



# TAMPA BAY WATER POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2016  
OCTOBER 1, 2015 – SEPTEMBER 30, 2016





# WELCOME

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## A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Finance Department of Tampa Bay Water is proud to present Tampa Bay Water's Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2016.

The financial information presented in the PAFR is derived from the Agency's Comprehensive Annual Financial Report (CAFR) and is presented here in summarized form. The CAFR outlines the Agency's financial position and operating activities for fiscal year 2016 in detail, and includes financial statements audited by Ernst & Young, LLP, that received an unmodified (clean) opinion. The Agency's financial records and the annual financial statements are maintained on the accrual basis of accounting, consistent with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements applicable to an enterprise fund. The CAFR is posted at [www.tampabaywater.org](http://www.tampabaywater.org).

The PAFR is a means of increasing public awareness about the Agency's financial condition through a more user-friendly presentation. It is unaudited and not presented in GAAP format. On behalf of Tampa Bay Water, I thank you for taking the opportunity to read our Popular Annual Financial Report.

Regards,



Christina Sackett  
Chief Financial Officer



A photograph of the Tampa Bay Water building, a modern multi-story structure with a sign that reads "TAMPA BAY WATER". The building is surrounded by palm trees and other tropical vegetation. The image is overlaid with a blue and green wavy graphic at the bottom.

# ABOUT TAMPA BAY WATER

Tampa Bay Water supplies wholesale drinking water to Hillsborough County, Pasco County, Pinellas County, New Port Richey, St. Petersburg and Tampa. We supply water to more than 2.4 million people through the governments we serve.

We are a non-profit, special district of the State of Florida created to plan, develop and deliver a high-quality drinking water supply, and we work to protect our water supply sources.

We are a true regional utility, funded through the sale of water to our member governments. Our members share the cost of developing new supplies, share in environmental stewardship, share voting rights equitably among the three counties and pay the same wholesale water rates.

Tampa Bay Water was created by interlocal agreement among our member governments. Our policies are established by a nine-member board of directors, with two elected commissioners from each member county and one elected representative from each member city.


It's our mission to reliably provide clean, safe water to the Tampa Bay region now and for future generations.

Our vision is to:

- Be a model for regional water supply in the nation;
- Be a leader in innovation and best practices; and
- Be a respected member of the Tampa Bay community.

Our responsibilities include:

- Planning, developing, producing and delivering a high-quality drinking water supply.
- Continuously meeting the wholesale drinking water needs of Hillsborough County, Pasco County, Pinellas County, New Port Richey, St. Petersburg and Tampa (about 186 million gallons every day).
- Advocating for the protection of the public's water resources

A purple wavy graphic element.

**THE AGENCY PROVIDES QUALITY DRINKING WATER TO ITS SIX MEMBER GOVERNMENTS WHOSE WATER SERVICE AREAS SERVE APPROXIMATELY 2.4 MILLION RESIDENTS IN THE TAMPA BAY REGION.**

# TAMPA BAY WATER'S FISCAL YEAR 2016 BOARD OF DIRECTORS

Tampa Bay Water is often cited as a model of regional cooperation, thanks to the spirit of regionalism that created the utility as well as the continuous regional efforts of our board of directors. Each elected official on our nine-member board represents an individual city or county that we serve, but at the dais, each also represents the Tampa Bay region as a whole.



**CHAIRMAN  
TED SCHRADER**  
Pasco County



**VICE CHAIRMAN  
KARL NURSE**  
City of St. Petersburg



**COMMISSIONER  
DAVE EGGERS\***  
Pinellas County



**COMMISSIONER  
KEN HAGEN**  
Hillsborough County



**COMMISSIONER  
JACK MARIANO**  
Pasco County



**MAYOR  
ROB MARLOW**  
City of New Port Richey



**COUNCILMAN  
CHARLIE MIRANDA**  
City of Tampa



**COMMISSIONER  
JOHN MORRONI**  
Pinellas County



**COMMISSIONER  
SANDRA L. MURMAN**  
Hillsborough County

Pinellas County Commissioner Kenneth Welch (not shown) served on Tampa Bay Water's board of directors for five months in fiscal year 2016. Commissioner Dave Eggers replaced Commissioner Welch in February, 2016.





# FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

**\$1.27 BILLION**

The Agency owns and operates facilities having a net book value of \$1.27 billion to provide water to its six member governments. The facilities operating in 2016 included 15 wellfield systems, a 120 million-gallon-per-day surface water treatment plant, a 15.5 billion-gallon reservoir, a 25 million-gallon-per-day seawater desalination plant, pumps, pipelines and more.

**\$1.9 MILLION**

The Agency's net position increased \$1.9 million or 0.25% in fiscal year 2016 from 2015.

**4.7 MILLION  
GALLONS PER DAY**

Increased water demand from its six members resulted in an increase in water production of 4.7 million gallons per day (mgd) – 156.1 mgd in 2015 to 160.8 mgd in 2016. Continuing economic growth within our region especially in Hillsborough and Pasco county were the main reason for the demand increase.

**\$153.3 MILLION**

During 2016, the Agency's revenue from water sales was \$153.3 million. In addition, \$1.7 million was transferred from the Rate Stabilization Account in accordance with contractual obligations with the Agency's members and Agency accounting policies, resulting in an increase in operating revenue recognized of \$1.5 million from 2015 to 2016.

**\$1.5 MILLION**

The Agency's operating expenses increased by \$1.5 million, or 2.3%, from 2015 to 2016, because of the 2016 budget policies.

The table on the two following pages that present the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position further explain the financial condition of Tampa Bay Water at the end of fiscal year 2016.

# FINANCIAL POSITION

The Agency's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the last two fiscal years.

## STATEMENTS OF NET POSITION – SEPTEMBER 30, 2016

	FY 2016	FY 2015
<b>ASSETS</b>		
CURRENT UNRESTRICTED ASSETS	\$60,026,851	\$27,771,425
CURRENT RESTRICTED ASSETS	123,090,378	193,455,774
NON-CURRENT ASSETS	1,672,892,915	1,665,066,184
<b>TOTAL ASSETS</b>	<b>\$1,856,010,144</b>	<b>\$1,886,293,383</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
LOSS ON REFUNDING OF DEBT	\$55,503,622	\$53,532,383
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – FRS	3,065,167	1,340,461
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – HIS	888,018	482,506
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$59,456,807</b>	<b>\$55,355,350</b>
<b>LIABILITIES AND NET POSITION</b>		
LONG-TERM DEBT OUTSTANDING	\$1,036,077,965	\$1,063,353,145
OTHER LIABILITIES	78,083,318	76,491,260
<b>TOTAL LIABILITIES</b>	<b>\$1,114,161,283</b>	<b>\$1,139,844,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
RATE STABILIZATION	\$30,367,411	\$32,113,161
UNREALIZED PENSION GAINS – FRS	144,719	819,671
UNREALIZED PENSION GAINS – HIS	8,397	–
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$30,520,527</b>	<b>\$32,932,832</b>
<b>NET POSITION</b>		
NET INVESTMENT IN CAPITAL ASSETS	\$690,767,988	\$692,643,905
RESTRICTED	46,174,573	42,852,884
UNRESTRICTED	33,842,580	33,374,707
<b>TOTAL NET POSITION</b>	<b>\$770,785,141</b>	<b>\$768,871,496</b>



# NET POSITION

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

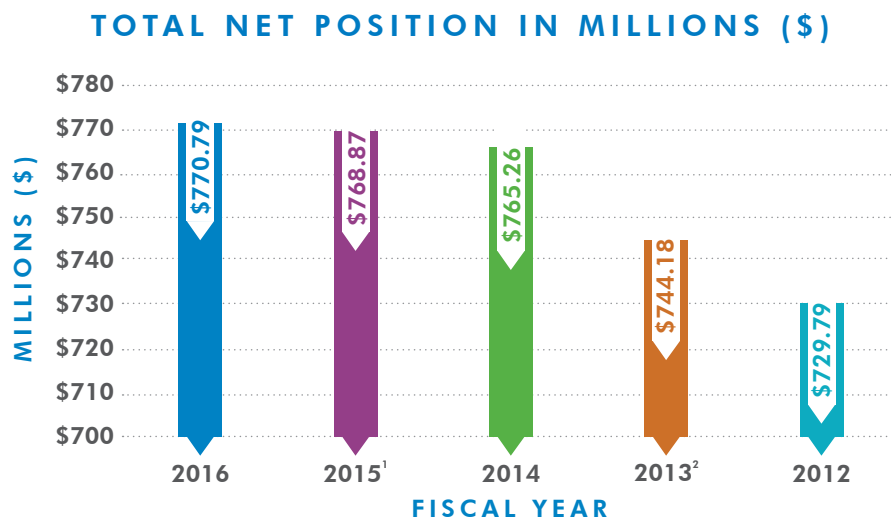
	FY 2016	FY 2015
OPERATING REVENUES	\$155,066,230	\$153,551,984
OPERATING EXPENSES	(65,589,515)	(64,117,276)
OPERATING INCOME BEFORE DEPRECIATION	89,476,715	89,434,708
DEPRECIATION	(29,534,326)	(28,692,538)
OPERATING INCOME	59,942,389	60,742,170
INVESTMENT REVENUE, NET OF REALIZED AND UNREALIZED GAIN (LOSS) OF \$0.0 AND \$0.1 IN 2016 AND 2015, RESPECTIVELY	1,216,874	1,247,218
LESS CAPITALIZED INTEREST	(15,363)	(19,513)
INTEREST EXPENSE	(54,339,481)	(54,163,859)
LESS CAPITALIZED INTEREST	541,760	990,665
LOSS ON DISPOSAL OF CAPITAL ASSETS, NET	(6,868,984)	(852,691)
LITIGATION RECOVERIES	1,188,148	979,352
INCOME BEFORE CONTRIBUTIONS	1,665,343	8,923,342
CAPITAL CONTRIBUTIONS	248,302	—
CHANGE IN NET POSITION	1,913,645	8,923,342
TOTAL NET POSITION – BEGINNING	768,871,496	765,259,189
CUMULATIVE EFFECT OF IMPLEMENTATION OF GASB 68	—	(5,311,035)
TOTAL NET POSITION – ENDING	\$770,785,141	\$768,871,496



Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve over time as an indicator of a government's financial condition. Net investment in capital assets makes up the biggest portion of net position. This amount is associated with the Agency's equity in capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come

from other more liquid resources. A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction or resources reserved for debt service. The remaining portion of net position is unrestricted representing resources that are available for services. Over time the deficit gets reduced as liabilities are gradually paid off.

The chart below shows Tampa Bay Waters total net position at the end of the last five fiscal years.



#### NOTES

- (1) The beginning net position for fiscal year 2015 was restated to reflect the implementation of GASB 68, which was a decrease of \$5,311,035 in net position.
- (2) The net position for fiscal year 2013 was restated to reflect the implementation of GASB 65, which decreased the net position by \$6,001,560.



# INVESTMENTS

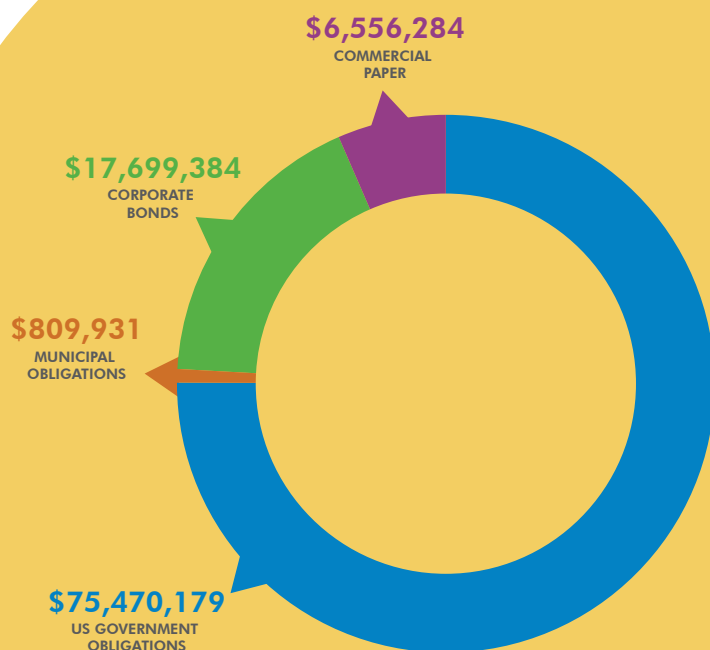
The objectives of the Agency's investment policy are safety, liquidity and return on investment. The primary objective is safety, i.e. the minimization of risk and the preservation and protection of investment principal. The second objective is to maintain sufficient liquidity at all times to meet all cash requirements that can reasonably be anticipated. The third objective is to maximize investment return, but only within the constraints of the first two objectives. The investment policy also establishes allowable investments, investment providers, and investment concentrations in furtherance of these objectives. The Agency currently maintains all of its deposit accounts in accounts that qualify as Public Deposit accounts as defined by Florida Statutes or have been purchased from Securities Investor Protection Corporation (SIPC) brokers/dealers with a long-term issuer rating in the "A" category or higher from both Standard & Poor's and Moody's Rating Services.

Tampa Bay Water's Investment Pool is in full compliance with the investment policy and had an overall annual rate of return for fiscal year 2016 of 1.06%, compared to the benchmark rate (Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index) of 0.88%. At September 30, 2016, the Agency's investment portfolio was invested as shown here.

## INVESTMENTS FAIR VALUE

U.S. GOVERNMENT OBLIGATIONS	\$ 75,470,179
MUNICIPAL OBLIGATIONS	\$ 809,931
CORPORATE BONDS	\$ 17,699,384
COMMERCIAL PAPER	\$ 6,556,284
<b>TOTAL INVESTMENT BY FAIR VALUE LEVEL</b>	<b>\$ 100,535,778</b>

## INVESTMENTS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2016

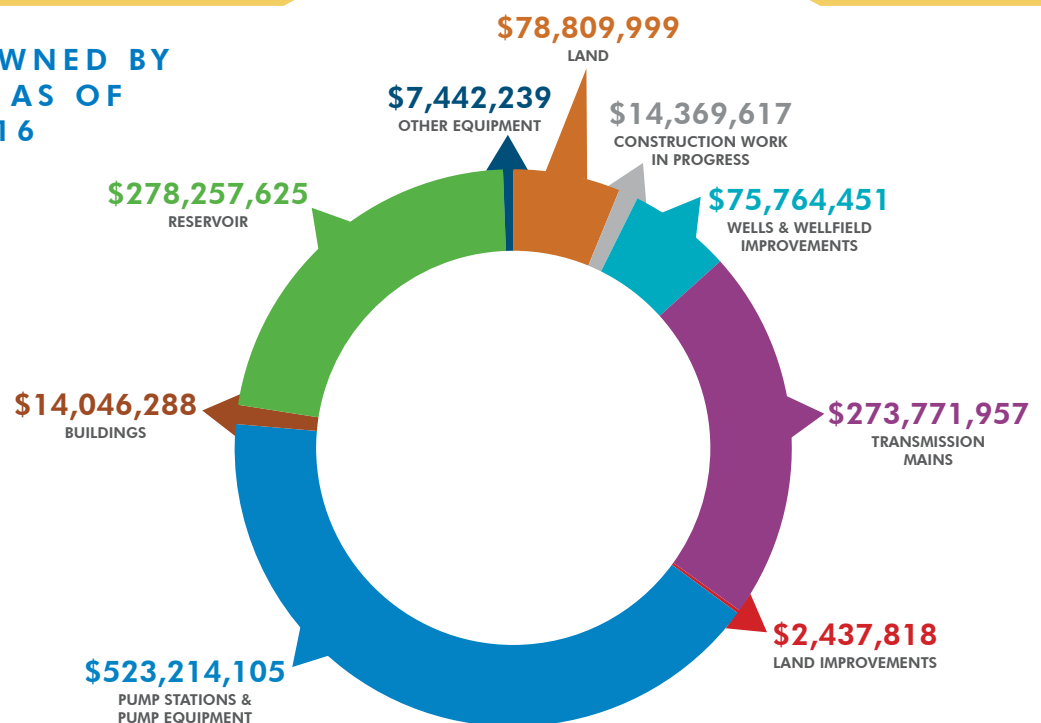


# CAPITAL ASSETS

<b>CAPITAL ASSETS, NET</b>	<b>FY16</b>
LAND	\$ 78,809,999
CONSTRUCTION WORK IN PROGRESS	\$ 14,369,617
WELLS & WELLFIELD IMPROVEMENTS	\$ 75,764,451
TRANSMISSION MAINS	\$ 273,771,957
LAND IMPROVEMENTS	\$ 2,437,818
PUMP STATIONS & PUMP EQUIPMENT	\$ 523,214,105
BUILDINGS	\$ 14,046,288
RESERVOIR	\$ 278,257,625
OTHER EQUIPMENT	\$ 7,442,239
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$1,268,114,100</b>

Tampa Bay Waters capital assets had a total value of \$1.27 billion dollars, net of accumulated depreciation at end of fiscal year 2016. This includes buildings, pump stations and equipment, land, land improvements, transmission mains, wells and wellfield improvements, other equipment, reservoir, and construction in progress. The Agency uses most of its capital assets to provide safe drinking water to its members. There was a 1.88% decrease in total capital assets for fiscal year 2016 compared to fiscal year 2015.

## CAPITAL ASSETS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2016



# LONG-TERM LIABILITIES

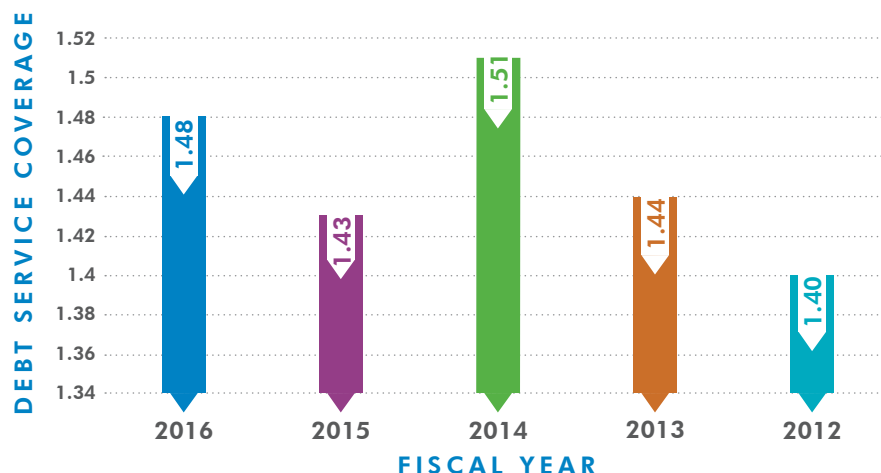
At September 30, 2016, Tampa Bay Water had 15 outstanding bond issues that were used for financing capital improvement projects and refunding prior issued bonds. Bond debt outstanding and other long-term liabilities at September 30, 2016 were as follows:

<b>REVENUE BONDS</b>	<b>\$ 900,725,000</b>
<b>ACQUISITION CREDITS</b>	<b>\$ 90,547,001</b>
<b>UNAMORTIZED BOND ISSUE PREMIUM</b>	<b>\$ 79,319,608</b>
<b>LESS CURRENT PORTION</b>	<b>\$ (34,513,644)</b>
<b>OPEB OBLIGATION</b>	<b>\$ 348,554</b>
<b>NET PENSION LIABILITY</b>	<b>\$ 9,600,591</b>
<b>TOTAL LONG TERM LIABILITIES</b>	<b>\$ 1,046,027,110</b>

At September 30, 2016, the Agency's bond debt was rated Aa1 by Moody's, AA+ by Standard & Poor's, and AA+ by Fitch Ratings.

This chart below shows that revenues were 1.48 times greater than the amount needed for debt services on the Agency's revenue bonds during fiscal year 2016.

## TAMPA BAY WATER'S DEBT SERVICE COVERAGE LAST FIVE FISCAL YEARS





# GOVERNMENTAL ACCOUNTING TERMS

**ACCRUAL BASIS OF ACCOUNTING** is the method of accounting that recognizes the financial effect of transactions, events when they are incurred rather than at the time when cash is received or disbursed.

**ACCUMULATED DEPRECIATION** is the total amount of an assets cost that has been allocated to depreciation expense since the asset was put into service.

**ASSETS** are resources with present service capacity that the Agency controls.

**CAPITAL ASSETS** are tangible or intangible nonfinancial assets that have an initial useful life of more than one year and are used in providing services to the Agency's members.

**CHANGE IN NET POSITION** represents the increase or decrease in net position over the previous year.

**CURRENT ASSETS** include cash or near cash items that can be used to liquidate liabilities due within a year.

**DEFERRED INFLOWS OF RESOURCES** are an acquisition of net position by the Agency that is applicable to a future reporting period.

**DEFERRED OUTFLOWS OF RESOURCES** are a consumption of net position by the Agency that is applicable to a future reporting period.

**ENTERPRISE FUND** is a government owned fund that sells goods and services to the general public.

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** is a collection of commonly followed accounting rules and standards for financial reporting.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** is a source of GAAP used by state and local governments in the United States.

**LIABILITIES** are present obligations of the Agency to sacrifice resources that it has little or no discretion to avoid such as the amounts the Agency owes to suppliers and creditors.

**LONG-TERM LIABILITIES** include items such as bonds, acquisition credits, pension liability, and other Agency obligations typically due beyond twelve months from the current reporting period.

**NET BOOK VALUE** is the value at which the Agency carries an asset on its Statements of Net Position that is equal to cost of the asset minus accumulated depreciation.

**NET INVESTMENT IN CAPITAL ASSETS** is the portion of net position that represents the Agency's equity interest in its capital assets.

**NET POSITION** is the residual of all other financial statement elements in a statement of net position; i.e., the difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources.

**NON-CURRENT ASSETS** are the Agency's assets where the full value will not be realized within the following fiscal year following the reporting date.

**RESTRICTED NET POSITION** is the portion of net position subject to external restrictions (e.g. bond covenants).

**UNRESTRICTED NET POSITION** is the portion of net position not tied to capital assets or subject to legal restrictions.



2575 Enterprise Road, Clearwater, FL 33763  
Pinellas: 727.796.2355 • Hillsborough: 813.996.7009 • Fax: 727.792.2388  
[tampabaywater.org](http://tampabaywater.org)