



Hillsborough
County Florida

Water Resources Department



Annual Financial Report

Water Enterprise Fund

For Fiscal Year
September 30, 2023



**Hillsborough
County Florida**

SM

Water Resources

Water Resources Department

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Tampa, Florida 33602

(813) 272-5977

HCFLGov.net/PublicUtilities

Hillsborough County, Florida

**Water Enterprise Fund
Public Utilities Department
Annual Financial Report**

Fiscal Year Ended September 30, 2023

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

**WATER ENTERPRISE FUND
PUBLIC UTILITIES DEPARTMENT
PRINCIPAL OFFICIALS
September 30, 2023**

Board of County Commissioners

Ken Hagan, *Chair*
Gwendolyn “Gwen” Myers, *Vice-Chair*
Donna Cameron Cepeda, *Chaplain*
Harry Cohen
Pat Kemp
Michael Owen
Joshua Wostal

Constitutional Officers

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

Appointed Officials

Bonnie Wise, *County Administrator*
Christine Beck, *County Attorney*
George Cassady, *Assistant County Administrator – Public Utilities*
Lisa Rhea, *Director, Water Resources Department*

**HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
For the Year Ended September 30, 2023**

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Independent Auditor's Report

Board of County Commissioners
Hillsborough County, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Water System Fund (the System), an enterprise fund of Hillsborough County, Florida, (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System, an enterprise fund of the County, as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the County, as of September 30, 2023, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plan schedules, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

RSM US LLP

Tampa, Florida
May 8, 2024



RSM US LLP

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

Independent Auditor's Report

Board of County Commissioners
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Water System Fund (the System) of Hillsborough County, Florida (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's financial statements, and have issued our report thereon dated May 8, 2024. Our report included an emphasis of a matter paragraph to reflect that that these financial statements are intended to present the financial position, the changes in financial position, and the cash flows of the System and do not represent a complete presentation of the financial statements of Hillsborough County, Florida.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Tampa, Florida
May 8, 2024



RSM US LLP

Report of Independent Auditor on Bond Compliance

Board of County Commissioners
Hillsborough County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Water System Fund (the System) of Hillsborough County, Florida, (the County), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the System's financial statements and have issued our report thereon dated May 8, 2024.

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

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

RSM US LLP

Tampa, Florida
May 8, 2024



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Hillsborough
County Florida

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2023

Management's Discussion and Analysis

The Hillsborough County Water Enterprise Fund (System) presents the following review of its financial activities for the fiscal year ended September 30, 2023. Readers of these financial statements are encouraged to consider this information together with the accompanying financial statement notes to obtain a comprehensive view of the System's financial position and operating results for the fiscal year ended September 30, 2023.

Fiscal Year 2023 Financial Highlights

- Fiscal year 2023 operating revenues of \$366,815,000 were \$40,600,000 higher than fiscal year 2022 revenues of \$326,215,000 or a 12.4% increase.
- The System recognized \$44,807,000 in capital contributions from special assessment revenues, impact fees, grants and developer constructed capital improvements.
- The fiscal year 2023 change in net position was \$90,685,000. This was an increase of \$74,819,000 or 472% from the fiscal year 2022 change in net position of \$15,866,000. This change was primarily due to a large increase in capital contributions and customer revenues. The System's net position on September 30, 2023, was \$1.726 billion compared to \$1.635 billion on September 30, 2022.

Management believes the System was compliant with all debt covenant requirements for the fiscal year ended September 30, 2023.

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 unaudited supplementary and unaudited statistical information, which may provide additional insight to financial statement readers.

Required Financial Statements

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

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2023

Financial Analysis: Condensed Statement of Net Position for 2023 Compared to 2022:

A key measure of financial condition is net position. An analysis of 2023 net position compared to 2022 is as follows:

<i>(Amounts in thousands)</i>	2023	2022	Change	Percent Change
Assets				
Current and other assets	\$ 956,637	900,392	56,245	6.2 %
Capital assets, net	<u>1,336,278</u>	<u>1,318,788</u>	<u>17,490</u>	<u>1.3 %</u>
Total assets	<u>2,292,915</u>	<u>2,219,180</u>	<u>73,735</u>	<u>3.3 %</u>
Deferred outflows of resources	<u>20,075</u>	<u>19,450</u>	<u>625</u>	<u>3.2 %</u>
Liabilities				
Current liabilities	55,958	72,403	(16,445)	(22.7)%
Other liabilities	<u>527,226</u>	<u>527,079</u>	<u>147</u>	<u>-- %</u>
Total liabilities	<u>583,184</u>	<u>599,482</u>	<u>(16,298)</u>	<u>(2.7)%</u>
Deferred inflows of resources	<u>4,159</u>	<u>4,186</u>	<u>(27)</u>	<u>(0.6)%</u>
Net position				
Net investment in capital assets	935,374	923,905	11,469	1.2 %
Restricted	88,316	75,601	12,715	16.8 %
Unrestricted	<u>701,957</u>	<u>635,456</u>	<u>66,501</u>	<u>10.5 %</u>
Total net position	<u>\$ 1,725,647</u>	<u>1,634,962</u>	<u>90,685</u>	<u>5.5 %</u>

Total net position - Total net position increased \$90,685,000 or 5.5% for the fiscal year ended September 30, 2023, due to various operational factors.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2023

Condensed Statement of Revenues, Expenses and Changes in Net Position

Comparative revenues, expenses, and change in net position for fiscal years ended September 30, 2023 and 2022 were as follows:

<i>(Amounts in thousands)</i>	2023	2022	Change	Percent Change
Revenues				
Operating revenues	\$ 366,815	326,215	40,600	12.4 %
Nonoperating revenues	38,303	11,553	26,750	231.5 %
Total revenues	<u>405,118</u>	<u>337,768</u>	<u>67,350</u>	<u>19.9 %</u>
Expenses				
Operating expenses before depreciation	247,281	214,744	(32,537)	(15.2)%
Depreciation and amortization	99,269	103,614	(4,345)	(4.2)%
Nonoperating expenses	12,690	29,896	(17,206)	(57.6)%
Total expenses	<u>359,240</u>	<u>348,254</u>	<u>10,986</u>	<u>3.2 %</u>
Income (loss) before capital contributions	45,878	(10,486)	56,364	(537.5)%
Capital contributions	<u>44,807</u>	<u>26,352</u>	<u>18,455</u>	<u>70.0 %</u>
Change in net position	<u>90,685</u>	<u>15,866</u>	<u>74,819</u>	<u>471.6 %</u>
Net position, beginning of year	<u>1,634,962</u>	<u>1,619,096</u>	<u>15,866</u>	<u>1.0 %</u>
Net position, end of year	<u>\$ 1,725,647</u>	<u>1,634,962</u>	<u>90,685</u>	<u>5.5 %</u>

Operating revenues - Fiscal year 2023 operating revenues of \$366,815,000 increased \$40,600,000 or 12.4% from the prior year. This is due to increased revenues from water, wastewater, reclaimed water, customer billing charges, and accrued guaranteed revenues.

Nonoperating revenues - Fiscal year 2023 nonoperating revenues of \$38,303,000 were an increase of \$26,750,000 or 231.5% from fiscal year 2022. Investment and interest earnings increased by \$17,856,000 or 206.6%.

Total expenses - Fiscal year 2023 total expenses of \$359,240,000 increased by \$10,986,000 or 3.2% from last year. The change was primarily related to the following factors:

- **Operating expenses before depreciation** - Employee services increased by \$5,224,000 or 7.6% which is related to the filling of additional positions and employee performance management increases. Contractual services increased \$9,527,000 or 9.0% over last year. Fleet services increased by \$559,000 or 16.6% related to an increase of fuel usage by \$312,000 and an increase in fleet management services of \$250,000. Repairs and maintenance increased \$2,939,000 or 18.7% related to increases in building maintenance of \$2,690,000, and utility and hydrant maintenance of \$873,000 from fiscal year 2022. Utilities increased \$3,200,000 or 20.5% from last year. Supplies decreased \$244,000 or 19.0% from last year. Other expenses increased \$2,038,000 or 45.3% from last year related to increases in insurance costs. Additionally, pension expense increased \$9,046,000 or 1.703.7% over last year and OPEB benefits increased by \$248,000 or 189.3% from 2022.
- **Nonoperating expenses (benefit)** - Fiscal year 2023 nonoperating expenses of \$12,690,000 was a decrease of \$17,206,000 or 57.6% from fiscal year 2022 related to decreased interest expense and favorable fair market value changes. An asset disposal loss of \$19,000 was recorded in fiscal year 2023.
- **Depreciation and amortization costs** - There was a \$4,345,000 or 4.2% decrease in annual depreciation costs primarily due to assets becoming fully depreciated and retired.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Management's Discussion and Analysis (unaudited)
For the Year Ended September 30, 2023

Capital contributions - Fiscal year 2023 capital contributions were \$44,807,000 compared to \$26,352,000 for fiscal year 2022. The comparative \$18,455,000 or 70.0% increase in capital contributions was due to a \$1,570,000 or 7.1% increase in developer contributions, a \$7,453,000 or 60.6% increase in impact fee collections, an \$8,149,000 increase in special assessment contributions revenues and a \$1,013,000 increase in grant contributions. Comparative fiscal year 2023 and 2022 capital contributions were as follows:

<i>(Amounts in thousands)</i>	<u>2023</u>	<u>2022</u>
Contributed capital assets	\$ 23,767	22,197
Impact fees collections	20,027	12,304
Special assessments collections	-	(8,149)
Grants	1,013	-
Total capital contributions	<u>\$ 44,807</u>	<u>26,352</u>

Capital Assets and Debt Administration

Capital assets - On September 30, 2023, capital assets, net of accumulated depreciation, were \$1,336,278,000 compared to \$1,318,788,000 for fiscal year 2022. The \$17,490,000 or 1.3% increase over last year was related to the following net factors. First, \$101,329,000 was expended on capital outlay for buildings, equipment, intangible assets, equipment and improvements other than buildings. Second, the System received contributed assets of \$23,767,000 from developers. Third, these capital asset additions were offset by the combined fiscal year 2023 net charge for depreciation and amortization and net disposals totaling \$99,269,000. See Note 5, Capital Assets, in the accompanying financial statement notes for additional information on fiscal year 2023 capital asset activities.

Debt Administration - On September 30, 2023, outstanding bonds payable were \$474,541,000 compared to \$484,390,000 for fiscal year 2022. The \$9,849,000 or 2.0% decrease from last year was due a principal payment of \$3,575,000 for the Utility Revenue Bonds, Series 2016, a principal payment of \$3,850,000 for the Utility Revenue Bonds, Series 2019 and a decrease in amortized bond issuance premiums of \$2,431,000.

Economic Factors

After reviewing the current and projected growth of the System and in order to meet the increasing demand in the southern part of the county, the System issued a \$37,800,000 subordinate line of credit for the construction of a new wastewater plant rather than use \$400,000,000 of available unrestricted cash. As of the end of fiscal year 2023, the System had drawn \$200,000 on this line of credit.

Requests for Information

The purpose of this analysis as well as the financial statements, financial statement notes, and supplemental financial information is to provide a general overview of the System's financial position and operating results for the fiscal year ended September 30, 2023. Additional information concerning the System's operations and the services provided to Hillsborough County residents may be obtained from:

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

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Net Position
September 30, 2023
(Amounts in thousands)

	<u>September 30, 2023</u>
ASSETS	
Unrestricted current assets:	
Cash and cash equivalents	\$ 64,996
Investments	567,293
Accounts receivable, net	32,154
Interest receivable	3,940
Other receivables, current	1,402
Due from other governmental units	9
Inventories	7,232
Prepaid items	<u>1,864</u>
Total unrestricted current assets	<u>678,890</u>
Restricted current assets:	
Cash and cash equivalents	109,142
Investments	5,122
Accounts receivable, net	140
Other receivables, current portion	11,308
Interest receivable	<u>387</u>
Total restricted current assets	<u>126,099</u>
Total current assets	<u>804,989</u>
Noncurrent assets:	
Cash and cash equivalents, restricted	7,740
Investments, restricted	50,655
Due from other governments, restricted	576
Non-depreciable assets:	
Land	29,524
Construction in progress	<u>241,016</u>
Total non-depreciable assets	<u>270,540</u>
Depreciable assets, net of accumulated depreciation:	
Buildings	289,380
Improvements other than buildings	762,817
Equipment	12,171
Intangible assets	<u>1,370</u>
Total depreciable assets, net of accumulated depreciation	<u>1,065,738</u>
Other receivables, long term	<u>92,677</u>
Total noncurrent assets	<u>1,487,926</u>
Total assets	<u>2,292,915</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	10,941
Deferred change on refunding	1,738
Purchase price in excess of book value	4,672
OPEB	<u>2,724</u>
Total deferred outflows of resources	<u>\$ 20,075</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Net Position
September 30, 2023
(Amounts in thousands)

	<u>September 30, 2023</u>
LIABILITIES	
Current liabilities:	
Accounts and contracts payable	\$ 9,961
Accrued liabilities	1,413
Unearned revenues	9
Deposits held	209
Compensated absences, current	<u>4,020</u>
Total unrestricted current liabilities	<u>15,612</u>
Current liabilities payable from restricted assets:	
Accounts and contracts payable	8,139
Accrued interest payable	2,425
Due to other funds	4
Unearned revenues	163
Deposits held	18,595
Bonds payable, current	<u>11,020</u>
Total current liabilities payable from restricted assets	<u>40,346</u>
Total current liabilities	<u>55,958</u>
Noncurrent liabilities:	
Compensated absences payable	2,799
Line of credit	200
Bonds payable, net of current maturities, premiums and discounts	463,521
Total OPEB liability	4,007
Net pension liability	<u>56,699</u>
Total noncurrent liabilities	<u>527,226</u>
Total liabilities	<u>583,184</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	2,880
OPEB	<u>1,279</u>
Total deferred inflows of resources	<u>4,159</u>
NET POSITION	
Net investment in capital assets	935,374
Restricted for:	
Bond covenants, renewal and replacement	17,016
Debt service	34,056
Capital projects	37,244
Unrestricted	<u>701,957</u>
Total net position	<u>\$ 1,725,647</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Revenues, Expenses and Changes in Net Position
For the fiscal year ended September 30, 2023
(Amounts in thousands)

	<u>September 30,</u> <u>2023</u>
Operating revenues:	
Charges for services	\$ 366,815
Total operating revenues	<u>366,815</u>
Operating expenses:	
Personnel services	73,752
Contractual services	114,846
Fleet services	3,923
Repairs and maintenance	18,729
Utilities	18,811
Supplies	990
Depreciation and amortization	99,269
Other operating expenses	6,536
Pension expense	9,577
OPEB expense	117
Total operating expenses	<u>346,550</u>
Operating income	<u>20,265</u>
Nonoperating revenues (expenses):	
Interest revenue	26,499
Fair value change	9,032
Interest expense	(12,671)
Loss on disposal of capital assets	(19)
Other revenues	2,772
Total nonoperating revenues (expenses)	<u>25,613</u>
Income before capital contributions	45,878
Capital contributions	44,807
Change in net position	90,685
Net position, beginning of year	<u>1,634,962</u>
Net position, end of year	<u>\$ 1,725,647</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Cash Flows
For the fiscal year ended September 30, 2023
(Amounts in thousands)

Cash flows from operating activities:	
Cash received from customers	\$ 364,454
Cash paid to employees for services	(71,685)
Cash paid to suppliers for goods and services	(170,762)
Cash (paid)/received for other services	<u>2,772</u>
Net cash provided by operating activities	<u>124,779</u>
 Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(106,318)
Principal payments on notes, bonds, and certificates	(7,425)
Interest payments on notes, bonds, and certificates	(12,827)
Proceeds from sale/disposition of assets	1
Cash capital contributions	<u>39,174</u>
Net cash (used for) capital and related financing activities	<u>(87,395)</u>
 Cash flows from investing activities:	
Investment income	23,323
Proceeds from maturities of investments	544,689
Purchase of investments	<u>(587,148)</u>
Net cash (used for) investing activities	<u>(19,136)</u>
 Net change in cash and cash equivalents	 18,248
Cash and cash equivalents, beginning of year	<u>163,630</u>
Cash and cash equivalents, end of year	<u>\$ 181,878</u>
 Cash and cash equivalent components:	
Unrestricted cash and cash equivalents	64,996
Restricted cash and cash equivalents, current	109,142
Restricted cash and cash equivalents, noncurrent	<u>7,740</u>
Total cash and cash equivalents, end of year	<u>\$ 181,878</u>

The accompanying notes are an integral part of these financial statements

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Statement of Cash Flows
For the fiscal year ended September 30, 2023
(Amounts in thousands)

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

Operating income	\$	20,265
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense		99,269
Miscellaneous revenues (expenses)		2,772
Changes in assets, liabilities, deferred outflows and deferred inflows:		
(Increase) decrease accounts receivable		(5,231)
(Increase) decrease in inventories and prepaids		(1,306)
(Increase) decrease in due from other governments		2,652
(Increase) decrease in deferred outflows		(879)
Increase (decrease) in accounts and contracts payable		(6,421)
Increase (decrease) in accrued and other liabilities		(375)
Increase (decrease) in deposits		594
Increase (decrease) in unearned revenues		21
Increase (decrease) in pension liability		9,872
Increase (decrease) in compensated absences payable		2,652
Increase (decrease) in total OPEB liability		920
Increase (decrease) in deferred inflows		(26)
Total adjustments		<u>104,514</u>
Net cash provided (used) by operating activities	\$	<u>124,779</u>

Noncash investing, capital, and financing activities:

Change in fair market value	\$	9,032
Disposal of capital assets at book value		20
Amortization of bond premiums/discounts		(2,424)
Amortization of deferred refunding loss		(254)
Acquisition/construction of capital assets included in accounts and contracts payable		13,700
Capital asset contributions		5,326
Amortization of Tampa Bay Water deferred gain		201

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Note 1 Summary of Significant Accounting Policies

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

A. Reporting Entity

The System is an enterprise fund of the Hillsborough County, Florida, Board of County Commissioners (BOCC). The System's financial statements are included in the Hillsborough County, Florida, Annual Comprehensive Financial Report. The financial statements referred to above present only the System and do not purport to, and do not, present the financial position of Hillsborough County, Florida, as of September 30, 2023, and the changes in its financial position, or where applicable, its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

B. Presentation Basis

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

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

C. Accounting Basis

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

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

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

D. Cash, Cash Equivalents and Investments

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

Cash is deposited in qualified public depositories. Deposits are fully insured by the Federal Deposit Insurance Corporation and/or secured by the multiple financial institution collateral pool established under Chapter 280, Florida Statutes. In accordance with these statutes, qualified public depositories must pledge eligible collateral in varying percentages. Any losses to public depositors are covered by applicable deposit insurance, by the sale of pledged securities, and by assessments against other qualified public depositories, if necessary.

County Ordinance 08-6 and Section 218.415, Florida Statutes, authorize investments in United States Government obligations or its agencies and certain other investments. Investments are stated at fair value. The System follows GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 2, *Deposits and Investments*, for more information.

E. Accounts Receivable

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

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

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

F. Allowance for Doubtful Accounts

The System utilizes the allowance method for recognizing bad debt expense and for recording bad debt recoveries. During fiscal year 2023, the System's allowance for doubtful accounts was \$3,880,000.

G. Inventories and Prepaid Items

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

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

H. Capital Assets

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

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

<u>Capital Asset Categories</u>	<u>Estimated Useful Life (in years)</u>
Buildings and utility plants	5 - 50
Building improvements	10 - 35
Equipment	1 - 10
Intangibles	1 - 30

I. Restricted Assets

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

J. Bond Issue Premiums and Discounts

Bond issue premiums and discounts are recorded as an increase and decrease, respectively, in bonds payable on the Statement of Net Position. These costs are amortized to interest expense using the effective interest method over the life of the bond issue. For fiscal year 2023, reductions of unamortized bond premiums and discounts amortized to interest expense were \$2,424,000.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

K. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the System accrues a liability for compensated absences, as well as certain other salary-related costs associated with the payment of compensated absences. The System's compensated absences liability at September 30, 2023 consisted of accruals for vacation, sick leave and paid time off (PTO). Vacation leave is accrued as a liability as the benefits are earned by employees. Sick leave is also accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the System will compensate employees for the benefits through cash payments at separation, such as retirement. Vacation and sick leave apply to all employees at the System other than a relatively small percentage of employees who elected to remain in Sick Plan A when the System established PTO during fiscal year 2023. PTO is a combined leave benefit that employees can use for either sick and/or vacation time. PTO is accrued as a liability as benefits are earned, similar to vacation time.

Human Resources Policies and Procedures state that sick leave termination payments are to be made under two conditions. Compensation for employees in "Plan A" includes a sick leave payment at separation for all hours of sick time accrued up to 480 hours and half of the sick time accrued over 960 hours. Compensation for employees in "Plan B" includes a sick leave payment at termination if any of the employee's sick leave hours accrued at February 2, 1997 remain unused, with payment only for sick time hours accrued up to 480 hours and half of the sick time hours accrued over 960 hours. Employees in Plan B hired after February 2, 1997, will not receive a sick leave payment at separation, so no liability is recorded for these employees. BOCC employees in Sick Plan B were all moved to PTO during fiscal year 2023, so there was no System liability for Sick Plan B at September 30, 2023. However, a liability is recorded for each employee who has a separation payment under Plan A.

The compensated absences liability also includes other salary-related costs incrementally associated with the payment of compensated absences such as the System's share of Social Security and Medicare taxes.

L. Self-Insurance

The System participates in a self-insurance internal service fund, which is managed by the BOCC. This fund includes both *risk management* and *employee group health insurance* activities.

Risk management includes workers' compensation, automotive, and general liability. The BOCC is self-insured for workers' compensation claims up to a maximum of \$800,000 per occurrence with unlimited excess coverage above the self-insurance cap. Also, the BOCC is self-insured against general liability and automotive claims with limited liability, per Section 768.28, Florida Statutes, of \$200,000 per person and \$300,000 per occurrence. Negligence claims in excess of the statutory limits can only be recovered through federal lawsuits or acts of the Florida Legislature.

For fiscal year 2023, settled claims did not exceed insurance coverage. During fiscal year 2023, the System paid premiums of \$4,017,000 to the BOCC Self-Insurance Internal Service Fund for workers' compensation, automotive, general liability, and property insurance coverage.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

The System, through the BOCC, provides health, life and disability insurance for its employees and eligible dependents on a cost-sharing basis with employees. The BOCC has an employee group health self-insurance plan to account for and to finance its uninsured losses. Under this plan, the BOCC is self-insured up to \$550,000 per person annually. Stop-loss insurance was purchased to cover an unlimited lifetime amount per person above the \$550,000 per person deductible. During fiscal year 2023, the System paid \$10,048,000 to the BOCC Internal Service Fund for group health, life and disability insurance coverage.

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

M. Employee Retirement Plans

With a few exceptions, all full-time and part-time employees working for the System in regularly established positions are members of the Florida Retirement System (FRS), a multiple-employer cost-sharing public retirement system administered by the state of Florida. The financial statements present the System's proportionate shares of the net pension liabilities associated with the retirement plans offered by the Florida Retirement System. The System follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB Statement 68 covers the measurement of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense for the retirement plans offered. The System follows GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement provides for covered payroll to be used in required supplementary information. See Note 9, *Employee Retirement Plans*, for more information.

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

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

HILLSBOROUGH COUNTY, FLORIDA
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Notes to Financial Statements
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N. Other Postemployment Benefits (OPEB)

The System, through the BOCC, provides health-related benefits to retirees and certain former employees through a limited stipend to offset the cost of health insurance for regular retirees from ages 62 to 65. This monthly stipend is \$5 for each year of service up to a maximum benefit of \$150 per month for County employees. In addition, the County is deemed to provide an “implicit subsidy” because Florida Statute 112.0801 requires governments to allow retirees and certain former employees to obtain healthcare at the same “group rates” that current employees are charged. See Note 10, *Other Postemployment Benefits (OPEB)*, for more information.

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

O. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The System had pension-related items, OPEB-related items, purchase price in excess of book value, and refunding losses that qualify as deferred outflows of resources. These items totaled approximately \$20,075,000 at September 30, 2023. See Note 9, *Employee Retirement Plans* and Note 10, *Other-Post Employment Benefits (OPEB)*, for more information. At September 30, 2023 the System had deferred outflows of resources in the amount of \$4,672,000 for the purchase price in excess of book value acquired during the purchase of private water/wastewater utility systems, which is being amortized over its 30 year useful life.

Deferred inflows of resources represent the acquisition of resources that apply to future reporting periods and will not be recognized as an inflow of resource (revenue) until then. The System had pension-related and OPEB-related items that qualify as deferred inflows of resources. These items were \$2,880,000 and \$1,279,000, respectively, at September 30, 2023. See Note 9, *Employee Retirement Plans* and Note 10, *Other-Post Employment Benefits (OPEB)*, for more information.

P. Use of Restricted Versus Unrestricted Net Position

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

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Q. Use of Estimates

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

R. GASB Statements

The System adopted the following GASB Statements during the fiscal year ended September 30, 2023:

GASB Statement No. 91, Conduit Debt Obligations

Issued in May 2019, this Statement is to improve the accounting and financial reporting for conduit debt obligations for governments. This Statement's objective is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 clarifies the existing definition of conduit debt obligations; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The System implemented this Statement for its fiscal year ended September 30, 2023 and had no significant impact to the System's financial reporting.

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

Issued in March 2020, this Statement addresses issues related to public-private and public-public partnership arrangements. This Statement establishes the definitions of Public-Private Partnerships, Public-Public Partnerships, and Availability Payment Arrangements and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to public-private and public-public partnerships consistently and disclose important information about public-private and public-public partnership transactions. The adoption of GASB Statement No. 94 was implemented for fiscal year ended September 30, 2023 and did not impact the System's financial position or results of operations.

GASB Statement No. 96, Subscription-Based Information Technology Arrangement

Issued in May 2020, this Statement is to improve the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payment, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of GASB Statement No. 96 was implemented for fiscal year ending September 30, 2023 and did not impact the System's financial position or results of operations.

HILLSBOROUGH COUNTY, FLORIDA
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Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

GASB Statement No. 99, *Omnibus 2022*

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

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

The adoption of the remaining portions of GASB Statement No. 99 was implemented for fiscal year ending September 30, 2023 and did not impact the System's financial position or results of operations.

Management is evaluating the following issued and unadopted GASB Statements during fiscal year ended September 30, 2023:

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

Issued in June 2022, this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information making decisions or assessing accountability. The Statement will be effective for the Fund beginning with its fiscal year ending September 30, 2024. Management is currently evaluating the impact of the adoption of this Statement on the System's financial statements.

GASB Statement No. 101, *Compensated Absences*

Issued in June 2022, this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will be effective for the System beginning with its fiscal year ending September 30, 2025. Management is currently evaluating the impact of the adoption of this statement of the System's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*

Issued in December 2023, this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by defining a concentration as a lack of diversity related to an aspect of a significant inflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision making. The Statement will be effective for the System beginning with its fiscal year ending September 30, 2025. Management is currently evaluating the impact of the adoption of this statement of the System's financial statements.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Note 2 Deposits and Investments

A. Deposits

At September 30, 2023, the System's total cash deposits were \$16,016,000 and the total bank balance was \$19,535,000. Bank balances are fully insured by federal depository insurance and/or through financial institutions participating in the Florida Security for Public Deposits Act pursuant to Chapter 280, Florida Statutes.

B. Investments

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

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

The System's cash deposits and investments on September 30, 2023 were as follows:

<i>(Amounts in thousands)</i>	Fair Value Level	Modified Duration in Years	Credit Rating	2023
U.S. treasury securities	2	1.0	AA+/A-1+	\$ 441,796
U.S. government sponsored agency securities	2	1.9	AA+/A-1+	155,584
Corporate notes	2	1.4	AA+/AA/AAA	15,307
Municipal bonds	2	1.5	AA	4,749
Mutual Funds	2	.08	AAA	5,636
Total investments				<u>623,072</u>
Open-end money market funds	--	0.1	AAAm	2,561
State Board Administration (SBA): Florida PRIME	--	0.2	AAAm	163,299
Total investments				<u>788,932</u>
Cash deposits				<u>16,016</u>
Total cash deposits and investments				<u><u>\$ 804,948</u></u>

HILLSBOROUGH COUNTY, FLORIDA
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Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

A summary of total cash, cash equivalents, and investments to amounts reported on the Statement of Net Position is as follows:

<i>(Amounts in thousands)</i>	<u>2023</u>
Cash and cash equivalents:	
Unrestricted, current	\$ 64,996
Restricted, current	109,142
Restricted, noncurrent	<u>7,740</u>
Total cash and cash equivalents	<u>181,878</u>
Investments	
Unrestricted, current	567,293
Restricted, current	5,122
Restricted, noncurrent	<u>50,655</u>
Total investments	<u>623,070</u>
Total cash, cash equivalents and investments	<u>\$ 804,948</u>

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

A credit rating is a measure of credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk, a subset of credit risk, is the risk that the counterparty fails to fulfill its obligations. All the System’s investments are insured or registered, or held by the BOCC or its agent in the BOCC’s name. At September 30, 2023, there was no amount held by counterparties. Excluding the SBA's Florida PRIME investment pool, the United States Treasury and mutual funds or investment pools that invest in such securities, the Federal Home Loan Mortgage Corporation represents more than 5% of the total investments of the County.

C. SBA’s Florida PRIME

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

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

Florida PRIME currently does not have withdrawal limits or redemption notice periods. With regard to redemption gates, Section 218.409(8) (a), Florida Statutes, has several provisions. The principal of each account in Florida PRIME is subject to payment at any time from money in Florida PRIME. However, the Executive Director of the

HILLSBOROUGH COUNTY, FLORIDA
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For the Fiscal Year Ended September 30, 2023

SBA may, in good faith, limit contributions to or withdrawals from Florida PRIME for 48 hours due to the occurrence of an event that has material impact on liquidity or operations. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review of the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity of the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time test, but in no case may the time set by the Trustees exceed 15 days.

Although Florida Statute 218.409(4) gives the SBA authority to impose early withdrawal penalties if the amount and purpose of such fees are disclosed in the enrollment materials, the SBA has not imposed such penalties. As of September 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to full account values.

D. Investment Policy

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

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

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

- i. The entire portfolio may be invested in United States Treasury securities with a maximum maturity length of 10 years, but investments in Treasury Strips are limited to 10% of the portfolio.
- j. A maximum of 50% of the portfolio may be invested in the state of Florida's Local Government Investment Pool, known as Florida PRIME.
- k. A maximum of 50% of the portfolio may be invested in United States government agency securities, with no more than 10% of the portfolio invested in any individual United States government agency.
- l. A maximum of 60% of the portfolio may be invested in obligations of United States government instrumentalities, with a maturity length of 10 years, provided that no more than 30% of the portfolio is invested in any one issuer and no more than 25% of the portfolio is invested in callable securities.
- m. A maximum of 20% of the portfolio may be invested in repurchase agreements excluding one-business day agreements and overnight sweep agreements, with no more than 10% of the portfolio in the repurchase agreements of a single institution.
- n. A maximum of 20% of the portfolio may be invested in nonnegotiable interest-bearing time certificates of deposit of an institution with deposits secured by the Florida Security for Public Deposits Act, provided that the maximum maturity on any certificate is no greater than one year and no more than 10% of the portfolio is deposited with any one issuer.
- o. A maximum of 20% of the portfolio may be invested in prime commercial paper (i.e. rated Prime-1 by Moody's, A-1 by Standard & Poor's, or AA by two nationally recognized rating agencies if backed by a letter of credit), with no more than 5% of the portfolio in the commercial paper of a single issuer. The maximum length to maturity shall be 270 days from the date of purchase.
- p. A maximum of 50% of the portfolio may be invested in money market funds offered by registered investment companies and operated in accordance with 17 CFR 270.2a-7, provided that the money market funds are rated AAAM or AAAM-G or better by Standard & Poor's or the equivalent by another nationally recognized rating agency. No more than 25% of the portfolio may be invested in any one money market fund.
- q. A maximum of 15% of the portfolio may be invested in high quality corporate notes (rated Aa by Moody's and AA by Standard & Poor's), with no more than 5% of the portfolio in the notes of a single issuer.
- r. A maximum of 20% of the portfolio may be invested in intergovernmental investment pools, provided that the total investment does not exceed 25% of the intergovernmental pool.
- s. A maximum of 25% of the total portfolio may be invested in state or local government taxable and/or tax exempt general obligation and/or revenue bonds (rated at least Aa by Moody's and AA by Standard and Poor's) or short-term debt (rated at least MIG-2 by Moody's and SP-2 by Standard & Poor's).
- t. A maximum of 20% of the total portfolio may be invested in bankers' acceptances issued by a domestic bank or federally chartered domestic office of a foreign bank (rated at least P-1 by Moody's Investors Service and A-1 by Standard & Poor's), with a maximum of 5% of available funds with any one issuer. The maximum length to maturity shall be 180 days from purchase.

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- u. Reverse repurchase agreements and securities lending transactions are not permitted.
- v. The maximum maturities shown above may be exceeded if investments are purchased to fulfill long-term debt service reserve requirements, in which case investments are permitted to have maturity dates up through the life of the debt service reserves.

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

Note 3 Receivables

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

The September 30, 2023 accounts receivable and other receivables components were as follows:

<i>(Amounts in thousands)</i>	<u>2023</u>
Customer receivables:	
Customer receivables - billed	\$ 22,844
Customer receivables - unbilled	13,190
Other receivables - current	1,402
Less: allowance for doubtful accounts	<u>(3,880)</u>
Net customer receivables	33,556
Restricted receivables:	
Customer impact fee receivables	140
Other receivables (impact fee assessments)	<u>11,308</u>
Total current accounts receivables	<u>45,004</u>
Other accounts receivable, less current portion:	
Impact fees	115
Special assessment units	88,597
Tampa Bay Water	4,388
TBW unamortized asset sale gain	<u>(422)</u>
Total other receivables	<u>92,677</u>
Total accounts receivable, net	<u><u>\$ 137,681</u></u>

Note 4 Due From Other Governments

Due from other governments represents unrestricted special assessment revenues and collection fee refunds due from the Hillsborough County Tax Collector, and restricted amounts due for unreimbursed capital and operating grant expenditures. At September 30, 2023, current and restricted amounts due from other governments was \$9,000.

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Note 5 Capital Assets

Changes in capital assets for the year ended September 30, 2023 were as follows:

<i>(Amounts in thousands)</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 29,535	--	11	29,524
Construction work in progress	160,507	92,942	12,433	241,016
Total non-depreciable capital assets	<u>190,042</u>	<u>92,942</u>	<u>12,444</u>	<u>270,540</u>
Capital assets, depreciable:				
Buildings and utility plant	753,758	306	--	754,064
Building improvements	1,782,669	30,313	--	1,812,982
Equipment	40,014	4,611	1,249	43,376
Intangibles -- software	8,212	--	--	8,212
Total depreciable capital assets	<u>2,584,653</u>	<u>35,230</u>	<u>1,249</u>	<u>2,618,634</u>
Accumulated depreciation:				
Buildings and utility plant	(420,351)	(44,333)	--	(464,684)
Building improvements	(1,000,727)	(49,438)	--	(1,050,165)
Equipment	(28,300)	(4,129)	(1,224)	(31,205)
Intangibles -- software	(6,529)	(313)	--	(6,842)
Total accumulated depreciation	<u>(1,455,907)</u>	<u>(98,213)</u>	<u>(1,224)</u>	<u>(1,552,896)</u>
Total depreciated capital assets, net	<u>1,128,746</u>	<u>(62,983)</u>	<u>25</u>	<u>1,065,738</u>
Total capital assets, net	<u>\$ 1,318,788</u>	<u>29,959</u>	<u>12,469</u>	<u>1,336,278</u>

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

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

For fiscal year 2023, the System recorded deferred outflows of resources - price paid in excess of book value of \$4,672,000 of which \$394,000 was amortized to operating expense and included in "depreciation and amortization."

<i>(Amounts in thousands)</i>	Beginning Balance	Increases	Decreases	Ending Balance
Deferred Outflow - price paid in excess of book value	\$ 5,066	--	(394)	4,672

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Note 7 Current Liabilities

A. Accounts and Contracts Payable

Accounts and contracts payable balances at September 30, 2023 were as follows:

<i>(Amounts in thousands)</i>	2023
Accounts payable	\$ 12,028
Contracts payable	6,072
Total accounts and contracts payable	\$ 18,100

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. At September 30, 2023, unearned AGRF restricted and unrestricted deposits were \$172,000.

Note 8 Long-term Liabilities

A. Revenue Bonds

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

\$207,795,000 Tax Exempt Utility Revenue Bonds, Series 2016. The interest rate is 2.83% with interest payable semiannually. On September 30, 2023, the unpaid Series 2016 Bonds principal, (including current maturities of \$3,755,000 was \$194,376,000. The bonds mature on August 1, 2046.

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

\$90,375,000 Utility Refunding Revenue Bonds, Series 2019. The interest rate is 2.32% with interest payable semiannually. On September 30, 2023, the unpaid Series 2019 Bonds principal, including current maturities of \$4,045,000 was \$77,200,000. The bonds mature August 1, 2037.

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

\$155,155,000 Utility Revenue Bonds, Series 2021A. The interest rate is 2.16% with interest payable semiannually. On September 30, 2023, the unpaid Series 2021A Bonds principal, including current maturities of \$3,220,000 was \$155,155,000. The bonds mature August 1, 2051.

\$19,780,000 Utility Refunding Revenue Bonds, Series 2021B. The interest rate is 2.26% with interest payable semiannually. On September 30, 2023, the unpaid Series 2021B Bonds principal was \$19,780,000. Currently, there are no current maturities. The bonds mature August 1, 2040.

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

Under BOCC Bond Resolution R03-112, as amended by Resolution R10-151, article XI, section 11.02, operating revenues are pledged and distributed as follows: first, to payment of the costs of operations and maintenance and second, to annual debt service requirement on the outstanding bonds. Pledged revenues are operating revenues plus

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unrestricted interest income, less cost of operations plus certain unrestricted water capacity fees (impact fees). The System's net revenues of \$15,866,000 were pledged to pay debt service on issued revenue bonds. Debt service payments were \$22,498,000. Pledged revenues represent 71% of the System's debt service requirements.

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

A summary of the outstanding bonds debt service requirements, including current maturities of \$11,020,000, were as follows:

<i>(Amounts in thousands)</i>	Principal	Interest	Total
2024	\$ 11,020	14,117	25,137
2025	11,565	13,566	25,131
2026	12,145	13,400	25,545
2027	12,710	12,834	25,544
2028	13,300	12,241	25,541
2029-2033	75,550	52,161	127,711
2034-2038	90,585	37,782	128,367
2039-2043	108,550	24,975	133,525
2044-2048	88,190	8,954	97,144
2049-2051	22,896	1,155	24,051
Total principal and interest	<u>446,511</u>	<u>191,185</u>	<u>637,696</u>
Plus unamortized issue premium	28,136		
Less unamortized bond issue discount	<u>(106)</u>		
Revenue bonds payable, net	474,541		
Less current maturities	<u>(11,020)</u>		
Revenue bonds payable, net	<u>\$ 463,521</u>		

C. Line of Credit

On March 28, 2022 the System entered into a subordinate lien revenue non-revolving line of credit of \$37,500,000 due in annual installments, beginning August 1, 2025, plus a variable interest rate (SOFR rate). At September 30, 2023, the System had drawn \$200,000 on the line of credit and the interest rate was 4.67%.

D. Changes in Total Other Liabilities

The System's changes in total other liabilities for the fiscal year ended September 30, 2023 were as follows:

<i>(Amounts in thousands)</i>	Beginning			Ending	Due Within
Description:	Balance	Additions	Reductions	Balance	One Year
Line of credit	\$ 200	--	--	200	--
2016 bonds	197,951	--	3,575	194,376	3,755
2019 bonds	81,050	--	3,850	77,200	4,045
2021 bonds	174,935	--	--	174,935	3,220
Unamortized bond issue premium	30,567	--	2,431	28,136	--
Unamortized bond issue discount	(113)	--	(7)	(106)	--
Compensated absences	4,166	6,673	4,020	6,819	4,020
Net pension liability	46,827	9,872	--	56,699	--
Total OPEB liability	<u>3,087</u>	<u>1,897</u>	<u>977</u>	<u>4,007</u>	<u>--</u>
Total other liabilities	<u>\$ 538,670</u>	<u>18,442</u>	<u>14,846</u>	<u>542,266</u>	<u>15,040</u>

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Note 9 Employee Retirement Plans

Florida Retirement System – General Information

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

The state of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. For additional details, see:

www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports. The report may also be obtained by writing to the state of Florida Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000.

Plan Descriptions for Cost-Sharing Defined Benefit Plans

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

Benefits Provided

FRS Pension Plan

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

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

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

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

HIS Program

The benefit under the HIS Program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive an HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Contributions

FRS Pension Plan

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular Class participants—11.91% and 13.57%; Senior Management Service participants—31.57% and 34.52%; and DROP participants—18.60% and 21.13%. These employer contribution rates include 1.66% of HIS subsidies for 2022 and 2023.

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HIS Program

The County Plan for HIS is allocated to the System based on a percentage of covered payroll (System covered payroll divided by total County covered payroll). The HIS Program is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. The HIS contribution for the period October 1, 2022 through September 30, 2023 was 1.66%. The employer contribution rates shown in the FRS Pension Plan section above include the HIS Program contribution rate of 1.66%, for the periods of October 1, 2022 through September 30, 2023. HIS Program contributions are deposited in a separate trust fund from which payments are authorized. HIS Program benefits are not guaranteed and are subject to annual legislative appropriation. In the event that legislative appropriations and/or available funds are not sufficient, HIS benefits may be reduced or canceled.

The System’s contributions, including employee contributions, to the FRS Pension Plan were \$4,487,000 for the fiscal year ended September 30, 2023. The System’s contributions to the HIS Program were \$840,000 for the fiscal year ended September 30, 2023.

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

Pension Liabilities - At September 30, 2023, the System reported net pension liabilities of \$37,440,000 and \$19,259,000, respectively, for its proportionate shares of the FRS Pension Plan and HIS Program net pension liabilities. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The System’s proportionate share of the net pension liability was based on the System’s contributions as a percentage of all County contributions to the FRS fiscal year ended June 30, 2023. At June 30, 2023, the System's proportionate shares for the FRS Pension Plan and HIS Program were 4.338% and 6.894%, respectively, of the County's proportionate share, which is a decrease of .175 and .023 for the FRS pension plan and HIS program, respectively, compared to the prior year. The System’s proportionate shares for the FRS Pension Plan and HIS Program is measured as of June 30, 2022. The components of the System’s net pension liabilities at September 30, 2023 were as follows:

	<u>FRS Pension Plan</u>	<u>HIS Program</u>	<u>Total</u>
Total pension liability	\$ 212,540	20,086	232,626
Plan fiduciary net position	(175,100)	(827)	(175,927)
Net pension liability	<u>\$ 37,440</u>	<u>19,259</u>	<u>56,699</u>
Plan fiduciary net position as a percentage of the total pension liability	82.38 %	4.12 %	75.63 %

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

Pension Expense - For the fiscal year ended September 30, 2023, the System recognized pension expense of \$9,577,000 which includes \$2,988,000 and \$6,589,000 for the Pension Plan and HIS Program, respectively.

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Deferred Outflows/Inflows of Resources – For the fiscal year ended September 30, 2023, the System reported pension-related deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>FRS Pension Plan</u>		<u>HIS Program</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,294	--	274	(46)	3,568	(46)
Changes in assumptions	2,288	--	491	(1,699)	2,779	(1,699)
Net difference between projected and actual earnings on plan investments	1,466	--	10	--	1,476	--
Changes in proportion and differences between System's contributions and proportionate share of contributions	1,052	(671)	566	(464)	1,618	(1,135)
System's contributions subsequent to the measurement date	1,254	--	246	--	1,500	--
Total	<u>\$ 9,354</u>	<u>(671)</u>	<u>1,587</u>	<u>(2,209)</u>	<u>10,941</u>	<u>(2,880)</u>

The deferred outflows of resources totaling \$1,254,000 and \$246,000, resulting from System's contributions to the Pension Plan and HIS Program, respectively, which were subsequent to the June 30, 2023 measurement date, will be recognized as a pension expense in the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan and HIS Program will be recognized in pension expense as follows:

September 30,	FRS Pension Plan	HIS Program
2024	\$ 1,013	(152)
2025	(401)	(92)
2026	6,076	(153)
2027	577	(300)
2028	165	(159)
Thereafter	-	(13)
Total	<u>\$ 7,430</u>	<u>\$ (869)</u>

Actuarial Assumptions – The total pension liabilities for the FRS Pension Plan and HIS Program in the June 30, 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation rate of 2.40%.
- Average rate of salary increases of 3.25%, including inflation.
- Investment rate of return, net of pension plan investment expense of 6.70%, including inflation for FRS Pension Plan; there is no change from the prior year.

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- Investment rate of return, net of pension plan investment expense of 3.65%, including inflation for HIS Plan; this was an increase from 3.54% in the prior year.
- Average expected remaining service life of active and inactive participants in the FRS Pension Plan at June 30, 2023 was 5.3 years.
- Average expected remaining service life of active and inactive participants in the HIS Program at June 30, 2023 was 6.3 years.
- Mortality rates were based on the PUB-2010 base table, projected generational with scale MP-2018 for the FRS Pension Plan and the HIS Program.

The actuarial assumptions used in the July 1, 2023, FRS Pension Plan valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rates of return on FRS Pension Plan and HIS Program investments were not based on historical returns, but instead were based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions. A mean inflation rate of 2.4% was assumed along with a standard deviation of 1.3%. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0 %	2.9 %	2.9 %	1.1 %
Fixed income	19.8 %	4.5 %	4.4 %	3.4 %
Global equity	54.0 %	8.7 %	7.1 %	18.1 %
Real estate (property)	10.3 %	7.6 %	6.6 %	14.8 %
Private equity	11.1 %	11.9 %	8.8 %	26.3 %
Strategic investments	3.8 %	6.3 %	6.1 %	7.7 %
	<u>100.0 %</u>			

Discount Rates – The FRS Pension Plan discount rate used to measure the total pension liability was 6.70%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The HIS Program discount rate used to measure the total pension liability was 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Program sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The System’s proportionate share of the FRS Pension Plan and HIS Program will change under varying discount rate assumptions. For example, a higher discount rate would lead to a lower net pension liability. Conversely a lower discount rate would lead to a higher net pension liability. The following chart shows the effects on the FRS Pension Plan and HIS Program net pension liabilities under discount rates that are one percentage point higher or lower than the discount rate actually used. The chart specifically shows the net pension liability of the FRS Pension Plan if its discount rates were 5.70%, 6.70% or 7.70% as well as the net pension liability of the HIS Program if its discount rates were 2.65%, 3.65% or 4.65%.

Proportionate Share of FRS Pension Plan Net Pension Liability			Proportionate Share of HIS Program Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
5.70 %	6.70 %	7.70 %	2.65 %	3.65 %	4.65 %
\$ 63,955	37,440	15,257	21,972	19,259	17,011

The System remits contractually required FRS Pension Plan and HIS Program contributions as established by the Florida Legislature. The System did not have a payable for outstanding contributions to the FRS Pension Plan, HIS Program or Investment Plan at September 30, 2023.

Investment Plan

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the System.

HILLSBOROUGH COUNTY, FLORIDA
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Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

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

The System remits contractually required FRS Investment Plan contributions as established by the Florida Legislature. The System's total contributions to the Investment Plan were approximately \$901,000 for fiscal year 2023.

Note 10 Other Postemployment Benefits (OPEB)

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

OPEB Plan Description and Benefits Provided

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

Substantially all full-time employees may qualify for these OPEB benefits. At September 30, 2023, the County's OPEB Plan covered approximately 6,329 active County employees, consisting of those currently eligible and those not yet fully eligible, as well as 476 County retirees or other inactive employees.

Total OPEB Liability

Actuarial Method and Assumptions - The total OPEB liability was actuarially determined based on several actuarial assumptions. September 30, 2023 was both the measurement date and actuarial valuation date. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial assumptions used in the September 30, 2023 OPEB Plan valuation were based on the results of an actuarial experience study for the period from October 1, 2022 through September 30, 2023.

HILLSBOROUGH COUNTY, FLORIDA
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Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

The entry age normal actuarial cost method was used in the September 30, 2023 actuarial valuation. Other actuarial assumptions included a composite inflation rate of 2.5% and a discount rate of 4.09%, a decrease of 0.07 from the prior year rate of 4.02%. In addition, the initial annual healthcare cost trend rate assumptions were 6.75% grading down to an ultimate rates of 4.5% for the BOCC. In addition, the average age of active participants was 45.6 years and the average age of inactive participants was 63.2 years. Mortality rates were based on the PUB-2010 generational table for general purpose employees scaled using MP-21 and applied on a gender-specific basis. The mortality projection scale was updated from MP-20 to MP-21 for the September 30, 2023 actuarial valuation.

Sensitivity of Total OPEB Liability to Changes in Either the Discount Rate or Changes in the Healthcare Trend Rate – The first chart below presents the System’s total OPEB liability, as well as what the System’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage-point higher (5.09%) than the current discount rate. The second chart below presents the System’s total OPEB liability, as well as what the System’s total OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower (5.75%) or one percentage-point higher (7.75%) than the current healthcare trend rate.

The healthcare trend rate of 6.75% is an initial rate. The total OPEB liability shown on the chart below, however, is based on the following healthcare trend rate: approximately 6.75% grading down .5% each year to an ultimate rate of 4.5% for the BOCC.

Sensitivity of Total OPEB Liability to Changes in Discount Rate			Sensitivity of Total OPEB Liability to Changes in Healthcare Trend Rate		
1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)	1% Decrease (5.75%)	Healthcare Trend Rate (6.75%)	1% Increase (7.75%).
\$ 4,205,000	4,007,000	3,430,000	3,376,000	4,007,000	4,284,000

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

OPEB Liabilities - At September 30, 2023, the System reported total OPEB liabilities of \$4,007,000. The total OPEB liability was measured as of September 30, 2023. The System’s total OPEB liability at September 30, 2023 was as follows:

<i>(Amounts in thousands)</i>	<u>OPEB Plan</u>
Total OPEB Liability	<u>\$ 4,007</u>
Covered employee payroll (active plan members)	<u>48,120</u>
Total OPEB liability as a percentage of covered employee payroll	<u>10.6 %</u>

HILLSBOROUGH COUNTY, FLORIDA
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Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

If cash and investments were placed in an irrevocable trust for OPEB, then the cash and investments would also be subtracted from "total OPEB liability" to determine the "net OPEB liability." The County has set aside \$53,106,000 in the Self-Insurance Internal Service Fund for OPEB. Fair value was used to value the cash and investments set aside. This \$53,106,000 represents 43.37% of the County's total OPEB liability at September 30, 2023. However, since an irrevocable trust was not established, none of this \$53,106,000 in cash and investments is considered to be "plan fiduciary net position." Total OPEB liability is reported in the accompanying statements of net position because an irrevocable trust was not established.

The change in the total OPEB liability during fiscal year 2023 as well as the beginning and ending total OPEB liability is shown below:

	Total OPEB Liability
<i>(Amounts in thousands)</i>	
Balance at October 1, 2022	\$ 3,087
Changes for the fiscal year:	
Service cost	86
Interest	111
Differences between expected and actual experience	1,700
Changes in assumptions and other inputs	(628)
Contributions-employer	(349)
Net changes	920
Balance at September 30, 2023	\$ 4,007

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

Since the OPEB Plan was not considered funded, GASB Statement No. 75 requires that the plan's discount rate be obtained using the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate was 4.09%.

Contributions. Assessments were made to participating funds with the goal of accumulating the cash and investments in the Self-Insurance Internal Service Fund to offset the total OPEB liability. The level of assessments are set annually by County management. There are no statutory or other legally required contribution levels. It is the System's intent to continue setting aside additional monies each year for OPEB. Total assessments were \$181,000 for fiscal year 2023.

OPEB Expense - For the fiscal year ended September 30, 2023, the System recognized OPEB expense of \$117,000. Changes in total OPEB liability are recognized in OPEB expense during the fiscal year except for as indicated in the section on Deferred Outflows/Inflows of Resources.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Deferred Outflows/Inflows of Resources – “Deferred outflows of resources” are a consumption of net position by the System that is applicable to a future reporting period. “Deferred inflows of resources” are an acquisition of net position by the System that is applicable to a future reporting period. For each of the following, a portion was recognized in OPEB expense during fiscal year 2023, and the balance was amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,805,000	(133,000)
Changes in assumptions	919,000	(1,146,000)
Total	\$ 2,724,000	(1,279,000)

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

Year Ended September 30	OPEB Expense
2024	\$ 72,000
2025	72,000
2026	72,000
2027	72,000
2028	72,000
Thereafter	1,085,000
Total	\$ 1,445,000

The System did not have any interfund payables to the Self-Insurance Fund’s OPEB Plan at September 30, 2023.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

Note 11 Capital Contributions

Capital contributions for fiscal year ended September 30, 2023 were as follows:

<i>(Amounts in thousands)</i>	2023
Contributed physical capital assets	\$ 23,767
Impact fees collections	17,218
Grants	3,822
Total	\$ 44,807

Note 12 Outstanding Purchase Orders and Contracts

At September 30, 2023, outstanding purchase orders and contracts were \$174,794,000.

The Capital Improvement Program is a financial plan of proposed capital projects covering a five or six-year period. Project costs can include project development, site acquisition, design, construction, renovations, initial fixtures and equipment, and administration. The Capital Improvement Program does not identify all project costs. It only identifies what is expected to be appropriated during the period. Total capital costs will be greater. The Capital Improvement Program for fiscal years 2024 through 2029 incorporates projects with a total cost of \$1,572,121,000.

Note 13 Regional Water Supply Authority

On May 1, 1998, the West Coast Regional Water Supply Authority (WCRWSA) members reorganized in accordance with Section 30, Chapter 97-160, Laws of Florida, and Chapter 373, Florida Statutes. The purpose of the reorganization was to establish a sole water supplier to meet the region's current and future water supply requirements. The reorganization resulted in a forty-year master regional water supply contract and interlocal governance agreement. The WCRWSA was renamed Tampa Bay Water. The new regional water supply agreement obligates Tampa Bay Water to provide water to the members from existing water supply sources and to develop new water supply sources for the future, while securing the System's ability to meet its customers' water supply requirements. The regional water supply agreement commenced on September 29, 1998, to coincide with Tampa Bay Water's issuance of Utility System Revenue Bonds, Series 1998A and 1998B. As a part of the agreement, members agreed to sell certain capital assets to Tampa Bay Water and Tampa Bay Water agreed to assume all outstanding member debt and to contribute certain capital assets to the members. Tampa Bay Water purchased capital assets from, and contributed assets to, the BOCC in the amounts of \$19,326,000 and \$18,818,000, respectively. With respect to Tampa Bay Water's \$19,326,000 capital asset purchase, the BOCC agreed to defer this payment by recording a long-term receivable. Payments will be received as water supply purchase credits plus interest over the thirty year term of Tampa Bay Water's 1998A and 1998B bond issues. The amount due from Tampa Bay Water on September 30, 2023, including current maturities of \$969,000 was \$5,357,000.

This transaction resulted in a \$12,926,000 unamortized gain. On September 30, 1998, this gain was recorded as a reduction of Tampa Bay Water's long-term receivable. The gain will be amortized on the installment method over the thirty year term of Tampa Bay Water's 1998A and the 1998B bond issues. At September 30, 2023 the unamortized gain balance was \$422,000 and the gain amortized to other nonoperating revenues was \$201,000.

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department
Notes to Financial Statements
For the Fiscal Year Ended September 30, 2023

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 2023 operating costs and debt service requirements. Tampa Bay Water's audited financial statements for the fiscal year ended September 30, 2023 may be obtained from:

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

Note 14 Contingencies

A. Litigation

The System is involved in certain litigation arising in the ordinary course of operations. Management believes, after consulting with legal counsel, that any potential losses would not materially affect the System's financial condition for the fiscal year ended September 30, 2023.

B. State and Federal Grants

Grants received and disbursed by the System 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 costs. Management believes that such repayments, if any, would not materially affect the System's financial condition at September 30, 2023.

C. Environmental Protection

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

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

FRS Pension Plan

	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
System's proportion of net pension liability	0.099 %	0.098 %	0.099 %	0.099 %	0.095 %	0.093 %	0.095 %	0.095 %	0.099 %	0.101 %
System's proportionate share of net pension liability	\$ 37,440	34,089	3,679	41,702	32,796	28,189	28,722	24,360	11,799	5,718
System's covered payroll	48,045	46,612	43,224	41,675	41,256	38,814	38,821	35,979	36,971	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	77.93 %	73.13 %	8.51 %	100.06 %	79.49 %	72.63 %	73.99 %	67.71 %	31.91 %	16.36 %
FRS Plan fiduciary net position as a percentage of the total pension liability	82.38 %	82.89 %	96.40 %	78.85 %	82.61 %	84.26 %	83.89 %	84.88 %	92.00 %	96.00 %

Health Insurance Subsidy Program

	<u>6/30/23</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
System's proportion of net pension liability	0.121 %	0.121 %	0.122 %	0.120 %	0.118 %	0.118 %	0.120 %	0.115 %	0.114 %	0.114 %
System's proportionate share of net pension liability	\$ 19,259	12,738	14,948	14,461	13,255	12,263	12,686	13,583	11,639	10,677
System's covered payroll	48,045	46,612	43,224	41,675	41,256	38,814	38,821	35,979	36,971	34,953
System's proportionate share of net pension liability as a percentage of its covered payroll	40.09 %	27.33 %	34.58 %	34.70 %	32.13 %	31.59 %	32.68 %	37.75 %	31.48 %	30.55 %
HIS Plan fiduciary net position as a percentage of the total pension liability	4.12 %	4.81 %	3.56 %	3.00 %	2.63 %	2.15 %	1.64 %	0.97 %	0.50 %	0.99 %

Notes to the schedule:

1. Amounts are as of June 30 of each year.
2. The discount rates used by the FRS Plan for fiscal years 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014, respectively, are 6.70%, 6.70%, 6.80%, 6.80%, 6.90%, 7.00%, 7.10%, 7.60%, 7.65% and 7.65%. The discount rates used for the HIS Program for fiscal years 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014, respectively, are 3.65%, 2.16%, 2.16%, 2.21%, 3.50%, 3.87%, 3.58%, 2.85%, 3.80% and N/A.
3. The investment rate of return used for the FRS Plan for fiscal years 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2016, and 2014, respectively, are 6.70%, 6.70%, 6.80%, 6.80%, 6.90%, 7.00%, 7.10%, 7.60%, 7.65% and 7.65%. The investment rate of return used for the HIS Program for fiscal years 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, respectively, are 3.65%, 3.54%, 2.16%, 2.16%, 2.21%, 3.50%, 3.87%, 3.58%, 2.85%, 3.80% and N/A.

HILLSBOROUGH COUNTY, FLORIDA

**Water Enterprise Fund
Public Utilities Department
Schedule of Contributions**

Florida Retirement System Pension Plan and Health Insurance Subsidy Program (Unaudited)

Last Ten Fiscal Years

Required Supplementary Information

(Amounts in thousands)

FRS Pension Plan

	<u>9/30/23</u>	<u>9/30/22</u>	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Contractually required contributions	\$ 4,487	3,858	3,435	2,935	2,881	1,530	2,421	2,620	2,175	2,005
Contributions in relation to the contractually required contributions	<u>4,487</u>	<u>3,858</u>	<u>3,435</u>	<u>2,935</u>	<u>2,881</u>	<u>1,530</u>	<u>2,421</u>	<u>2,620</u>	<u>2,175</u>	<u>2,005</u>
System's covered payroll	\$ 48,120	46,612	43,224	42,702	41,595	39,029	38,151	36,709	35,455	34,953
System's contributions as a percentage of covered payroll	9.32 %	8.28 %	7.95 %	6.87 %	6.93 %	3.92 %	6.35 %	7.14 %	6.13 %	5.74 %

Health Insurance Subsidy Program

	<u>9/30/23</u>	<u>9/30/22</u>	<u>9/30/21</u>	<u>9/30/20</u>	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/16</u>	<u>9/30/15</u>	<u>9/30/14</u>
Contractually required contributions	\$ 840	774	727	709	690	2,661	277	253	335	300
Contributions in relation to the contractually required contributions	<u>840</u>	<u>774</u>	<u>727</u>	<u>709</u>	<u>690</u>	<u>2,661</u>	<u>277</u>	<u>253</u>	<u>335</u>	<u>300</u>
System's covered payroll	\$ 48,120	46,612	43,224	42,702	41,595	39,029	38,151	36,709	35,455	34,953
System's contributions as a percentage of covered payroll	1.75 %	1.66 %	1.68 %	1.66 %	1.66 %	6.82 %	0.73 %	0.69 %	0.94 %	0.86 %

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>(Restated) 2016</u>
Service cost	\$ 86	134	52	54	39	44	184	*
Interest	111	79	68	89	118	134	206	*
Difference between expected and actual experience	1,700	(487)	(155)	-	269	-	(33)	*
Changes in assumptions and other inputs	(628)	-	584	124	474	(2,438)	(79)	*
Benefit payments	<u>(349)</u>	<u>(339)</u>	<u>(297)</u>	<u>(382)</u>	<u>(345)</u>	<u>(362)</u>	<u>(341)</u>	*
Net change in total OPEB liability	920	(613)	252	(115)	555	(2,622)	(63)	*
Total OPEB liability, beginning	3,087	3,700	3,448	3,563	3,008	5,630	5,693	*
System's total OPEB liability	<u>4,007</u>	<u>3,087</u>	<u>3,700</u>	<u>3,448</u>	<u>3,563</u>	<u>3,008</u>	<u>5,630</u>	<u>5,693</u>
System's covered employee payroll	48,120	46,612	43,728	41,675	41,256	38,814	38,821	35,979
System's total OPEB liability as a percentage of its covered employee payroll	8.3 %	6.6 %	8.46 %	8.27 %	8.64 %	7.75 %	14.50 %	15.82 %

Hillsborough County has set aside \$53,106,000 in the Self-Insurance Internal Service Fund for OPEB. This amount represents 43.37% of the County's total OPEB liability at September 30, 2023. However, since an irrevocable trust was not established, none of this \$53,106,000 in cash and investment is considered to be "plan fiduciary net position". The Water Enterprise Fund's total OPEB liability represents 6.70% of the County's total OPEB liability.

Notes to schedule:

1. Since GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was implemented for fiscal year 2017, certain figures were not available prior to fiscal year 2016. See Note 10, *Other Postemployment Benefits (OPEB)*, for more information.
2. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75
3. Amounts are as of September 30 each year.
4. The discount rates used for fiscal years 2023, 2022, 2021, 2020, 2019, 2018, and 2017, respectively, are 4.09%, 4.02%, 2.26%, 2.22%, 2.80%, 3.80%, and 3.64%.

HILLSBOROUGH COUNTY, FLORIDA
Schedule of Revenues and Expenses - Budget and Actual (Unaudited)
Water Enterprise Fund
Public Utilities Department
For the fiscal year ended September 30, 2023
(Amounts in thousands)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Charges for services	\$ 343,244	343,244	366,815	23,571
Total operating revenues	<u>343,244</u>	<u>343,244</u>	<u>366,815</u>	<u>23,571</u>
Operating Expenses				
Personnel services	82,052	82,052	73,752	8,300
Contractual services	125,390	125,390	114,846	10,544
Fleet services	3,601	3,601	3,923	(322)
Repairs and maintenance	29,554	29,554	18,729	10,825
Utilities	20,362	20,362	18,811	1,551
Supplies	1,246	1,246	990	256
Other operating expenses	7,436	7,436	6,536	900
Total operating expense before depreciation, amortization, pension and OPEB expense	<u>269,641</u>	<u>269,641</u>	<u>237,587</u>	<u>32,054</u>
Operating income before unbudgeted depreciation, amortization, pension and OPEB expense	<u>\$ 73,603</u>	<u>73,603</u>	129,228	<u>55,625</u>
Depreciation and amortization expense*			99,269	
Pension expense (benefit)			9,577	
OPEB expense			117	
Operating income (loss)			<u>\$ 20,265</u>	

* Pension, depreciation and amortization expenses are not budgeted.

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT A

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2019

Issued December 10, 2019

Debt Service Schedule (Unaudited)

(Amounts in thousands)

Fiscal Year	Principal	Interest	Total Requirement
2024	\$ 4,045	3,090	7,135
2025	4,245	2,888	7,133
2026	4,455	2,676	7,131
2027	4,680	2,453	7,133
2028	4,915	2,219	7,134
2029	5,160	1,973	7,133
2030	5,420	1,715	7,135
2031	5,690	1,444	7,134
2032	5,915	1,217	7,132
2033	6,155	980	7,135
2034	6,340	796	7,136
2035	6,530	605	7,135
2036	6,725	410	7,135
2037	6,925	208	7,133
	<u>\$ 77,200</u>	<u>22,674</u>	<u>99,874</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT B

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2016

Issued July 26, 2016

Debt Service Schedule (Unaudited)

(Amounts in thousands)

Fiscal Year	Principal	Interest	Total Requirement
2024	\$ 3,755	6,227	9,982
2025	3,940	6,039	9,979
2026	4,140	5,842	9,982
2027	4,305	5,676	9,981
2028	4,475	5,504	9,979
2029	4,610	5,370	9,980
2030	4,745	5,232	9,977
2031	4,890	5,089	9,979
2032	5,035	4,943	9,978
2033	5,240	4,741	9,981
2034	5,450	4,532	9,982
2035	5,670	4,314	9,984
2036	5,835	4,143	9,978
2037	6,010	3,968	9,978
2038	7,525	3,788	11,313
2039	7,750	3,562	11,312
2040	7,980	3,330	11,310
2041	15,925	3,091	19,016
2042	16,405	2,613	19,018
2043	16,895	2,121	19,016
2044	17,405	1,614	19,019
2045	17,925	1,091	19,016
2046	18,466	555	19,021
	<u>\$ 194,376</u>	<u>93,385</u>	<u>287,761</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT C

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2021A

Issued July 19, 2021

Debt Service Schedule

(Amounts in thousands)

Fiscal Year	Principal	Interest	Total Requirement
2024	\$ 3,220	4,800	8,020
2025	3,380	4,639	8,019
2026	3,550	4,470	8,020
2027	3,725	4,293	8,018
2028	3,910	4,106	8,016
2029	4,105	3,911	8,016
2030	4,310	3,706	8,016
2031	4,530	3,490	8,020
2032	4,755	3,264	8,019
2033	4,990	3,026	8,016
2034	5,140	2,876	8,016
2035	5,295	2,722	8,017
2036	5,455	2,563	8,018
2037	5,565	2,454	8,019
2038	5,675	2,343	8,018
2039	5,790	2,229	8,019
2040	5,905	2,113	8,018
2041	6,020	1,995	8,015
2042	6,205	1,815	8,020
2043	6,340	1,675	8,015
2044	6,485	1,532	8,017
2045	6,680	1,338	8,018
2046	6,880	1,138	8,018
2047	7,085	931	8,016
2048	7,265	754	8,019
2049	7,445	572	8,017
2050	7,630	386	8,016
2051	7,820	197	8,017
	<u>\$ 155,155</u>	<u>69,338</u>	<u>224,493</u>

HILLSBOROUGH COUNTY, FLORIDA

EXHIBIT D

Water Enterprise Fund

Public Utilities Department

Utility Revenue Bonds Series, 2021B

Issued July 19, 2021

Debt Service Schedule (Unaudited)

(Amounts in thousands)

Fiscal Year	Principal	Interest	Total Requirement
2024	\$ --	412	412
2025	--	412	412
2026	--	412	412
2027	--	412	412
2028	--	412	412
2029	--	412	412
2030	--	412	412
2031	--	412	412
2032	--	412	412
2033	--	412	412
2034	--	412	412
2035	--	412	412
2036	--	412	412
2037	--	412	412
2038	6,445	412	6,857
2039	6,575	283	6,858
2040	6,760	148	6,908
	<u>\$ 19,780</u>	<u>6,611</u>	<u>26,391</u>

HILLSBOROUGH COUNTY, FLORIDA
Water Enterprise Fund
Public Utilities Department

Statistical Section Contents
(Unaudited)

Financial Trends Information:

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

Schedules:

Components of Net Position

Current Ratio

Return on Capital Assets

Accounts Receivable Collection Days

Statement of Revenues, Expenses, and Changes in Net Position

Components of Charges for Services

Debt Capacity Information:

This schedule presents the System's outstanding debt compared to net position.

Schedule:

Outstanding Debt Compared to Net Position

General Operating Statistics:

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

Capital Assets

Staffing

Average Number of Customer Accounts

Annual Use/Flow

Operating Costs

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

Components of Net Position

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

	2023	2022	2021	2020	2019	2018	2017	2016*** Restated	2015	2014**
Net investment in capital assets	\$ 935,374	923,905	990,248	983,915	950,057	940,620	931,704	901,940	826,175	786,009
Restricted net position	88,316	75,601	95,543	139,077	143,755	115,451	90,916	67,670	72,759	77,980
Unrestricted net position	701,957	635,456	533,305	416,302	394,987	359,859	354,363	367,663	398,173	389,567
Total net position	<u>\$1,725,647</u>	<u>1,634,962</u>	<u>1,619,096</u>	<u>1,539,294</u>	<u>1,488,799</u>	<u>1,415,930</u>	<u>1,376,983</u>	<u>1,337,273</u>	<u>1,297,107</u>	<u>1,253,556</u>

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

***Restated for GASB Statement No. 75

Current Ratio

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Current assets	\$ 804,989	745,661	674,625	339,181	319,933	501,736	553,319	573,662	384,060	403,393
Current liabilities	55,958	72,403	47,680	55,070	68,297	76,649	56,134	48,563	41,730	54,633
Current ratio	14.4	10.3	14.1	6.2	4.7	6.5	9.9	11.8	9.2	7.4

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

Return on Capital Assets

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Change in net position	\$ 90,685	15,866	79,802	50,495	72,869	38,947	39,710	45,974	69,241	41,702
Average total capital assets	1,327,533	1,320,600	1,312,942	1,176,014	1,246,664	1,171,096	1,096,776	1,028,546	949,751	864,160
Return on capital assets	6.83 %	1.20 %	6.08 %	4.29 %	5.85 %	3.33 %	3.62 %	4.47 %	7.29 %	4.83 %

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Charges for services	\$ 366,815	326,215	302,163	283,150	254,306	243,215	235,116	209,549	209,549	205,716
Average accounts receivable	34,462	30,009	28,441	25,175	22,740	23,373	22,371	22,220	20,912	21,105
Accounts receivable collection days	34.3	33.6	34.4	32.5	32.6	35.1	34.7	38.7	36.4	37.4
Allowance for doubtful accounts	\$ 3,563	3,563	3,563	2,177	276	224	51	192	390	415
Percent of charges for services	0.97 %	1.09 %	1.18 %	0.77 %	0.11 %	0.09 %	0.02 %	0.09 %	0.19 %	0.20 %

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

Statement of Revenues, Expenses and Changes in Net Position:

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014**
Operating revenues:										
Charges for services	\$ 366,815	326,215	302,163	283,150	254,306	243,215	235,116	220,724	209,549	205,716
Operating expenses:										
Personnel services	73,752	68,528	65,659	62,695	60,473	56,438	55,103	54,296	48,660	46,536
Contractual services	114,846	105,319	104,604	101,487	94,449	86,528	77,369	81,481	73,533	73,543
Fleet services	3,923	3,364	2,594	2,612	2,823	2,511	2,315	2,439	2,585	2,396
Repairs and maintenance	18,729	15,738	13,124	14,165	16,460	13,166	10,506	10,588	11,647	9,653
Utilities	18,811	15,611	14,375	13,703	15,532	12,438	12,161	12,609	11,891	12,312
Supplies	990	1,286	987	1,002	1,037	1,071	986	722	587	536
Depreciation and amortization	99,269	103,614	105,190	89,330	77,102	81,947	67,805	59,875	51,143	51,238
Other operating expenses	6,536	4,498	4,337	3,914	3,761	3,017	3,158	2,675	2,055	2,262
Pension expense (benefit)	9,577	531	(3,610)	6,238	5,262	2,193	2,522	1,598	(1,363)	--
OPEB expense (benefit)	117	(131)	(97)	(209)	(173)	(2,491)	(72)	--	--	--
Total operating expense	346,550	318,358	307,163	294,937	276,726	256,818	231,853	226,283	200,738	198,476
Operating expense as a percentage of revenue	94.48 %	97.59 %	101.65 %	104.16 %	108.82 %	105.59 %	98.61 %	102.52 %	95.80 %	96.48 %
Operating income (loss)	20,265	7,857	(5,000)	(11,787)	(22,420)	(13,603)	3,263	(5,559)	8,811	7,240
Nonoperating revenues (expenses):										
Interest revenue	26,499	8,643	9,414	16,318	20,198	10,376	9,228	7,674	7,902	5,807
Fair value change	9,032	(16,025)	--	--	--	--	--	--	--	--
Interest expense	(12,671)	(13,096)	(10,170)	(10,502)	(10,733)	(10,878)	(5,911)	618	(4,757)	(3,566)
Other revenues	2,772	2,910	4,582	9,019	3,113	3,949	3,406	7,584	107	3,044
Other expenses	(19)	(775)	58	354	499	(10,354)	(6,690)	661	(485)	(679)
Total nonoperating revenues (expenses)	25,613	(18,343)	3,884	15,189	13,077	(6,907)	33	16,537	2,767	4,606
Income before contributions and transfers	45,878	(10,486)	(1,116)	3,402	(9,343)	(20,510)	3,296	10,978	11,578	11,846
Capital contributions	44,807	26,352	80,918	47,093	82,212	59,457	36,414	34,996	57,663	32,019
Change in net position	90,685	15,866	79,802	50,495	72,869	38,947	39,710	45,974	69,241	43,865
Net position, beginning of year	1,634,962	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,343,081	1,297,107	1,253,556	1,209,691
Restatement for GASB 68 implementation	--	--	--	--	--	--	--	--	(25,690)	--
Restatement for GASB 75 implementation	--	--	--	--	--	--	(5,808)	--	--	--
Net position, beginning of year, as restated	1,725,647	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,337,273	1,297,107	1,227,866	1,209,691
Net position, end of year	\$ 1,725,647	1,634,962	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,343,081	1,297,107	1,253,556

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

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

Components of Charges for Services

This schedule identifies the principal components of charges for services.

	2023	%	2022	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%	
Water charges	\$174,706	47.6	154,920	47.5	145,890	48.3	138,943	49.1	123,212	48.5	118,210	48.4	114,891	48.9	106,016	48.0	99,912	47.7	94,562	46.0
Wastewater charges	168,916	46.0	151,355	46.4	139,842	46.3	129,576	45.8	116,980	46.0	112,667	46.3	107,931	45.9	103,020	46.7	98,376	46.9	98,416	47.8
Reclaimed water charges	3,207	0.9	2,966	0.9	2,882	1.0	2,695	1.0	2,406	0.9	2,384	1.0	2,426	1.0	2,200	1.0	2,165	1.0	2,190	1.1
Accrued guaranteed revenue fees	6,209	1.7	4,245	1.3	1,663	0.6	708	0.3	958	0.4	558	0.2	64	--	103	--	283	0.1	2,384	1.2
Customer billing charges	13,267	3.6	12,191	3.7	11,339	3.8	10,499	3.7	9,630	3.8	9,230	3.8	8,862	3.8	8,517	3.9	8,214	4.0	7,435	3.6
General operating revenues	510	0.1	538	0.2	547	0.2	729	0.3	1,120	0.4	166	0.3	942	0.4	868	0.4	599	0.3	729	0.3
Charges for services	\$366,815	99.9	326,215	100.0	302,163	100.2	283,150	100.2	254,306	100.0	243,215	100.0	235,116	100.0	220,724	100.0	209,549	100.0	205,716	100.0

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

Outstanding Debt Compared to Net Position

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

	2023	2022	2021	2020	2019	2018	2017	2016*** Restated	2015	2014**
Bonds outstanding	\$ 474,541	484,390	493,947	335,590	339,760	342,565	345,305	347,940	142,720	155,720
Net position	1,725,647	1,634,962	1,619,096	1,539,294	1,488,799	1,415,930	1,376,983	1,337,273	1,297,107	1,253,556
Percentage	27.5 %	29.6 %	30.5 %	21.8 %	22.8 %	24.2 %	25.1 %	26.0 %	11.0 %	12.4 %

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

***Restated for GASB Statement No. 75

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

This schedule shows various general operating statistics.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Capital Assets (amounts are actual)										
Number of water plants	4	4	4	4	4	4	4	4	4	4
Number of wastewater treatment plants	5	5	5	7	7	7	7	7	7	7
Water distribution line miles (estimated)	2,638	2,606	2,576	2,484	2,484	2,437	2,414	2,326	2,246	2,246
Wastewater Transmission line miles (estimated)	2,386	2,354	2,328	2,235	2,235	2,199	2,180	2,091	2,019	2,019
Reclaimed water transmissions line miles (estimated)	401	394	393	377	377	368	366	--	--	--
Number of pump stations (estimated)	871	863	847	822	822	807	796	775	737	737
Staffing										
Number of budgeted positions per 1,000 customers	3.3	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Average Number of Customer Accounts Billed Monthly										
Water customers	196,984	192,436	182,080	168,038	168,038	161,279	160,358	155,384	153,812	153,812
Percent change from prior year	2.4 %	5.7 %	8.4 %	0.0 %	4.2 %	0.6 %	3.2 %	1.0 %	0.0 %	3.4 %
Wastewater customers	178,567	173,260	172,375	154,753	154,753	153,720	148,408	144,339	142,416	140,040
Percent change from prior year	3.1 %	0.5 %	11.4 %	0.0 %	0.7 %	3.6 %	2.8 %	1.4 %	1.7 %	2.8 %
Annual Use/Flow										
Annual water consumption (millions of gallons)	27,042	24,505	24,883	20,608	20,608	20,665	20,608	19,062	19,332	17,281
Annual treated wastewater flows (thousands of gallons)	18,483	17,516	15,110	15,110	15,110	15,368	15,110	14,290	13,841	13,573
Operating Costs (amounts in thousands)										
Operating expenses	\$ 346,550	318,358	307,163	294,937	276,726	256,818	231,853	226,283	200,738	198,476
Less: depreciation and amortization	99,269	103,614	105,190	89,330	77,102	81,947	67,805	59,875	51,143	51,238
Less: purchased water	80,528	73,355	69,664	68,209	66,298	54,377	53,077	57,221	52,954	52,524
Net operating costs	\$ 166,753	141,389	132,309	137,398	133,326	120,494	110,971	109,187	96,641	94,714
Number of accounts billed annually	2,382	1,920	1,920	1,920	1,920	1,985	1,970	1,920	1,991	1,980
Monthly operating costs per account (actual)	\$ 70	74	69	72	69	60	58	57	49	48

Sources:
Water Enterprise Fund Annual Audited Financial Reports for Fiscal Years 2014 through 2022.
Water Enterprise Fund Operating Data



Hillsborough
County Florida



**Hillsborough
County** Florida

SM Water Resources

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