,115)	(79.6)
Net assets, beginning of year	1,106,080	1,067,004	39,076	3.7
Net assets, end of year	\$1,114,041	\$1,106,080	\$7,961	.7%

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

Operating revenues - Fiscal year 2010 operating revenues of \$177,315 increased \$1,623 or .9% compared to fiscal year 2009. This was due to implementation of a rate index with a factor of 1.72% applied to water usage on October 1, 2009, and a subsequent index factor of 0.37% added to water usage commencing on June 1, 2010. In addition the Purchased Water-Pass-Through Consumption Charge was increased from \$2.25 to \$2.43 per thousand gallons of water usage on October 1, 2009

Nonoperating revenues - Fiscal year 2010 nonoperating revenues of \$14,056 decreased \$1,191 or 7.8% compared to fiscal year 2009. This was primarily due to a reduction in investment earnings related to the historic low interest rates earned on invested moneys.

Total expenses - Fiscal year 2010 total expenses of \$191,724 decreased \$16,146 or 7.8% compared to fiscal year 2009. This decrease was related to the following net factors. First, there was a decrease in personnel costs of \$6,617 or 13.9%. This decrease was related to a reduction in the System's workforce, no cost of living wage increases, BOCC mandated unpaid furlough days, and to a \$2,822 refund of prior year workers' compensation premiums from the BOCC Internal Service Fund. Second, there was a net increase in contractual service costs of \$1,125 or 1.6%. This net increase relates to the water suppliers' annual pass-through cost adjustment, offset by decreases in the BOCC administrative charge as well as reductions in professional, contractual and other contractual service costs. Third, there was a decrease in communications, fleet, repairs and maintenance, utilities, supplies and other general operating costs of \$5,042 or 21.5% related to BOCC mandated cost reduction directives. Fourth, there was a decrease in other nonoperating expenses of \$11,704 or 81.6%, primarily due to the non-recurring fiscal year 2009 \$6.8 million refunding loss, the related fiscal year 2010 decrease in annual interest costs of \$2 million, and to capitalizing interest costs to construction work in progress of \$2.5 million. These net operating cost decreases were partially offset by an increase in depreciation and amortization costs of \$5,782 or 11%, and an increase in fleet costs of \$310 or 20.6%. These increases were due to the large dollar volume of substantially completed capital projects transferred from construction work in progress to depreciable assets during fiscal years 2010 and 2009, and to higher fuel costs.

Capital contributions - Fiscal year 2010 capital contribution revenues were \$7,847 compared to \$56,007 for fiscal year 2009. The comparative \$48,160 or 86.0% decrease was primarily due to a decline in developer contributions related to the continuing economic down-turn in the real estate market. Comparative 2010 and 2009 capital contributions were as follows:

	2010	2009
Contributed assets	\$4,689	\$9,122
Impact fees collections	634	3,152
Special assessment contributions	2,524	43,733
Total capital contributions	\$7,847	\$56,007

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

An analysis of the System's Balance Sheet including net assets on September 30, 2009, compared to September 30, 2008, follows:

Condensed Balance Sheets

Assets:	2009	2008	Change	Percent
Current, restricted and other assets	\$342,402	\$403,984	\$(61,582)	(15.2%)
Capital assets, net	884,455	849,859	34,596	4.1
Total assets	\$1,226,857	\$1,253,843	\$(26,986)	(2.2%)
Liabilities:				
Current liabilities	\$57,117	\$81,974	\$(24,857)	(30.3%)
Noncurrent liabilities	63,660	104,865	(41,205)	(39.3)
Total liabilities	120,777	186,839	(66,062)	(35.4)
Net assets:				
Invested in capital assets, net of related debt	801,480	726,046	75,434	10.4
Restricted net assets	31,582	51,075	(19,493)	(38.2)
Unrestricted net assets	273,018	289,883	(16,865)	(5.8)
Total net assets	1,106,080	1,067,004	39,076	3.7
Total liabilities and net assets	\$1,226,857	\$1,253,843	\$(26,986)	(2.2%)

Total net assets – Total net assets increased \$39,076 or 3.7% for the fiscal year ended September 30, 2009, primarily due to capital contributions.

As shown above, the Balance Sheet presents the System's financial position and its net asset components as of September 30, 2009, compared to September 30, 2008. The Statement of Revenues, Expenses, and Changes in Net Assets presents the System's operating results for fiscal year 2009 compared to fiscal year 2008 as follows:

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2009	2008	Change	Percent
Revenues:				
Operating revenues	\$175,692	\$180,715	\$(5,023)	(2.8%)
Nonoperating revenues	15,247	21,386	(6,139)	(28.7)
Total revenues	190,939	202,101	(11,162)	(5.5%)
Expenses:				
Operating expenses, before depreciation	140,773	147,720	(6,947)	(4.7)
Nonoperating expenses	14,343	10,726	3,617	33.7
Depreciation and amortization	52,754	51,445	1,309	2.5
Total expenses	207,870	209,891	(2,021)	(1.0)
Loss before capital contributions	(16,931)	(7,790)	(9,141)	117.3
Capital contributions	56,007	55,063	944	1.7
Change in net assets	39,076	47,273	(8,197)	(17.3)
Net assets, beginning of year	1,067,004	1,019,731	47,273	4.6
Net assets, end of year	\$1,106,080	\$1,067,004	\$39,076	3.7%

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

Operating revenues - Fiscal year 2009 operating revenues of \$175,692 decreased \$5,023 or 2.8% compared to fiscal year 2008. This was primarily due to the commercial and residential real estate market down-turn and to mandatory water use restrictions related to the prolonged region-wide drought.

Nonoperating revenues - Fiscal year 2009 nonoperating revenues of \$15,247 decreased \$6,139 or 28.7% compared to fiscal year 2008. This was primarily due to a reduction in investment earnings related to the upheaval in the financial markets and to a decline in funds available for investment due to cash outflows on planned capital improvement and modernization projects.

Total expenses - Fiscal year 2009 total expenses of \$207,870 decreased \$2,021 or 1.0% compared to fiscal year 2008. This decrease was related to the following net factors. First, there was an increase of \$1,868 or 4.1% in personnel costs. This was related to a cost of living salary increase and to increased employee benefit costs. Second, there was a net decrease in contractual service costs of \$5,330 or 7.2%. This net decrease was primarily related to a comparative reduction in new accounting and inventory systems' consultant fees from last year and a decrease in purchased water supply costs related to severe water use restrictions reducing total water consumption compared to last year. These decreases were partially offset by an increase in administrative overhead costs assessed by the BOCC to the System. Third, there was a decrease of \$3,817 or 20.7% in communications, fleet, repair and maintenance, supplies and other general operating and nonoperating costs related to the fiscal year 2009 decrease in System operating revenues. Fourth, there was a comparative decrease in long-term debt interest costs of \$3,370 or 33.1% related to the June 16, 2009, debt refunding. These cost decreases were partially offset by an increase of \$1,815 or 2.9% in plant utility costs, an increase in depreciation and amortization costs over last year, and a \$6,813 non-cash debt defeasance loss.

Capital contributions - Fiscal year 2009 capital contributions were \$56,007 compared to \$55,063 in fiscal year 2008. The \$944 or 1.7% increase was primarily due to special assessment impact fee contributions partially offset by a reduction in capital asset contributions from developers compared to last year. Comparative 2009 and 2008 capital contributions were as follows:

	2009	2008
Contributed assets	\$9,122	\$25,323
Impact fees collections	3,152	2,810
Special assessment contributions	43,733	27,403
Capital improvement grants	-	(473)
Total capital contributions	\$56,007	\$55,063

Fiscal Year 2010 Capital Asset Activities

On September 30, 2010, System capital assets, net of accumulated depreciation, were \$852,118 compared to \$884,455 for fiscal year 2009. The net decrease of \$32,337 or 3.7% over last year was related to the following net factors. First, the System expended \$31,193 on the acquisition and construction of capital assets. Second, the System received contributed assets of \$4,689 from developers. Third, the System capitalized current period interest costs of \$2,461 to construction work in progress. Fourth, these capital asset additions were offset by the combined fiscal year 2010 charge for depreciation and amortization plus net disposals of \$70,680. See Note 5(A) in the accompanying financial statement notes for additional information on the System's fiscal year 2010 capital asset activities.

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

Fiscal Year 2009 Capital Asset Activities

On September 30, 2009, System capital assets, net of accumulated depreciation, were \$884,455 compared to \$849,859 for fiscal year 2008. The net increase of \$34,596 or 4.1% over last year was related to the following net factors. First, the System expended \$78,943 on the acquisition and construction of capital assets. Second, the System received contributed assets of \$9,122 from developers. Third, these capital asset additions were partially offset by the fiscal year 2009 charge for depreciation and amortization together with net asset disposals for combined deductions of \$53,469. See Note 5(B) in the accompanying financial statement notes for additional information on the System's fiscal year 2009 capital asset activities.

Fiscal Year 2010 Debt Administration

The System's noncurrent liabilities on September 30, 2010, were \$46,993 compared to \$63,660 for fiscal year 2009. This decrease of \$16,667 or 26.2% from last year was primarily due to the scheduled fiscal year 2010 principal bond payment of \$16,270 combined with the fiscal year 2010 changes in compensated absences and amortization of deferred bond issuance premium and deferred debt refunding loss. See Note 7(E) in the accompanying financial statement notes for additional information on the System's fiscal year 2010 noncurrent liability transactions.

Fiscal Year 2009 Debt Administration

The System's noncurrent liabilities on September 30, 2009, were \$63,660 compared to \$104,865 for fiscal year 2008. This decrease of \$41,205 or 39.3% from last year was primarily due to the scheduled fiscal year 2009 principal bond payments of \$15,560 in conjunction with the June 16, 2009, debt defeasance. The refunding reduced the System's total fiscal year 2009 bond service obligation by approximately \$6 million. See Note 7(E) in the accompanying financial statement notes for additional information on the System's fiscal year 2009 noncurrent liability transactions.

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

Overall the revenues of the System 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. The index factor to become effective June 1, 2011 is expected to be very slight. The Purchased-Water Pass-Through Consumption Charge was increased from \$2.43 to \$2.77 per thousand gallons for usage beginning October 1, 2010.

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, 2010 and 2009. 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 RESOURCE DIVISION ENTERPRISE FUND
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009
(Amounts in Thousands)**

ASSETS	September 30,	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 74,302	\$ 45,290
Investments	102,960	120,481
Accounts receivable, net	17,721	15,665
Accounts receivable, long-term, current portion	4,398	4,235
Interest receivable	307	649
Due from other governments	14	13
Inventories	1,204	1,350
Other current assets	524	319
Total unrestricted current assets	201,430	188,002
Restricted current assets:		
Cash and cash equivalents	24,942	12,769
Investments	34,557	33,975
Accounts receivable	219	54
Interest receivable	104	185
Due from other governments	131	137
Total restricted current assets	59,953	47,120
Total current assets	261,383	235,122
Capital assets, net of accumulated depreciation and amortization:		
Buildings and utility plants	187,607	183,957
Building improvements	568,137	555,574
Construction work in progress	52,854	86,709
Equipment	6,461	8,992
Land	28,558	40,490
Intangibles	8,501	8,733
Total capital assets, net	852,118	884,455
Other noncurrent assets:		
Accounts receivable	105,542	107,056
Deferred costs	152	224
Total other noncurrent assets	105,694	107,280
Total noncurrent assets	957,812	991,735
Total assets	\$ 1,219,195	\$ 1,226,857

LIABILITIES AND NET ASSETS	September 30,	
	2010	2009
Current liabilities:		
Accounts and contracts payable	\$ 14,739	\$ 13,041
Accrued liabilities	1,996	1,915
Compensated absences, current portion	2,820	2,976
Unearned revenues	6,651	7,377
Revenue bonds payable, current maturities	17,105	16,270
Current liabilities	43,311	41,579
Current liabilities payable from restricted assets:		
Accounts and contracts payable	2,014	3,131
Accrued interest	2,094	2,355
Deposits	10,673	9,972
Unearned revenues	69	80
Current liabilities payable from restricted assets	14,850	15,538
Total current liabilities	58,161	57,117
Noncurrent liabilities:		
Compensated absences, less current portion	1,070	1,210
Revenue bonds payable, net, less current maturities	45,923	62,450
Total noncurrent liabilities	46,993	63,660
Total liabilities	105,154	120,777
Net Assets:		
Invested in capital assets, net of related debt	788,041	801,480
Restricted net assets:		
Bond covenants and debt service	45,103	31,582
Unrestricted net assets	280,897	273,018
Total net assets	1,114,041	1,106,080
Total liabilities and net assets	\$ 1,219,195	\$ 1,226,857

The accompanying notes are an integral part of this statement.

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(Amounts in Thousands)**

	Year ended September 30,	
	2010	2009
Operating revenues:		
Charges for services	\$ 177,315	\$ 175,692
Operating expenses:		
Personnel services	40,869	47,486
Contractual services	69,445	68,320
Communication services	1,319	1,350
Fleet services	1,816	1,506
Repairs and maintenance	5,924	7,692
Utilities	8,876	10,917
Supplies	297	1,196
Depreciation and amortization	58,536	52,754
Other	2,003	2,306
Total operating expenses	189,085	193,527
Operating loss	(11,770)	(17,835)
Nonoperating revenues (expenses):		
Investment earnings	9,974	12,091
Interest expense	(2,327)	(6,814)
Debt refunding loss	-	(6,813)
Asset disposal gain (loss)	627	(303)
Other revenues	3,455	3,156
Other expenses	(312)	(413)
Total nonoperating revenues	11,417	904
Loss before capital contributions and transfers	(353)	(16,931)
Capital contributions	7,847	56,007
Transfer-in	467	-
Change in net assets	7,961	39,076
Net assets, beginning of year	1,106,080	1,067,004
Net assets, end of year	\$ 1,114,041	\$ 1,106,080

The accompanying notes are an integral part of this statement.

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STATEMENTS OF CASH FLOW
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(Amounts in Thousands)**

	Year ended September 30,	
	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 175,062	\$ 176,608
Cash received from other operating sources	3,859	3,269
Cash payments to suppliers for goods and services	(89,158)	(112,939)
Cash payments for personnel services	(41,084)	(47,527)
Net cash provided by operating activities	48,679	19,411
Cash flows from capital and related financing activities:		
Capital contributions	9,994	9,759
Surplus capital asset sale proceeds	12,795	398
Capital asset acquisition and construction	(31,193)	(78,943)
Revenue bonds interest payments	(4,474)	(6,090)
Revenue bond principal maturity payments	(16,270)	(15,560)
Revenue bonds defeased	-	(37,697)
Other debt service costs	-	(88)
Net cash used by capital and related financing activities	(29,148)	(128,221)
Cash flows from investing activities:		
Investment maturity and sale proceeds	376,634	461,668
Investment purchases	(358,694)	(398,254)
Investment earnings	3,714	8,714
Net cash provided by investing activities	21,654	72,128
Change in cash and cash equivalents	41,185	(36,682)
Cash and cash equivalents, beginning of year	58,059	94,741
Cash and cash equivalents, end of year	\$ 99,244	\$ 58,059
Cash and cash equivalent components:		
Cash and cash equivalents	\$ 74,302	\$ 45,290
Restricted cash and cash equivalents	24,942	12,769
Total cash and cash equivalents	\$ 99,244	\$ 58,059

	Year ended September 30,	
	2010	2009
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (11,770)	\$ (17,835)
Depreciation and amortization	58,536	52,754
Other nonoperating revenues	3,859	3,269
Changes in assets and liabilities:		
Change in accounts receivable	(2,195)	1,346
Change in allowance for doubtful accounts	(26)	34
Change in accrued and other liabilities	(656)	(363)
Change in accounts and contracts payable	581	(19,702)
Change in compensated absences	(296)	(117)
Change in deposits	700	34
Change in due from other governments	5	(59)
Change in inventories	146	329
Change in other current assets	(205)	(279)
Total adjustments	60,449	37,246
Net cash provided by operating activities	\$ 48,679	\$ 19,411
Noncash investing, capital, and financing activities:		
Contributed capital assets	\$ 4,689	\$ 9,122
Special assessment impact fee contributions	2,368	43,733
GASB Statement 31- change in investment fair value	1,001	(492)
Interest expense capitalized to construction work in progress	2,461	-

The accompanying notes are an integral part of this statement.

**HILLSBOROUGH COUNTY, FLORIDA
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WATER RESOURCE DIVISION ENTERPRISE FUND
FINANCIAL STATEMENT NOTES
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(1) Significant Accounting Policies Summary

The following is a summary of the significant accounting policies applied in the preparation of the accompanying Water Resource Division Enterprise Fund (System), formerly Water Resource Services 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 accounting principles generally accepted 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.

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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 2010 and 2009, the System's bad debt expense, recorded as an operating expense, was \$253 and \$453, respectively.

(F) Inventories

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

(G) Capitalized Interest Costs

The System capitalized fiscal year 2010 interest costs of \$2,461 to construction work in progress. Total interest costs incurred during fiscal years 2010 and 2009 were \$4,788 and \$6,814, 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.

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

<u>Capital asset categories</u>	<u>Estimated useful life (in years)</u>
Buildings and utility plants	5 – 50
Building improvements	10 – 35
Equipment	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 2010 and 2009, bond issuance costs, amortized to and increasing other nonoperating expenses were \$72 and \$131, respectively. Deferred bond market issue premiums, amortized to and decreasing interest expense, were \$323 and \$671, respectively.

(J) Compensated Absences Obligation

Governmental accounting standards require 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.

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(K) Deferred Refunding Debt Losses

Governmental accounting standards require 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 2010 and 2009, the deferred refunding losses, amortized to and increasing interest expense, were \$901 and \$1,951, 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

Governmental accounting standards provide 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.

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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 \$100 per person and \$200 per occurrence. The BOCC has commercial insurance with a limit of \$2,000 per occurrence 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 2010, 2009, and 2008, settled claims did not exceed insurance coverage. During fiscal years 2010 and 2009, the System paid \$2,552 and \$2,182, respectively, to the BOCC Internal Service Fund for workers' compensation, automotive and general liability 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 \$400 per person annually. Stop-loss insurance was purchased to cover an unlimited lifetime amount per person above the \$400 per person deductible. Claims exceeding the \$1 million policy limit are paid through the group health plan. Maximum stop-loss reimbursements are limited to \$600 per person per year. During fiscal years 2010 and 2009, the System paid \$5,337 and \$5,993, 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. GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, establishes accounting and financial reporting standards for the BOCC Self-Insurance Internal Service Fund's transactions. 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

Governmental accounting standards require 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, 2010 and 2009, the investment earnings components were as follows:

	2010	2009
Interest and dividends	\$8,973	\$12,583
Fair value change	1,001	(492)
Investment earnings, as reported	\$9,974	\$12,091

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(Q) GASB Statement Implementations

(a) Fiscal Year 2010 GASB Statement Implementation

On October 1, 2009, the System prospectively implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Intangible assets lack physical substance, are non-financial in nature, and have initial useful lives exceeding one year. Intangible assets under GASB Statement No. 51 include easements, goodwill, and internally or externally generated software meeting certain criteria. Effective with this GASB Statement implementation date, System intangible assets with a minimum value of five thousand dollars will be capitalized and amortized for accounting and financial statement reporting purposes.

(b) Fiscal Year 2009 GASB Statement Implementation

On October 1, 2008, the System implemented GASB Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This GASB standard requires the recognition of a pollution liability when any one of five specified obligating events occurs as follows: a government is compelled to take pollution remediation action because of an imminent endangerment; a government violates a pollution prevention-related permit or license; a government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a party responsible for sharing costs; a government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation; and, a government commences or legally obligates itself to commence pollution remediation. The implementation of this standard did not have any impact on the System's Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended September 30, 2010 and 2009.

(R) Reclassifications

Certain fiscal year 2009 financial statement amounts were reclassified for consistency with the fiscal year 2010 presentation.

(2) Cash Deposits and Investments

(A) Deposits

On September 30, 2010 and 2009, total System cash deposits were \$19,790 and \$19,249, respectively, and System total bank balances were \$27,694 and \$7,796, 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.

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(B) Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, 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.

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 temporary freeze on investments held. Participants are prohibited from withdrawing funds from Fund B, and a formal withdrawal policy has not been developed. On September 30, 2010, the estimated fair value of the Fund B underlying investments was (70.70%) of original cost, and the estimated weighted average life of Fund B investments was (7.49 years). However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life. On September 30, 2010, the cost basis of the System's investment in Fund B was \$3.95 million and the fair value was \$2.79 million. Fund B investment earnings were reported at fair value on the Statement of Revenues, Expenses, and Change in Net Assets.

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System cash, cash equivalents, and investments on September 30, 2010 and 2009, were as follows:

Description	Duration (years)	Credit Rating	Fair Value	
			2010	2009
U. S. Treasury Securities	1.5	Exempt	\$24,854	\$52,223
Federal Agency Securities	1.9	AAA	94,884	89,512
Corporate Notes-FDIC guaranteed	1.2	AAA	5,141	9,408
Corporate Notes	2.1	AAA	9,845	914
Fund B	7.5	Unrated	2,793	2,399
Total investments			137,517	154,456
Open-ended mutual funds	.1	AAA	19,239	1,540
Commercial paper notes	.1	A1+	21,253	12,016
Florida PRIME	.1	AAAm	38,962	25,254
Total cash equivalents and investments			216,971	193,266
Cash deposits			19,790	19,249
Total cash, cash equivalents, and investments			\$236,761	\$212,515

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

	2010	2009
Cash and cash equivalents:		
Current	\$74,302	\$45,290
Restricted	24,942	12,769
Total cash and cash equivalents	99,244	58,059
Investments:		
Current	102,960	120,481
Restricted	34,557	33,975
Total investments	137,517	154,456
Total cash, cash equivalents, and investments	\$236,761	\$212,515

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, 2010 and 2009, was approximately 1.2 and 1.1 years, respectively.

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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, 2010 and 2009, 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.

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.

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- 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.

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Deposits in excess of each fund's operating requirements are pooled 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.

(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. The third component consists of noncurrent accounts receivable. These receivables 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.

On September 30, 2010 and 2009, accounts receivable components were as follows:

Customer receivables:	2010	2009
Customer receivables–billed	\$10,960	\$7,932
Customer receivables–unbilled	7,119	8,117
Current-portion non-current receivables	4,398	4,235
Total customer receivables	<u>22,477</u>	<u>20,284</u>
Less allowance for doubtful accounts	358	384
Net customer receivables	<u>22,119</u>	<u>19,900</u>
Restricted receivables:		
Impact assessment fees	219	54
Total restricted receivables	<u>219</u>	<u>54</u>
Non-current accounts receivable, less current portion:		
Impact fees	517	361
Special assessment units	96,387	98,079
Tampa Bay Water	13,956	14,478
TBW deferred asset sale gain	(5,318)	(5,862)
Total non-current receivables	<u>105,542</u>	<u>107,056</u>
Total accounts receivable, net	<u>\$127,880</u>	<u>\$127,010</u>

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(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, 2010 and 2009, current and restricted amounts due from other governments were \$145 and \$150, respectively.

(5) Capital Assets

System capital asset activities for the fiscal years ended September 30, 2010 and 2009 were as follows:

(A) Fiscal Year 2010 Changes:

	Balance 10/01/09	Additions/ Transfers-in	Deletions/ Transfers-out	Balance 9/30/10
Capital assets, non-depreciable:				
Land	\$40,490	\$-	\$11,932	\$28,558
Construction work in progress	86,709	26,810	60,665	52,854
Total non-depreciable capital assets	127,199	26,810	72,597	81,412
Capital assets, depreciable:				
Buildings and utility plants	366,647	13,252	-	379,899
Building improvements, as adjusted	986,172	58,532	2,146	1,042,558
Equipment	23,091	316	1,717	21,690
Intangibles	10,692	98	-	10,790
Total depreciable capital assets	1,386,602	72,198	3,863	1,454,937
Less accumulated depreciation:				
Buildings and utility plants	(182,690)	(9,602)	-	(192,292)
Building improvements	(430,598)	(45,899)	(2,076)	(474,421)
Equipment	(14,099)	(2,705)	(1,575)	(15,229)
Intangibles	(1,959)	(330)	-	(2,289)
Total accumulated depreciation	(629,346)	(58,536)	(3,651)	(684,231)
Total depreciated capital assets, net	757,256	13,662	212	770,706
Total capital assets, net	<u>\$884,455</u>	<u>\$40,472</u>	<u>\$ 72,809</u>	<u>\$852,118</u>

During fiscal year 2010, substantially completed construction projects of \$60,665 were transferred from construction work in progress to buildings and building improvements. Also, accounting principles required capitalizing \$2,461 to construction work in progress. On September 30, 2010 and 2009, the System's construction work in progress of \$52,854 and \$86,709 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 upgrades.

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(Amounts in Thousands)**

(B) Fiscal Year 2009 Changes:

	Balance 10/01/08	Additions/ Transfers-in	Deletions/ Transfers-out	Balance 9/30/09
Capital assets, non-depreciable:				
Land	\$40,489	\$1	\$-	\$40,490
Construction work in progress	224,058	72,404	209,753	86,709
Total non-depreciable capital assets	264,547	72,405	209,753	127,199
Capital assets, depreciable:				
Buildings and utility plants, as adjusted	364,981	1,666	-	366,647
Building improvements	768,126	220,797	2,751	986,172
Equipment	22,889	2,410	2,208	23,091
Intangibles	10,155	540	3	10,692
Total depreciable capital assets	1,166,151	225,413	4,962	1,386,602
Less accumulated depreciation:				
Buildings and utility plants, as adjusted	(173,331)	(9,359)	-	(182,690)
Building improvements	(392,673)	(40,036)	(2,111)	(430,598)
Equipment	(13,262)	(2,973)	(2,136)	(14,099)
Intangibles	(1,573)	(386)	-	(1,959)
Total accumulated depreciation	(580,839)	(52,754)	(4,247)	(629,346)
Total depreciated capital assets, net	585,312	172,659	715	757,256
Total capital assets, net	\$849,859	\$245,064	\$210,468	\$884,455

During fiscal year 2009, substantially completed construction projects of \$209,753 were transferred from construction work in progress to building improvements. On September 30, 2009 and 2008, the System's construction work in progress of \$86,709 and \$224,058 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 upgrades.

(6) Current Liabilities

(A) Accounts Payable

Accounts and contracts payable balances on September 30, 2010 and 2009 were as follows:

	2010	2009
Vouchers payable	\$15,704	\$11,917
Contracts payable	1,049	4,255
Total accounts and contracts payable	\$16,753	\$16,172

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(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, 2010 and 2009, unearned AGRF restricted and unrestricted deposits were \$6,720 and \$7,457, respectively.

(7) Noncurrent Liabilities

(A) Revenue Bonds

On May 17, 2001, the BOCC issued \$186,105 in Junior Lien Refunding Utility Revenue Bonds, Series 2001, to refund outstanding debt obligations as follows:

\$181,145 of outstanding Refunding Utility Revenue Bonds, Series 1991A, issued on September 24, 1991;
\$13,145 of outstanding Refunding Utility Revenue Bonds, Series 1991B, issued on September 24, 1991;
and, \$18,570 of outstanding Refunding Utility Revenue Bonds, Series 1993, issued on August 12, 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, 2010 and 2009, the unpaid principal of the series 2001 bonds, including current maturities of \$17,105 and \$16,270, respectively, was \$64,255 and \$80,525, respectively.

(B) Debt Defeasance Transaction

On June 16, 2009, the System, as permitted by the bond resolution, defeased outstanding bonds with unrestricted cash reserves as follows: \$24,385 of Refunding Utility Revenue Bonds, Series 2003; and, \$10,000 of Refunding Utility Revenue Bonds, Series 2001. The funds were deposited with a trustee and placed in an irrevocable trust account to meet scheduled debt payments until maturity. The purpose of this transaction was to lower the System's fiscal year 2009 and subsequent fiscal years debt service requirements paid from user fees. On September 30, 2009, these bonds were legally defeased and the related obligation was removed from noncurrent liabilities on the Balance Sheet.

While the debt defeasance reduced current and future debt service requirements, it resulted in an accounting loss of \$6.8 million. Under governmental accounting rules, the entire \$6.8 million loss was recorded as a nonoperating expense on the Statements of Revenues, Expenses, and Changes in Net Assets.

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

Under the System's Bond Resolution, R03-112, 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. More information is provided in the Rate Covenant Test in the Supplemental Information section of this annual financial report.

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 \$17,105, follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2011	\$17,105	\$3,519	\$20,624
2012	18,040	2,583	20,623
2013	9,035	1,592	10,627
2014	9,575	1,095	10,670
2015	10,500	570	11,070
Total principal and interest	64,255	\$9,359	\$73,614
Add deferred bond issuance premiums	688		
Deduct deferred refunding losses	(1,915)		
Revenue bonds payable, net	63,028		
Deduct current maturities	(17,105)		
Noncurrent revenue bonds payable, net	\$45,923		

(D) Compensated Absences Obligation

Governmental accounting rules require recording a liability for unpaid compensated absences. On September 30, 2010 and 2009, the current and noncurrent accumulated compensated absences liabilities were \$3,890 and \$4,186, respectively.

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(E) Changes in Total Noncurrent Liabilities

The change in the System's total noncurrent liabilities for the fiscal years ended September 30, 2010 and 2009 follows:

Fiscal Year 2010 Changes:

	Balance 10/1/09	Additions	Reductions	Balance 9/30/10	Due within One year
2001 bonds	\$80,525	\$ -	\$16,270	\$64,255	\$17,105
Deferred bond issuance premiums	1,011	-	323	688	-
Deferred bond refunding losses	(2,816)	-	(901)	(1,915)	-
Compensated absences	4,186	2,701	2,997	3,890	2,820
Total noncurrent liabilities	\$82,906	\$2,701	\$18,689	\$66,918	\$19,925

Fiscal Year 2009 Changes:

	Balance 10/1/08	Additions	Reductions	Balance 9/30/09	Due within One year
2001 bonds	\$106,085	\$ -	\$25,560	\$80,525	\$16,270
2003 bonds	24,385	-	24,385	-	-
Deferred bond issuance premiums	3,159	-	2,148	1,011	-
Deferred bond refunding losses	(9,551)	-	(6,735)	(2,816)	-
Compensated absences	4,303	2,858	2,975	4,186	2,976
Total noncurrent liabilities	\$128,381	\$2,858	\$48,333	\$82,906	\$19,246

(8) Defeased Debt Summary

On September 30, 2010 and 2009, outstanding principal balances on defeased debt were as follows:

	2010	2009
1983 Refunding Utility Revenue Bonds	\$ 7,535	\$10,800
2001 Refunding Utility Revenue Bonds	10,000	10,000
2003 Refunding Utility Revenue Bonds	13,700	19,175
Total Defeased Debt	\$31,235	\$39,975

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(9) Capital Contributions

Capital contributions for fiscal years 2010 and 2009 were as follows:

	2010	2009
Special assessment contributions	\$2,524	\$43,733
Impact fee collections	634	3,152
Contributed facilities	4,689	9,122
Total capital contributions	\$7,847	\$56,007

(10) Net Asset Restrictions

Under governmental accounting standards, 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. The System restricts net assets in accordance with these requirements as follows:

	2010	2009
Net assets restricted:		
- bond covenants and debt service	\$45,103	\$31,582
Restricted net assets	\$45,103	\$31,582

(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) to participants.

DROP provides payment of FRS member retirement benefits for a maximum of five years. Under this program, an employee may retire and have his benefits accumulate in the FRS Trust Fund, earning interest, while continuing to work for a system employer. When the DROP period ends, employment terminates, the employee receives payment of the accumulated DROP benefits, and the monthly retirement benefits or investment plan withdrawals commence. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature.

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Benefits are computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the employee's five highest fiscal years of salary earned during credited service. Regular class employees who retire at or after age sixty-two with six-years credited service years or thirty-years credited service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation. Final average compensation is equal to the average of the employee's five highest years of salary earned during credited service. Vested employees with less than thirty years of service 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. Additionally, the System provides post-employment benefits in the form of a health insurance stipend based on an employee's years of service. The stipend is provided until the employee qualifies for Medicare.

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, 2010. 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. FRS is non-contributory for members. Governmental employers make required FRS contributions based on state-wide contribution rates. FRS establishes contribution rates by calendar year. For fiscal years 2010 and 2009, the contribution rate for the regular job classification was 9.85% of covered payroll. The System's FRS contributions for the fiscal years ended September 30, 2008 through 2010, were \$3,167, \$3,216, and \$3,055, respectively, which 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 GASB No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

(12) Other Post-Employment Benefits (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, 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. Allowing retirees to purchase health insurance at group rates is a benefit and represents an "implicit subsidy" as retirees 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.

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(Amounts in Thousands)**

On September 30, 2010, the BOCC's annual OPEB cost, as calculated by an independent actuary in accordance with GASB 45, was \$5.2 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 2010 and 2009, the BOCC OPEB liability allocated to and paid by the System was \$174 and \$443, respectively. For fiscal year 2011, budgeted OPEB expense is \$207.

(13) Outstanding Purchase Orders and Contracts

On September 30, 2010 and 2009, outstanding purchase orders and contracts were \$41,689 and \$45,057, 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, 2010 and 2009, including current receivable maturities of \$522 and \$499 respectively, was \$14,478 and \$14,977, 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, 2010 and 2009 was \$5,318 and \$5,862, respectively. For fiscal years 2010 and 2009, the deferred gain amortized to other nonoperating revenues was \$544 and \$562, respectively.

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WATER RESOURCE DIVISION ENTERPRISE FUND
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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 2011 operating costs and debt service requirements. Tampa Bay Water's audited financial statements for the fiscal year ended September 30, 2010, 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.

(16) No Commitment Special Assessment Debt

(A) 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, 2010 and 2009, the Capacity Assessment Special Assessment Revenue Bonds, Series 2006, outstanding balance was \$84,110 and \$88,685, respectively.

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(Amounts in Thousands)**

(B) 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, 2010 and 2009, the Capacity Assessment Special Assessment Revenue Bonds, Series 2000, outstanding balance was \$16,820 and \$18,325, respectively; and the Reclaimed Water Improvement Special Assessment Revenue Bonds, Series 2000, outstanding balance was \$2,450 and \$2,745, 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.

(17) Subsequent Event

On November 16, 2010, the BOCC issued \$150,000 in Hillsborough County, Florida, Utility Revenue Bonds. The bond issuance has three distinct bond series: \$18,035, Series 2010A (Tax Exempt); \$110,265, Series B (Federally Taxable-Build America Bonds-Direct Payment); and, \$21,700, Series 2010C (Federally Taxable-Recovery Zone Economic Development Bonds-Direct Payment). The purpose of the bond issuance was to provide moneys, together with other available unrestricted System funds, for capital expansion, provide for the Debt Service Reserve Account requirement, fund capitalize interest through August 1, 2012, and pay issuance costs. The final bond maturity is August 1, 2040.

Supplemental Information

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
COMPARISON OF ACTUAL REVENUES AND
EXPENSES TO BUDGET
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Amounts in Thousands)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>CHANGE POSITIVE (NEGATIVE)</u>
Operating revenues:			
Charges for services	\$ 172,997	\$ 177,315	\$ 4,318
Operating expenses:			
Personal services	46,352	40,869	5,483
Contractual services	73,478	69,445	4,033
Communication services	1,552	1,319	233
Fleet services	2,610	1,816	794
Repairs and maintenance	7,678	5,924	1,754
Utilities	13,332	8,876	4,456
Supplies	556	297	259
Other	2,339	2,003	336
Total operating expenses before depreciation and amortization expense	147,897	130,549	17,348
Operating income before depreciation and amortization expense	\$ 25,100	46,766	\$ 21,666
Depreciation and amortization expense *		58,536	
Operating loss		\$ (11,770)	

* Depreciation and amortization expenses are not budgeted.

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

FISCAL			
YEAR	PRINCIPAL	INTEREST	TOTAL
2011	\$ 17,105	\$ 3,519	\$ 20,624
2012	18,040	2,583	20,623
2013	9,035	1,592	10,627
2014	9,575	1,095	10,670
2015	10,500	570	11,070
	<u>\$ 64,255</u>	<u>\$ 9,359</u>	<u>\$ 73,614</u>

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
RATE COVENANT TESTS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Amounts in Thousands)**

		REQUIREMENTS		
		I	II	III
Operating revenues	\$ 177,315			
Add-investment earnings	9,974			
Less fair value change	1,001			
Less investment earnings:				
Impact fee assessment unit non-bonded revenues (A)	69			
Impact fee revenue account (B)	28			
Infrastructure assessment non-bonded revenue account	2			
Debt service sinking fund account	134			
RWIU non-bonded revenue account	22			
Special assessment revenue installment interest charges	5,682			
Gross revenues		\$ 180,351	\$ 180,351	\$ 180,351
Pledged available impact fees:				
Impact fee revenues	2,899			
Impact fee assessment unit revenues	8,563			
Investment earnings (A+B)	97			
Pledged available impact fees		11,559	11,559	-
Total funds available		191,910	191,910	180,351
Funds and deposits required:				
Total operating expenses	189,085			
Less: Depreciation and amortization	58,536			
Capitalized operating expenses	1,759			
County-wide Water Conservation Trust refund	467			
Operation and maintenance costs		128,323	128,323	128,323
Renewal and replacement deposit		9,163	-	-
Bond service requirements:				
2001 bond interest requirement	4,211			
2001 bond principal requirement	16,270			
Total bond service requirement	20,481			
Less debt service sinking fund investment earnings	134			
Total bond service requirement		20,347	20,347	20,347
Requirement II - 20% of total bond service requirements		-	4,069	-
Total funds and deposits required		157,833	152,739	148,670
Funds in Excess of requirements - September 30, 2010		\$ 34,077	\$ 39,171	\$ 31,681

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
RATE COVENANT TESTS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

NOTES

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, 2010.

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 RESOURCE DIVISION ENTERPRISE FUND
EXCESS RATE COVENANT TEST FUNDS RECONCILED TO
CHANGE IN NET ASSETS
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Amounts in thousands)**

	REQUIREMENTS		
	I	II	III
Funds in Excess of Rate Covenant Requirements - September 30, 2010	\$ 34,077	\$ 39,171	\$ 31,681
Items considered in determining the change in net assets, but not considered in the rate covenant calculation:			
Investment earnings on restricted accounts:			
Impact fee revenue account	28	28	28
Impact assessment unit account	69	69	69
Infrastructure assessment unit account	2	2	2
Reclaimed water improvement assessment unit account	22	22	22
Special assessment revenue installment interest charges	5,682	5,682	5,682
Fair value change	1,001	1,001	1,001
Depreciation and amortization	(58,536)	(58,536)	(58,536)
Capitalized operating expenses	(1,759)	(1,759)	(1,759)
Asset disposal gain	627	627	627
Nonoperating revenues	3,455	3,455	3,455
Nonoperating expenses	(312)	(312)	(312)
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	\$4,211		
Statement of Revenues, Expenses and Changes in Net Assets	2,327		
Difference	1,884	1,884	1,884
Items considered for rate covenant requirements, but not considered in determining the change in net assets:			
Pledged impact fees	(11,559)	(11,559)	-
2001 bonds principal bond service requirement	16,270	16,270	16,270
Additional 20% of bond service requirements	-	4,069	-
Renewal and replacement account deposit	9,163	-	-
Capital contributions	7,847	7,847	7,847
Change in net assets - September 30, 2010	\$ 7,961	\$ 7,961	\$ 7,961

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR ACCOUNTS RESTRICTED BY BOND COVENANT OR BY BOCC POLICY
UNAUDITED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010
(Amounts in Thousands)**

	Restricted by Bond Covenant or Other Legislation						Restricted by BOCC Policy			
	Impact Fee Revenues	Impact Fee Construction Accounts	Debt Service Sinking Fund	Fund A Renewal and Replacement	Fund B Renewal and Replacement	Non-Bonded Impact Fee Assmt Units	Total Restricted	Non-Bonded RWIU Assmt Units	Non-Bonded Infrastructure Assmt Units	Total System
(Amounts in thousands)										
Balance, October 1, 2009	\$ 54	\$ 1,295	\$ 3,528	\$ 26,727	\$ -	\$ 58	\$ 31,662	\$ 956	\$ 68	\$ 32,686
Receipts:										
Impact fee revenues	2,899	-	-	-	-	-	2,899	-	-	2,899
Impact fee investment earnings	28	-	-	-	-	69	97	-	-	97
GASB 31 - fair value change	8	-	49	-	-	23	80	7	2	89
Investment earnings - debt service account	-	-	134	-	-	-	134	-	-	134
Investment earnings - construction accounts	-	-	-	-	-	-	0	22	2	24
Proceeds from asset sales	-	-	-	996	11,800	-	12,796	-	-	12,796
Special assessment revenues	-	-	-	-	-	8,563	8,563	792	6	9,361
Transfer from impact fee account	8,551	-	5,340	-	-	-	13,891	-	-	13,891
Transfers from the revenue account	-	-	14,960	11,190	0	-	26,150	-	-	26,150
Tampa Bay Water - water purchase credits	-	-	-	1,238	0	-	1,238	-	-	1,238
Total receipts	11,486	0	20,483	13,424	11,800	8,655	65,848	821	10	66,679
Disbursements:										
Capital outlay	-	1,280	-	7,460	3,213	-	11,953	-	-	11,953
Operating expenses	-	-	1	-	-	99	99	11	-	110
Interest payments	-	-	4,211	-	-	-	4,211	-	-	4,211
Principal payments	-	-	16,270	-	-	-	16,270	-	-	16,270
Transfers to impact fee account	-	-	-	-	-	8,551	8,551	-	-	8,551
Transfers to RWIU project account	-	-	-	-	-	-	0	1,556	-	1,556
Transfers to operating and maintenance account	5,982	-	-	-	-	-	5,982	-	-	5,982
Transfers to debt service sinking account	5,340	-	-	-	-	-	5,340	-	-	5,340
Total disbursements	11,322	1,280	20,482	7,460	3,213	8,650	52,407	1,567	0	53,974
Balance, September 30, 2010	\$ 218	\$ 15	\$ 3,529	\$ 32,691	\$ 8,587	\$ 63	\$ 45,103	\$ 210	\$ 78	\$ 45,391

Notes:

- (1) Investment earnings of \$1,422 from the renewal and replacement account were deposited into the revenue account.
- (2) The System's fiscal year 2010 fair value change was \$1,001. Fair value of \$89 was recorded in the above restricted accounts, while \$912 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 net assets:

(A) Bond covenants and debt service	\$ 45,103
(B) Unrestricted	288
Total	\$ 45,391

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION 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 RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Financial Trend Schedules:

Net Assets by Category

Fiscal Years - 2001 through 2010

(amounts in thousands)

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

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Invested in capital assets, net of related debt	\$788,041	\$801,480	\$726,046	\$545,229	\$467,644	\$434,986	\$405,444	\$384,945	\$309,172	\$257,978
Restricted net assets	45,103	31,582	51,073	132,958	157,340	73,570	53,496	64,897	45,678	47,484
Unrestricted net assets	280,897	273,018	289,885	341,544	313,058	337,114	319,423	239,001	280,692	241,991
Total net assets	\$1,114,041	\$1,106,080	\$1,067,004	\$1,019,731	\$938,042	\$845,670	\$778,363	\$688,843	\$635,542	\$547,453

Current Ratio

Fiscal Years - 2001 through 2010

(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.

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Total current assets	\$261,383	\$235,122	\$336,776	\$482,379	\$478,811	\$348,522	\$317,486	\$278,383	\$321,383	\$280,884
Total current liabilities	\$58,161	\$57,117	\$81,974	\$70,642	\$54,052	\$54,721	\$44,044	\$40,153	\$45,755	\$32,939
Ratio	4.5:1	4.2:1	4.1:1	6.8:1	8.9:1	6.4:1	7.2:1	6.9:1	7.0:1	8.5:1

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Financial Trend Schedules (continued):

**Return on Capital Assets
Fiscal Years - 2001 through 2010
(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.

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Change in net assets	\$7,961	\$39,076	\$47,273	\$81,689	\$92,372	\$67,307	\$89,520	\$53,301	\$88,089	\$70,036
Average total capital assets, net	\$868,287	\$867,157	\$769,037	\$658,314	\$619,669	\$603,338	\$592,019	\$588,440	\$570,168	\$556,931
Return on Capital Assets	0.9%	4.5%	6.1%	12.4%	14.9%	11.2%	15.1%	9.1%	15.4%	12.6%

**Accounts Receivable Collection Days over 365 Collection Days and Bad Debt Expenses
Fiscal Years - 2001 through 2010
(amounts in thousands)**

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

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Charges for services	\$177,315	\$175,692	\$180,715	\$188,386	\$188,120	\$173,094	\$163,016	\$149,488	\$141,712	\$134,295
Accounts receivable before allowance	\$18,079	\$16,049	\$17,499	\$17,839	\$15,640	\$15,373	\$14,050	\$13,628	\$12,916	\$10,827
Accounts Receivable Collection days	36.7	32.9	34.9	34.1	29.9	31.9	31.0	32.8	32.8	29.0
Bad debt expense	\$253	\$453	\$395	\$472	\$463	\$229	\$328	\$221	\$180	\$307
Percent of charges for services	0.01%	0.3%	0.2%	0.3%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Financial Trend Schedules (continued):

**Revenues, Expenses, and Changes in Net Assets
Fiscal Years - 2001 through 2010
(amounts in thousands)**

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

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Operating revenues:										
Charges for services	\$177,315	\$175,692	\$180,715	\$188,386	\$188,120	\$173,094	\$163,016	\$149,488	\$141,712	\$134,295
Operating expenses:										
Personal services	40,869	47,486	45,618	42,625	39,275	36,058	33,155	29,147	26,890	24,683
Contractual services	69,445	68,320	73,650	68,063	58,437	55,255	48,520	42,553	36,167	31,575
Communication services	1,319	1,350	1,393	1,287	1,178	1,058	941	989	841	770
Fleet services	1,816	1,506	2,131	1,701	1,669	1,570	1,426	685	677	733
Repairs and maintenance	5,924	7,692	7,903	6,801	6,373	6,640	6,882	8,910	9,352	6,804
Utilities	8,876	10,917	10,411	7,822	7,246	5,825	5,192	4,615	4,458	3,865
Supplies	297	1,196	3,840	5,012	2,804	3,534	1,792	1,203	1,144	1,178
Depreciation and amortization	58,536	52,754	51,445	49,846	48,144	47,772	41,929	38,227	34,529	32,449
Other	2,003	2,306	2,774	2,429	2,338	3,105	2,255	2,316	1,921	1,845
Total operating expenses	189,085	193,527	199,165	185,586	167,464	160,817	142,092	128,645	115,979	103,902
Operating expenses - percentage of revenue	106.64%	110.2%	110.2%	98.5%	89.0%	92.9%	87.2%	86.1%	81.8%	77.4%
Operating (loss) income	(11,770)	(\$17,835)	(\$18,450)	\$2,800	\$20,656	\$12,277	\$20,924	\$20,843	\$25,733	\$30,393
Nonoperating revenues (expenses):										
Investment earnings	9,974	12,091	17,564	28,297	24,928	13,636	10,605	12,434	21,820	28,853
Interest expense	(2,327)	(6,814)	(10,184)	(11,580)	(13,042)	(14,432)	(15,846)	(19,071)	(19,227)	(26,540)
Other revenues	4,082	3,156	3,822	4,062	4,989	5,016	6,568	8,156	4,215	3,086
Loss on debt defeasance	-	(6,813)	-	-	-	-	-	-	-	-
Other expenses	(312)	(716)	(542)	(523)	(3,350)	(882)	(3,999)	(1,470)	(1,459)	(3,685)
Total nonoperating revenues (expenses)	11,417	904	10,660	20,256	13,525	3,338	(2,672)	49	5,349	1,714
(Loss) income before contributions and transfers	(353)	(16,931)	(\$7,790)	\$23,056	\$34,181	\$15,615	\$18,252	\$20,892	\$31,082	\$32,107
Capital contributions	7,847	56,007	55,063	58,633	58,141	49,875	71,163	32,268	56,996	37,926
Transfers in	467	-	-	-	50	1,817	105	141	11	3
Change in net assets	7,961	39,076	\$47,273	\$81,689	\$92,372	\$67,307	\$89,520	\$53,301	\$88,089	\$70,036
Net assets, beginning of year, as restated	1,106,080	1,067,004	1,019,731	938,042	845,670	778,363	688,843	635,542	547,453	477,417
Net assets, end of year	\$1,114,041	\$1,106,080	\$1,067,004	\$1,019,731	\$938,042	\$845,670	\$778,363	\$688,843	\$635,542	\$547,453

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Financial Trend Schedules (Continued):

**Charges for Services - Components
Fiscal Years - 2001 through 2010
(amounts in thousands)**

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

	2010	PCT	2009	PCT	2008	PCT	2007	PCT	Restated 2006	PCT	Restated 2005	PCT	Restated 2004	PCT	Restated 2003	PCT	2002	PCT	2001	PCT
Water charges	\$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%	\$52,579	37.1%	\$47,056	35.0%
Wastewater charges	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%	66,026	46.6%	63,101	47.0%
Reclaimed water charges	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%	1,005	0.7%	1,731	1.3%
Accrued guaranteed revenue fees	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%	15,215	10.7%	16,067	12.0%
Customer billing charges	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%	5,589	3.9%	5,253	3.9%
Other general operating revenues	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%	1,298	0.9%	1,087	0.8%
Charges for services	\$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%	\$141,712	100.0%	\$134,295	100.0%

**Other Non-Operating Revenue Components
Fiscal Years - 2001 through 2010
(amounts in thousands)**

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

	2010	PCT	2009	PCT	2008	PCT	2007	PCT	Restated 2006	PCT	Restated 2005	PCT	Restated 2004	PCT	Restated 2003	PCT	2002	PCT	2001	PCT
Investment earnings	\$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%	\$21,820	26.3%	\$28,853	41.3%
Capital contributions	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%	56,996	68.6%	37,926	54.3%
Other general revenues	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%	4,215	5.1%	3,086	4.4%
Transfers in	467	0.0%	0	0.0%	-	0.0%	-	0.0%	50	0.1%	1,817	2.6%	105	0.1%	141	0.2%	11	0.0%	3	0.0%
Total other non-operating revenues	\$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%	\$83,042	100.0%	\$69,868	100.0%

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Debt Schedules:

**Outstanding Debt Compared to Net Assets
Fiscal Years - 2001 through 2010
(amounts in thousands)**

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

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Revenue bonds and notes outstanding	\$64,255	\$80,525	\$130,470	\$151,628	\$171,980	\$190,015	\$207,555	\$224,152	\$293,883	\$309,610
Net assets	\$1,114,041	\$1,106,080	\$1,067,004	\$1,019,731	\$938,042	\$845,670	\$778,363	\$688,843	\$635,542	\$547,453
Percent	5.8%	7.3%	12.2%	14.9%	18.3%	22.5%	26.7%	32.5%	46.2%	56.6%

**HILSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

Debt Schedules (Continued):

**Historical Debt Service Coverage
Fiscal Years - 2001 through 2010
(amounts in thousands)**

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Gross Revenues (1)	\$180,351	\$183,260	\$193,349	\$206,971	\$202,554	\$182,309	\$170,338	\$159,254	\$153,250	\$146,591
Less Cost of Operation & Maintenance (3)	128,323	139,269	145,429	134,471	118,220	110,271	96,780	87,117	80,956	71,157
Total Net Revenues	\$52,028	\$43,991	\$47,920	\$72,500	\$84,334	\$72,038	\$73,558	\$72,137	\$72,294	\$75,434
Pledged Impact Fees (2)	11,559	10,088	8,211	11,798	20,535	15,184	19,916	13,099	10,773	15,032
Total Pledged System Revenues	\$63,587	\$54,079	\$56,131	\$84,298	\$104,869	\$87,222	\$93,474	\$85,236	\$83,067	\$90,466
Required Deposits										
Cost of Operation and Maintenance (3)	\$128,323	\$139,269	\$145,429	\$134,471	\$118,220	\$110,271	\$96,780	\$87,117	\$80,956	\$71,157
Bond Service Requirement	20,347	20,820	26,912	26,455	26,506	27,556	27,309	29,616	29,113	32,398
Deposit to Renewal and Replacement Account	9,163	9,667	10,446	10,161	9,083	8,603	8,083	7,681	7,527	6,845
Total Required Deposits	\$157,833	\$169,756	\$182,787	\$171,087	\$153,809	\$146,430	\$132,172	\$124,414	\$117,596	\$110,400
20% of Bond Service Requirements	\$4,069	\$4,164	\$5,382	\$5,291	\$5,301	\$5,511	\$5,462	\$5,923	\$5,822	\$6,479
Subordinate Debt Service Requirement	-	-	-	-	\$3,778	-	-	-	-	-
Required Coverage:										
(A),=> 100%	1.22	1.14	1.10	1.28	1.45	1.35	1.44	1.39	1.39	1.46
(B),=> 120%	3.13	2.60	2.09	3.19	3.96	3.17	3.42	2.88	2.85	2.79
(C),=> 100%	2.56	2.11	1.78	2.74	3.18	2.61	2.69	2.44	2.48	2.33
(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 Wastewater Impact Fees do not exceed the Wastewater Expansion Project Percentage.

(3) Includes the Tampa Bay Water contracted water supply cost.

**HILLSBOROUGH COUNTY, FLORIDA
PUBLIC UTILITIES DEPARTMENT
WATER RESOURCE DIVISION ENTERPRISE FUND
UNAUDITED**

**General Operating Statistics:
Fiscal Years - 2001 through 2010**

	2010	2009	2008	2007	Restated 2006	Restated 2005	Restated 2004	Restated 2003	2002	2001
Capital Assets (amounts are actual):										
Number of Water Plants	4	4	3	3	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)	2,336	2,255	2,227	2,192	1,994	1,930	1,910	1,890	1,690	1,690
Wastewater Transmission line miles (estimated)	2,105	2,063	2,007	1,864	1,740	1,710	1,680	1,650	1,510	1,400
Reclaimed Water Transmissions line miles (estimated)	331	328	325	323	310	300	290	280	225	220
Number of Pump Stations	699	690	682	674	640	622	602	573	500	476
Staffing:										
Number of budgeted positions per 1,000 customers	4.6	4.6	4.7	4.3	4.4	4.5	4.6	4.6	4.7	4.7
Average Number of Customer Accounts Billed Monthly										
Water Customers	141,988	141,615	141,690	141,355	139,609	135,033	128,080	121,521	111,296	104,662
Percent Change	0.3%	-0.1%	0.2%	1.3%	3.4%	5.4%	5.4% (2)	9.2% (1)	6.3%	4.6%
Wastewater Customers	134,904	131,588	131,890	132,420	130,821	126,308	119,483	113,072	103,711	97,364
Percent Change	2.5%	-0.2%	-0.4%	1.2%	3.6%	5.7%	5.7% (2)	9.0% (1)	6.5%	4.6%
(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										
Annual Use/Flows										
Annual Water Consumption (thousands of gallons)	16,461	16,379	17,014	18,137	17,971	15,633	15,262	13,159	13,885	13,506
Annual Treated Wastewater Flows (thousands of gallons)	12,508	12,641	12,434	12,303	12,473	11,873	11,277	10,244	10,127	9,656
Operating Costs (amounts in thousands):										
Operating Expenses	\$189,085	\$193,527	\$199,165	\$185,586	\$167,464	\$160,817	\$142,092	\$128,645	\$115,979	\$103,902
Less: Depreciation and amortization	58,536	52,754	51,445	49,846	48,144	47,772	41,929	38,227	34,529	32,449
Less: Purchased Water	46,659	42,733	43,395	41,380	39,326	34,572	31,631	28,022	23,686	20,030
Net Operating Cost	\$83,890	\$98,040	\$104,325	\$94,360	\$79,994	\$78,473	\$68,532	\$62,396	\$57,764	\$51,423
Number of Accounts Billed Annually	1,839	1,844	1,845	1,837	1,805	1,728	1,651	1,529	1,453	1,388
Monthly Operating Cost per Statement	\$46	\$53	\$57	\$51	\$44	\$45	\$42	\$41	\$40	\$37

Sources:

Water Resources Services Annual Audited Financial Reports for Fiscal Years 2001 through 2010

FAMIS Accounting Data

Water Resource Services Operating Data