2575 Enterprise Road, Clearwater, FL 33763-1102
Phone: 727.796.2355 / Fax: 727.791.2388
www.tampabaywater.org

TAMPA BAY WATER
Supplying Water To The Region

CERTIFIED MAIL RETURN RECEIPT

April 10, 2017

Mr. Ken Burke
Clerk of the Circuit Court
Pinellas County Records
315 Court Street
Clearwater, FL 33756-3894

Re: Required Filing of Annual Financial Report and Audited Financial Statements

Dear Mr. Burke:

In accordance with Florida Statutes, 11.45, 189.418 and 218.32, enclosed please find for filing with the Clerk, the Annual Financial Report and the Audited Financial Statements of Tampa Bay Water, A Regional Water Supply Authority, for the fiscal year ending September 30, 2016.

Thank you for your attention to this matter.

Sincerely,

Sandro Svrdlin
Finance Manager

Enclosures

Financial Statements, Required Supplementary Information, and Compliance Section

Tampa Bay Water
(A Regional Water Supply Authority)
Year Ended September 30, 2016
With Reports of Independent Certified Public Accountants

Ernst & Young LLP

Building a better
working world

Tampa Bay Water
(A Regional Water Supply Authority)

Financial Statements, Required Supplementary Information, and Compliance Section

Year Ended September 30, 2016

Contents

Report of Independent Certified Public Accountants 1
Management's Discussion and Analysis 4

Financial Statements

Statement of Net Position 18
Statement of Revenues, Expenses, and Changes in Net Position 20
Statement of Cash Flows 21
Notes to Financial Statements 23

Required Supplementary Information – Pension

Schedule of Agency Proportionate Share of Net Pension Liability – Florida Retirement System 74
Schedule of Agency Contributions – Florida Retirement System 75
Schedule of Agency Proportionate Share of Net Pension Liability – Health Insurance Subsidy Program 76
Schedule of Agency Contributions – Health Insurance Subsidy Program 77
Notes to the Required Supplementary Information – Pension 78

Required Supplementary Information – Other Post-Employment Benefits

Schedule of Funding Progress 79

Tampa Bay Water
(A Regional Water Supply Authority)

Financial Statements, Required Supplementary Information, and Compliance Section

Year Ended September 30, 2016

Contents (continued)

Compliance Section

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 80

Report of Independent Certified Public Accountants on Compliance 82

Schedule of Debt Service Coverage – Utility System Revenue Bonds, Series 2001A, 2004, 2005, 2006, 2008, 2010, 2011, 2011A, 2011B, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C 84

Management Letter on Internal Control and State Reporting Requirements 85

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures 88

Report of Independent Certified Public Accountants 91

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures 92

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures 94

Building a better
working world

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Report of Independent Certified Public Accountants

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Tampa Bay Water, A Regional Water Supply Authority (the Agency), which comprise the statement of net position as of September 30, 2016 , and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of September 30, 2016, and the changes in its net position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, schedule of the Agency's proportionate share of net pension liability, schedule of pension contributions and schedule of funding progress on pages 4 through 17 and pages 74 through 78, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of debt service coverage on page 84 is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

Building a better working world

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated February 6, 2017 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Ernst + Young LLP

February 6, 2017

Management's Discussion and Analysis

Year Ended September 30, 2016

This section of Tampa Bay Water, A Regional Water Supply Authority's (the Agency) annual financial report presents management's analysis of the Agency's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Agency owns and operates facilities having a net book value of $1.27 billion to provide water to its six Member Governments. Financial data for the fiscal year ended September 30, 2016, reflects the Agency's operations and maintenance of its existing facilities, as well as the development of new facilities to meet the region's future water needs. The facilities operating in 2016 included 15 wellfield systems, the Enhanced Surface Water System, and the Seawater Desalination Facility. The Enhanced Surface Water System comprises the Regional Surface Water Treatment Plant, High Service Pumping Station, Tampa Bypass Canal Pump Station and Pipeline, Alafia River Intake and Pump Station, and C.W. Bill Young Regional Reservoir. Additionally, operating facilities include Cypress Creek Pump Station, Keller Hydrogen Sulfide Treatment Facility and Lithia Hydrogen Sulfide Treatment Facility, as well as various booster stations, water treatment facilities, and approximately 200 miles of collection mains and large-diameter potable water transmission mains. The Agency also has administrative, laboratory, and infrastructure management facilities at Cypress Creek Wellfield and an administrative facility in Clearwater. The Agency is focused on the efficient and cost-effective management of this integrated system through improved processes, use of new technologies, and appropriate staffing. The Agency is currently engaged in a strategic planning process, which will further focus Agency activities for the future. A management and performance audit was also completed in fiscal 2016, which outlines the Agency's strengths and provides additional focus for enhancements in operational efficiency.

- The Agency's net position increased $1.5 million or 0.2% in fiscal 2016.

- The Agency's restricted assets, consisting of cash, investments, and grants receivable, increased by $3.4 million, or 7.86%, from 2015 to 2016.

- Increased water demand from its six members resulted in an increase in water production from 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.

Financial Highlights (continued)

- 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 revenue recognized of $1.5 million from 2015 to 2016.

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

Overview of the Financial Statements

This annual report consists of two parts: management's discussion and analysis of the financial statements and the financial statements. The financial statements also include notes that explain the information contained in the financial statements in greater detail.

Required Financial Statements

The financial statements of the Agency use accounting methods similar to those used by private sector companies. The statement of net position includes all of the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources and provides information about the nature and amounts of investment in resources (assets) and the obligations to Agency creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and noncurrent assets and liabilities. Current assets are those assets expected to be converted to cash or used to pay current liabilities within 12 months. Current liabilities are those expected to be paid within 12 months. Conversely, noncurrent assets and liabilities are those expected to extend beyond a 12-month period. The statement of net position also provides the basis for computing rate of return, evaluating the capital structure of the Agency, and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position.

This statement reports information about the Agency's activities and measures the success of the Agency's operations over the past year.

Required Financial Statements (continued)

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Agency's sources and uses of cash during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

In addition, the annual report included required supplementary information related to pensions and other post-employment benefits as required by GASB.

Financial Analysis of the Agency

Our analysis of the Agency begins with a measure of the Agency's financial position or financial health by reporting its assets and deferred outflows of resources and liabilities and deferred inflows of resources and the difference between them, the "net position." Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as new water supply facilities, water demand, economic conditions, population growth, state and federal regulation, and changes in government legislation must also be considered in evaluating the Agency's financial health. Consideration also needs to be given to the terms of the Agency's agreements with its members under which water rates are established based on budgeted operating and capital costs, as well as certain reserve requirements. The statement of revenues, expenses, and changes in net position provides information that is useful in evaluating whether the Agency has successfully recovered all its costs through its water rates and other charges, as well as its creditworthiness.

Financial Analysis of the Agency (continued)

Net Position

A summary of the Agency's statements of net position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position
(In Millions of Dollars)

	FY 2016	FY 2015
Assets		
Current unrestricted assets	**$ 60.0**	$ 27.8
Current restricted assets	**123.1**	193.5
Non-current assets	**1,672.9**	1,665.1
Total assets	**$ 1,856.0**	$ 1,886.4
Deferred outflows of resources		
Loss on refunding of debt	**$ 55.5**	$ 53.5
Unrealized pension contributions and losses – FRS	**3.1**	1.3
Unrealized pension contributions and losses – HIS	**0.9**	0.5
Total deferred outflows of resources	**$ 59.5**	$ 55.3
Liabilities and net position		
Liabilities:		
Long-term debt outstanding	**$ 1,036.1**	$ 1,063.4
Other liabilities	**78.1**	76.4
Total liabilities	**$ 1,114.2**	$ 1,139.8
Deferred inflows of resources		
Rate stabilization	**$ 30.3**	$ 32.1
Unrealized pension gains – FRS	**0.2**	0.8
Unrealized pension gains – HIS	**–**	–
Total deferred inflows of resources	**$ 30.5**	$ 32.9
Net position		
Net investment in capital assets	**$ 690.8**	$ 692.6
Restricted	**46.1**	42.9
Unrestricted	**33.9**	33.4
Total net position	**$ 770.8**	$ 768.9

Financial Analysis of the Agency (continued)

Net Position (continued)

As shown in table A-1, total net position increased $1.9 million, or 0.25%, to $770.8 million in fiscal 2016 from $768.9 million in fiscal 2015. The major component of net position is the net investment in capital assets, which decreased by $1.9 million during the fiscal year. This decrease results from a $24.3 million decrease in capital assets offset by a $19.8 million decrease in long-term debt and a $2.6 million decrease in construction funds accounts payable.

Further examination of net position shows that restricted net position (those established by debt covenants, enabling legislation, or other legal requirements) experienced an increase of $3.3 million in fiscal 2016. This increase results from a $9.3 million decrease in outstanding debt applicable to Restricted Assets and a $2.2 million decrease in Interest Expense payable from sinking fund offset by a $7.3 million decrease in 2013 Construction Fund, a $0.5 million decrease in sinking fund, and a $0.4 million decrease in the operating reserve fund.

Unrestricted net position increased by $0.4 million from 2015 to 2016

Financial Analysis of the Agency (continued)

Change in Net Position

Table A-2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Millions of Dollars)

	FY 2016	FY 2015
Operating revenues	**$ 155.1**	$ 153.5
Operating expenses	**(65.6)**	(64.1)
Operating income before depreciation	**89.5**	89.4
Depreciation	**(29.5)**	(28.7)
Operating income	**60.0**	60.7
Investment revenue, net of realized and unrealized gain (loss) of $0.0 and $0.1 in 2016 and 2015, respectively	**1.2**	1.2
Less capitalized interest	**–**	–
Interest expense	**(54.3)**	(54.1)
Less capitalized interest	**0.5**	0.9
Loss on disposal of capital assets, net	**(6.9)**	(0.8)
Litigation recoveries	**1.2**	1.0
Income before contributions	**1.7**	8.9
Capital Contributions	**.2**	–
Change in net position	**1.9**	8.9
Total net position – beginning	**768.9**	760.0
Total net position – ending	**$ 770.8**	$ 768.9

Table A-2 reflects the statements of revenues, expenses, and changes in net position and provides information as to the nature and source of these changes.

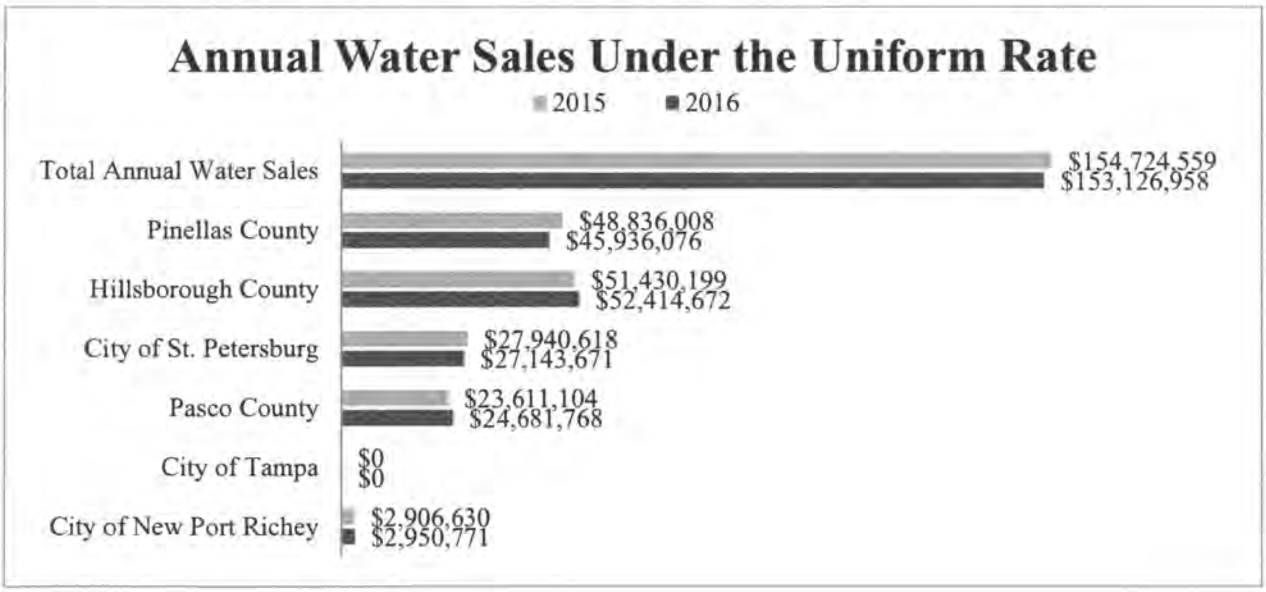
As shown in Table A-2, 2016 the change in net position increased from 2015 by $1.9 million, or 0.25%.

Financial Analysis of the Agency (continued)

Change in Net Position (continued)

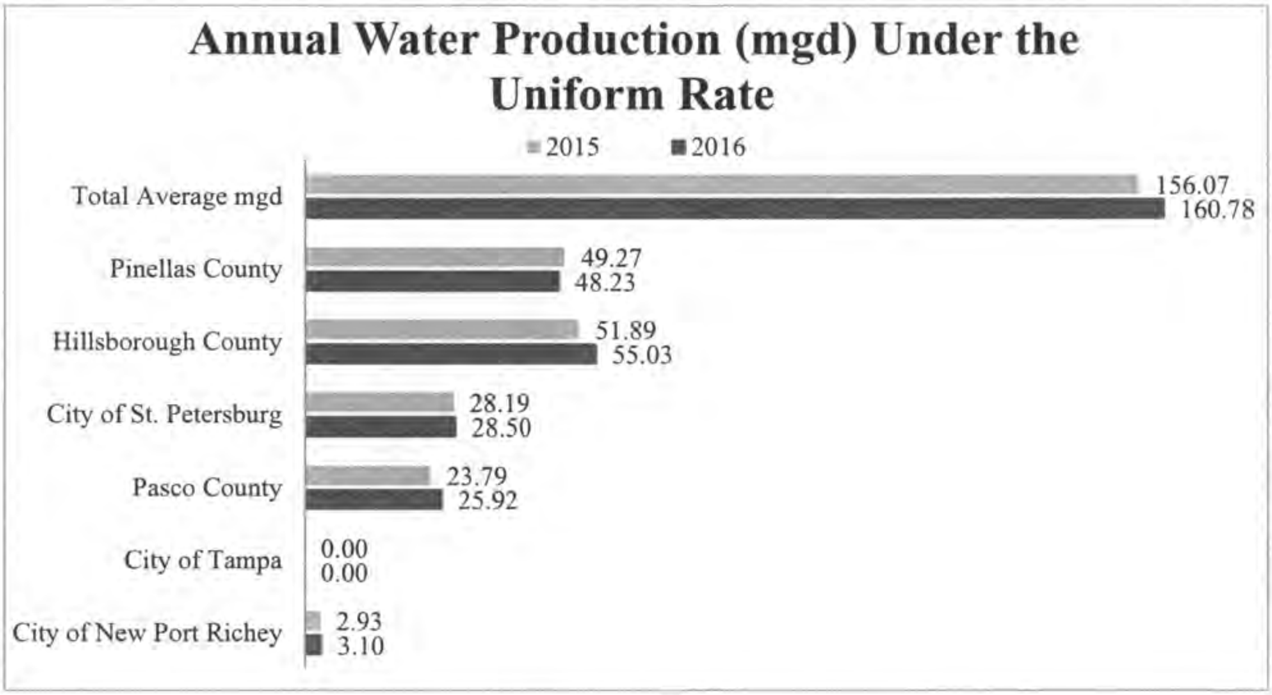
As illustrated in the following charts, total water sales billed to Member Governments were \$153.1 million under the Uniform Rate in 2016 compared \$154.7 million in 2015. Demand increased by 3.02% from 156.07 mgd (millions of gallons per day) in 2015 to 160.78 mgd in 2016. The increase in demand is a result of continuing economic growth in Pasco and Hillsborough county. City of Tampa stayed at 0.00 mgd in 2015 and 2016.

Amounts billed differ from total water sales revenue by the amount of water sales revenue that is collected but deferred to subsequent periods or recognized from deferred revenue of previous periods. In 2016, deferred inflows of resources – rate stabilization decreased by \$1.7 million from 2015 with a corresponding increase in revenue as a result of rate stabilization fund transfers to meet future operating expenses.



Financial Analysis of the Agency (continued)

Change in Net Position (continued)



In its 2016 budget process, the Agency continued to focus on holding its controllable expenses to its previous year's actual expenditures levels wherever operationally feasible. As a result of this focus, the Agency's operating expenses only slightly increased in 2016 by $1.4 million from 2015.

Depreciation expense increased by $0.8 million in 2016 from 2015, largely due to the reservoir being in service completely for the full fiscal year.

Concerns over the stability of financial markets continue to delay investing in higher yielding investments. Investment revenue, after capitalization, decreased by $0.03 million from 2015 to 2016. Agency funds remained largely in public deposit accounts, including certificates of deposit, due to concerns with the financial markets.

Financial Analysis of the Agency (continued)

Change in Net Position (continued)

Interest expense increased $0.6 million, net of interest capitalized in 2016. This net increase is due primarily to a $0.4 million decrease in the portion capitalized resulting from decreased construction project activity.

Loss on disposal of capital assets consists of the net gain or loss from sale or disposal of obsolete, damaged, or surplus equipment and property and the write-off of costs of discontinued projects. In 2016, the net loss of $6.9 million resulted primarily from the write-off of project costs of $4.9 million associated with Cone Ranch and $0.9 million associated with Cypress Bridge Well Field Evaluation. In 2015, the net loss of $0.8 million resulted primarily from the write-off of costs associated with various small assets.

Capital Assets and Long-term Debt

The Agency had invested $1,268.1 million and $1,292.3 million at September 30, 2016, and 2015, respectively, in a broad range of infrastructure, including wellfields, water treatment and pumping facilities, transmission mains, buildings, a reservoir, and other maintenance and administration equipment as shown in Table A-3. The Agency has an additional $318.1 million invested in water rights at the various wellfields.

Financial Analysis of the Agency (continued)

Capital Assets and Long-term Debt (continued)

Table A-3
Capital Assets
(In Millions of Dollars)

	FY 2016	FY 2015
Land and improvements	**$ 82.1**	$ 82.3
Wells and wellfield improvements	**139.1**	135.7
Water treatment and pumping facilities	**690.1**	679.6
Transmission mains	**339.7**	339.7
Buildings	**19.6**	19.5
Reservoir	**297.1**	296.7
Other equipment and software	**20.1**	19.1
	1,587.8	1,572.6
Less accumulated depreciation	**334.0**	305.3
	1,253.8	1,267.3
Construction-in-progress:		
Water treatment plants and booster stations	**0.5**	0.3
Transmission mains	**–**	–
Surface water sources and pumping facilities	**2.5**	2.9
Wellfields and improvements	**0.9**	7.6
Desalination facilities	**10.4**	14.2
Other supply and infrastructure	**–**	–
Software in development	**–**	–
	14.3	25.0
Capital assets, net	**$ 1,268.1**	$ 1,292.3

Financial Analysis of the Agency (continued)

Capital Assets and Long-term Debt (continued)

The Agency has several projects in various stages of development to improve or expand existing facilities and to meet future demand for water. In 2016, construction-in-progress decreased by $10.7 million over 2015.

Bond Ratings	Limitations on Debt
Agency ratings from Moody's, Standard & Poor's and Fitch are Aa1, AA+, and AA+, respectively. All outstanding bonds prior to the 2008 Series bonds carry insurance with Financial Guaranty Insurance Company. The Series 2008, 2010, 2011, 2011A, 2011B, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C bonds do not carry insurance. Financial Guaranty Insurance Company ratings from Moody's, Standard & Poor's and Fitch were withdrawn in 2009.	Bond covenants allow for the issuance of additional debt, on parity, as to lien, on the net revenues of the Agency provided certain net earnings ratios are met. The major criteria are (1) that the net revenues (as defined in the covenants) for any 12 consecutive months selected by the issuer, of the 24 months immediately preceding the issuance of the additional bonds, together with the fund balance (as defined in the covenants) on the last day of such 12-month period, were equal to at least 125% of the debt service on the outstanding bonds during such 12-month period and (2) the net revenues for such 12-month period were equal to at least 100% of (a) the debt service due on the outstanding bonds for the 12-month period, (b) any required deposit to the Renewal and Replacement Fund, and (c) any required deposit to the Reserve Fund. The Agency is in compliance with all required financial and nonfinancial debt covenants.

Financial Analysis of the Agency (continued)

Capital Assets and Long-term Debt (continued)

Table A-4
Cost of Capital
(In Millions)

	Debt Balance	Average Coupon Rate
2001A bonds	$ 50.0	5.93%
2004 bonds	47.2	5.25
2005 bonds	145.1	5.50
2006 bonds	0.4	0.00
2008 bonds	–	0.00
2010 bonds	6.4	5.00
2011 bonds	68.8	5.00
2011A bonds	46.3	4.90
2011B bonds	0.2	0.00
2013 bonds	75.3	4.84
2015A bonds	180.8	4.15
2015B bonds	95.6	3.06
2016A bonds	96.6	4.46
2016B bonds	32.8	3.47
2016C bonds	55.3	5.00
	$ 900.8	

Under the Agency's budgetary process, rates are established to provide adequate coverage for existing and planned additional debt. This is demonstrated by the Agency's coverage ratios, which are 1.48 and 1.43 at September 30, 2016, and 2015, respectively. These coverage ratios are another indicator of the Agency's financial strength and future borrowing capability.

Financial Analysis of the Agency (continued)

Capital Assets and Long-term Debt (continued)

Table A-5
Debt Coverage Ratio
(In Millions of Dollars)

	FY 2016	FY 2015
Revenue from sales	**$ 155.1**	$ 153.5
Less: Purchase price amortization credit	**(10.2)**	(10.2)
Litigation and insurance recoveries	**1.2**	1.0
Investment revenue – unrestricted *(Note 1)*	**1.0**	0.7
Total revenue	**147.1**	145.0
Operation and maintenance expenditures *(Note 2)*	**(67.6)**	(66.2)
Net revenue for coverage calculation	**$ 79.5**	$ 78.8
Total debt service on bonds	**$ 71.0**	$ 72.6
Required deposit to Capital Improvement Fund	**4.6**	3.0
Required deposit to Renewal and Replacement Fund	**3.2**	2.9
Total debt service and reserve requirements	**$ 78.8**	$ 78.5
Debt service and reserve coverage (times)	**1.01**	1.0
Fund balance *(Note 3)*	**$ 25.3**	$ 25.0
Net revenue plus fund balance	**$ 104.8**	$ 103.8
Debt service coverage (times)	**1.48**	1.43

Note 1: Investment revenue does not include interest on construction funds of $0.1 million and $0.2 million in 2016 and 2015, respectively, or unrealized investment gains (losses) of $0.1 million in 2016 and unrealized gains of $0.3 million in 2015.

Note 2: Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $2.0 million and $2.1 million in 2016 and 2015, respectively.

Note 3: Fund balance is defined by the Master Bond Resolution and is calculated as of the prior year-end in accordance with the Master Bond Resolution.

Financial Analysis of the Agency (continued)

Economic Factors and Next Year's Budget and Rates

The Agency's rate structure consists of a fixed cost portion to ensure funding of necessary activities and debt service and a variable cost portion to provide funding for costs, which fluctuate directly with production.

The Agency's Board of Directors and management considered many factors when setting the fiscal year 2016, budget and water rates (Uniform Rate). These factors include the estimated demands provided by the Agency's Member Governments, which in turn consider such factors as anticipated population growth of the three counties, environmental conditions, and the economy of the region as a whole. The budgeted Uniform Rate for 2017 is $2.5590 per thousand gallons, which is consistent with the 2016 and 2015 rates. Budgeted demand for 2017 increased by 1.0 million gallons per day from 2016 budgeted demand and the 2017 budgeted expenditures decreased $2.9 million, or 1.76% with these changes the Agency decreased the use of rate stabilization funds by $2.5 million, or 46% and maintained the Uniform Rate.

The Agency uses surveys of its Member Governments and local employment market rates when establishing its job classifications and pay plan. These indicators were also taken into consideration when adopting the Agency budget for fiscal year 2017.

This financial report is designed to provide a general overview of the Agency's finances for those having an interest therein. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration at 2575 Enterprise Road, Clearwater, FL, 33763. Information about the Agency is also available on its website at www.tampabaywater.org.

Financial Statements

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Net Position

September 30, 2016

Assets	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents	$ 43,329,150
Accounts receivable from sale of water	11,927,500
Interest receivable	241,886
Investments	2,987,001
Inventories	938,725
Other accounts receivable	352,125
Other current assets	250,464
Total unrestricted assets	60,026,851
Restricted assets:	
Cash and cash equivalents	112,714,071
Investments	10,318,307
Grants receivable	58,000
Total restricted assets	123,090,378
Total current assets	183,117,229
Noncurrent assets:	
Investments, unrestricted	22,474,831
Investments, restricted	63,980,580
Capital assets, non-depreciable	93,179,616
Capital assets, depreciable, net	1,174,934,484
Water capacity rights	318,058,360
Bond issue costs, net of accumulated amortization of $878,646	265,044
Total noncurrent assets	1,672,892,915
Total assets	1,856,010,144
Deferred outflows of resources	
Loss on refunding of debt	55,503,622
Unrealized pension contributions and losses – FRS	3,065,167
Unrealized pension contributions and losses – HIS	888,018
Total deferred outflows of resources	59,456,807
Total assets and deferred outflows of resources	1,915,466,951

Continued on next page.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Net Position (continued)

September 30, 2016

Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 9,675,258
Credits due to customers	2,467,357
Total current liabilities	12,142,615
Current liabilities payable from restricted assets:	
Construction funds accounts payable	629,307
Accrued interest payable	20,848,607
Current portion of long-term debt	34,513,644
Total current liabilities payable from restricted assets	55,991,558
Noncurrent liabilities:	
Long-term debt, net of current portion	1,036,077,965
Other post-employment benefits	348,554
Net pension liability – FRS Pension Plan	5,913,769
Net pension liability – HIS plan	3,686,822
Total noncurrent liabilities	1,046,027,110
Total liabilities	1,114,161,283
Deferred inflows of resources	
Rate stabilization	30,367,411
Unrealized pension gains – FRS	144,719
Unrealized pension gains – HIS	8,397
Total deferred inflows of resources	30,520,527
Net position	
Net investment in capital assets	690,767,988
Restricted for:	
Renewal and replacement	26,948,014
Capital improvement	14,879,816
Operations and maintenance	4,035,616
Energy savings program	253,127
Grants	58,000
Unrestricted	33,842,580
Total net position	$ 770,785,141

See accompanying notes.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2016

Revenue from sale of water	$ 153,320,480
Rate stabilization transfer	1,745,750
Total operating revenue	155,066,230
Operating expenses	(65,589,515)
Operating income before depreciation	89,476,715
Depreciation expense	(29,534,326)
Operating income	59,942,389
Nonoperating revenues (expenses):	
Investment revenue, net of realized and unrealized gain of $45,155	1,216,874
Less capitalized amount	(15,363)
Interest expense	(54,339,481)
Less capitalized amount	541,760
Loss on disposal of capital assets	(6,868,984)
Litigation recoveries	1,188,148
Total nonoperating expenses, net	(58,277,046)
Income before contributions	1,665,343
Capital Contributions	248,302
Change in net position	1,913,645
Total net position – beginning	768,871,496
Total net position – ending	$ 770,785,141

See accompanying notes.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Cash Flows

Year Ended September 30, 2016

Operating activities	
Receipts from customers	$ 147,767,465
Payments for goods and services	(54,527,492)
Payments to employees	(10,438,744)
Litigation/insurance recoveries	1,188,148
Net cash provided by operating activities	83,989,377
Capital and related financing activities	
Proceeds from issuance of Series 2016A/B/C bonds	214,352,619
Payment to escrow agent on bond refunding	(214,835,924)
Capital contributions	190,302
Acquisition and construction of capital assets	(11,490,259)
Proceeds from disposition of capital assets	360,686
Increase in accounts payable from restricted assets	(2,627,907)
Principal paid on capital and other long-term debt	(32,612,438)
Payment of bond issue costs	(1,518,571)
Interest paid on capital and other long-term debt	(49,180,337)
Net cash used in capital and related financing activities	(97,361,829)
Investing activities	
Proceeds from sales and maturities of investments	54,263,050
Purchase of investments	(84,878,776)
Interest received on investments	955,927
Net cash used in investing activities	(29,659,799)
Net change in cash and cash equivalents	(43,032,250)
Cash and cash equivalents, beginning of year	199,075,471
Cash and cash equivalents, end of year	$ 156,043,221

Continued on next page.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Cash Flows (continued)

Year Ended September 30, 2016

Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	59,942,389
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		29,534,326
Rate stabilization transfer		(1,745,750)
Litigation recoveries		1,188,148
Changes in operating assets and liabilities:		
Accounts receivable		(6,749,539)
Inventories		(54,071)
Other current assets		609,959
Accounts payable and accrued expenses		420,276
Credits due to customers		843,639
Total adjustments		24,046,988
Net cash provided by operating activities	$	83,989,377

Supplemental schedule of noncash investing and financing activities

The Agency recognized an increase in the fair value of its investments of $109,900.

See accompanying notes.

1. Organization

Tampa Bay Water, A Regional Water Supply Authority (the Agency), formerly West Coast Regional Water Supply Authority (the Predecessor Authority), was created on October 25, 1974, by enabling state legislation under *Florida Statute* Sections 163.01, 373.1962, and 373.1963. Hillsborough, Pasco, and Pinellas counties and the cities of St. Petersburg, Tampa, and New Port Richey comprise the Member Governments of the Agency. A governance study was adopted by the Florida Legislature in 1997 (the 1997 Legislation) that amended Section 373.1963, *Florida Statutes*.

As part of the 1997 Legislation, the Agency was created by the Interlocal Agreement and entered into the Master Water Supply Contract with its Member Governments for a term of 40 years. Pursuant to the Amended and Restated Interlocal Agreement and Master Water Supply Contract:

- The Agency will charge a uniform per-gallon wholesale rate to Member Governments for the wholesale supply of drinking water, with one exception for the City of Tampa. The Agency will charge a separate rate to the City of Tampa for water delivered from the Tampa Bypass Canal.

- All Member Governments relinquished to the Agency their individual rights to develop drinking water supplies subject to certain exceptions as defined in the Amended and Restated Interlocal Agreement.

- The Agency has the absolute and unequivocal obligation to meet the quality water needs of the Member Governments as defined in the Master Water Supply Contract.

- The Member Governments are required to maintain and collect such rates or other charges for the use of the products, services, and facilities of the respective members' water utility systems to the extent necessary to fund the timely payment of their respective obligations and liabilities under the Master Water Supply Contract.

2. Summary of Significant Accounting Policies

Operating Revenue and Expense

The Agency considers all revenue and expense associated with the delivery of water to customers to be operating activities. All other revenue and expense are considered to be nonoperating activities.

Net Position

Net position is classified into three components:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.

- *Restricted* – This component consists of net position whose use is subject to external constraints (such as through debt covenants) by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This component consists of net position elements that do not meet the definition of restricted or net investment in capital assets.

When the Agency incurs an expenditure where it can use both restricted and unrestricted funds the agency will first use restricted funds.

The accounting policies and practices of the Agency conform to accounting principles generally accepted in the United States applicable to an enterprise fund of a government unit.

2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The Agency is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting in the preparation of its annual financial statements. The accounting and reporting policies of the Agency conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Agency follows private sector guidance contained in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements*, which was adopted effective October 1, 2012.

Under the provisions of the Agency's Amended and Restated Interlocal Agreement and the Master Water Supply Contract, the Agency establishes a single uniform rate for sale of quality water to Member Governments, provided, however, that a separate rate is established for sale of water from the Tampa Bypass Canal to the City of Tampa. The rate to be charged in a fiscal year to the Member Governments for water may include the following components as defined by the agreements: (1) operation, maintenance, and administrative costs; (2) debt service charges; (3) renewal and replacement charges; (4) bond coverage costs; (5) capital improvement charges; and (6) operating reserve funds. The Agency may also establish a rate stabilization fund to be funded from the operation, maintenance, and administrative costs or operating reserve funds. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes.

The Agency capitalizes certain costs or defers certain revenue when three criteria are met. The Agency meets the required criteria since its rates are established by its Board in accordance with the Amended and Restated Interlocal Agreement and Master Water Supply Contract, rates are designed to recover Agency costs, and the Agency can reasonably expect to collect such rates.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of 91 days or less.

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value in the statement of net position, except for money market funds and U.S. government obligations with original maturities less than one year, which are reported at amortized cost as permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All changes in the fair value of investments are recognized as gains or losses in the statement of revenues, expenses, and changes in net position.

Materials and Supplies Inventories

Materials and supplies inventories consist primarily of spare parts and are stated at the lower of average cost or market. Average cost approximates the first-in, first-out method.

Capital Assets

It is the Agency's policy to capitalize property and equipment having an original cost in excess of $1,000 and a useful life longer than one year, except for computer software, which is capitalized when the original cost exceeds $25,000. Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Life in Years
Land improvements	10–99
Buildings	20–50
Wells and wellfield improvements	5–75
Water treatment and pumping facilities	10–50
Transmission mains	14–75
Reservoir	100
Other equipment and software	3–20

Maintenance, repairs, and minor renewals are charged to expense as incurred. Expenditures that materially increase value, increase capacity, or extend useful lives are capitalized. Capital assets are removed (net of accumulated depreciation) upon retirement or disposition. Related gains or losses are charged to nonoperating activities.

2. Summary of Significant Accounting Policies (continued)

Water Capacity Rights

Water capacity rights represent the Agency's rights in certain wholesale water supply wellfields. The Agency accounts for the water capacity rights in accordance with the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that indefinite-lived intangible assets not be amortized, but instead be tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Agency has not identified any indicators of impairment relative to the water capacity rights at September 30, 2016.

Impairment of Capital Assets and Insurance Recoveries

The Agency accounts for impairment of capital assets and insurance recoveries in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires that capital assets be reviewed for impairment whenever events or changes in circumstances indicate that the service utility of the asset has declined significantly and unexpectedly. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the asset: restoration cost approach, service units approach, or deflated depreciated replacement cost approach. Insurance recoveries related to impairment losses are netted against the impairment loss if received in the same year; otherwise the recovery is reported as revenue in the year received. No impairment losses were recognized in 2016.

Capitalization of Interest

Interest costs incurred are capitalized as part of the cost of constructing capital assets. In instances where proceeds of the related debt are externally restricted to financing the construction, the interest earned on funds restricted for construction are offset against the interest costs capitalized.

2. Summary of Significant Accounting Policies (continued)

Bond Issue Costs, Bond Discounts, and Bond Premiums

The Agency accounts for bond issuance costs in accordance with the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Bond issue costs (related to insurance) are recorded as deferred charges, whereas bond discounts and premiums are recorded as a reduction of, or addition to, the face amount of bonds payable. All other bond issue costs are expensed as incurred. Amortization of bond issue costs, bond discounts, and bond premiums is calculated over the life of the bonds using the effective interest method and is reported as a component of interest expense.

Unamortized Losses on Debt Refunding

Losses resulting from current or advance refunding's of debt are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt and are reported as deferred outflows of resources in accordance with GASB Statement No. 65. The amount amortized is reported as a component of interest expense.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Rate Stabilization

Under the Amended and Restated Interlocal Agreement and the Master Water Supply Contract, the Board of Directors may establish rates sufficient to fund a Rate Stabilization Account. The contracts also provide that funds collected in any year in excess of current costs may be deposited to the Rate Stabilization Account with Board approval. Funds placed in the Rate Stabilization Account are accounted for as deferred inflows of resources until the year in which the Board of Directors approves their use to meet current costs of the Agency.

2. Summary of Significant Accounting Policies (continued)

Capital Contributions

Capital contributions represent capital grants from the Florida Department of Environmental Protection (FDEP). Contributions are recognized when all applicable eligibility requirements of the grant have been met, pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Agency had $248,302 in capital contributions during the year ended September 30, 2016.

Sales and Pledges of Receivables and Future Revenues

The Agency provides disclosure of pledged revenues in accordance with the requirements of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*, which establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The Agency has no sales or pledges of receivables and future revenues except as discussed in Note 10.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS Pension Plan and Health Insurance Subsidy Program (HIS) fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Implementation of New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement requires additional disclosures and did not have a significant impact to the Agency's financial statements (See note 6).

2. Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Pronouncements (continued)

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The statement establishes requirements for defined benefit and defined contribution pensions that are not within the scope of GASB Statement No. 68. GASB Statement No. 73 is effective for fiscal years beginning after June 15, 2015. This statement did not have a significant impact to the Agency's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of GAAP. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or another event is not specified within a source of authoritative GAAP. This statement supersedes GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of GASB Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The Agency adopted GASB 76 during its 2016 fiscal year and the adoption did not affect its financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes. This statement is effective for periods beginning after June 15, 2015 except for certain provisions for which the effective date is for periods beginning after December 15, 2015. The impact to the Agency's financial reporting was not significant.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Not Yet Effective

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, OPEB *Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other postemployment benefit (OPEB) plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, No. 43, and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016. The impact to the Agency's financial reporting has not been determined.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of GASB Statements No. 45, No. 57, and No. 74 and establishes new accounting and financial reporting requirements for OPEB plans. GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The impact to the Agency's financial reporting has not been determined.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will give users of financial statements the essential information that is not consistently or comprehensively reported to the public at the present time. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meets its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This statement is effective for periods beginning after December 15, 2015. The Agency does not anticipate the implementation will have a material effect on its financial statements.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Not Yet Effective (continued)

In December 2015, the GASB issued Statement No. 78, *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* This statement establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past ten fiscal years. This statement is effective for periods beginning after December 15, 2015. The Agency does not anticipate the implementation will have a material effect on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Components Units – Amended to GASB Statement No. 14.* This statement will provide clarity about how certain component units incorporate as not-for-profit corporations should be presented in the financial statements of the primary state or local governments. This statement is effective for periods beginning after June 15, 2016. The Agency does not anticipate the implementation will have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. This statement is effective for periods beginning after December 15, 2016. The Agency does not anticipate the implementation will have a material effect on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Not Yet Effective (continued)

of GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and as employee contributions for purposes of GASB Statement No. 68. This statement also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This statement is effective for periods beginning after June 15, 2016. The impact to the Agency's financial reporting has not been determined.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This statement is effective for periods beginning after June 15, 2018. The impact to the Agency's financial reporting has not been determined.

3. Permits and Regulations

The key regulations affecting the operations of the Agency are state regulations applicable to the Agency's withdrawals of water from water sources and state and federal regulations applicable to operation of the Agency's drinking water treatment facilities and distribution systems. Withdrawals of water are regulated under water use permits issued by the Southwest Florida Water Management District (the District). The water treatment facilities and distribution systems are regulated through permits issued by the Florida Department of Environmental Protection (FDEP).

The Consolidated Permit, first issued by the District in January 1999, regulates withdrawals from 11 of the 15 regional wellfield systems operated by the Agency. The original Consolidated Permit included initial withdrawal limits for each wellfield (annual average) and for each well within each wellfield (peak month and annual average). A condition of the Consolidated Permit is to manage withdrawals from the wellfields to minimize environmental impacts through optimum distribution of pumping among all wells according to an approved operations plan.

3. Permits and Regulations (continued)

Since January 1, 2003, the 11 wellfields of the Consolidated Permit no longer have individual withdrawal limits and are considered a single system for the purpose of measuring compliance with the permitted annual average withdrawal quantity. Combined withdrawals from the 11 wellfields are currently limited to 90 million gallons per day (mgd) on a 12-month running average basis. The Consolidated Permit was renewed in January 2011, granting continued authorization to withdraw an annual average of 90 mgd from these 11 wellfields for the next ten-year period. All of the conditions of the renewed Consolidated Permit remain essentially unchanged from the original permit authorization.

The remaining 4 wellfield systems, the South-Central Hillsborough Regional Wellfield, the Brandon Urban Dispersed Wells, the Carrollwood Wells and the Eagles Wells, are regulated under separate water use permits issued by the District. Withdrawals from the Brandon Urban Dispersed Wells are limited to 6 mgd on a 12-month running average basis. Withdrawals from the South-Central Hillsborough Regional Wellfield are limited to 24.1 mgd on a 12-month running average basis. The Carrollwood Wells and Eagles Wells can supply 0.82 mgd and 0.198 mgd, respectively, on a 12-month running average basis. Withdrawals from the Tampa Bypass Canal, which are used to provide water to the City of Tampa via augmentation of the Hillsborough River Reservoir as needed, are separately permitted and limited to 20 mgd on a 12-month running average basis.

The two surface water facilities that comprise the withdrawal component of the Enhanced Surface Water System are the Tampa Bypass Canal Pump Station and the Alafia River Pump Station. The water use permits for these two surface water sources allow the harvesting of a percentage of flow from these river systems above either a minimum threshold flow or pool elevation. It is estimated that the Enhanced Surface Water System yields on a long-term average basis approximately 90 mgd under normal hydrologic conditions. The Tampa Bypass Canal Pump Station and transmission facilities convey water from the Tampa Bypass Canal and Hillsborough River to the Regional Surface Water Treatment Plant and the Regional Reservoir.

The Alafia River Pump Station and transmission facilities also convey water from the Alafia River to the Regional Surface Water Treatment Plant and the Regional Reservoir. It is estimated that the expanded permitted withdrawals of the Tampa Bypass Canal and the expanded Enhanced Surface Water System (including the Tampa Bypass Canal/Hillsborough River System, Alafia River, the Regional Reservoir and Surface Water Treatment Plant) will allow the Agency to meet the future drinking water needs of its six Member Governments through at least 2028.

3. Permits and Regulations (continued)

The Regional Surface Water Treatment Plant (the Plant) was originally designed to treat up to 72 mgd from the surface water sources and deliver that water to the regional system. Completion of the Plant expansion occurred in fall of 2010. The Plant is now permitted to treat up to 120 mgd from the surface water sources. The C.W. Bill Young Regional Reservoir provides off-stream storage capacity so that the stored water can be utilized as a reliable water source when surface water is not available for withdrawal from the river systems. The current designed storage capacity of the reservoir is approximately 15.5 billion gallons. Production from the Tampa Bay Seawater Desalination Plant is also used to meet drinking water demands. The desalination facility is permitted to treat up to 28.75 mgd. The operational sustainable production capacity of the Regional Surface Water Treatment Plant and the desalination facility are less than each facility's permitted capacity.

The permitted quantity withdrawal limit for the 11 wellfields as stated in the Consolidated Permit is listed below together with the permitted quantities for the remaining four wellfields and the surface water facilities:

Water Supply Facility	Permitted Capacity in mgd
Consolidated Permit wellfields – total*	90.000
South-Central Hillsborough Regional Wellfield	24.100
Brandon Urban Dispersed Wells	6.000
Carrollwood Wells	0.820
Eagles Wells	0.198
Enhanced Surface Water System (consisting of Tampa Bypass Canal/Hillsborough River, Alafia River, C.W. Bill Young Regional Reservoir)**	90.000
Tampa Bay Seawater Desalination Plant	28.750

*Consolidated Permit wellfields: Cross Bar Ranch, Cypress Creek, Cypress Bridge, Morris Bridge, Starkey, North Pasco, South Pasco, Eldridge-Wilde, Cosme/Odessa, Section 21, and Northwest Hillsborough. These wellfields are permitted as a single system, and there is no annual withdrawal quantity assigned to any individual wellfield. These wellfields are operated in accordance with the Optimized Regional Operations Plan.

3. Permits and Regulations (continued)

**The water use permits for the Tampa Bypass Canal/Hillsborough River and the Alafia River facilities do not have assigned average annual quantities. The permits authorize the harvest of a percentage of river flows after either a threshold flow or pool stage has been achieved in each river system. The quantity shown represents the estimated median year yield for these facilities based on projections using the past 30 years of historical data.

The following table summarizes the actual annual water quantity sold and billed to the Member Governments of the Agency under the Uniform Rate for the fiscal year ended September 30, 2016:

Member Government	Annual Water Quantity Sold (mgd)	Amounts Billed
Hillsborough County	55.03	$ 52,414,672
City of New Port Richey	3.10	2,950,771
Pasco County	25.92	24,681,768
Pinellas County	48.23	45,936,076
City of St. Petersburg	28.50	27,143,671
City of Tampa	–	–
Total current year water sales	160.78	$ 153,126,958
Peak day production	190.95	

In 2016 the Agency sold an average of 1.26 mgd's to the City of Tampa under the Surplus Water Agreement from Tampa Bypass Canal totaling $72,526. Other revenues for the Agency totaled $120,996 in 2016.

4. Rate-Making Policies and Procedures

Under the provisions of the Master Water Supply Contract, the Agency establishes rates based on an Annual Estimate that sets forth the expected cost of providing wholesale water service to the Member Governments. The Annual Estimate is based on the Agency's budget for the forthcoming fiscal year. The Agency develops a uniform rate based on the Annual Estimate and the projected quantity of water expected to be delivered to customers.

4. Rate-Making Policies and Procedures (continued)

The uniform rate consists of a variable cost component and a fixed cost component. The variable cost rate is designed to recover Agency expenses that are directly related to the quantity of water delivered, primarily chemicals, electric power, and water purchased from the Cities of Tampa and New Port Richey. The variable cost rate is applied to the quantity of water delivered to Member Governments each month. The fixed cost rate is designed to recover Agency expenses incurred for the operation, maintenance, management, security, development, and financing of the water system. The fixed cost rate is assessed to Member Governments monthly based on one-twelfth of the total annual fixed cost applied to the ratio of each member's annual water usage during the previous fiscal year divided by such usage of all Member Governments during such year. At fiscal year-end, each member's share of this fixed cost is recalculated based on the current year's usage. The intent and purpose of the rate structure is to provide an equitable means of matching the monthly billings with the Agency's monthly cash flow needs. Based on analyses and forecasts, fixed costs are currently estimated to constitute approximately 84% of the Annual Estimate.

5. Restricted Assets

Restricted funds are established to the extent required by bond resolutions for the Agency's debt and other contractual arrangements. Bond proceeds, water revenue, and investment revenue are utilized to maintain the various funds at their required levels. Amounts not needed to fund requirements may be used for any lawful purpose. Fund balances as of September 30, 2016, components and descriptions of the various funds are as follows:

Construction funds	$ 19,933,463
Sinking funds	49,673,607
Renewal and replacement funds	26,948,014
Capital improvement funds	14,879,816
Energy savings funds	253,127
Operations and maintenance funds	4,035,616
Debt service reserve funds	71,289,314
	$ 187,012,957

Construction Funds – Construction funds account for unexpended debt proceeds and investment revenue thereon from the Utility System Revenue Bonds, Series 2013; the Florida Local Government Finance Commission loan; and third-party grants for construction.

5. Restricted Assets (continued)

Sinking Funds – Sinking funds represent the principal and interest amounts for the next debt service payment due on the Series 2001A, 2004, 2005, 2006, 2010, 2011, 2011A, 2011B, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C bonds.

Renewal and Replacement Funds – Renewal and replacement funds are required for renewal and replacement of the water production, transmission, and treatment facilities and are based on 5% of gross revenues for the preceding fiscal year or such greater or lesser amount as may be determined appropriate by the system engineers.

Capital Improvement Funds – Capital improvement funds are restricted to payment of capital costs of acquiring and/or constructing additions or improvements to the water system.

Energy Savings Funds – Energy savings funds are restricted to payment of energy savings additions or improvements to the water system.

Operations and Maintenance Funds – Operations and maintenance funds are restricted for operating costs and are established at twice the monthly average variable costs as budgeted for each fiscal year.

Debt Service Reserve Funds – Debt service reserve funds are required to maintain the lesser of one year's maximum debt service or 125% of the average annual debt service for the Utility System Revenue Bonds Series 2001A, 2004, 2005, 2006, 2008, 2010, 2011, 2011A, 2011B, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C.

Bond resolutions place certain limitations on investments permitted by the various funds. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Deposits and Investments

Deposits

As of September 30, 2016, the total carrying amount of the Agency's deposits (unrestricted and restricted), exclusive of petty cash of $1,450, was $155,266,713. All of the Agency's deposits with financial institutions are made with depository institutions that are members of the state of Florida's collateral pool, are placed in accounts designated as "public deposit" accounts covered by the collateral pool and, therefore, are considered to be insured.

Investments

In April 2014, the Board of Directors approved Resolution 2014-001, which adopted a revised investment policy. The policy was revised to reflect more recent financial market conditions and investment practices. It also reflects the currently available investment instruments that the Agency wishes to utilize in the future. The scope of the revised investment policy clarifies that the overall policy applies to all surplus funds, to the extent there is no conflict with the Master Bond Resolution, and if there is a conflict, the Master Bond Resolution governs. Authorized investments in this policy will also be considered authorized investments for bond proceeds under the Master Bond Resolution, as amended, under other permitted investments. The Agency's investment policy permits investment in the following: (1) U.S. government securities, (2) U.S. government agencies (full faith and credit of the U.S. government), (3) federal instrumentalities (U.S. government-sponsored enterprises that are non-full faith and credit), (4) mortgage-backed securities, (5) bank accounts and nonnegotiable interest-bearing time certificates of deposit, (6) repurchase agreements; (7) commercial paper, (8) corporate notes, (9) bankers' acceptances, (10) state and/or local government taxable and/or tax-exempt debt, (11) registered investment companies (money market mutual funds), and (12) intergovernmental investment pools.

The Agency's investments are reported at fair value in the statement of net position, except for money market funds and U.S. government obligations with original maturities less than one year, which are reported at amortized cost in accordance with GASB Statement No. 31.

Investments having a maturity of one year or less at time of purchase are recorded at amortized cost.

6. Deposits and Investments (continued)

Investments (continued)

The credit ratings shown in the following table are a measure of credit risk, the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency's investment policies seek to limit exposure to credit risk by establishing minimum credit ratings that must be met and maintained by providers of certain types of investments. Policies also require that certain types of agreements be collateralized with investments authorized under the policies.

Investments made by the Agency (restricted and unrestricted) at September 30, 2016, are summarized below. The investments are summarized by type of investment and show the maturity, interest rate, fair value, and credit rating.

Investments	Maturities	Interest Rate	Fair Value	Credit Rating S&P	Credit Rating Moody's
U.S. Treasury Notes	10/31/17–5/31/19	0.6250 to 1.50	$ 39,164,210	AA+	Aaa
U.S. Government Agency	11/01/16-8/28/19	0.0063 to 1.25	37,115,900	A	A1
American Express Card Corp Note	7/31/18	1.9130	754,380	A+	A2
American Honda Finance Corporate Notes	10/10/18	2.1250	1,526,850	A+	A1
American Honda Finance Global Notes	10/07/16	1.1250	575,006	A+	A1
Anheuser Busch Corp Global Notes	7/15/17	1.375	556,221	A	A2
Bank of Tokyo Mitsubishi UFJ CP	11/16/16	0.00	1,493,138	A1	P1
Berkshire Hathaway Fin Global Notes	5/15/17	0.877	1,304,433	AA	Aa2
BNP Paribas NY Branch Comm. Paper	2/10/17	0.00	1,488,387	A1	P1
Boeing Company Flt RT Note	10/30/17	0.00	330,399	A	A2
Chevron Corporate Notes	11/09/17	1.3440	601,164	AA	Aa1
Chevron Corporate Global Notes	6/24/18	1.7180	1,513,215	AA	Aa3
Cisco Systems Inc.	9/20/19	1.40	340,296	AA	A1
Cisco Systems Inc. Global Notes	3/3/17	1.10	500,200	AA-	A1
Coca-Cola Co. Global Notes	11/1/16	0.75	224,948	AA-	Aa3
Cooperative Central Disc CP	10/11/16	0.00	597,427	A1	P1
HSBC USA Corp Notes	3/5/18	1.579-1.6240	1,703,485	AA-	A2
International Business Machines	5/17/19	1.3550	912,960	AA-	Aa3
John Deere Capital Corp Notes	8/10/18	1.7850	454,127	A2	A
JP Morgan Chase & Co Corp Note	2/15/17-03/22/19	1.35-1.85	1,705,966	A-	A3
JP Morgan Securities LLC CP	2/10/17	0.00	1,488,610	A1	P1
PepsiCo Corp Notes	2/22/17	0.95	750,270	A	A1
Toyota Motor Credit Corp	7/13/18	1.55	1,658,927	AA-	Aa3
Toyota Motor Credit Corp Commercial	2/10/17	0.00	1,488,722	A1	P1
Wells Fargo & Company	4/22/19	2.1250	506,925	A	A2
Wells Fargo & Corp Note	12/11/17	5.6250	1,779,612	AA+	A2
Total investments			$ 100,535,778		

6. Deposits and Investments (continued)

Investments (continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Exclusive of investments issued or explicitly guaranteed by the U.S. government and investments in external investment pools and other pooled investments, the Agency had no investment concentrations in individual issuers in excess of 5% of its total investments at September 30, 2016.

Fair Value Measurements

In Fiscal Year 2016 Tampa Bay Water has adopted GASB Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 defines fair value as the exit price that would be received to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level fair value hierarchy is used as follows:

Level 1 – Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date.

Level 2 – Valuations are based on (a) quoted prices for similar assets and liabilities in active markets, or (b) quoted prices for identical or similar assets and liabilities in markets that are not active, or (c) pricing inputs other than the quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3 – Valuations are based on pricing inputs that are unobservable and include situations where (a) there is little, if any, market activity for the investments, or (b) the investments cannot be independent valued, or (c) the investments cannot be immediately redeemed at or near the year-end.

The assets or liability's fair-value measurement level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement.

6. Deposits and Investments (continued)

Fair Value Measurements (continued)

The following table summarizes the fair value of Tampa Bay Water's investments at year end, in accordance with the GASB 72 valuations level's.

		Fair Value Measurement Using		
	9/30/2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level				
Money Market Accounts	$ 237,005	$ 237,005		
U.S. Government Obligations	$ 75,470,179		$ 75,470,179	
Municipal Obligations	$ 809,931		$ 809,931	
Corporate Bonds	$ 17,699,384		$ 17,699,384	
Commercial Paper	$ 6,556,284		$ 6,556,284	
Total Investment by Fair Value Level	$ 100,772,782	$ 237,005	$ 100,535,778	

The fair value of the financial instruments show in the table above as of September 30th, 2016 represent the estimated amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Money Market Accounts: The carrying value of money market accounts are based on quoted prices and actively traded. These assets are classified as Level 1.

Government Securities and Agency Obligations: The estimated fair value of debt securities are based on other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of debt securities do not trade on regular basis in active markets. These assets are classified as Level 2.

6. Deposits and Investments (continued)

Fair Value Measurements (continued)

Commercial Paper: The estimated fair value of commercial paper is based on other market data for the same or comparable instruments and transactions in establishing the prices. Fair values of commercial paper do not trade on regular basis in active markets. These assets are classified as Level 2.

7. Grants Receivable and Capital Contributions

In October 2014, the Agency entered into a grant agreement with the State of Florida Department of Environmental Protection for the Cypress Creek Wellfield Surface Water Improvements project. As of September 30, 2016 the Agency has received a total of $187,429 from the State and this project is considered completed.

In June 2016, the Agency entered into a grant agreement with the State of Florida Department of Environmental Protection for the replacement of the pumps at the Alafia Pump Station. The agreement states that the State will reimburse the Agency up to a maximum amount of $648,000 and that any additional costs would be the responsibility of the Agency. The agreement is effective until August 31, 2018. As of September 30, 2016 there is receivable due to the Agency from the state totaling $58,000.

8. Capital Assets

The following are summaries of capital asset changes for the years ended September 30, 2016.

	Balance October 1, 2015	Additions	Deletions	Transfer	Balance September 30, 2016
Capital assets, non-depreciable:					
Land	$ 79,009,272	$ –	$ 199,273	$ –	$ 78,809,999
Construction-in-progress	25,046,156	13,201,447	9,472,476	(14,405,510)	14,369,617
Total non-depreciable capital assets	104,055,428	13,201,447	9,671,749	(14,405,510)	93,179,616
Capital assets, depreciable:					
Land improvements	3,294,937	–	–	–	3,294,937
Wells and wellfield improvements	135,730,911	–	–	3,377,048	139,107,959
Water treatment and pumping facilities	679,588,963	–	–	10,549,701	690,138,664
Transmission mains	339,673,167	–	–	–	339,673,167
Buildings	19,555,850	–	–	–	19,555,850
Reservoir	296,650,557	–	–	478,761	297,129,318
Other equipment and software	19,150,872	1,747,936	836,817	–	20,061,991
Total depreciable capital assets	1,493,645,257	1,747,936	836,817	14,405,510	1,508,961,886
Less accumulated depreciation:					
Land improvements	765,579	91,539	–	–	857,118
Wells and wellfield improvements	60,057,115	3,286,393	–	–	63,343,508
Water treatment and pumping facilities	150,946,955	15,977,605	–	–	166,924,560
Transmission mains	61,299,252	4,601,958	–	–	65,901,210
Buildings	4,923,474	586,088	–	–	5,509,562
Reservoir	15,591,793	3,279,899	–	–	18,871,692
Other equipment and software	11,743,969	1,710,753	834,970	–	12,619,752
Total accumulated depreciation	305,328,137	29,534,235	834,970	–	334,027,402
Total depreciated capital assets, net	1,188,317,120	(27,786,299)	1,847	14,405,510	1,174,934,484
Total capital assets, net	$ 1,292,372,548	$ (14,584,852)	$ 9,673,596	$ –	$ 1,268,114,100

Deletions from construction-in-progress in 2016 of $9,472,476 consist of project costs expensed, which are preliminary design and planning costs of projects that have been discontinued because they have been determined to not be either technologically feasible or cost effective for future development. Total additions to depreciable capital assets of $1,747,936 consist of other equipment and software purchases. Construction-in-progress completed projects of $14,405,510 were transferred to depreciable capital assets.

Depreciation expense was $29,534,326 for the fiscal year ended September 30, 2016.

Commitments on construction contracts at September 30, 2016, were approximately $11,793,345.

8. Capital Assets (continued)

Interest is capitalized net of earnings from related tax-exempt debt proceeds. Interest cost incurred was $54,730,316 for the fiscal year ended September 30, 2016. Of the interest cost incurred, $541,760 was capitalized for the fiscal year ended September 30, 2016, offset by investment revenue earned on tax-exempt debt funds restricted for construction of $15,363.

9. Accounts Payable

Accounts payable and accrued expenses at September 30, 2016, consist of amounts owed for operating and payroll expenses as follows:

Accounts payable	$ 7,518,395
Accrued payroll expenses	2,156,863
	$ 9,675,258

10. Long-Term Debt and Other Noncurrent Liabilities

The Agency has issued various series of debt to finance the construction of new sources of water to meet the needs of its Member Governments, as well as facilities at Clearwater and Cypress Creek Wellfield to meet administrative and security needs.

Series 2016A and 2016B Bonds

On February 2, 2016, the Agency issued $96,630,000 and $32,785,000 of Utility System Refunding Revenue Bonds, Series 2016A and 2016B, respectively.

The 2016A bonds were issued at a premium of $14,124,984, bear interest at 3.25% to 5% and mature 2032 through 2038. The Series 2016A proceeds plus $1,703,663 of accrued interest and $1,574,019 from the debt service reserve were used to cover issuance costs of $759,820, and the remaining proceeds of $113,272,846 were deposited into an escrow account for the refunded Series 2008 bonds.

The 2016B bonds were issued at par, bear interest at 0.89% to 3.61% and mature from 2016 through 2031. The Series 2016B proceeds plus $477,059 of accrued interest and $465,931 from the debt service reserve were used to cover issuance costs of $298,005, and the remaining proceeds of $33,429,985 were deposited into an escrow account for the refunded Series 2011B bonds.

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016A and 2016B Bonds (continued)

Summary of 2016A and 2016B Utility System Refunding Revenue Bonds Results

	Series 2016A	Series 2016B	Total
Bond Par Amount	96,630,000	32,785,000	129,415,000
True Interest Rate	3.4882%	3.4854%	3.4877%
Net Interest Cost	3.7598%	3.4875%	3.7090%
Average Coupon	4.4592%	3.4676%	4.2744%
Average Life	20.462 years	13.812 years	18.777 years
Par amount of refunded bonds	101,375,000	29,350,000	130,725,000
Average coupon of refunded bonds	5.00%	4.8360%	4.9920%
Average life of refunded bonds	20.442 years	3.664 years	16.675 years
Present Value of prior debt	134,284,976	31,204,189	
Net Present Value Savings	12,355,559	1,179,099	13,534,658
Percent savings of refunded bonds	12.1880%	4.01738%	10.3535%
Percent savings of refunding bonds	12.7865%	3.5965%	10.4583%

Series 2016C Bonds

On April 6, 2016, the Agency issued $55,345,000 of Utility System Refunding Revenue Bonds, Series 2016C.

The 2016C bonds were issued at a premium of $15,467,635, bear interest at 5% and mature 2025 through 2027. The Series 2016C proceeds were used to cover issuance costs of $498,821, and the remaining proceeds of $70,313,814 were deposited into an escrow account for the refunded Series 2010 bonds.

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016C Bonds (continued)

Summary of 2016C Utility System Refunding Revenue Bonds Results

	Series 2016C
Bond Par Amount	55,345,000
True Interest Rate	2.0600%
Net Interest Cost	2.3701%
Average Coupon	5.00%
Average Life	10.512 years
Par amount of refunded bonds	60,585,000
Average coupon of refunded bonds	4.9690%
Average life of refunded bonds	10.513 years
Present Value of prior debt	77,383,894
Net Present Value Savings	6,571,259
Percent savings of refunded bonds	10.8464%
Percent savings of refunding bonds	11.8733%

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016C Bonds (continued)

Long-term debt and other noncurrent liabilities as of September 30, 2016, consist of:

Utility System Refunding Revenue Bonds, Series 2016C		
5.00% series bonds due annually at varying amounts from 2025 through 2027 interest payable semiannually	$	55,345,000
Utility System Refunding Revenue Bonds, Series 2016B		
0.89% to 3.61% series bonds due annually at varying amounts from 2016 through 2031 interest payable semiannually		32,785,000
Utility System Refunding Revenue Bonds, Series 2016A		
3.25% to 5.00% series bonds due annually at varying amounts from 2032 through 2038 interest payable semiannually		96,630,000
Utility System Refunding Revenue Bonds, Series 2015B		
0.75% to 3.33% serial bonds due annually at varying amounts from 2016 through 2031, interest payable semiannually		95,555,000
Utility System Refunding Revenue Bonds, Series 2015A		
5% serial bonds due annually at varying amounts from 2025 through 2027, interest payable semiannually		37,775,000
4% serial bonds due annually at varying amounts from 2027 through 2036, interest payable semiannually		143,060,000
Total Series 2015A		180,835,000
Utility System Refunding Revenue Bonds, Series 2013		
3.5% to 5% serial bonds due annually at varying amounts through 2034, interest payable semiannually		29,050,000
5% term bonds, due October 1, 2034, subject to mandatory redemption 2035 through 2038, interest payable semiannually		46,245,000
Total Series 2013		75,295,000
Utility System Refunding Revenue Bonds, Series 2011B		
3% serial bonds due in 2016, interest payable semiannually		175,000
Utility System Refunding Revenue Bonds, Series 2011A		
2% to 5% serial bonds due annually at varying amounts through 2024, interest payable semiannually		41,735,000
4% serial bonds (retail coupon) due annually at varying amounts through 2024, interest payable semiannually		4,540,000
Total Series 2011A		46,275,000
Utility System Refunding Revenue Bonds, Series 2011		
5% forward delivery bonds due annually at varying amounts through 2021, interest payable semiannually		68,785,000

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016C Bonds (continued)

Utility System Refunding Revenue Bonds, Series 2010		
5% serial bonds due in 2027, interest payable semiannually	$	6,395,000
Utility System Refunding and Improvement Revenue Bonds, Series 2006		
5.0% serial bonds due annually at varying amounts through 2016, interest payable semiannually		355,000
Utility System Refunding and Improvement Revenue Bonds, Series 2005		
5.25% to 5.5% serial bonds due annually at varying amounts through 2024, interest payable semiannually		145,060,000
Utility System Refunding Revenue Bonds, Series 2004		
5.25% serial bonds, due annually at varying amounts through 2019, interest payable semiannually		47,235,000
Utility System Refunding and Improvement Revenue Bonds, Series 2001A		
5.1% term bonds, due October 1, 2028, subject to mandatory redemption 2027 and 2028, interest payable semiannually		4,225,000
6.0% term bonds due October 1, 2029, subject to mandatory redemption 2028 and 2029, interest payable semiannually		45,775,000
Total series 2001A		50,000,000
Total bonds	$	900,725,000
Acquisition credits		
$852,630 due monthly, deducted from water revenue billed to Member Governments, including interest at 4.84% to 5.030%, through 2029, interest calculated semiannually	$	90,547,001
Total debt outstanding		991,272,001
Less current maturities		(34,513,644)
		956,758,357
Add unamortized bond premium		79,319,608
Total long-term debt	$	1,036,077,965

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016C Bonds (continued)

The Agency's changes in noncurrent liabilities for the fiscal year ended September 30, 2016, was as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016	Due Within One Year
2001A bonds	$ 50,000,000	$ –	$ –	$ 50,000,000	$ –
2004 bonds	58,415,000	–	11,180,000	47,235,000	11,770,000
2005 bonds	150,205,000	–	5,145,000	145,060,000	5,410,000
2006 bonds	695,000	–	340,000	355,000	355,000
2008 bonds	101,375,000	–	101,375,000	-	–
2010 bonds	66,980,000	–	60,585,000	6,395,000	–
2011 bonds	78,415,000	–	9,630,000	68,785,000	10,115,000
2011A bonds	46,580,000	–	305,000	46,275,000	30,000
2011B bonds	29,695,000	–	29,520,000	175,000	175,000
2013 bonds	75,295,000	–	–	75,295,000	–
2015A bonds	180,835,000	–	–	180,835,000	–
2015B bonds	95,975,000	–	420,000	95,555,000	775,000
2016A bonds	–	96,630,000	–	96,630,000	–
2016B bonds	–	32,785,000	–	32,785,000	195,000
2016C bonds	–	55,345,000	–	55,345,000	–
Acquisition credits	95,970,439	–	5,423,438	90,547,001	5,688,644
Unamortized bond issue premium	65,530,144	21,395,204	7,605,740	79,319,608	–
	1,095,965,583	206,155,204	231,529,178	1,070,591,609	34,513,644
Less current portion	(32,612,438)	(34,513,644)	(32,612,438)	(34,513,644)	–
Total long-term debt	1,063,353,145	171,641,560	198,916,740	1,036,077,965	34,513,644
Net OPEB obligation	320,331	28,223	–	348,554	–
Net pension liability – FRS Pension plan	3,122,547	3,211,864	420,642	5,913,769	–
Net pension liability – HIS plan	3,104,772	752,592	170,542	3,686,822	–
Total noncurrent liabilities	$ 1,069,900,795	$ 175,634,239	$ 199,507,924	$ 1,046,027,110	$ 34,513,644

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Series 2016C Bonds (continued)

Annual debt service requirements to maturity for all long-term debt as of September 30, 2016, are as follows:

	Principal	Interest	Total
2017	$ 28,825,000	$ 41,015,774	$ 69,840,774
2018	29,795,000	39,586,474	69,381,474
2019	31,295,000	38,045,445	69,340,445
2020	32,870,000	36,405,295	69,275,295
2021	34,575,000	34,658,506	69,233,506
2022–2026	203,215,000	143,403,349	346,618,349
2027–2031	256,555,000	90,768,762	347,323,762
2032–2036	178,005,000	41,029,845	219,034,845
2037–2040	105,590,000	6,943,569	112,533,569
	$ 900,725,000	$ 471,857,019	$ 1,372,582,019

Revenues Pledged

The Agency has pledged its net revenues (gross revenues less operating expenses), all as defined by the Master Bond Resolution, to repay its $900,725,000 outstanding utility system revenue bonds described above. The bonds are payable solely from net revenues and are payable through 2039. Pledged revenues, which are budgeted and collected annually to meet the annual debt service requirements, were $71,027,306 in 2016. Annual principal and interest payments on the bonds are expected to require less than 50% of annual operating revenues. Bond covenants require the Agency to fund, among other accounts, sinking funds, and debt service reserves with pledged revenue. These funding requirements are described in Note 5.

The covenants also require that the Agency not issue any other obligations payable from the specified pledged revenue nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrances, or other charges having priority to or being on a parity with the lien of the specific bonds except under conditions specified in the resolutions. At September 30, 2016, the Agency complied with all debt covenants.

10. Long-Term Debt and Other Noncurrent Liabilities (continued)

Defeasance of Debt

In 2016 and prior years, the Agency advance refunded certain bond issues through various refunding bonds. The proceeds of the refunding bonds were used to purchase United States government and agency securities that were placed in an irrevocable trust to fund all future debt service payments on the refunded debt. As a result, the refunded bonds are considered defeased, and the related liability has been removed from the accompanying financial statements.

At September 30, 2016, the principal amount outstanding of the 1995 defeased bonds (refunded in 1998), 2006 defeased bonds (refunded in 2015), 2011A defeased bonds (refunded in 2015), 2011B defeased bonds (refunded in 2015 and 2016), 2008 defeased bonds (refunded in 2016), and the 2010 defeased bonds (refunded in 2016) is $469,945,000

11. Employee Retirement Plan

General Information

Substantially all full-time employees of the Agency are eligible to participate in the State of Florida Retirement System (FRS), a cost-sharing multiple-employer public retirement system that provides a defined benefit pension plan (the Pension Plan) for all state and participating county, district school board, community college, and university employees. The defined benefit plan was established in 1970 by the Florida Legislature. In 2002, the legislature amended the laws creating a new employer-funded, optional defined contribution program, the Public Employee Optional Retirement Program (the Investment Plan). Substantially all full-time employees are eligible to participate in this plan in lieu of the pension plan. Agency employees must have made their plan election prior to March 1, 2004. Subsequent to that date, all plan participants may exercise a one-time option to switch plans. New employees may elect to participate in either plan when eligible. FRS also provides death and disability benefits. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 22B, *Florida Administrative Code*.

11. Employee Retirement Plan (continued)

General Information (continued)

All retirement legislation enacting benefit improvements must comply with Article X, Section 14, of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The plans are administered by the State of Florida Division of Retirement, Department of Management Services. The FRS publishes an unaudited annual report that provides 10-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. The most recent available report is for the plan year ended June 30, 2016.

Contributions

The Florida Legislature enacted legislation in 2007 (Chapter 2007-84, *Laws of Florida*) that established uniform employer contribution rates for the FRS membership classes and subclasses and the Deferred Retirement Option Program (DROP). These rates are updated as of July 1 of each year. In 2011, legislation changed the plan making it mandatory for employees in the regular and senior management class to contribute 3% to the plan, while drop participants are not required to contribute. The Agency is required to contribute to the plans at these actuarially determined rates. Effective July 1, 2015 to June 30, 2016, the plan rates were 7.26%, 21.43%, and 12.88% for the regular class, senior management class, and drop participants, respectively. In 2015, legislation changed the plan rates for the plan year beginning July 1, 2016 to 7.52%, 21.77%, and 12.99% for the regular class, senior management, and drop participants, respectively. These rates include the Health Insurance Subsidy (HIS) contribution percentages mentioned below. The Agency's contributions for the fiscal year ended September 30, 2016, was $842,895.

Benefits Provided

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. Benefits under this plan are computed on the basis of age, average final compensation, and service credit.

11. Employee Retirement Plan (continued)

Benefits Provided (continued)

For Pension Plan members enrolled before July 1, 2011, and retire at or after age 62 with at least 6 years of credited service or with 30 years of service, regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their average final compensation for each year of credited service. Final average compensation is the employee's average of the 5 highest fiscal years of salary earned during credited service. Vested employees may retire before age 62 and receive benefits that are reduced 5% for each year prior to normal retirement age of date. Employees enrolled on or after July 1, 2011, and retire at or after age 65 with at least 8 years of credited service or with 33 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their average final compensation for each year of credited service. Final average compensation is the employee's average of the 8 highest fiscal years of salary earned during credited service. Vested employees may retire before age 65 and receive benefits that are reduced 5% for each year prior to normal retirement age or date.

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 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.

11. Employee Retirement Plan (continued)

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

At September 30, 2016, the Agency reported a liability of $5,913,769 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The actuarial valuation was rolled forward to June 30, 2016, using update procedures. The Agency's proportionate share of the net pension liability was based on the Agency's fiscal year 2016 contributions relative to the contributions of all participating members. At June 30, 2016, the Agency's proportionate share was 0.02342%, which was an increase (decrease) of (0.0008%) from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Agency recognized pension expense of $1,025,867. In addition, the Agency reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 452,804	$ (55,061)
Change of assumptions	357,765	–
Net difference between projected and actual earnings on Pension Plan investments	1,528,637	–
Changes in proportion and differences between Agency Pension Plan contributions and proportionate share of contributions	532,666	(89,658)
Agency Pension Plan contributions subsequent to the measurement date	193,295	–
Total	$ 3,065,167	$ (144,719)

11. Employee Retirement Plan (continued)

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

The deferred outflows of resources related to the Pension Plan, totaling $193,295 resulting from Agency contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in the pension expense as follows:

Fiscal year ending September 30:	
2017	$ 375,652
2018	375,652
2019	1,087,195
2020	744,068
2021	109,443
Thereafter	35,144

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

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

The actuarial assumptions completed in 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

11. Employee Retirement Plan (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on the Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for inflation assumption. 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[1]	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0	4.7	4.6	4.6
Global equity	53.0	8.1	6.8	17.2
Real estate (property)	10.0	6.4	5.8	12.0
Private equity	6.0	11.5	7.8	30.0
Strategic investments	12.0	6.1	5.6	11.1
Total	100.00%			
Assumed inflation – mean		2.60		1.9

[1] As outlined in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The 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 calculation of the total pension liability is equal to the long-term expected rate of return.

11. Employee Retirement Plan (continued)

Sensitivity of Agency's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Agency's proportionate share of the net pension liability (asset)	$ 10,887,648	$ 5,913,769	$ 1,773,671

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered System Comprehensive Annual Financial Report.

This report may be obtained by writing to the Division of Retirement, Research Education and Policy Section, P.O. Box 9000, Tallahassee, FL 32315-9000, by calling (850) 488-5706, or by accessing its internet site at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports

Payables to the Pension Plan

At September 30, 2016, the Agency reported a payable in the amount of $208,130 for outstanding contributions to the Pension Plan required for fiscal year ended September 30, 2016.

11. Employee Retirement Plan (continued)

HIS Plan

General Information

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under *Florida Statutes*, Section 112.363, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum payment of $150 per month. To be eligible to receive these benefits, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS plan is funded by retirement contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Effective July 1, 2015 and 2016, the rates were 1.26% and 1.66%, respectively. The Agency contributed 100% of its statutorily required contributions for the current and preceding three years. HIS plan contributions are deposited into a separate trust fund from which payments are authorized. HIS plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event, legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Agency's contributions to the HIS plan totaled $171,651 for the fiscal year ended September 30, 2016.

11. Employee Retirement Plan (continued)

HIS Plan (continued)

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

At September 30, 2016 the Agency reported a liability of $3,686,822 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The actuarial valuation was rolled forward to June 30, 2016, using update procedures. The Agency's proportionate share of the net pension liability was based on the Agency's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2016, the Agency's proportionate share was 0.0316%, which was an increase (decrease) of 0.0012% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Agency recognized pension expense of $356,394. In addition, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ (8,397)
Change of assumptions	578,558	–
Net difference between projected and actual earnings on HIS plan investments	1,864	
Changes in proportion and differences between Agency HIS plan contributions and proportionate share of contributions	261,942	–
Agency HIS plan contributions subsequent to the measurement date	45,654	–
Total	$ 888,018	$ (8,397)

11. Employee Retirement Plan (continued)

HIS Plan (continued)

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

The deferred outflows of resources related to the HIS plan, totaling $45,654 resulting from Agency contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal year ending September 30:	
2017	$ 149,335
2018	149,335
2019	148,817
2020	148,569
2021	128,535
Thereafter	109,375

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

11. Employee Retirement Plan (continued)

HIS Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 2.85%. 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 plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Agency's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease 1.85%	**Current Discount Rate 2.85%**	**1% Increase 3.85%**
Agency's proportionate share of the net pension liability	$ 4,229,622	$ 3,686,822	$ 3,236,327

11. Employee Retirement Plan (continued)

HIS Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered System Comprehensive Annual Financial Report.

This report may be obtained by writing to the Division of Retirement, Research Education and Policy Section, P.O. Box 9000, Tallahassee, FL 32315-9000, by calling (850) 488-5706, or by accessing its internet site at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Payables to the Pension Plan

At September 30, 2016, the Agency reported a payable in the amount of $36,723.56 for outstanding contributions to the HIS plan required for fiscal year ended September 30, 2016.

Investment Plan

The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the FRS Investment Plan in lieu of the FRS defined benefit plan. Agency employees participating in DROP are not eligible to participate in the FRS 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 FRS Investment Plan are established and may be amended by the Florida Legislature. The FRS Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (regular

11. Employee Retirement Plan (continued)

Investment Plan (continued)

class, senior management) as the 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 FRS Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during fiscal year 2016, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: regular class 6.30% and senior management service class 7.67%.

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 FRS 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, 2016, 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 Agency.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the FRS 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 Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

12. Post-Employment Health Care Benefits

The Agency follows GASB Statement No. 45 to account for certain post-employment health care benefits provided by the Agency.

Plan Description

The Post-Employment Health Care Benefits Plan is a single-employer defined benefit plan administered by the Agency. Pursuant to the provisions of Section 112.0801, *Florida Statutes*, former employees who retire from the Agency and their eligible dependents may continue to participate in the Agency's fully insured health and hospitalization plan for medical and prescription drug coverage. The Agency subsidizes the premium rates paid by retirees by allowing them to participate in the plans at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Funding Policy

For the Post-Employment Health Care Benefits Plan, contribution requirements of the Agency are established and may be amended through recommendations of the Chief Financial Officer and action from the Board of Directors. The Agency has not advanced-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of the last required actuarial evaluation, October 1, 2015, there were three retirees and zero eligible dependents receiving post-employment health care benefits. At the end of fiscal year 2016, there were three retirees and zero eligible dependents receiving post-employment health care benefits. For the fiscal year ended September 30, 2016, the Agency provided required contributions of $16,133 toward annual OPEB costs, comprising benefit payments made on behalf of retirees for claims, expenses (net of reinsurance) and retention costs, totaling $44,356. Required contributions are based on projected pay-as-you-go financing.

12. Post-Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The following table shows the Agency's annual OPEB cost for the fiscal year ended September 30, 2016, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

Annual required contribution	$ 42,983
Interest on net OPEB obligation (NOO)	12,813
Amortization of NOO	(11,440)
Total expense or annual OPEB cost (AOC)	44,356
Actual receipts (contribution) toward OPEB cost	(16,133)
Change in NOO	28,223
NOO beginning of year	320,331
NOO end of year	$ 348,554

The Agency's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year	AOC	Net Contribution	Percentage of AOC Contributed	NOO
9/30/2014	$81,394	$48,565	59.7%	$275,460
9/30/2015	84,346	39,475	46.8	320,331
9/30/2016	44,356	16,133	36.4	348,554

Funded Status and Funding Progress

The Agency is required to have a full actuarial evaluation completed triennially; the last required full evaluation was completed in fiscal year 2015. As of September 30, 2015, the actuarial accrued liability for benefits was $351,596, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $351,596. The covered payroll (annual payroll for active participating employees) was $9,400,899 for the fiscal year ended September 30, 2015, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.74% (see required supplementary information).

12. Post-Employment Health Care Benefits (continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating 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 participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Agency's OPEB actuarial valuation for the 2015–2016 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, which is the Agency's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.50% per year, general inflation of 2.50% per year and an annual health care cost trend rate of 7.0% pre-Medicare initially for the 2015-2016 fiscal year, reduced to an ultimate rate of 5.0% for the fiscal year ended September 30, 2031. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

13. Risk Management

The Agency is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has transferred the risk to outside parties through the purchase of various types of insurance coverage.

13. Risk Management (continued)

The Agency purchases the following insurance coverage through Risk Management Associates and Public Risk Insurance Agency/Brown and Brown, Inc., from various carriers: property insurance, inland marine, boiler and machinery insurance, commercial general liability, business auto liability and physical damage, marine hull coverage, employment practice liability, public official liability, government crime coverage, and environmental impairment liability coverage relative to the operation of the desalination plant. The Agency obtained its workers' compensation from Preferred Government Insurance Trust, a pool open to state and local governments. In addition, the Agency purchases storage tank insurance through Commerce &

Industry Insurance Company. There have been no significant reductions in insurance coverage from the prior year. Except as discussed in Note 15, no settlements have exceeded insurance coverage over the past three years.

14. Commitments and Contingencies

Litigation

The Agency is a party to various lawsuits, claims, and legal actions arising in the ordinary course of business. These actions relate primarily to eminent domain, construction claims, disputes, and personnel matters. Except as discussed in Note 15, any losses that may be incurred in connection with these matters are deemed by management to not be material to the Agency's financial statements.

Grant Funds

The Agency is subject to audit examination by funding agencies to determine compliance with grant conditions. In the event that expenditures would be disallowed, repayment could be required.

Operating Leases

The Agency leases land for the Seawater Desalination Plant under a noncancelable operating lease and easement agreement expiring December 31, 2032. The lease may be extended for up to two consecutive additional periods of 30 years each. Rental expense on this lease was $42,218 in 2016. Real estate taxes of $111,998 were also paid in 2016. The basic rent is adjusted yearly by applying the consumer price index for all urban consumers to the prior year basic rent.

14. Commitments and Contingencies (continued)

Operating Leases (continued)

The aggregate future minimum operating lease payments for the fiscal year ended September 30, 2016, are as follows:

	Desalination Plant Land Lease
2017	$ 42,253
2018	42,253
2019	42,253
2020	42,253
2021	42,253
2022	42,253
2023–2027	211,263
2028–2033	211,263
	$ 676,044

At the June 2016 Board Meeting the Board Members approved a 36-month lease extension for temporary office space in Hillsborough County. Rental expense on this lease was $22,986 in 2016.

The aggregate future minimum operating lease payments for the fiscal year ended September 30, 2016, are as follows:

	South Office Building Lease
2017	$ 20,856
2018	20,856
2019	28,848
	$ 70,560

14. Commitments and Contingencies (continued)

Operations and Maintenance Agreements

The 20-year Operation, Maintenance, and Management (OM&M) Services Agreement for operation of the desalination plant with American Water-Pridesa, LLC, approved by the Board of Directors in 2004, went into effect as of November 8, 2007. Under this agreement, American Water-Pridesa, LLC operates and maintains the plant, and the Agency will pay a service fee consisting of a base OM&M charge, certain pass-through charges, maintenance reserve fund charges, and various fee adjustments. The base OM&M charge will be adjusted at the beginning of each contract year based on certain labor and plant cost indexes. The contract can be terminated for convenience with 90 days' notice and payment for all services performed, reimbursable expenses due, a termination fee of $1 million gradually declining to zero after 15 years and demobilization fee of $50,000. Total operating fees under this contract was $5,842,910 for 2016.

The Agency is a party to an Operations and Maintenance (O&M) Agreement with Veolia Water North America for the operation of its Surface Water Treatment Plant. The agreement, which became effective in 2004, provides for the payment by the Agency of a service fee that includes a base O&M charge that is payable regardless of plant production levels and several variable and pass-through cost components. The base O&M charge and certain other cost components increase yearly based on an index directly related to the expense. The agreement is fully cancelable with 90 days' notice, payment of all accrued service fees, and any demobilization costs. Expense under this agreement was $6,793,466 for the fiscal year ended September 30, 2016.

The Agency is also a party to a facility maintenance agreement with Veolia Water North America for the maintenance of the Keller Hydrogen Sulfide Treatment Facility. The agreement provides for payment by the Agency of a service fee and is fully cancelable with a pro rata settlement of the annual service fee for work performed prior to termination of the Agreement. Expense under this agreement was $141,059 for the fiscal year ended September 30, 2016.

In 2005, the Agency entered into a service agreement with Veolia Water North America for operation and maintenance of the C.W. Bill Young Regional Reservoir. This agreement provides for payment of a monthly service fee and certain pass-through costs. The agreement is fully cancelable at the option of the Agency and was canceled due to the renovation on the reservoir. In 2014, the construction on the reservoir entered into the maintenance and monitoring phase. This is part of the contract with Kiewit Infrastructure Group, and the expense under this contract was $1,267,652 for the fiscal year ended September 30, 2016.

14. Commitments and Contingencies (continued)

Operations and Maintenance Agreements (continued)

In October 2012, the Agency entered into an Operation and Maintenance Services Agreement with CH2MHILL for operation and maintenance of the Lithia Hydrogen Sulfide Removal Facility beginning January 1, 2013, and terminating September 30, 2014. Upon termination, the agreement is renewable for three years, one year at a time or any portion thereof. On April 1, 2016 the Agency decided to terminate the agreement and since then it has been operated by the Agency staff. Expense incurred while contract was in effect totaled $329,212 for the fiscal year ended September 30, 2016.

Regional Reservoir

The C.W. Bill Young Regional Reservoir, located in southern Hillsborough County, is designed to store up to 15.5 billion gallons from various surface water sources. The facility was completed and placed into full operational status in June 2005. Beginning in December 2006, larger-than-expected cracks began to form in the flat-plate soil-cement on the interior face of the embankment. The flat-plate soil-cement is an erosion barrier that provides erosion protection for the embankment and is not a structural component of the reservoir. Engineers engaged by both the Agency and the FDEP agreed that the reservoir was safe and poses no public safety hazard. In August 2008, FDEP and the Agency agreed to limit the fill elevation at the Reservoir to 105 feet (approximately 6.5 billion gallons) to prevent potential storm-related wave damage to the cracked areas in the flat-plate soil-cement, until the damaged areas had been repaired. In June 2009, the Agency completed a short-term repair program and received FDEP approval to return the reservoir to its current permitted fill volume and rate of withdrawal. In June 2009, the Board of Directors adopted a resolution that authorized the General Manager to proceed with a permanent fix for the facility. Between October 2009, and April 2010, staff assembled a team of financial, technical, and legal advisors and began a competitive procurement process, which was completed in 2011. On June 20, 2011, the Board of Directors approved the proposal from design-builder Kiewit Infrastructure Group (Kiewit) to renovate the Regional Reservoir and increase storage by three billion gallons. Kiewit's proposed cost was approximately $162,366,875, of which $41,630,885 was to be used to increase the reservoir's capacity. In April 2012, during the permitting process, the Bureau of Mining and Minerals Regulation of the FDEP informed the Agency the application was complete,

14. Commitments and Contingencies (continued)

Regional Reservoir (continued)

but FDEP had concerns regarding the potential for impacts to the increased storage facility caused by freeze protection agricultural pumping in the region. As a result of these concerns, the Agency received Board of Directors approval in June 2012 to redesign the project by eliminating the increased storage component. The contract amendment for the redesign in the approximate amount of $129,376,976 was approved by the Board of Directors August 2012. The design was completed, and FDEP approved the project December 2012. In preparation for construction the reservoir, water levels were drawn down, which was complete December 2012. Full notice to proceed for construction was issued February 2013. In late July 2014, initial filling began, and construction was essentially completed in late 2014. On November 5, 2014, FDEP approved to transfer the reservoir permit to the operation phase.

15. Litigation Settlements and Insurance Recoveries

The Agency continues to participate in the ongoing class action litigation against over 100 defendants and co-conspirators pending in the United States District Court for the Southern District of New York. The lawsuit alleges price fixing in the sale of municipal derivative transactions by the defendants between January 1, 1992, and August 18, 2011. Tampa Bay Water participated in a number of bond transactions during this time period. Settlements have been agreed to with groups of defendants periodically during the last few years. When notified of the opportunity to do so, Tampa Bay Water has submitted a claim form identifying the transactions it participated in with the pertinent defendants during the relevant timeframe. In 2013, Tampa Bay Water received a total of $121,373 from settlements with JP Morgan, Wells Fargo/Wachovia and GE. In April 2016, the Board authorized staff to submit a claim form to potentially receive funds from the groups of defendants who most recently agreed to a settlement. In July 2016, Tampa Bay Water received a total of $399,065 from settlements with Morgan Stanley, GE and Bank of America.

On July 24th, 2015, High Service Pump Station Generator No. 2 had an engine failure that resulted in a fire within the unit's enclosure. In August 2015, the Board approved the costs associated the full repair. The Agency filed a claim with Starr Insurance to recover its losses resulting from the fire and it received a check totaling $498,813 in March 2016.

15. Litigation Settlements and Insurance Recoveries (continued)

On July 15th, 2016, the Surface Water Treatment Plant was hit by lightning that caused multiple control system failures. These control failures caused nine filter beds to overflow into the pipe gallery that contains major electrical and mechanical equipment necessary for filter operations. The overflow also entered the first and second floors of the administrative building causing water damage to some walls and ceilings. The estimated cost of $905,088 was provided to the Board at the October 2015 Board Meeting. The Agency expects to recover all its costs minus the $50,000 deductible. All the repairs are expected to be completed in FY17.

16. Subsequent Events

At the end of FY16 management is not aware of any events that could have a significant impact on the financial situation of the Agency.

Required Supplementary Information – Pension

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Agency Proportionate Share of Net Pension Liability – Florida Retirement System

	September 30	
	2016	**2015**
Agency's proportion of the net pension liability	**.02342%**	.02418%
Agency's proportionate share of the net pension liability	**$ 5,913,769**	$ 3,122,547
Agency's covered-employee payroll	**$ 9,400,899**	$ 8,689,420
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**62.91%**	35.94%
Plan fiduciary net position as a percentage of the total pension liability	**84.88%**	92.00%

The Agency implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* as of October 1, 2015; accordingly, only two years of data are available. The amounts above are determined as of September 30 of the previous fiscal year.

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Agency Contributions – Florida Retirement System

Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 846,235	$ 746,403	$ 693,019	$ 600,064	$ 431,552	$ 414,912	$ 920,733	$ 806,682	$ 771,730	$ 752,387
Contributions in relation to the contractually required contribution	(846,235)	(746,403)	(693,019)	(600,064)	(431,552)	(414,912)	(920,733)	(806,682)	(771,730)	(752,387)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Agency covered-employee payroll	$10,340,447	$ 9,400,899	$ 8,689,420	$ 8,036,748	$ 8,256,214	$ 8,397,534	$ 8,393,676	$ 8,033,328	$ 7,687,132	$ 7,512,790
Contributions as a percentage of covered-employee payroll	8.18%	7.94%	7.98%	7.47%	5.23%	4.94%	10.97%	10.04%	10.04%	10.01%

* Amounts presented for each fiscal year were determined as of September 30

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Agency Proportionate Share of Net Pension Liability – Health Insurance Subsidy Program

	September 30	
	2016	**2015**
Agency's proportion of the net pension liability	**.03163%**	.03044%
Agency's proportionate share of the net pension liability	**$ 3,686,822**	$ 3,104,772
Agency's covered-employee payroll	**$ 9,400,899**	$ 8,689,420
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**39.22%**	35.73%
Plan fiduciary net position as a percentage of the total pension liability	**0.97%**	0.50%

The Agency implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* as of October 1, 2015; accordingly, only two years of data are available. The amounts above are determined as of September 30 of the previous fiscal year.

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Agency Contributions – Health Insurance Subsidy Program

Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 171,651	$ 156,055	$ 109,487	$ 96,441	$ 91,644	$ 93,213	$ 93,170	$ 89,170	$ 85,327	$ 83,392
Contributions in relation to the contractually required contribution	(171,651)	(156,055)	(109,487)	(96,441)	(91,644)	(93,213)	(93,170)	(89,170)	(85,327)	(83,392)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Agency covered-employee payroll	$10,340,447	$ 9,400,899	$ 8,689,420	$8,036,748	$8,256,214	$8,397,534	$8,393,676	$8,033,328	$7,687,132	$7,512,790
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.20%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%

*Amounts presented for each fiscal year were determined as of September 30.

Notes to the Required Supplementary Information – Pension

September 30, 2016

Changes of Benefit Terms

There were no changes in benefits over the periods presented.

Changes of Assumptions

There were no changes in actuarial assumptions for the Florida Retirement System Pension Plan. As of June 30, 2016, the inflation rate assumption remained at 2.6%, the real growth assumption was 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.60%. The municipal rate used to determine total pension liability remained at 3.80% for the Health Insurance Subsidy Pension Plan.

Required Supplementary Information – Other Post-Employment Benefits

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Funding Progress

September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded as a Percent of Covered Payroll
09/30/2011	$ –	$435,574	$ 435,574	–%	$ 8,679,082	5.0%
10/01/2012	–	695,815	695,815	–	8,625,056	8.1
10/01/2015 [1]	–	351,596	351,596	–	9,400,899	3.7

[1]The Agency is required to have a full actuarial evaluation completed triennially; the last required full evaluation was completed in fiscal year 2016.

Compliance Section

EY
Building a better working world

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors, General Manager and Chief Financial Officer
Tampa Bay Water, A Regional Water Supply Authority

We have audited, in accordance with auditing standards generally accepted in the United States 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 Tampa Bay Water, A Regional Water Supply Authority (the Agency), which comprise the statement of net position as of September 30, 2016, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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 may exist that have not been identified.

EY
Building a better
working world

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the entity'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.

Ernst + Young LLP

February 6, 2017

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Building a better working world

Report of Independent Certified Public Accountants on Compliance

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of Tampa Bay Water, A Regional Water Supply Authority (the Agency), which comprise the statement of net position as of September 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report, with an unmodified opinion thereon, dated February 6, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the terms, covenants, provisions, or conditions of Sections 4 and 5 of the Master Bond Resolution dated August 31, 1998, insofar as they relate to accounting matters for the following bonds.

$309,370,000 Utility System Refunding and Improvement Revenue Bonds, Series 2001A

$107,870,000 Utility System Refunding Revenue Bonds, Series 2004

$174,965,000 Utility System Refunding and Improvement Revenue Bonds, Series 2005

$81,885,000 Utility System Refunding and Improvement Revenue Bonds, Series 2006

$101,375,000 Utility System Refunding and Improvement Revenue Bonds, Series 2008

$66,980,000 Utility System Refunding Revenue Bonds, Series 2010

$104,645,000 Utility System Refunding Revenue Bonds, Series 2011

$140,645,000 Utility System Refunding Revenue Bonds, Series 2011A

$148,920,000 Utility System Refunding Revenue Bonds, Series 2011B

$75,295,000 Utility System Refunding Revenue Bonds, Series 2013

$180,835,000 Utility System Refunding Revenue Bonds, Series 2015A

$95,975,000 Utility System Refunding Revenue Bonds, Series 2015B

Building a better
working world

$96,630,000 Utility System Refunding Revenue Bonds, Series 2016A

$32,785,000 Taxable Utility System Refunding Revenue Bonds, Series 2016B

$55,345,000 Utility System Refunding Revenue Bonds, Series 2016C

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the above-referenced terms, covenants, provisions, or conditions of Sections 4 and 5 of the Master Bond Resolution dated August 31, 1998, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Agency and the Member Governments and is not intended to be, and should not be, used by anyone other than the specified parties.

Ernst + Young LLP

February 6, 2017

Tampa Bay Water
(A Regional Water Supply Authority)

Schedule of Debt Service Coverage – Utility System Revenue Bonds, Series 2001A, 2004, 2005, 2006, 2008, 2010, 2011, 2011A, 2011B, 2013, 2015A, 2015B, 2016A, 2016B and 2016C

September 30, 2016

Revenue:		
Actual water demand (mgd)		160.7820
Uniform rate (per 1,000 gallons)	$	2.5590
Revenue from sales	$	153,320,480
Transfer (to) from Rate Stabilization Fund		1,745,750
		155,066,230
Purchase price amortization credit		(10,231,557)
Litigation and insurance recoveries		1,188,148
Investment revenue – unrestricted *(Note 1)*		1,019,717
Total revenue		147,042,538
Operation and maintenance expenditures *(Note 2)*		(67,579,262)
Net revenue	$	79,463,276
Annual debt service payments Series 2001A bonds	$	3,000,000
Annual debt service payments Series 2004 bonds		14,249,838
Annual debt service payments Series 2005 bonds		13,374,775
Annual debt service payments Series 2006 bonds		372,750
Annual debt service payments Series 2008 bonds		1,703,663
Annual debt service payments Series 2010 bonds		1,825,775
Annual debt service payments Series 2011 bonds		13,554,250
Annual debt service payments Series 2011A bonds		2,295,500
Annual debt service payments Series 2011B bonds		657,309
Annual debt service payments Series 2013 bonds		3,619,550
Annual debt service payments Series 2015A bonds		7,611,150
Annual debt service payments Series 2015B bonds		3,595,158
Annual debt service payments Series 2016A bonds		2,892,356
Annual debt service payments Series 2016B bonds		930,041
Annual debt service payments Series 2016C bonds		1,345,191
Total debt service *(Note 4)*		71,027,306
Required deposit to Capital Improvement Fund		4,592,553
Required deposit to Renewal and Replacement Fund		3,155,183
Total debt service and reserve requirements	$	78,775,042
Debt service and reserve coverage (times)		1.01
Fund balance *(Note 3)*	$	25,331,249
Net revenue plus fund balance	$	104,794,526
Debt service coverage (times) *(Note 4)*		1.48

Note 1: Investment revenue does not include interest on construction funds of $59,158 in 2016 or unrealized investment gains of $137,998 in 2016.

Note 2: Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $1,989,747 in 2016.

Note 3: Fund balance is defined by the Master Bond Resolution and is calculated as of the prior year-end in accordance with the Master Bond Resolution.

Note 4: Debt service coverage is calculated on the total debt service requirement, net of any capitalized interest provided from bond proceeds, in accordance with the Master Bond Resolution.

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Building a better working world

Management Letter on Internal Control and State Reporting Requirements

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

In planning and performing our audit of the financial statements of Tampa Bay Water, A Regional Water Supply Authority (the Agency) for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Required Disclosures

Report on the Financial Statements

We have audited the basic financial statements of the Agency, as of and for the year ended September 30, 2016 and have issued our report thereon, dated February 6, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Building a better working world

Other Reports

We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, and our Report of Independent Certified Public Accountants on Compliance on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General (collectively, the Reports). Disclosures in those Reports, which are dated February 6, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior year matters reported.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Agency has included such disclosures in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. See our separate Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures dated February 6, 2017 for our procedures and findings.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures that were agreed to by the management of the Agency. See our separate Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures dated February 6, 2017 for our procedures and findings.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Agency for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. See our separate Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures dated February 6, 2017 for our procedures and findings.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See our Reports identified under "Other Reports" section above.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Florida Auditor General, the Board of Directors of the Agency, and management and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 6, 2017

Building a better working world

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have performed the procedures enumerated below, which were agreed to by the management of the Tampa Bay Water, A Regional Water Supply Authority (the Agency), solely to assist you in evaluating management's assertion that the Agency did not meet any of the indicators of financial emergency as enumerated in Section 218.503(1), *Florida Statutes,* as of September 30, 2016. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures

1. We read Section 218.503 (1), *Florida Statutes*, to identify the conditions for determining whether the Agency met any of the conditions of financial emergency as defined below:

    a. Failure within the same fiscal year in which due to pay short term loans or failure to make bond debt service or other long-term debt payments when due, as a result of lack of funds.

    b. Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.

    c. Failure to transfer at the appropriate time, taxes withheld on the income of employees, due to lack of funds.

    d. Failure to transfer at the appropriate time, employer and employer contributions federal social security, and pension, retirement or benefit plan of an employee, due to lack of funds.

    e. Failure for one pay period to pay wages and salaries owed to employees or retirement benefits owed to former employees.

2. We inquired of management of the Agency whether any of the conditions of financial emergency listed above in 1 (a) through (e) occurred during the fiscal year ended September 30, 2016.

3. We read the minutes of the meetings of the Agency for the fiscal year ended September 30, 2016 and through the date of this Report to determine whether there was any discussion of whether any of the conditions of financial emergency listed in 1(a) through (e) above occurred.

4. We selected a sample of debt service payments for all bond and other long-term debt agreements during the Agency's fiscal year ended September 30, 2016 to determine whether payments were being made when due as indicated below. As part of our debt procedures, we confirmed 100% of the debt service payments (for each of the bonds outstanding) and verified timeliness on a sample basis, noting no exceptions.

5. We selected a sample of income tax withholding payments, including FICA, made during the 2016 fiscal year to determine whether payments were being made when due as indicated below. As part of our payroll tests of transactions, we verified the FICA deductions for 16 individuals with FRS contributions during the year. These individuals had a total gross pay of $42,071 for the payroll periods selected as part of our testing (total FICA for the year was $747,101). As part of our testing, we verified the deductions were appropriate and traced the payment of the deductions for each month containing our selection to verify they were paid to the relevant taxing authorities timely.

6. We selected a sample of contributions made to the Agency's pension plan during the Agency's fiscal year ended September 30, 2016 to determine whether payments were being made when due as indicated below. As part of our payroll tests of transactions, we verified the FRS deductions for 16 individuals with FRS contributions during the year. These individuals had a total gross pay of $42,071 for the payroll periods selected as part of our testing (total employee contributions for the year was $294,259). As part of our testing, we verified the deductions were appropriate and traced the payment of the employer and employee contributions for each month containing our selection were paid to the Florida Retirement System timely.

7. We selected a sample of payrolls paid during the Agency's fiscal year 2016 to determine whether payments to employees were being made when due as indicated below. As part of our payroll procedures, we selected 20 employees with a total gross pay of $47,161 (total payroll for the year was $6,784,549). As part of our testing procedures, we obtained the payroll register for the respective pay period, identified our selection on the report, and agreed the total per the payroll register to the disbursement on the BB&T Payroll Account #147367473, without exception, in order to verify that payment was made appropriately.

Findings

We noted no exceptions based on the procedures performed as indicated above that would qualify as a condition of financial emergency pursuant to Section 218.503 (1) for the Agency_during the 2016 fiscal year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Ernst + Young LLP

February 6, 2017

EY
Building a better working world

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Report of Independent Certified Public Accountants

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have examined management's assertion that Tampa Bay Water, A Regional Water Supply Authority (the Agency) complied with Section 218.415, Florida Statutes, requiring the adoption of an investment policy that includes all of the requirements listed in Sections 218.415(1) through (15), Florida Statutes, and that the Agency's investments were authorized by law and in accordance with its investment policy for the year ended September 30, 2016 as required by Section 218.415(17), Florida Statutes. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, management's assertion that the Agency complied with the aforementioned requirements for the year ended September 30, 2016 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Agency and the Agency's member governments and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 6, 2017

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Building a better working world

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have performed the procedures enumerated below, which were agreed to by the management of Tampa Bay Water, A Regional Water Supply Authority (the Agency), solely to assist you in evaluating management's assertion that the Agency does not meet any of the indicators of deteriorating financial condition as enumerated in Section 218.39.5(b), Florida Statutes, as of September 30, 2016. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures

We obtained the audited financial statements of the Agency as of and for the fiscal year ended September 30, 2016 and determined whether there was a total net position deficit reported as of September 30, 2016. We also compared the total net position reported in the Agency's audited 2016 financial statements to the total net position reported in the Agency's audited financial statements as of and for the year ended September 30, 2015.

Findings

We noted no net position deficit as of September 30, 2016. We also noted that total net position increased during the year ended September 30, 2016.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Building a better
working world

This report is intended solely for the information and use of management and the Board of Directors of the Agency and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

February 6, 2017

Building a better
working world

Ernst & Young LLP
One Tampa City Center
Suite 2400
201 North Franklin Street
Tampa, Florida 33602

Tel: +1 813 225 4800
Fax: +1 813 225 4711
ey.com

Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

The Board of Directors
Tampa Bay Water, A Regional Water Supply Authority

We have performed the procedure enumerated below, which was agreed to by the management of Tampa Bay Water, A Regional Water Supply Authority (the Agency), solely to assist you in evaluating management's assertion that the Agency's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32 (1), *Florida Statutes*, is in agreement with the annual audited financial statements for the Agency's September 30, 2016 fiscal year end. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure

We compared the financial information included in the Agency's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1), *Florida Statutes*, as of and for the year ended September 30, 2016 to the Agency's annual audited financial statements for the 2016 fiscal year end.

Findings

We noted the financial information included in the Agency's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1), Florida Statutes, as of and for the year ended September 30, 2016 agreed with the Agency's annual audited financial statements for the September 30, 2016 fiscal year end.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Building a better
working world

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

Ernst + Young LLP

February 6, 2017

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ey.com

Unit Information

Unit ID: 300049 Year: 2016

Unit Name: Tampa Bay Water, A Regional Water Supply Authority

Unit Status: Active Unit Dependency: Independent

Location Information

Name: Mrs. Christina Sackett

Title: Chief Financial Officer

Phone: (727) 796-2355

Fax: (727) 669-1848

Address:

2575 Enterprise Road
Clearwater, FL 33763-1102

Contact Information

Name: Mrs. Christina Sackett

Title: Chief Financial Officer

Phone: (727) 796-2355

Email: csackett@tampabaywater.org

Address:

2575 Enterprise Road
Clearwater, FL 33763-1102

Certification

Chief Financial Officer

Name: Christina Sackett

Title: Chief Financial Officer

Chairman/Elected Official

Name: Councilman Karl Nurse

Title: Board Chairman

	Yes	No
Have You Experienced a Financial Emergency in this year?	☐	☒
If Yes, Have You Complied With Section 218.503(2), Florida Statutes?	☐	☐
Auditor General Rule: Section 10.554(1)(h)6.b): If applicable, does the Annual Financial Report agree with the Audited Financial Statement? (Do total revenues and expenditures per fund group on the AFR balance to the audited Statement of Revenues and Expenditures?)	☒	☐

AFR Details

Original AFR

AFR Status: Submitted

AFR Received Date: 3/20/2017

Audit Received Date:

Submission Type: Electronic

Debt Information

Long-Term Debt: $1,036,077,965

Audit Information

Was an audit performed? Yes

Audit Performed Date: 2/6/2017

Auditor Name: Ernst & Young LLP

Address:
201 North Franklin Street
Suite 2400
Tampa, FL 33602

Revenues Report for FYE 2016

Account Code	General	Special Revenue	Debt Service	Capital Projects	Permanent	Enterprise	Internal Service	Pension	Trust	Component Units	Total
343300 - Service Charge - Water Utility						155,066,230					155,066,230
361300 - Net Increase (Decrease) in Fair Value of Investments						137,998					137,998
362000 - Rents and Royalties						21,011					21,011
364000 - Disposition of Fixed Assets						-6,868,985					-6,868,985
389100 - Proprietary - Interest						1,063,513					1,063,513
389900 - Proprietary - Other Non-Operating Sources						1,188,148					1,188,148
Grand Total						150,607,915					150,607,915

Expenditures Report for FYE 2016

Account/Object Code	General	Special Revenue	Debt Service	Capital Projects	Permanent	Enterprise	Internal Service	Pension	Trust	Component Units	Total
533.10 - Water Utility Services - Personal Services						13,564,043					13,564,043
533.30 - Water Utility Services - Operating Expenses						81,580,808					81,580,808
533.70 - Water Utility Services - Debt Service						53,797,722					53,797,722
Grand Total						148,942,573					148,942,573

Component Unit	Type	Total Revenues	Total Expenditues	Total Debt