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

RETURN RECEIPT

March 28th, 2018

Pinellas Financial Division
P.O. Box 2438
Clearwater, FL 33757-2438

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

To Whom It May Concern:

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, 2017.

Thank you for your attention to this matter.

Sincerely,

Sandro Svrdlin
Finance Manager

Enclosures

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Phone: 727.796.2355 / Fax: 727.791.2388
www.tampabaywater.org

TAMPA BAY WATER
Supplying Water To The Region

CERTIFIED MAIL RETURN RECEIPT

March 28, 2018

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, 2017.

Thank you for your attention to this matter.

Sincerely,

Sandro Svrdlin
Finance Manager

Enclosures

Unit Information

Unit ID: 300049 | Year: 2017

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

AFR Details

Original AFR

AFR Status: Submitted

AFR Received Date: 3/27/2018

Audit Received Date:

Submission Type: Electronic

Debt Information

Long-Term Debt: $996,384,891

Audit Information

Was an audit performed? Yes

Audit Performed Date: 2/16/2018

Auditor Name: Mauldin & Jenkins, LLC

Address:
1401 Manatee Ave W #1200, Bradenton, FL 34205

Certification

Chief Financial Officer

Name: Christina Sackett

Title: Chief Financial Officer

Chairman/Elected Official

Name: Karl Nurse

Title: Tampa Bay Water Chairman

	Yes	No
Have You Experienced a Financial Emergency in this year?	☐	X
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?)	X	☐

RECEIVED
BOARD OF
2018 APR -3 PM 2:45
BOARD OF COUNTY
COMMISSIONERS
PINELLAS COUNTY FLORIDA

Revenues Report for FYE 2017

Account Code	General	Special Revenue	Debt Service	Capital Projects	Permanent	Enterprise	Internal Service	Pension	Trust	Component Units	Total
343300 - Service Charge - Water Utility						156,150,378					156,150,378
361300 - Net Increase (Decrease) in Fair Value of Investments						-737,605					-737,605
362000 - Rents and Royalties						22,218					22,218
364000 - Disposition of Fixed Assets						-1,331,299					-1,331,299
389100 - Proprietary - Interest						1,916,732					1,916,732
389600 - Proprietary - Capital Contributions from State Government						590,000					590,000
389900 - Proprietary - Other Non-Operating Sources						1,084,167					1,084,167
Grand Total						157,694,591					157,694,591

Expenditures Report for FYE 2017

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						15,651,468					15,651,468
533.30 - Water Utility Services - Operating Expenses						83,362,346					83,362,346
533.70 - Water Utility Services - Debt Service						49,956,073					49,956,073
Grand Total						148,969,887					148,969,887

Component Unit	Type	Total Revenues	Total Expenditues	Total Debt

Comprehensive Annual Financial Reporting

Fiscal Year Ended September 30, 2017

TAMPA BAY WATER

Supplying Water To The Region

TAMPA
BAY
WATER

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of

TAMPA BAY WATER

for the
Fiscal Year Ended
September 30, 2017

Prepared by Department of Finance

TAMPA
BAY
WATER

TABLE OF CONTENTS

IV. COMPLIANCE SECTION

I. INTRODUCTORY SECTION

- Letter of Transmittal
- Tampa Bay Water Profile
- Certificate of Achievement
- Board of Directors
- Organizational Structure

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

02/15/2017

The Honorable Board of Directors
Tampa Bay Water
2575 Enterprise Road
Clearwater, FL 33763

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for Tampa Bay Water (Agency) for the fiscal year ended September 30, 2017 in accordance with section 5.06 of the Agency's Utility System Revenue Bond Resolution, Resolution number 98-07. The purpose of this report is to provide the Board of Directors (Board), member agencies, investors, the public and other interested parties with reliable financial information about the Agency.

Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, which is based upon a comprehensive framework of internal controls that was established for this purpose. Because the costs of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Agency policy requires that an independent certified public accounting firm, approved by the Board, audit the financial statements on an annual basis. Mauldin & Jenkins have issued an unmodified (or clean) opinion on the Agency's financial statements for fiscal year ended September 30, 2017.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report in the Financial Section and provides an overview, summary and analysis of the financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

Respectfully Submitted,

Christina Sackett - Chief Financial Officer

Tampa Bay Water Profile

Tampa Bay Water, A Regional Water Supply Authority (the Agency), formerly the 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, 373.713, and 373.715. 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) amending Section 373.1963, *Florida Statutes*.

As part of the 1997 Legislation, the Agency entered into the Interlocal Agreement and 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 is required to meet the Quality Water needs of the Member Governments and to charge a uniform per-1,000 gallons 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.

The Agency provides quality drinking water to its six-member governments whose water service areas serve approximately 2.5 million residents in the Tampa Bay region. The region is served by a combination of groundwater, surface water and desalination water. Since the Agency's inception in 1998, groundwater pumping has reduced by more than 50 percent.

Executive Committee

The Tampa Bay Water board has an Executive Committee that includes the Board Chair, the Vice-Chair and one additional member appointed by the chair. The chair may also choose to appoint another member as an alternate. The policy requires each member of the Executive Committee be from a different county within Tampa Bay Water's geographic area. The Executive Committee meets on the third Monday of the month on off-board meeting months (January, March, May, July, September and November). Presentations for this meeting typically include agency policy discussions and in-depth information on plans and programs for input prior to going to the full board.

Board of Directors

The Board of Directors (the "Board") of Tampa Bay Water is composed of two directors each for Hillsborough, Pasco and Pinellas Counties and one director each from the Cities of New Port Richey, St. Petersburg and Tampa. Each member of the Board is an elected official. In the case of Hillsborough, Pasco and Pinellas Counties, the members of the Board are appointed by their respective Board of County Commissioners and serve at the pleasure of their respective Boards. In the case of St. Petersburg and Tampa, their representatives are currently chosen by their respective Mayors. In the case of New Port Richey, its representative is currently the Mayor.

Organizational Structure

The General Manager is appointed by and serves at the pleasure of the Agency's Board of Directors and is responsible for providing the leadership to develop and expand the organization in a multitude of activities in the areas of water production, science, technology, finance, administration, public affairs, human resources and ensuring that Board policies and programs are implemented in accordance with the Board's direction. The General Manager oversees the Human Resources Department and four divisions as follows:

The Human Resources Department is responsible for assisting in the needs of the 146-full time equivalent employee positions of Tampa Bay Water. Human Resources reports directly to the Agency's General Manager

The Water Production Division plans, designs, builds, operates, supports, monitors, and maintains Agency facilities to continuously provide high-quality water. The Division is divided into three operating sections: Operations & Maintenance, Contracts & Construction, and Engineering Support. The Operation & Maintenance Section is divided into North and South Regions.

The Science and Technology Division leads the Agency in the efficient management of data and information to support all regulatory compliance, permitting and reporting services, water supply planning, source water assessment, decision support activities and information technology support for all business units.

The Finance & Administration Division controls finances, risk and vital records for the Agency. The Division is comprised of three departments; Finance, Purchasing and Records. This Division's goal is to maintain the Agency's financial stability and sustainability. Each department plays a key part in the five objectives developed to help achieve this goal; comply with new financial requirements with increased auditor services, use investment advisor to maximize rate of return on investments, maintain Agency's AA+/Aa1 bond rating by maintaining cash reserves and optimizing debt refunding opportunities, update the chemical and electrical model for data and rate accuracy and implement regular inventory review process.

The Public Affairs Division develops and executes strategic initiatives to maintain open, collaborative relationships with member governments and other stakeholders. The Division includes Public Communications and Intergovernmental Affairs.

Economic Conditions and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Tampa Bay Water resides.

Tampa Bay Water provides water to their members which consists of three counties, Hillsborough, Pasco and Pinellas and one city within each of those counties, the cities of Tampa, New Port Richey, and St. Petersburg. An estimated 2.5 million people receive water from Tampa Bay Water through their members.

According to Moody's Corporation each of the three counties have seen an increase in their total population, per capita income, single family permits, multifamily permits, and a decrease in the unemployment rate from calendar year 2016 to 2017. Hillsborough county had the highest percentage increase in population at 2.29 percent, single family building permits at 41.77 percent, and multifamily building permits at 32.67 percent. Pasco county led the way in the increase in per Capita Income at 7.84 percent and the biggest decrease in unemployment rate of 0.27 percent when comparing calendar years 2016 to 2017.

The positive trends are expected to continue over the next few years for all three counties with Hillsborough county leading the way in population, single family building permits, and multifamily building permits, while Pasco county expects to have the highest increase in per capita income and largest decrease in the unemployment rate.

Long-Range Planning

In April 2011, the Board of Directors adopted a new, 10-year strategic plan for the agency. The plan established clear policy direction for decision-making at all levels of the agency and included updated mission, vision and value statements. The Board's three long-standing principal responsibilities of providing a reliable water supply, environmental stewardship and cost-effective rates were confirmed through their adoption of the strategic plan. In 2014, the Strategic Plan was updated resulting in five strategic goals:

- Maintain water supply and delivery system reliability and sustainability;
- Increase efficiency of all Agency operations;
- Maintain financial stability and sustainability;
- Maintain open, collaborative relationships with member governments and other stakeholders; and
- Uphold a health and safety culture.

The adoption of this plan, as well as recommendations from the 2010 and 2015 performance and management audits performed on the agency and the agency shift from focusing on designing and constructing major water supply facilities to managing and maintaining the $1.25 billion in infrastructure built, led to the agency reorganization.

Using water utility and industry guidance and standards, agency staff went through a series of workshops aimed at educating staff and department leadership about the concepts of organizational design and motivating department leaders to ask what each department does, how agency objectives are being accomplished and whether there are more efficient ways of completing work assignments.

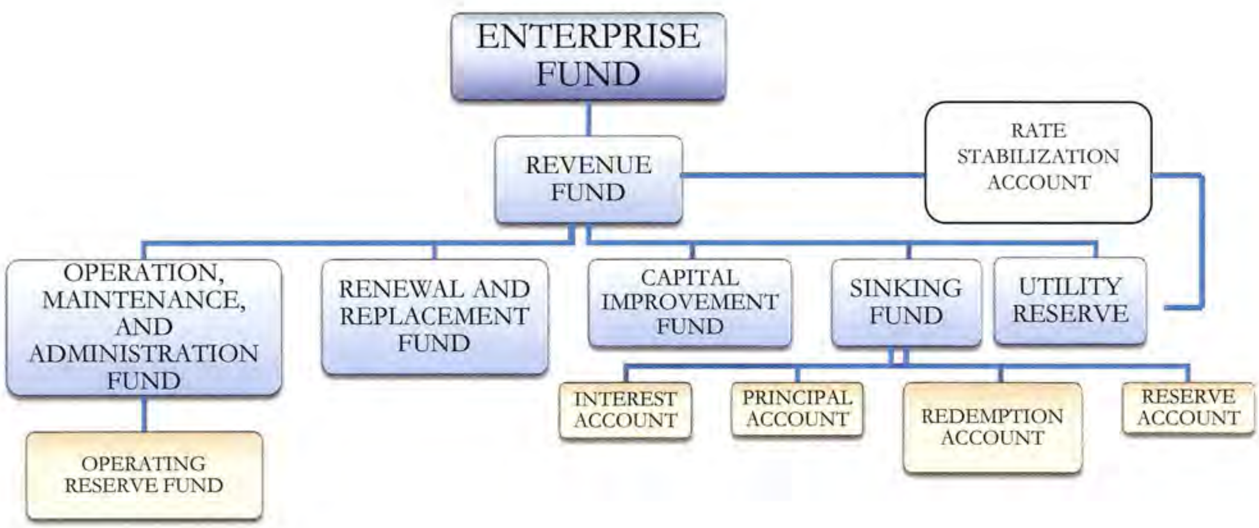
The workshops also led to the development of alternative organizational designs for the agency to achieve the Board objectives in the most effective and efficient ways.

At the General Manager's direction, a new organization chart was developed and implemented beginning in Fiscal Year 2013. Additional changes were made in fiscal year 2014. The new organizational design separates the agency into four divisions: Water Production, Finance & Administration, Public Affairs, and Science & Technology. The Human Resource Department is also a direct report to the General Manager. As part of the reorganization, each division is now focused on developing efficient work processes and creating performance measures to strive for efficiencies and affordable service.

Tampa Bay Water's new organization design focuses on the Mission, Vision and Value statements, better positions the agency to implement the Board's Strategic Plan, and implements recommendations from the performance audits. The Strategic Plan can be found at: http://www.tampabaywater.org/documents/StrategicPlanning2016.pdf

Fund Structure Overview

Tampa Bay Water consists of one major Enterprise Fund, for accounting purposes the Enterprise Fund is further broken down into additional funds and accounts.



1. The Revenue Fund is the initial depository for all Agency revenue. Revenue is transferred to other funds as required.

2. The Operation, Maintenance, and Administration Fund is used to pay all operating and administrative costs of the Agency. The Operation, Maintenance and Administration Fund includes the Operating Reserve Fund.
3. The Renewal and Replacement Fund is used for repairs and replacement of the System as the need arises and as approved by the Board.
4. The Capital Improvement Fund is used to pay costs of various capital projects as designated by the Board.
5. The Sinking Fund holds all Agency funds restricted to payment of Agency debt. The Sinking Fund consists of four (4) accounts: Interest Account, Principal Account, Redemption Account, and Reserve Account. The Interest, Principal, and Redemption Accounts are funded annually from Revenues and are used annually to pay debt service. The Reserve Account is fully funded from bond proceeds and generally changes only when new debt is issued or an outstanding bond issue is redeemed.
6. The Utility Reserve Fund is used for transfers in of any unexpended funds remaining at the end of a fiscal year. The fund balance is maintained at a balance sufficient to meet bond coverage requirements and operating capital needs. The Utility Reserve may be used for any lawful purpose relating to the System, including funding of the Rate Stabilization Account

Financial Policies

The financial policies are intended as a guide to financial stewardship of Tampa Bay Water. The policies will guide essential decisions affecting budget and financial matters to ensure the Agency is financially prepared to meet the Board's immediate and long-term service objectives.

Utility Reserve Fund Policy

To provide adequate operating capital at all times, Tampa Bay Water shall maintain, at a minimum, a Utility Reserve Fund sufficient to cover 10% of yearly budgeted Gross Revenue (as defined in Tampa Bay Water's bond covenants), exclusive of revenue from government grants, whether such grants are received for capital improvement or operating purposes. The balance in the Utility Reserve Fund shall also be maintained at levels sufficient to ensure that Tampa Bay Water complies with its bond covenant requirements including a requirement that Net Revenues plus Fund Balance (unencumbered monies on deposit in the Utility Reserve Fund on the preceding September 30th) be equal to or greater than 125% of annual debt service coming due in the fiscal year. A higher coverage may be established by the Board if circumstances warrant such coverage.

To insure compliance with Master Water Supply requirements, any Gross Revenues which remain on deposit at the end of the fiscal year and which are not required to pay liabilities existing at the end of the fiscal year (unexpended funds) shall be deposited to the Utility Reserve Fund. The Director of Finance & Administration will evaluate the adequacy of the Utility Reserve Fund balance as it relates to both the current year and the succeeding budget year debt covenant calculations. Monies deposited to the Utility Reserve Fund will remain in the Utility Reserve Fund to the extent they are needed to maintain compliance with bond covenants and as required by the Utility Reserve Fund Policy.

Rate Stabilization Account Policy

The Master Water Supply Contract allows the Board to establish a Rate Stabilization account. After meeting the Utility Reserve Fund requirements, any additional funds deposited to the Utility Reserve Fund at the end of the fiscal year shall be transferred to the Rate Stabilization Account and accounted for as deferred inflows of resources of the fiscal year in which the revenues were accrued. Such transfer and accounting must be made no later than 90 days after the end of the fiscal year in which the funds were accrued and must be approved by the General Manager.

The lesser of (a) 3% of budgeted revenue of the year just ended or (b) the dollar amount of encumbrances being carried forward or (c) the amount of monies deposited to the Rate Stabilization Account may be applied as Revenue in the first succeeding fiscal year, with the approval of the General Manager. Such funds are to be used for purposes of funding encumbrances carried forward and/or other approved activities. Encumbrances which exist at the end of the fiscal year just ended and which are being funded from the Uniform Rate may also be carried to the first succeeding fiscal year with the approval of the General Manager to allow for completion of tasks that were budgeted and approved in the fiscal year just ending.

Any monies placed in the Rate Stabilization Account in excess of the 3% of budgeted revenue amount will be applied to the first succeeding fiscal year either to pay expenditures of the first succeeding fiscal year for which rates are collected or to remain in the Rate Stabilization Account for use in a subsequent year. Any application of these monies in excess of 3% requires approval of the Board of Directors.

To the extent that any monies are utilized from the Rate Stabilization Account to fund expenditures currently provided for in the Uniform Rate, the rate being charged will be modified to take this funding into account.

Capital Assets Policy

The Chief Financial Officer is responsible for establishing the policies and procedures necessary to provide adequate internal control over capital assets. Policies and procedures shall be approved by the General Manager. Statements of policy shall be submitted to the Board of Directors for review. All capital assets acquired by the Agency shall be titled to the Agency and recorded in the capital assets records system. At a minimum, the capital assets records system shall contain the applicable information required by regulatory bodies. (Reference: Fla. Statutes, Chap. 274.02; Rules of the Auditor General, Chap. 10.450). An annual physical inventory of all movable equipment shall be taken under the direction of the finance department and reconciled to the capital asset records and general ledger control accounts in accordance with Fla. Statutes, Chap. 274.02 and Rules of the Auditor General, Chap. 10.480).

Debt Policy

The Agency's debt policy permits the following: (a) issuance of debt obligations on behalf of Tampa Bay Water to finance the construction or acquisition of infrastructure and other assets for the purpose of meeting its water supply obligations to the member governments; and (b) issuance of debt obligations to refund outstanding debt when market conditions indicate at least a 3% present value savings or when other management considerations, as recommended by the agency's financial advisors, indicate the refunding is appropriate. The debt policy requires that debt obligations be issued and administered in such a manner as to insure and sustain the long-term financial integrity of Tampa Bay Water and to achieve the highest possible credit rating for the Agency. Debt obligations must be consistent with the Board's Derivative Policy. Also, debt obligations shall not be issued and debt proceeds shall not be used to finance current operations without specific action of the Board and concurrence of the Agency's Bond Counsel as to the appropriateness of that action.

There is no legal limitation on the amount of debt that the Agency can issue. However, the Agency must be able to demonstrate that it can repay the debt from the revenues generated from water sales or other approved sources.

Tampa Bay Water's procedures for effective management of debt are as follows:

- Comply with all debt covenants and requirements of the bond resolution
- Evaluate potential refinancing of debt when present value savings equal or exceed 3% of current debt service
- Issue new debt at the most beneficial interest rates and only when required for financing of the Capital Improvement Program
- Maintain favorable bond ratings by effectively communicating the financial condition of Tampa Bay Water to rating agencies, bond holders and the public
- Utilize cooperative funding through grant programs whenever possible to reduce borrowing
- Schedule debt service payments to provide for gradual impacts on the uniform rate charged to the member governments over a period not to exceed the lesser of the useful life of the project or thirty years

Investment Policy

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

Accounting, Auditing and Financial Reporting Policies

Tampa Bay Water maintains a system of financial monitoring, control, and reporting for its operations and resources to provide an effective means of insuring that Agency goals and objectives are met.

- **Auditing:**

  Each year the Agency has an annual financial audit performed by an independent certified public accounting firm. The results of this audit are included with the Agency's annual financial statements and are reported to the Board no later than March 1st of the subsequent year. The audited financial statements are available on the Tampa Bay Water website.

  The Agency's independent auditors are selected in accordance with the Agency's Auditor Selection Policy and applicable Florida Statutes.

- **Basis of Accounting and Accounting Systems:**

  The Agency's financial records and the annual financial statements are maintained on the accrual basis of accounting, consistent with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements applicable to an enterprise fund. In addition, the Agency follows the rules of the Auditor General of the State of Florida which are applicable to the Agency and utilizes the State of Florida Uniform Accounting System. The Agency's accounting system also includes an encumbrance system for tracking purchase commitments.

- **Performance Audit:**

  The Agency is required to have a performance audit and management study of its operations at five-year intervals. The performance audit and management study reviews program results and makes recommendations regarding the Agency's governance structure and the proper, efficient, and economical operation and maintenance of the Agency's water supply facilities. The latest performance audit was completed in fiscal year 2015 by KPMG, LLP.

Highlights of the Capital Improvement Program

Long-Term Master Water Supply Planning

The Amended and Restated Interlocal Agreement (referred to as the Interlocal Agreement) requires that five-year updates are made to the Long-Term Master Water Plan. Master Water Plan Projects are developed through a water supply planning process, which is performed to ensure:

- The public has sufficient water supplies to meet its needs in an environmentally sustainable and cost-effective manner;
- Tampa Bay Water has sufficient water supply options in its Plan to meet the member governments' needs for at least 10 years; and
- Tampa Bay Water meets its unequivocal obligation to meet member governments' needs. It takes over 10 years to plan, permit, design, and build drinking water facilities.

Tampa Bay Water conducts long-term water supply planning and develops the Long-Term Master Water Plan pursuant to the long-term planning effort.

Long-term water supply planning is conducted at least every five years, evaluating new water supply concepts as needed, and is the pool from which Long-Term Master Water Plan projects are drawn for further evaluation. As part of the planning process, demand projections are annually updated to facilitate new supplies being on-line in a timely manner, but not so far in advance as to unnecessarily burden the cost of water by overbuilding capacity.

System Configuration III Projects

System Configuration III refers to the project or collection of water supply projects that will provide for system expansion when next needed. In December 2007, an initial list of 300 potential projects was narrowed by the Board of Directors to a list of 17 candidate projects for further examination. In December 2008, the Board of Directors approved a list of seven projects, plus three studies, as the update to the Long-Term Master Water Plan. In December 2013, the Board approved the current Long-Term Master Water Plan.

The projects to be further evaluated pursuant to the updated 2013 Long-Term Master Plan that may lead to Configuration III projects are:

- Additional Potable Groundwater from Existing Northern Tampa Bay Wells
- Aquifer Recharge
- Gulf Coast Desalination
- Small Footprint Reverse Osmosis - Pinellas County
- Surface Water Expansion
- Tampa Bay Seawater Desalination Expansion
- Thonotosassa Wells

Feasibility studies of the above-referenced projects started in FY 2014.

The Board directed staff to evaluate potential reuse projects in addition to the traditional projects concepts in August 2014. Agency staff worked with member governments and narrowed potential reclaimed water projects to two:

- Tampa Augmentation Project
- South Hillsborough Aquifer Recharge Project

Feasibility evaluation is being completed on all project concepts and staff will have a series of discussions with the Board in the last half of 2018 to present all the information and develop a final short-list of projects by December 2018.

Systems Analysis and Reliability Considerations

Tampa Bay Water performed a 2035 System Hydraulic and Emergency Scenario Analysis which reviewed capacity, connectivity, reliability, and back-up (piping, pumping, and power) systems based on projected operational needs through 2035. Projects resulting from this analysis will be included in the FYs 2019-2028 Capital Improvement Program.

Energy Management Program

Tampa Bay Water is completing a number of individual energy-saving projects. Tampa Bay Water developed an Energy Management Program roadmap with a programmatic approach to improve energy efficiency through implementation of emerging technology and operational changes. The Energy Management Program Roadmap:

- Provides an action plan that sets expectations and principles, and establishes measurable targets across the organization.
- Identifies elements of technology and energy infrastructure to enhance financial stability and sustainability of Tampa Bay Water operations.
- Provides a basis to analyze the relationship between decisions that affect annual operations/maintenance and capital budgeting.

Renewal and Replacement Program

Tampa Bay Water's Renewal and Replacement Program includes a prioritized long-term plan for renewal, repair, or replacement of assets that will result in sustainable infrastructure. The Program identifies the required projects and their timing based on a risk-based approach that considers criticality, remaining useful life, and risk.

Phase 1 Mitigation Projects

The Phase 1 Mitigation Plan is an on-going program required by Tampa Bay Water's consolidated Water Use Permit. Its purpose is to provide long-term mitigation at wetland and lake sites that were impacted by historical groundwater pumpage at the central system wellfields, and are predicted to not fully recover after the mandated groundwater pumpage cutback to 90 mgd. The Phase 1 Mitigation Plan currently includes a list of 21 mitigation projects.

Major Goals and Initiatives for Upcoming Fiscal Year

The Fiscal Year 2017 budget was put together with important agency policy goals and initiatives in mind. Those goals and initiatives included:

- Meeting the performance requirements of the Master Water Supply Contract to provide high-quality water to our six-member governments.
- Operating our water supply facilities to Improve supply delivery while also maintaining full compliance with all regulatory permits.
- Focusing on achieving the goals specified in the agency's board-approved 2014 strategic plan.

- Focusing on continually improving the efficiency and effectiveness of the agency's operations through ongoing Implementation of the Agency's asset management program of RISE.
- Addressing key recommendations from the 2010 and 2015 Performance and Management Report and allocating our staff and financial resources to meet the boards' objectives for a sustainable and affordable water supply system.
- Continuing to balance and blend our multiple supplies of water sources to deliver high quality, affordable water to our member governments.
- Examining the agency's use of outside consultants and evaluating staffing needs across the agency to ensure both human and fiscal resources are being efficiently allocated.
- Performing feasibility studies on future water supply projects and completing the future needs analysis to support the update of the Long-Term Master Water Plan.
- Refining the models used to accurately Predict the need for new water supplies in the future.
- Safeguarding the public's investment of $1.25 billion In the region's water supply and delivery system to ensure that both the water quality and water quantity meet the needs of the 2.5 million people in our region. Protecting that investment includes:
  - Focusing on the safety and security of our employees and our water supply facilities by preparing and exercising procedures and emergency preparedness plans for the staffing and operation of our water production facilities in disaster events.
  - Renewing and replacing existing Infrastructure to ensure the optimal operation of our facilities over time.
  - Continuing to award community, environmental and educational organizations for projects that promote the protection of our drinking water sources through the Source Water Protection Mini-Grant Program.
  - Continuing to develop and Implement an employee training and knowledge retention program to address the succession planning required over the next several years as long-term employees leave the agency.
  - Expanding the agency's outreach and education program to underscore the importance of a reliable, sustainable water supply for economic and regional growth and development.
  - Working with our colleagues around the country in the continuing research into changes in weather patterns and the Impact of climate change upon the surface water systems serving our area.
  - Maintaining a strong relationship with the Southwest Florida Water Management District, the Florida Department of Environmental Protection, and other regulatory agencies to ensure open and honest communication on regulatory, planning and financial matters.

Planning for the Future

Planning for the future is an on-going process at Tampa Bay Water that includes more than potential new supplies. Our long-term planning process includes analyses of future demand, conservation potential, supply reliability, water shortage mitigation planning and hydrologic uncertainty – all wrapped up in the Long-Term Master Water Plan planning process.

This 20-year plan is a framework for meeting the region's future drinking water needs. The Long-Term Master Water Plan identifies future water needs and potential water supply projects that could be designed and built to meet those needs for the region. The plan, which was instated in 1998, is updated every five years; each update must be approved by the agency's board of directors. The next update will be completed in December 2018.

The planning process includes data from a comprehensive demand forecasting model that help us predict future water demands by analyzing water use data, weather, demographic and economic data. Our Demand Management Plan quantifies potential water savings from passive and active conservation efforts. Planning for dry times is also part of the process. Operational and supply uncertainty is forecasted and modeled, to help understand how to mitigate and manage that risk.

Altogether, these models and plans forecast how much water will be needed in the future and when, so we can plan new supplies at the right time to keep our region growing and thriving.

The Need for New Water

Tampa Bay Water's current supply is expected to meet the region's water needs through 2028, even with projected growth. We are investigating potential new supplies now because it can take 10 years or more to investigate, design, permit, fund, build and startup a new water supply project.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tampa Bay Water
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Tampa Bay Water
Florida

For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Tampa Bay Water

Florida

For the Fiscal Year Beginning

October 1, 2017

Christopher P. Morrill

Executive Director

Tampa Bay Water's Board of Directors

Tampa Bay Water is often cited as a model of regional cooperation, thanks to the spirit of regionalism that created the utility as well as the continuous regional efforts of our board of directors. Each elected official on our nine-member board represents an individual city or county that we serve, but at the dais, each also represents the Tampa Bay region. The policy decisions and directives of our board ensure our region has adequate and sustainable drinking water to support our economy, environment and way of life.

Chairman Councilman
Karl Nurse
City of St. Petersburg

Vice Chair-Madam Commissioner
Sandra L. Murman
Hillsborough County

Commissioner
Dave Eggers
Pinellas County

Commissioner
Ken Hagan
Hillsborough County

Commissioner
Jack Mariano
Pasco County

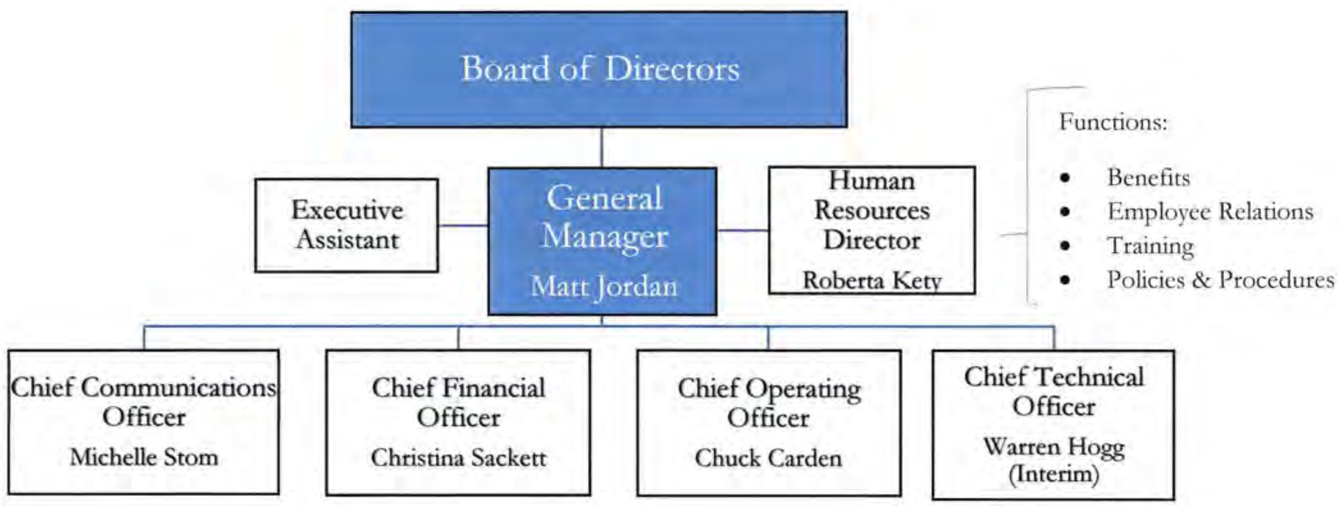
Mayor
Rob Marlowe
City of New Port Richey

Councilman
Charlie Miranda
City of Tampa

Commissioner
Pat Gerard
Pinellas County

Commissioner
Ron Oakley
Pasco County

Tampa Bay Water's Organizational Structure



Chief Communications Officer – Functions:

- Public Communications
- Strategic Communications
- Gov't. & Legislative Affairs
- Outreach & Education

Chief Financial Officer – Functions:

- Finance
- Purchasing & Warehouse
- Records

Chief Operating Officer – Functions:

- Water Production
- Operations
- Facilities Maintenance
- Contracts & Construction
- Engineering Support
- Technical Support
- Safety & Security

Chief Technical Officer – Functions:

- Regulatory Compliance
- Modeling & Source Analysis
- Information Technology
- Planning
- Demand Management
- Laboratory

TAMPA
BAY
WATER

II. FINANCIAL SECTION

- Report of Independent Certified Public Accountants
- Management's Discussion and Analysis
- Financial Statements
    - Statement of Net Position
    - Statement of Revenue, Expenses, and Changes in Net Position
    - Statement of Cash Flows
    - Notes to Financial Statements
- Required Supplementary Information
    - Pension
    - Other Post-Employment Benefits

Report of Independent Certified Public Accountants

MAULDIN
& JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of Tampa Bay Water, A Regional Supply Authority (the "Agency"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 respective financial position of the Agency as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

1401 MANATEE AVENUE WEST, SUITE 1200 • BRADENTON, FLORIDA 34205 • 941-747-4483 • FAX 941-747-6035 • www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 32 through 46), the schedule of agency proportionate share of the net pension liability – Florida Retirement System, the schedule of agency contributions – Florida Retirement System, the schedule of agency proportionate share of the net pension liability – Health Insurance Subsidy Program, the schedule of agency contributions – Health Insurance Subsidy Program, and the schedule of funding progress – Other Post-Employment Benefits Plan (on pages 101 through 105) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, budgetary comparison schedule fiscal year 2017, schedule of debt service coverage – utility system revenue bonds Series 2001A, 2004, 2005, 2010, 2011, 2011A, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of debt service coverage – utility system revenue bonds Series 2001A, 2004, 2005, 2010, 2011, 2011A, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C 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 of America. In our opinion, the schedule of debt service coverage – utility system revenue bonds Series 2001A, 2004, 2005, 2010, 2011, 2011A, 2013, 2015A, 2015B, 2016A, 2016B, and 2016C is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, budgetary comparison schedule fiscal year 2017, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018, 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 the 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 15, 2018

Management's Discussion and Analysis

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, 2017. 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 $1.25 billion to provide water to its six Member Governments. Financial data for the fiscal year ended September 30, 2017, 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 2017 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 year 2015, which outlines the Agency's strengths and provides additional focus for enhancements in operational efficiency.

- The Agency's net position increased $8.7 million or 1.12% in fiscal 2017.

- Increased water demand from its six members resulted in an increase in water production from 160.8 mgd in 2016 to 179.3 mgd in 2017. Continuing economic growth within our region especially in Hillsborough and Pasco county were the main reason for the demand increase.

Financial Highlights (continued)

- During 2017, the Agency's revenue from water sales was \$156.8 million. In addition, \$0.6 million was transferred to the Rate Stabilization Account in accordance with contractual obligations with the Agency's members and Agency accounting policies, resulting in a net increase in revenue recognized of \$1.1 million from 2016 to 2017.
- The Agency's operating expenses increased by \$3.5 million, or 5.3%, from 2016 to 2017, as a result of the 2017 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, as "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 2017	FY 2016 *
Assets		
Current unrestricted assets	$ 72.5	$ 60.0
Current restricted assets	141.0	132.7
Non-current assets	1,637.5	1,672.9
Total assets	$ 1,851.0	$ 1,865.6
Deferred outflows of resources		
Loss on refunding of debt	$ 41.7	$ 55.5
Unrealized pension contributions and losses – FRS	4.0	3.1
Unrealized pension contributions and losses – HIS	0.9	0.9
Total deferred outflows of resources	$ 46.6	$ 59.5
Liabilities and net position		
Liabilities:		
Long-term debt outstanding	$ 996.4	$ 1,040.1
Other liabilities	84.5	78.1
Total liabilities	$ 1,080.9	$ 1,114.2
Deferred inflows of resources		
Rate stabilization	$ 31.0	$ 30.3
Unrealized pension gains – FRS	0.3	0.2
Unrealized pension gains – HIS	0.3	–
Total deferred inflows of resources	$ 31.6	$ 30.5
Net position		
Net investment in capital assets	$ 662.0	$ 686.7
Restricted	86.9	55.8
Unrestricted	36.2	33.9
Total net position	$ 785.1	$ 776.4

Financial Analysis of the Agency (continued)

Net Position (continued)

As shown in table A-1, total net position increased $8.7 million, or 1.12%, to $785.1 million in fiscal 2017 from $776.4 million in fiscal 2016. This increase is largely due to the net restatement, in the amount of $5.6 million to the fiscal year 2016 net position, explained in footnote 16.

* Fiscal year 2016 is restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC.

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 2017	FY 2016 *
Operating revenues	$ 156.1	$ 155.1
Operating expenses	(69.1)	(65.6)
Operating income before depreciation	87.0	89.5
Depreciation	(29.9)	(29.5)
Operating income	57.1	60.0
Investment revenue, net of realized and unrealized gain (loss) of $0.7 and $0.0 in 2017 and 2016, respectively	1.2	1.2
Less capitalized interest	–	–
Interest expense	(50.7)	(54.3)
Less capitalized interest	0.7	0.5
Loss on disposal of capital assets, net	(1.3)	(6.9)
Litigation recoveries	1.1	1.2
Income before contributions	8.1	1.7
Capital Contributions	.6	.2
Change in net position	8.7	1.9
Cumulative Effect on Bond Amortization/Reserve Funds	–	5.6
Total net position – beginning (as restated)	776.4	768.9
Total net position – ending	$ 785.1	$ 776.4

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, the change in net position increased in 2017 from 2016 by $8.7 million, or 1.12%.

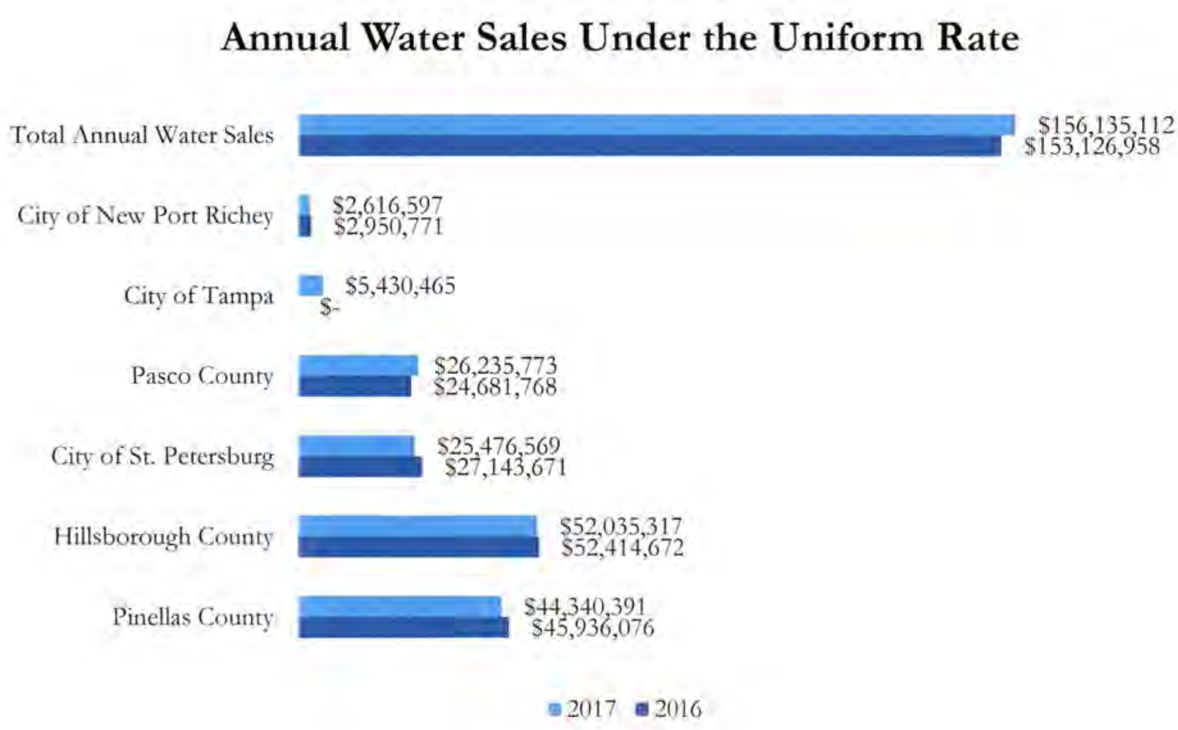
* Fiscal year 2016 is restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC.

Financial Analysis of the Agency (continued)

Change in Net Position (continued)

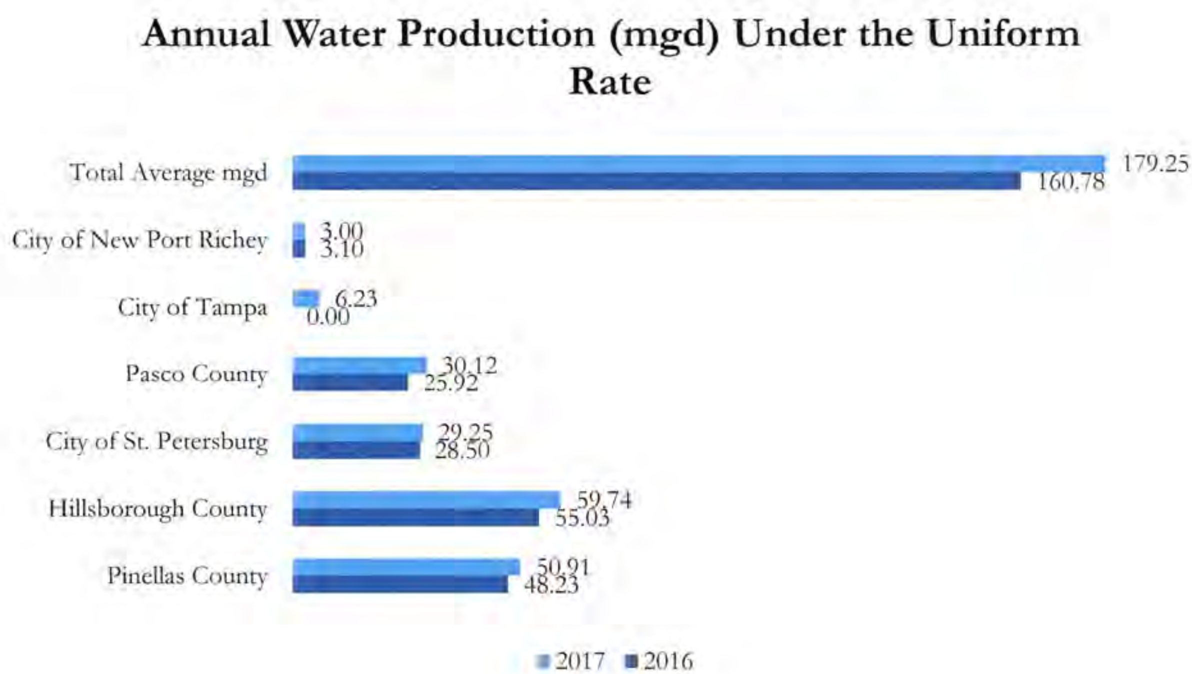
As illustrated in the following charts, total water sales billed to Member Governments under the Uniform Rate was $156.1 million in 2017 compared to $153.1 million in 2016. Demand increased by 11.49% from 160.78 mgd (millions of gallons per day) in 2016 to 179.25 mgd in 2017. The significant increase in demand is a result of a one-hundred-year drought that impacted the region and the continuing economic growth in Pasco and Hillsborough counties. The City of Tampa purchased an average of 6.23 mgd in 2017, the last time the City of Tampa purchased water from the agency was in 2013.

Amounts billed under the Uniform Rate differ from the total revenue from water sales by the amount of water sales revenue from the Tampa Bypass Canal.



Financial Analysis of the Agency (continued)

Change in Net Position (continued)



In its 2017 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 slightly increased in 2017 by $3.5 million from 2016.

Depreciation expense increased by $0.4 million in 2017 from 2016, largely due to new capital assets being put into service in fiscal year 2017.

Concerns over the stability of financial markets continue to delay investing in higher yielding investments. Investment revenue, after capitalization, decreased by $0.02 million from 2016 to 2017. 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 decreased $3.8 million, net of interest capitalized in 2017. This net decrease is due primarily to a $1.9 million decrease in the interest on bond payments and a $1.1 million decrease in bonds issuance costs.

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 2017, the net loss of $1.3 million which is $5.6 million less than the net loss incurred in 2016. The primary reason for the difference is because in 2016 the agency wrote-off project costs of $4.9 million associated with Cone Ranch and $0.9 million associated with Cypress Bridge Well Field Evaluation. In 2017, the net loss of $1.3 million resulted primarily from the write-off of costs associated with various small assets.

Capital Assets and Long-term Debt

The Agency has a net investment of $1,250.6 million and $1,268.1 million at September 30, 2017, and 2016, 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 2017	FY 2016
Land and improvements	$ 82.0	$ 82.1
Wells and wellfield improvements	139.1	139.1
Water treatment and pumping facilities	694.2	690.1
Transmission mains	339.9	339.7
Buildings	19.6	19.6
Reservoir	297.1	297.1
Other equipment and software	20.6	20.1
	1,592.5	1,587.8
Less accumulated depreciation	363.3	334.0
	1,229.2	1,253.8
Construction-in-progress:		
Water treatment plants and booster stations	0.7	0.5
Transmission mains	0.1	–
Surface water sources and pumping facilities	6.4	2.5
Wellfields and improvements	1.5	0.9
Desalination facilities	10.8	10.4
Other supply and infrastructure	1.9	–
Software in development	–	–
	21.4	14.3
Capital assets, net	$ 1,250.6	$ 1,268.1

More information about the Agency's Capital Assets is disclosed in the Notes to Financial Statements under note 8, title Capital Assets.

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 2017, construction-in-progress increased by $7.1 million over 2016.

Bond Ratings	Limitations on Debt
Agency ratings from Moody's, Standard & Poor's and Fitch are Aa1, AA+, and AA+, respectively. The outstanding bonds for Series 2001A, 2004 and 2005 bonds carry insurance with Financial Guaranty Insurance Company. The Series 2010, 2011, 2011A, 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	35.5	5.25
2005 bonds	139.7	5.50
2010 bonds	6.4	5.00
2011 bonds	58.7	5.00
2011A bonds	46.2	4.90
2013 bonds	75.3	4.84
2015A bonds	180.8	4.14
2015B bonds	94.8	3.07
2016A bonds	96.6	4.45
2016B bonds	32.6	3.48
2016C bonds	55.3	5.00
	$ 871.90	

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 1.49 and 1.48 at September 30, 2017, and 2016, 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 2017	FY 2016
Revenue from sales	$ 156.1	$ 155.1
Less: Purchase price amortization credit	(10.2)	(10.2)
Litigation and insurance recoveries	1.1	1.2
Investment revenue *(Note 1)*	1.9	1.0
Total revenue	148.9	147.1
Operation and maintenance expenditures *(Note 2)*	(70.4)	(67.6)
Net revenue for coverage calculation	$ 78.5	$ 79.5
Total debt service on bonds	$ 70.1	$ 71.0
Required deposit to Capital Improvement Fund	5.2	4.6
Required deposit to Renewal and Replacement Fund	3.2	3.2
Total debt service and reserve requirements	$ 78.5	$ 78.8
Debt service and reserve coverage (times)	1.00	1.01
Fund balance *(Note 3)*	$ 26.3	$ 25.3
Net revenue plus fund balance	$ 104.8	$ 104.8
Debt service coverage (times)	1.49	1.48

Note 1: Investment revenue does not include interest on construction funds of $0.1 million and $0.1 million in 2017 and 2016, respectively, or unrealized investment losses of $0.7 million in 2017 and unrealized gains of $0.1 million in 2016.

Note 2: Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $1.3 million and $2.0 million in 2017 and 2016, 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.

More information about the Agency's Long-Term Debt is disclosed in the Notes to Financial Statements under note 10, title Long-Term Debt and Other Noncurrent Liabilities.

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 developing the annual budget and setting the fiscal year 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, environmental conditions, and the economy of the region as a whole. Budgeted demand for 2018 increased by 7.2 million gallons per day over the 2017 budgeted demand. The 2018 budgeted expenditures increased by $2.6 million, or 1.58%, with this increase the Agency decreased the use of rate stabilization funds from $2.87 million in 2017 to $0 in 2018 and increased funding into the Capital Improvement Fund by $1 million. The budgeted Uniform Rate for 2018 is $2.5590 per thousand gallons, which is the seventh consecutive year at this 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 2018.

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, 2017

Assets	
Current assets:	
Unrestricted assets:	
Cash and cash equivalents	$ 48,397,380
Accounts receivable from sale of water	12,813,671
Interest receivable	388,593
Investments	8,814,333
Inventories	945,370
Other accounts receivable	11,587
Other current assets	1,112,606
Total unrestricted assets	72,483,540
Restricted assets:	
Cash and cash equivalents	116,086,354
Investments	24,377,641
Grants receivable	590,000
Total restricted assets	141,053,995
Total current assets	213,537,535
Noncurrent assets:	
Investments, unrestricted	17,460,498
Investments, restricted	51,151,729
Capital assets, non-depreciable	100,039,250
Capital assets, depreciable, net	1,150,547,087
Water capacity rights	318,058,360
Bond issuance costs, net of accumulated amortization of $922,668	216,894
Total noncurrent assets	1,637,473,818
Total assets	1,851,011,353
Deferred outflows of resources	
Loss on refunding of debt	41,770,450
Unrealized pension contributions and losses – FRS	4,001,029
Unrealized pension contributions and losses – HIS	875,065
Total deferred outflows of resources	46,646,544
Total assets and deferred outflows of resources	1,897,657,897

Continued on next page.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Net Position (continued)

September 30, 2017

Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$	10,240,507
Credits due to customers		5,446,883
Total current liabilities		15,687,390
Current liabilities payable from restricted assets:		
Construction funds accounts payable		1,585,331
Accrued interest payable		20,167,167
Current portion of long-term debt		35,762,957
Total current liabilities payable from restricted assets		57,515,455
Noncurrent liabilities:		
Long-term debt, net of current portion		996,384,891
Other post-employment benefits		372,742
Net pension liability – FRS Pension Plan		7,442,182
Net pension liability – HIS plan		3,529,306
Total noncurrent liabilities		1,007,729,121
Total liabilities		1,080,931,966
Deferred inflows of resources		
Rate stabilization		31,028,033
Unrealized pension gains – FRS		298,717
Unrealized pension gains – HIS		312,532
Total deferred inflows of resources		31,639,282
Net position		
Net investment in capital assets		662,029,752
Restricted for:		
Debt Service Sinking Fund		29,795,000
Renewal and Replacement Fund		27,014,323
Capital Improvement Fund		18,026,011
Operations and Maintenance Reserve		3,892,858
Energy Savings Fund		381,216
Grants Receivable		590,000
Desal - Reserves		2,129,958
SWTP – Reserves		5,078,300
Unrestricted		36,149,231
Total net position	$	785,086,649

See accompanying notes.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2017

Revenue from sale of water	$ 156,811,001
Rate stabilization transfer	(660,623)
Total operating revenue	156,150,378
Operating expenses	(69,085,262)
Operating income before depreciation	87,065,116
Depreciation expense	(29,906,334)
Operating income	57,158,782
Nonoperating revenues (expenses):	
Investment revenue, net of realized and unrealized gain	1,221,212
Less capitalized amount	(42,085)
Interest expense	(50,649,050)
Less capitalized amount	692,976
Loss on disposal of capital assets	(1,331,299)
Litigation recoveries	1,084,167
Total nonoperating expenses, net	(49,024,079)
Income before contributions	8,134,703
Capital Contributions	590,000
Change in net position	8,724,703
Total net position – beginning	770,785,141
Cumulative effect of prior year changes	5,576,805
Total net position – beginning (as restated)	776,361,946
Total net position – ending	$ 785,086,649

See accompanying notes.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Cash Flows

Year Ended September 30, 2017

Operating activities		
Receipts from customers	$	158,808,292
Payments for goods and services		(57,803,642)
Payments to employees		(10,919,701)
Litigation/insurance recoveries		1,084,167
Net cash provided by operating activities		91,169,116
Capital and related financing activities		
Capital contributions		58,000
Acquisition and construction of capital assets		(13,889,507)
Proceeds from disposition of capital assets		736,854
Increase in accounts payable from restricted assets		956,024
Principal paid on capital and other long-term debt		(34,513,644)
Interest paid on capital and other long-term debt		(45,558,688)
Net cash used in capital and related financing activities		(92,210,961)
Investing activities		
Proceeds from sales and maturities of investments		(34,814,392)
Purchase of investments		32,833,401
Interest received on investments		1,807,142
Net cash used in investing activities		(173,849)
Net change in cash and cash equivalents		(1,215,694)
Cash and cash equivalents, beginning of year		165,699,428
Cash and cash equivalents, end of year	$	164,483,734

Continued on next page.

Tampa Bay Water
(A Regional Water Supply Authority)

Statement of Cash Flows (continued)

Year Ended September 30, 2017

Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	57,158,782
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		29,906,334
Rate stabilization transfer		660,623
Litigation recoveries		1,084,167
Changes in operating assets and liabilities:		
Accounts receivable		(545,633)
Inventories		(6,645)
Other current assets		(862,141)
Accounts payable and accrued expenses		499,640
Credits due to customers		2,883,462
OPEB Liability		24,188
Pension expense adjustment		366,340
Total adjustments		34,010,335
Net cash provided by operating activities	$	91,169,116

Supplemental schedule of noncash investing and financing activities

The Agency recognized a decrease in the fair value of its investments of $737,604.

The Agency received payment of $58,000 for the fiscal year 2016 grant receivable and recorded grant receivable of $590,000 in fiscal year 2017.

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).

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 90 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, 2017.

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 2017.

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 Issuance 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 issuance 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 issuance costs are expensed as incurred. Amortization of bond issuance 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 $590,000 in capital contributions during the year ended September 30, 2017.

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.

2. Summary of Significant Accounting Policies (continued)

Implementation of New Accounting Pronouncements

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 financials was not significant.

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 impact to the Agency's financials was not significant.

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 impact to the Agency's financials was not significant.

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 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 financials was not significant.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Not Yet Effective

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 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 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.

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements – Not Yet Effective (continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for periods beginning after December 15, 2018. The impact to the Agency's financial reporting has not been determined

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement is effective for periods beginning after June 15, 2017. The impact to the Agency's financial reporting has not been determined.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for periods beginning after June 15, 2017. The impact to the Agency's financial reporting has not been determined.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for periods beginning after December 15, 2019. 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.

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.

3. Permits and Regulations (continued)

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.

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.

3. Permits and Regulations (continued)

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.

** 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.

3. Permits and Regulations (continued)

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, 2017:

Member Government	Annual Water Quantity Sold (mgd)	Amounts Billed
Hillsborough County	59.74	$ 52,035,317
City of New Port Richey	3.00	2,616,597
Pasco County	30.12	26,235,773
Pinellas County	50.91	44,340,391
City of St. Petersburg	29.25	25,476,569
City of Tampa	6.23	5,430,465
Total current year water sales	179.25	$ 156,135,112
Peak day production	261.08	

In 2017 the Agency sold an average of 9.95 mgd to the City of Tampa under the Tampa By-Pass Canal Surplus Water Agreement totaling $570,433.

Other revenues for the Agency totaled $105,456 in 2017.

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 85% of the Annual Estimate.

5. Restricted Assets (cash, cash equivalents, investments)

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. The balances, as of September 30, 2017, components and descriptions of the various funds are as follows:

Construction funds	$ 14,293,566
Debt service sinking funds	49,962,167
Renewal and replacement funds	27,014,323
Capital improvement funds	18,026,011
Energy savings funds	381,216
Operations and maintenance funds	3,892,858
Debt service reserve funds	70,837,325
Desal –Reserves	2,129,958
Surface Water Treatment Plant - Reserves	5,078,300
	$ 191,615,724

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)

Debt Service Sinking Funds – Sinking funds represent the principal and interest amounts for the next debt service payment due on the Series 2001A, 2004, 2005, 2010, 2011, 2011A, 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, 2010, 2011, 2011A, 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, 2017, the total carrying amount of the Agency's deposits (unrestricted and restricted), exclusive of petty cash of $1,450, was $164,482,284. All 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 August 2017, the Board of Directors approved Resolution 2017-00, 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), (12) supranationals and (13) 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, 2017, 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	02/28/18-09/30/21	0.6250 to 1.50	$ 36,816,574	AA+	Aaa
U.S. Government Agency	06/29/18-09/28/20	0.6250 to 1.875	40,684,442	AA+	Aaa
American Express Card Corp Note	7/31/18	1.80	750,795	A+	A2
American Honda Finance Corporate Notes	10/10/18	2.1250	1,508,775	A+	A1
Apple Inc Corp Notes	2/23/21	2.25	1,335,666	AA+	Aa1
Bank of NY Mellon	04/15/21	2.50	1,010,000	A	A1
Bank of Tokyo Mitsubishi UFJ CP	11/08/17	0.00	2,035,632	A-1	P-1
Berkshire Hathaway Fin Global Notes	5/15/22	3.00	1,395,319	AA	Aa2
Boeing Company Flt RT Note	10/30/17	1.2967	330,043	A	A2
Chevron Corporate Notes	11/09/17	1.3440	599,988	AA-	Aa1
Chevron Corporate Global Notes	6/24/18	1.7180	1,501,245	AA-	Aa3
Chubb INA Holdings Corp Notes	11/03/20	2.30	1,359,896	A	A3
Cisco Systems Inc.	9/20/19	1.40	338,293	AA-	A1
Coca-Cola Co. Global Notes	5/30/19	1.375	737,602	AA-	Aa3
HSBC USA Corp Notes	3/05/18	1.70	1,701,394	AA-	A2
International Business Machines	5/17/19	1.80	903,204	AA-	Aa3
John Deere Capital Corp Notes	8/10/18-1/08/21	1.75-2.55	1,463,613	A	A2
JP Morgan Chase & Co Corp Note	3/22/19-6/07/21	1.85-2.40	1,352,114	A-	A3
PepsiCo Corp Notes	10/04/19	1.35	747,765	A	A1
Toyota Motor Credit Corp	7/13/18	1.55	1,650,924	AA-	Aa3
US BANCORP	01/24/22	2.6250	1,368,819	A+	A1
Wells Fargo & Company	4/22/19	2.1250	502,750	A	A2
Wells Fargo & Corp Note	12/11/17	5.6250	1,709,348	AA+	A2
Total investments			$ 101,804,201		

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, 2017.

Fair Value Measurements

In Fiscal Year 2016 Tampa Bay Water 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
	9/30/2017	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
Commercial Paper	$ 2,035,632	$ 2,035,632
Municipal Bonds	259,688	259,688
US Corporate	22,267,553	22,267,553
US Government Agency	40,684,442	40,684,442
US Treasury	36,556,886	36,556,886
Total Investment by Fair Value Level	$ 101,804,201	$ 101,804,201

The fair value of the financial instruments shown in the table above as of September 30, 2017 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:

Government Securities and Agency Obligations: The estimated fair value of debt securities is 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.

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 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, 2017, the Agency has received $58,000 from the state and a receivable is due to the Agency from the state totaling $590,000.

8. Capital Assets

The following are summaries of capital asset changes for the years ended September 30, 2017.

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets, non-depreciable:				
Land	$ 78,809,999	$ 82,923	$ 243,957	$ 78,648,965
Construction-in-progress	14,369,617	13,360,257	6,339,589	21,390,285
Total non-depreciable capital assets	93,179,616	13,443,180	6,583,546	100,039,250
Capital assets, depreciable:				
Land improvements	3,294,936	–	–	3,294,936
Buildings	19,555,850	–	–	19,555,850
Wells and wellfield improvements	139,107,959	–	–	139,107,959
Transmission mains	339,673,167	303,043	33,839	339,942,371
Water treatment and pumping facilities	690,138,664	4,132,997	59,835	694,211,826
Reservoir	297,129,318	7,336	–	297,136,654
Other equipment and software	20,061,991	1,180,142	610,088	20,632,045
Total depreciable capital assets	1,508,961,885	5,623,518	703,762	1,513,881,641
Less accumulated depreciation:				
Land improvements	857,118	91,539	–	948,657
Buildings	5,509,562	585,912	–	6,095,474
Wells and wellfield improvements	63,343,508	3,316,586	–	66,660,094
Transmission mains	65,901,210	4,609,494	–	70,510,704
Water treatment and pumping facilities	166,924,560	16,267,690	–	183,192,250
Reservoir	18,871,692	3,298,402	–	22,170,094
Other equipment and software	12,619,751	1,736,711	599,181	13,757,281
Total accumulated depreciation	334,027,401	29,906,334	599,181	363,334,554
Total depreciated capital assets, net	1,174,934,484	(24,282,816)	104,581	1,150,547,087
Total capital assets, net	$ 1,268,114,100	$ (10,839,636)	$ 6,688,127	$ 1,250,586,337

8. Capital Assets (continued)

Deletions from construction-in-progress in 2017 include $1,813,289 for projects costs that were 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. Deletions also includes $4,410,963 that were transferred to depreciable capital assets, $82,924 transferred to land and $32,413 to equipment.

Depreciation expense was $29,906,334 for the fiscal year ended September 30, 2017.

Commitments on construction contracts at September 30, 2017, were approximately $9,964,587.

Interest is capitalized net of earnings from related tax-exempt debt proceeds. Interest cost incurred was $50,649,050 for the fiscal year ended September 30, 2017. Of the interest cost incurred, $692,976 was capitalized for the fiscal year ended September 30, 2017, offset by investment revenue earned on tax-exempt debt funds restricted for construction of $42,085.

9. Accounts Payable

Accounts payable and accrued expenses at September 30, 2017, consist of amounts owed for operating and payroll expenses as follows:

Accounts payable	$ 8,011,741
Accrued payroll expenses	2,228,766
	$ 10,240,507

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.

Long-term debt and other noncurrent liabilities as of September 30, 2017, 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		
1.17% to 3.61% series bonds due annually at varying amounts from 2017 through 2031 interest payable semiannually		32,590,000
Utility System Refunding Revenue Bonds, Series 2016A		
5.00% to 3.25% series bonds due annually at varying amounts from 2032 through 2038 interest payable semiannually		96,630,000
Utility System Refunding Revenue Bonds, Series 2015B		
1.01% to 3.33% serial bonds due annually at varying amounts from 2017 through 2031, interest payable semiannually		94,780,000
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 2028 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

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

Utility System Refunding Revenue Bonds, Series 2011A		
3% to 5% serial bonds due annually at varying amounts through 2024, interest payable semiannually	$	41,705,000
4% serial bonds (retail coupon) due annually at varying amounts through 2024, interest payable semiannually		4,540,000
Total Series 2011A		46,245,000
Utility System Refunding Revenue Bonds, Series 2011		
5% forward delivery bonds due annually at varying amounts through 2021, interest payable semiannually		58,670,000
Utility System Refunding Revenue Bonds, Series 2010		
5% serial bonds due in 2026, interest payable semiannually		6,395,000
Utility System Refunding and Improvement Revenue Bonds, Series 2005		
5.5% serial bonds due annually at varying amounts through 2024, interest payable semiannually		139,650,000
Utility System Refunding Revenue Bonds, Series 2004		
5.25% serial bonds, due annually at varying amounts through 2019, interest payable semiannually		35,465,000
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	$	871,900,000
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	$	84,858,357
Total debt outstanding		956,758,357
Less current maturities		(35,762,957)
		920,995,490
Add unamortized bond premium		75,389,491
Total long-term debt	$	996,384,891

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

The Agency's changes in noncurrent liabilities for the fiscal year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017	Due Within One Year
2001A bonds	$ 50,000,000	$ –	$ –	$ 50,000,000	$ –
2004 bonds	47,235,000	–	11,770,000	35,465,000	16,925,000
2005 bonds	145,060,000	–	5,410,000	139,650,000	1,155,000
2006 bonds	355,000	–	355,000	–	–
2010 bonds	6,395,000	–	–	6,395,000	–
2011 bonds	68,785,000	–	10,115,000	58,670,000	10,615,000
2011A bonds	46,275,000	–	30,000	46,245,000	35,000
2011B bonds	175,000	–	175,000	–	–
2013 bonds	75,295,000	–	–	75,295,000	–
2015A bonds	180,835,000	–	–	180,835,000	–
2015B bonds	95,555,000	–	775,000	94,780,000	835,000
2016A bonds	96,630,000	–	–	96,630,000	–
2016B bonds	32,785,000	–	195,000	32,590,000	230,000
2016C bonds	55,345,000	–	–	55,345,000	–
Acquisition credits	90,547,001	–	5,688,644	84,858,357	5,967,957
Unamortized bond issue premium *	83,399,010	–	8,009,519	75,389,491	–
	1,074,671,011	–	42,523,163	1,032,147,848	35,762,957
Less current portion	(34,513,644)	–	(34,513,644)	(35,762,957)	–
Total long-term debt	1,040,157,367	–	8,009,519	996,384,891	35,762,957
Net OPEB obligation	348,554	45,981	21,793	372,742	–
Net pension liability – FRS Pension plan	5,913,769	2,337,388	808,975	7,442,182	–
Net pension liability – HIS plan	3,686,822	321,303	478,819	3,529,306	–
Total noncurrent liabilities	$ 1,050,106,512	$ (33,080,078)	$ 9,297,313	$ 1,007,729,121	$ 35,762,957

* Beginning amount changed due to a prior period adjustment resulting from effective interest method of amortization. See footnote 16.

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

Annual bonds debt service requirements to maturity for all bonds long-term debt as of September 30, 2017, are as follows:

	Principal	Interest	Total
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	36,380,000	32,810,077	69,190,077
2023–2027	211,990,000	133,107,828	345,097,828
2028–2032	271,300,000	79,421,027	350,721,027
2033–2037	151,170,000	33,785,188	184,955,188
2038–2039	72,525,000	3,021,406	75,546,406
	$ 871,900,000	$ 430,841,246	$ 1,302,741,246

Annual acquisition credits debt service requirements to maturity for all acquisition credits long-term debt as of September 30, 2017, are as follows:

	Principal	Interest	Total
2018	$5,967,957	$4,263,601	$10,231,558
2019	6,263,370	3,968,187	10,231,558
2020	6,578,418	3,653,140	10,231,558
2021	6,909,312	3,322,245	10,231,558
2022	7,256,851	2,974,707	10,231,558
2023–2027	42,140,892	9,016,896	51,157,788
2028	9,741,557	490,000	10,231,558
	$ 84,858,357	$ 27,688,776	$ 112,547,133

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 $871,900,000 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 $70,129,335 in 2017. Annual principal and interest payments on the bonds are expected to require less than 50% of annual operating revenues. Bond covenants require the Agency

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

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, 2017, the Agency complied with all debt covenants.

Defeasance of Debt

Not in 2017 but 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, 2017, 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 $361,165,000.

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)

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, 2017.

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, 2016 to June 30, 2017, the plan rates were 7.52%, 21.77%, and 12.99% for the regular class, senior management class, and drop participants, respectively. In 2017, legislation changed the plan rates for the plan year beginning July 1, 2017 to 7.92%, 22.71%, and 13.26% 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, 2017, was $949,710.

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.

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

11. Employee Retirement Plan (continued)

Benefits Provided (continued)

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.

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

At September 30, 2017, the Agency reported a liability of $7,442,182 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The actuarial valuation was rolled forward to June 30, 2017, using update procedures. The Agency's proportionate share of the net pension liability was based on the Agency's fiscal year 2017 contributions relative to the contributions of all participating members. At June 30, 2017, the Agency's proportionate share was 0.02516%, which was an increase of 0.0017% from its proportionate share measured as of June 30, 2016.

11. Employee Retirement Plan (continued)

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

For the fiscal year ended September 30, 2017, the Agency recognized pension expense of $1,405,801. 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	$ 683,013	$ (41,226)
Change of assumptions	2,501,098	–
Net difference between projected and actual earnings on Pension Plan investments	–	(184,436)
Changes in proportion and differences between Agency Pension Plan contributions and proportionate share of contributions	619,347	(73,055)
Agency Pension Plan contributions subsequent to the measurement date	197,571	–
Total	$ 4,001,029	$ (298,717)

The deferred outflows of resources related to the Pension Plan, totaling $197,571 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, 2018. 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:	
2018	$ 552,413
2019	1,192,627
2020	833,116
2021	192,604
2022	531,409
Thereafter	202,572

11. Employee Retirement Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017, 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	7.10%, 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 was based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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%	1.8%
Fixed income	18.0	4.5	4.4	4.2
Global equity	53.0	7.8	6.6	17.0
Real estate (property)	10.0	6.6	5.9	12.8
Private equity	6.0	11.5	7.8	30.0
Strategic investments	12.0	6.1	5.6	9.7
Total	100.00%			
Assumed inflation – mean		2.60		1.9

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

11. Employee Retirement Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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.

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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Agency's proportionate share of the net pension liability (asset)	$ 13,469,898	$ 7,442,182	$ 2,437,795

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, 2017, the Agency reported a payable in the amount of $173,882 for outstanding contributions to the Pension Plan.

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, 2017, 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, 2016 and 2017, the rates were 1.66% for both years.. 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 $177,684 for the fiscal year ended September 30, 2017.

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, 2017, the Agency reported a liability of $3,529,306 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of June 30, 2017. 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, 2017, the Agency's proportionate share was 0.0330%, which was an increase of 0.0014% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the Agency recognized pension expense of $337,292. 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	$ –	$ (7,349)
Change of assumptions	496,099	(305,183)
Net difference between projected and actual earnings on HIS plan investments	1,961	–
Changes in proportion and differences between Agency HIS plan contributions and proportionate share of contributions	328,316	–
Agency HIS plan contributions subsequent to the measurement date	48,689	–
Total	$ 875,065	$ (312,532)

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 $48,689 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, 2018. 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:		
2018	$	126,684
2019		126,313
2020		126,136
2021		100,648
2022		71,851
Thereafter		(37,788)

Actuarial Assumptions

The total pension liability in the July 1, 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	3.28%

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 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Agency's proportionate share of the net pension liability	$ 4,027,406	$ 3,529,306	$ 3.114.417

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.

11. Employee Retirement Plan (continued)

HIS Plan (continued)

Payables to the Pension Plan

At September 30, 2017, the Agency reported a payable in the amount of $29,725 for outstanding contributions to the HIS plan.

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 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 2017, 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%.

11. Employee Retirement Plan (continued)

Investment Plan (continued)

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. Non-vested 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, 2017, 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.

12. Post-Employment Health Care Benefits (continued)

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, 2016, there were three retirees and zero eligible dependents receiving post-employment health care benefits. At the end of fiscal year 2017, there were two retirees and zero eligible dependents receiving post-employment health care benefits. For the fiscal year ended September 30, 2017, the Agency provided required contributions of $21,793 toward annual OPEB costs, comprising benefit payments made on behalf of retirees for claims, expenses (net of reinsurance) and retention costs, totaling $45,981. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the Agency's annual OPEB cost for the fiscal year ended September 30, 2017, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

Annual required contribution	$	44,487
Interest on net OPEB obligation (NOO)		13,942
Amortization of NOO		(12,448)
Total expense or annual OPEB cost (AOC)		45,981
Actual receipts (contribution) toward OPEB cost		(21,793)
Change in NOO		24,188
NOO beginning of year		348,554
NOO end of year	$	372,742

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
9/30/2015	$	84,346	$	39,475	46.8	$	320,331
9/30/2016		44,356		16,133	36.4		348,554
9/30/2017		45,981		21,793	47.4		372,742

12. Post-Employment Health Care Benefits (continued)

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).

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. 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.

On September 30, 2017, Tampa Bay Water was a party to one lawsuit: **Big Cat Rescue Corp. v. Tampa Bay Water** et al, Case No. 2016-8904, Hillsborough County Circuit Court, Civil Division. The case was filed by an entity seeking a statutory way of necessity across property in which Tampa Bay Water has an easement for pipelines and appurtenant facilities. Tampa Bay Water does not own the property and, therefore, Tampa Bay Water is unable to grant an easement to the Plaintiff. Should the Plaintiff be granted the relief it requested, it is anticipated that the impact to Tampa Bay Water will be minimal.

14. Commitments and Contingencies (continued)

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 $42,851 in 2017. Real estate taxes of $125,220. were also paid in 2017. The basic rent is adjusted yearly by applying the consumer price index for all urban consumers to the prior year basic rent.

The aggregate future minimum operating lease payments for the fiscal year ended September 30, 2017, are as follows:

	Desalination Plant Land Lease
2018	$ 43,680
2019	44,608
2020	45,545
2021	46,501
2022	47,478
2023-2027	252,769
2028-2032	280,449
2033	14,686
	$ 775,716

14. Commitments and Contingencies (continued)

Operating Leases (continued)

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 $21,080 in 2017.

The aggregate future minimum operating lease payments for the fiscal year ended September 30, 2017, are as follows:

	South Office Building Lease
2018	$ 20,856
2019	28,848
	$ 49,704

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 $6,124,114 for 2017.

14. Commitments and Contingencies (continued)

Operations and Maintenance Agreements (continued)

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 $6,724,449 for the fiscal year ended September 30, 2017. In the agreement it states that Veolia Water North America will maintain a reserve fund for the benefit of Tampa Bay Water, which will support the cost of making major equipment renewals and replacements to the Facility, in accordance with the repair and replacement plan required by Section 6.6.2 of the agreement, with funds added to the reserve fund each month pursuant to the amount included in the Base O&M charge for Major Equipment Renewal and Replacement Reserve Fee (MERR). The balance in the MERR fund was $3,199,481 for the fiscal year ended September 30, 2017. In the agreement it states that Veolia Water North America will maintain a reserve fund for the benefit of Tampa Bay Water, which will support the cost of replacement of one third of all granular activated carbon in the filters in the facility, in accordance with the granular activated carbon replacement requirements identified in Schedule 24 of the agreement, with funds added to the reserve fund each month pursuant to the amount included in the Base O&M charge for the Granular Activated Carbon (GAC) Reserve Fee. The balance in the GAC fund was $1,878,820 for the fiscal year ended September 30, 2017.

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 $173,279 for the fiscal year ended September 30, 2017.

14. Commitments and Contingencies (continued)

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, 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. In 2014, the Reservoir entered into the maintenance and monitoring phase of the contract with Kiewit Infrastructure Group, and the expense under this contract was $1,356,829 for the fiscal year ended September 30, 2017.

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 September 2017, Tampa Bay Water received a total of $573,691 from settlements with Morgan Stanley, GE, Bank of America, United Bank of Switzerland, Natixis, Societe Generale, Piper Jaffray, NatWest, and GK Baum.

The Agency received $3,000 in November 2016 from General Motors for an unintentional error in the EPA-estimated fuel economy estimates shown on the window label of two General Motor vehicles.

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. All the repairs were completed in fiscal year 2017 and $453,630 was received as insurance reimbursement from Starr Technical Risks Agency, Inc. in fiscal year 2017.

In November 2016, the Agency received $8,059 from Preferred Governmental Insurance Trust for premium credit due to final workers compensation audit.

On March 16th, 2017 a vehicle accident damaged an Agency air release valve at Falkenburg road and Columbus drive. A claim was submitted to the responsible party's insurance company for the repairs and full payment of $41,661 was received in June 2017.

In fiscal year 2017, the Agency received a total of $4,126 from insurance recoveries due to minor vehicle accident claims.

16. Restatements

The Agency determined that restatements to beginning net position were required to reflect corrections of errors in the September 30, 2016 financial report. These restatements are as follows:

Net Position, September 30, 2016	$	770,785,141
Increase to recognize cash reserve balances		9,656,208
Decrease to amortize bond premiums using the effective interest method		(4,079,403)
Net Position, September 30, 2016, as restated	$	776,361,946

An increase to net position was required to record escrowed reserve funds (cash deposits) held by the Tampa Bay Water's facility operators, Veolia Water North America and America Water-Pridesa, LLC. While these balances are held by a fiscal agent, the cash should be reported on the Agency's statement of net position. An adjustment to increase cash and net position in the amount of $9,656,208 was required as of September 30, 2016.

A decrease in net position was required to record amortization of the Agency's bond premiums using the effective interest method in accordance with Governmental Accounting Standards. As such, an adjustment to decrease net position and decrease accumulated amortization in the amount of $4,079,403 was required as of September 30, 2016.

17. Subsequent Events

At the end of FY17 management is not aware of any events that could have a significant impact on the financial situation of the Agency.

Required Supplementary Information – Pension

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

	September 30		
	2017	2016	2015
Agency's proportion of the net pension liability	**.02516%**	.02342%	.02418%
Agency's proportionate share of the net pension liability	**$ 7,442,181**	$ 5,913,769	$ 3,122,547
Agency's covered-employee payroll	**$ 10,340,447**	$ 9,400,899	$ 8,689,420
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**71.97%**	62.91%	35.94%
Plan fiduciary net position as a percentage of the total pension liability	**83.89%**	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 three years of data are available. The amounts above are determined as of September 30 of the previous fiscal year.

Schedule of Agency Contributions – Florida Retirement System

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 949,710	$ 846,235	$ 746,403	$ 693,019	$ 600,064	$ 431,552	$ 414,912	$ 920,733	$ 806,682	$ 771,730
Contributions in relation to the contractually required contribution	(949,710)	(846,235)	(746,403)	(693,019)	(600,064)	(431,552)	(414,912)	(920,733)	(806,682)	(771,730)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Agency covered-employee payroll	$10,703,843	$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
Contributions as a percentage of covered-employee payroll	8.87%	8.18%	7.94%	7.98%	7.47%	5.23%	4.94%	10.97%	10.04%	10.04%

*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		
	2017	2016	2015
Agency's proportion of the net pension liability	**.03301%**	.03163%	.03044%
Agency's proportionate share of the net pension liability	**$ 3,529,306**	$ 3,686,822	$ 3,104,772
Agency's covered-employee payroll	**$ 10,340,447**	$ 9,400,899	$ 8,689,420
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**34.13%**	39.22%	35.73%
Plan fiduciary net position as a percentage of the total pension liability	**1.64%**	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 three years of data are available. The amounts above are determined as of September 30 of the previous fiscal year.

Schedule of Agency Contributions – Health Insurance Subsidy Program

Last 10 Fiscal Years*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 177,684	$ 171,651	$ 156,055	$ 109,487	$ 96,441	$ 91,644	$ 93,213	$ 93,170	$ 89,170	$ 85,327
Contributions in relation to the contractually required contribution	(177,684)	(171,651)	(156,055)	(109,487)	(96,441)	(91,644)	(93,213)	(93,170)	(89,170)	(85,327)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Agency covered-employee payroll	$10,703,843	$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
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.26%	1.20%	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, 2017

Changes of Benefit Terms

There were no changes in benefits over the periods presented.

Changes of Assumptions

As of June 30, 2017, 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 decreased from 7.60% as of June 30,2016 to 7.10% as of June 30, 2017. The municipal rate used to determine total pension liability increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017 for the Health Insurance Subsidy Pension Plan.

Required Supplementary Information
Other Post-Employment Benefits

Schedule of Funding Progress

September 30, 2017

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.

TAMPA BAY WATER

OTHER SUPPLEMENTARY INFORMATION

- Budgetary Comparison Schedule Fiscal Year 2017 (Unaudited)

Tampa Bay Water, Budgetary Comparison Schedule
For the Fiscal Year Ended September 30, 2017

Enterprise Funds	**Approved Budget 2017**	**Final Budget (1) 2017**	**Actual Amounts 2017**	**Variance with Final Budget Positive (Negative)**
Sources of Funds				
Water Sales	$ 154,117,849	$ 154,117,849	$ 156,135,112	$ 2,017,263
Additional Credits/ Surcharges	42,000	42,000	39,555	(2,445)
TBC - Sale of Water	-	-	570,433	570,433
Interest Income	907,870	907,870	1,911,132	1,003,262
Litigation & Insurance Recoveries	-	-	1,084,167	1,084,167
Miscellaneous Income	-	-	1,035,635	1,035,635
Grant SWFWMD	-	-	65,901	65,901
Capital Contribution FDEP	-	-	590,000	590,000
Subtotal	155,067,719	155,067,719	161,431,935	6,364,216
Transfers In from Rate Stabilization Account	2,870,000	9,593,560	9,058,018	(535,542)
Est. Unencumbered Funds from Prior Year	3,072,043	3,072,043	3,072,043	-
Transfer In from Capital Improvement	-	-	1,918,031	1,918,031
Transfer In from Renewal & Replacement	4,074,146	4,074,146	3,139,817	(934,329)
Transfer In from Energy Fund	-	-	101,189	101,189
Total Sources	**$ 165,083,908**	**$ 171,807,468**	**$ 178,721,033**	**$ 6,913,565**
Uses of Funds				
Personnel Services	16,177,088	16,111,616	15,651,468	(460,148)
Materials & Supplies	2,700,966	2,856,794	2,115,341	(741,453)
Professional Services	27,132,362	31,904,241	25,721,145	(6,183,096)
Repairs & Other Services	4,424,983	6,144,453	5,086,366	(1,058,087)
Rent & Insurance	1,872,930	1,915,821	1,785,441	(130,380)
Legal Services	545,000	545,000	315,239	(229,761)
Capital Expenditures	1,356,230	1,413,226	1,180,142	(233,084)
Total Debt Service-Bonds	70,129,334	70,129,334	70,129,335	1
Acquisition Credit to Member Governments	10,231,558	10,231,558	10,231,558	-
Water Quality Credit to Members	48,000	48,000	48,000	-
Misc./Other-R&R Projects	4,074,146	4,074,146	3,501,502	(572,644)
Water Treatment Chemicals -Variable Cost	9,441,417	9,483,385	8,425,406	(1,057,979)
Power / Electricity -Variable Cost	12,407,551	12,407,551	11,412,550	(995,001)
Water for Resale -Variable Cost	1,508,178	1,508,178	1,201,732	(306,446)
Subtotal	$ 162,049,743	$ 168,773,303	$ 156,805,225	$ (11,968,078)
Transfer Out to Energy Fund	-	-	229,278	229,278
Transfer Out to Capital Improvement Fund	34,165	34,165	5,158,861	5,124,696
Transfer Out to R&R Fund	3,000,000	3,000,000	3,242,539	242,539
Transfer Out to Operating Reserve	-	-	-	-
Transfer Out to Rate Stabilization Account	-	-	12,790,683	12,790,683
Transfer Out to Utility Reserve	-	-	494,447	494,447
Total Uses	**$ 165,083,908**	**$ 171,807,468**	**$ 178,721,033**	**$ 6,913,565**

(1) Revised budget includes prior year purchase orders carried forward and all approved budget transfers.

Tampa Bay Water's Adopted Budget

In June 2016, The Board of Directors (Board) adopted a $165.1 million budget for Fiscal Year 2017. The budget was adopted in accordance with Section 2.08 of the Amended and Restated Interlocal Agreement. The 2017 budget adheres to the budget policies and budgetary controls adopted by the Board for the Fiscal Year starting October 1, 2016 and ending September 30, 2017.

Budget Basis

The basis for developing and adopting the annual budget for Tampa Bay Water is established by the Amended and Restated Interlocal Agreement. This requires that the budget be prepared primarily on an accrual basis, which is similar to the Agency's annual financial statements. Notable differences between the budget basis and the GAAP basis used for financial reporting are as follows:

- Principal payments on long-term debt are treated as current expenditures for the budget basis, as opposed to being recorded as a reduction of outstanding liabilities for the GAAP basis.

- Capital expenditures funded from the rate are treated as current expenditures under the budget basis, but are treated as acquisition of capital assets under the GAAP basis.

- Capital expenditures funded from debt proceeds are not reflected under the budget basis and are capital asset acquisitions under the GAAP basis.

- The budget basis includes only that interest income which is available for use for budgetary purposes. The GAAP basis reflects all interest income, including that restricted as to purpose, and as adjusted for interest income which is offset against interest costs allocated to construction projects in accordance with GAAP.

- The budget basis includes only interest expense that is to be paid from the rate and budgeted revenue sources. Interest expense under the GAAP basis may also include interest costs being paid from bond proceeds (capitalized interest) and will exclude any interest costs that are treated as a cost of assets in the construction phase.

- The budget basis also reflects transfers to and from various reserves, which are not revenue and expense under the GAAP basis.

Budget Process

Section 2.08. Article II, *Creation and Governance,* of the Amended and Restated Interlocal Agreement establishes the procedures and requirements for the development of an annual budget for Tampa Bay Water. The requirements are as follows:

- Prior to July 1 of each year, the General Manager shall prepare and deliver to the Board a balanced tentative budget for Tampa Bay Water covering its proposed operating and other financial requirements for the ensuing fiscal year. The tentative budget shall identify:

- The rate at which Quality Water will be sold to Member Governments during such fiscal year; and
- The rate to be charged to the City of Tampa for water provided through the Tampa Bypass Canal pumping facility during such fiscal year.

- The Board shall publish a notice of its intention to adopt the budget and shall provide copies of the notice and tentative budget to each Member Government on or before the first publication date. The notice shall include a summary of the tentative budget; specify the rates at which Quality Water will be sold to the Member Governments; and identify the time, date, and place at which the public may appear before the Board and state their objections to or support of the budget and rates. The notice shall be published once a week for two consecutive weeks within thirty (30) days of the public hearing, in any newspaper qualified to accept legal advertisements in each county in the jurisdiction of Tampa Bay Water, the last insertion of which shall appear not less than one week prior to the date set by the Board for the hearing on the proposed budget and rates.
- At the time, date and place specified in the notice, the Board shall conduct a public hearing and thereafter may consider adoption of the budget and rates with any amendments it deems advisable. Unless otherwise authorized by the Board, the final budget and rates shall be adopted by August 1.
- The adopted budget shall be the operating and fiscal guide for Tampa Bay Water for the ensuing fiscal year. The Board may amend the budget at any regular or special meeting; provided however, that prior to approving any budget amendment that increases the total budget for any fiscal year (other than a budget amendment appropriating grant funds or the proceeds of debt obligations), the Board shall provide notice and conduct an additional public hearing in the manner described above.

Budget Amendments

Agency policy allows the transfer of budget between sub-categories within a single budgetary category (e.g. within Professional Services from Hydrological Services to Ecological Services) with the approval of the General Manager. Transfers of budget between major categories (e.g. from Professional Services to Materials & Supplies or to Repairs & Other Services) must be submitted to the Agency's board for approval regardless of dollar amount. Any increase to the total budget also requires Board approval and a public hearing.

Monthly Financial Reporting

In accordance with best financial management practices, The Finance Department provides monthly financial reports to the Board. The monthly reports provide the Board with a clear comparison of actual expenses to budgeted amounts as well as a means of monitoring water production for each member government and revenues received from water sales.

Operating Division/Departments

Operating Divisions / Departments	Approved 2017 Budget	Transfers & Adjustments	Final 2017 Budget	2017 Actuals	Encumbrance/ Carry Forward for Use in FY18	Variance with Final Budget and Actuals Positive (Negative)
Water Production Division	$ 53,305,079	$ 4,040,901	$57,345,980	$ 50,107,893	$ 2,906,998	$ 4,331,089
Human Resources Department	3,760,438	(1,962,001)	1,798,437	420,237	-	$ 1,378,200
Finance & Administration Division	84,521,532	348,194	84,869,726	84,261,215	106,172	$ 502,338
Science & Technology Division	14,512,494	3,498,046	18,010,540	14,046,660	2,520,218	$ 1,443,661
Public Relations Division	926,829	202,455	1,129,284	849,604	236,323	$ 43,358
Office of General Manager	398,725	17,839	416,564	373,544	-	$ 43,019
General Counsel	550,500	-	550,500	315,239	30,130	$ 205,130
Total Operating Divisions/ Departments	$157,975,597	$ 6,145,433	$164,121,029	$150,374,393	$ 5,799,841	$ 7,946,796

TAMPA
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III. STATISTICAL SECTION

The Statistical Section of Comprehensive Annual Financial Report for Tampa Bay Water is intended to provide financial statement users with additional historical perspective, context, and detail to assist in using information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the agencies economic condition.

The Statistical Section is unaudited.

- **Financial Trends (Tables 1-7)**
  These tables and charts contain trend information to help the reader understand how Tampa Bay Water's performance has changed over time.
- **Revenue Capacity (Tables 8-10)**
  These tables and charts contain information to help the readers assess Tampa Bay Water's most significant revenue sources.
- **Debt Capacity (Tables 11-12)**
  These tables and charts present information to help the reader assess the ability of Tampa Bay Water to pay debt service on outstanding debt.
- **General Information (Tables 13-15)**
  These tables and charts contain service and infrastructure data to help the reader understand how information in its financial report relates to Tampa Bay Water provided services and activities.
- **Demographic and Economic Information (Tables 16-17)**
  These tables offer demographic and economic indicators to help the reader understand the environment in which Tampa Bay Water's financial activities take place.

TABLE 1, Net Position - Last 10 Fiscal Years

	Net Position					
Fiscal Year	Net Investments in Capital Assets	Restricted	Unrestricted	Total Net Position	Changes in Net Position	% of Change in Net Position
2017	$ 662,029,752	$ 86,907,666	$ 36,149,231	$ 785,086,649	$ 8,724,703	1.12%
2016 (1)	686,688,585	55,830,781	33,842,580	776,361,946	7,490,450	0.97%
2015 (2)	692,643,905	42,852,884	33,374,707	768,871,496	3,612,307	0.47%
2014	686,131,584	43,407,942	35,719,663	765,259,189	21,081,985	2.83%
2013 (3)	671,904,961	54,772,859	17,499,384	744,177,204	14,392,198	1.97%
2012	663,058,283	29,369,416	37,357,307	729,785,006	13,109,808	1.83%
2011	649,929,029	35,343,493	31,402,676	716,675,198	33,344,263	4.88%
2010	611,067,853	39,123,257	33,139,825	683,330,935	100,753,432	17.29%
2009 (4)	507,011,988	53,998,988	21,566,527	582,577,503	79,405,287	15.78%
2008	428,969,087	42,017,587	32,185,542	503,172,216	43,897,339	9.56%

Notes

(1) Fiscal year 2016 net position was restated to reflect a change in bond premium amortization to the Effective Interest Method and to record Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC. Cumulative effect on net position was an increase of $5,576,805

(2) The beginning net position for fiscal year 2015 was restated to reflect the implementation of GASB 68, which was a decrease of $5,311,035 in net position

(3) The net position for fiscal year 2013 was restated to reflect the implementation of GASB 65, which decreased the net position by $6,001,560.

(4) The net position for fiscal year 2009 was restated to reflect the implementation of GASB 53, which increased the net position by $20,779,169.

Total Net Position, in Millions ($)

TABLE 2, Restricted Assets - Last 10 Fiscal Years

Restricted Assets					
Fiscal Year	Construction Funds	Sinking Funds	Renewal and Replacement Funds	Capital Improvement Funds	Energy Savings Funds
2017	$ 14,293,565	$ 49,962,167	$ 27,014,323	$ 18,026,011	$ 381,216
2016 (1)	19,933,463	49,673,607	26,948,014	14,879,816	253,127
2015	27,225,121	50,208,519	26,350,159	11,846,831	179,695
2014	42,326,766	52,030,035	24,776,568	12,500,450	174,621
2013	113,551,626	55,100,803	15,280,000	10,865,017	-
2012	88,991,031	49,472,383	13,148,153	11,149,192	-
2011	119,633,637	43,156,580	12,673,343	14,998,497	-
2010	141,157,573	49,102,812	11,415,857	27,191,077	-
2009	188,905,560	48,965,595	10,182,741	27,880,222	-
2008	213,970,454	47,482,068	10,021,307	28,656,401	-

Restricted Assets Continued							
Fiscal Year	Operations and Maintenance Reserve	Debt Service Reserves	Desal - Reserves	Surface Water Treatment Plant - Reserves	Rebate Funds	Litigation Escrow Funds	Total Restricted Assets
2017	$ 3,892,858	$ 70,837,325	$ 2,129,958	$ 5,078,300	$ -	$ -	$ 191,615,724
2016 (1)	4,035,616	71,289,314	2,072,486	7,583,722	-	-	196,669,165
2015	4,476,199	73,169,250	-	-	-	-	193,455,774
2014	5,127,419	73,716,549	-	-	-	-	210,652,408
2013	4,698,683	73,716,549	-	-	-	20,608,656	293,821,334
2012	4,720,037	67,504,606	-	-	-	-	234,985,402
2011	6,653,882	67,568,652	-	-	-	-	264,684,591
2010	6.653.882	74,257,841	-	-	77,549	-	309,856,591
2009	4.979.094	74,257,841	-	-	161,373	-	355,332,426
2008	4.641.521	74,257,841	-	-	99,314	-	379,128,906

Notes

(1) Fiscal year 2016 restricted position was restated to reflect in adding the recording of Escrowed Reserve funds held with our facility operators, Veolia Water North America and American Water-Pridesa, LLC. Cumulative effect on restricted assets was increased by $9,656,208

Restricted Assets, in Millions ($)

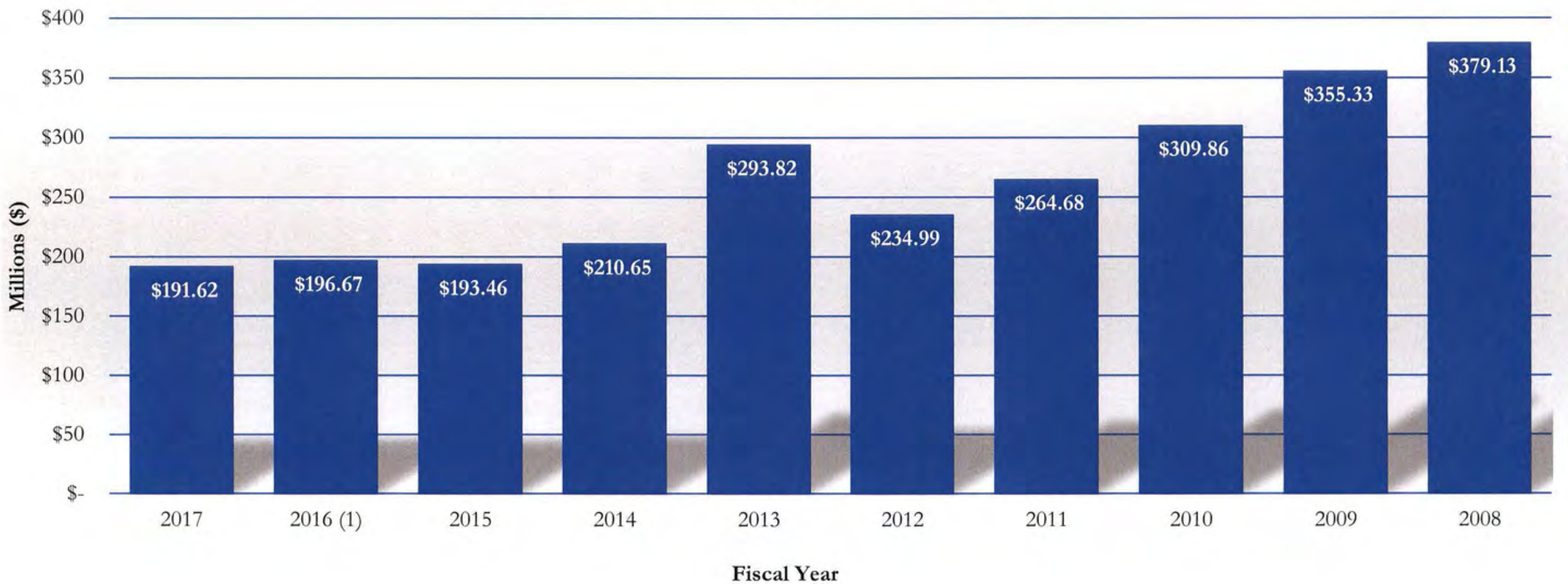


TABLE 3, Revenues and Capital Contributions - Last 10 Fiscal Years

Operating Revenues				Nonoperating Revenues				
Fiscal Year	Water Sales	Rate Stabilization Transfers	Total Operating Revenues	Investment Income (1)	Litigation and Insurance Recoveries	Arbitrage Recovery	Other	Total Nonoperating Revenues
2017	$156,811,001	$ (660,623)	$156,150,378	$ 1,179,127	$ 1,084,167	$ -	$ -	$ 2,263,294
2016	153,320,480	1,745,750	155,066,230	1,201,511	1,188,148	-	-	2,389,659
2015	154,724,559	(1,172,575)	153,551,984	1,227,705	979,352	-	-	2,207,057
2014	155,333,597	5,849,796	161,183,393	732,928	22	-	-	732,950
2013	156,492,882	(6,091,430)	150,401,452	(362,052)	-	3,894,212	-	3,532,160
2012	158,116,067	7,929,766	166,045,833	641,299	-	-	-	641,299
2011	150,919,524	(7,329,961)	143,589,563	1,551,078	6,014,144	-	-	7,565,222
2010	149,183,609	5,502,540	154,686,149	11,710,319	1,116,219	-	-	12,826,538
2009 (2)	151,725,100	6,287,418	158,012,518	4,284,849	145,372	-	-	4,430,221
2008	152,547,254	2,855,489	155,402,743	8,279,462	-	-	-	8,279,462

Fiscal Year	Capital Contributions	Total Revenues & Capital Contributions
2017	$ 590,000	$ 159,003,672
2016	248,302	157,704,191
2015	-	155,759,041
2014	-	161,916,343
2013	204,569	154,138,181
2012	2,451,041	169,138,173
2011	19,060,143	170,214,928
2010	60,750,539	228,263,226
2009	96,760,220	259,202,959
2008	36,612,763	200,294,968

(1) Net of Realized, Unrealized and Capitalized Amount

(2) The net position for fiscal year 2009 was restated to reflect the implementation of GASB 53, which increased the investment income by $1,206,488.

Total Revenues and Capital Contributions, in Millions ($)

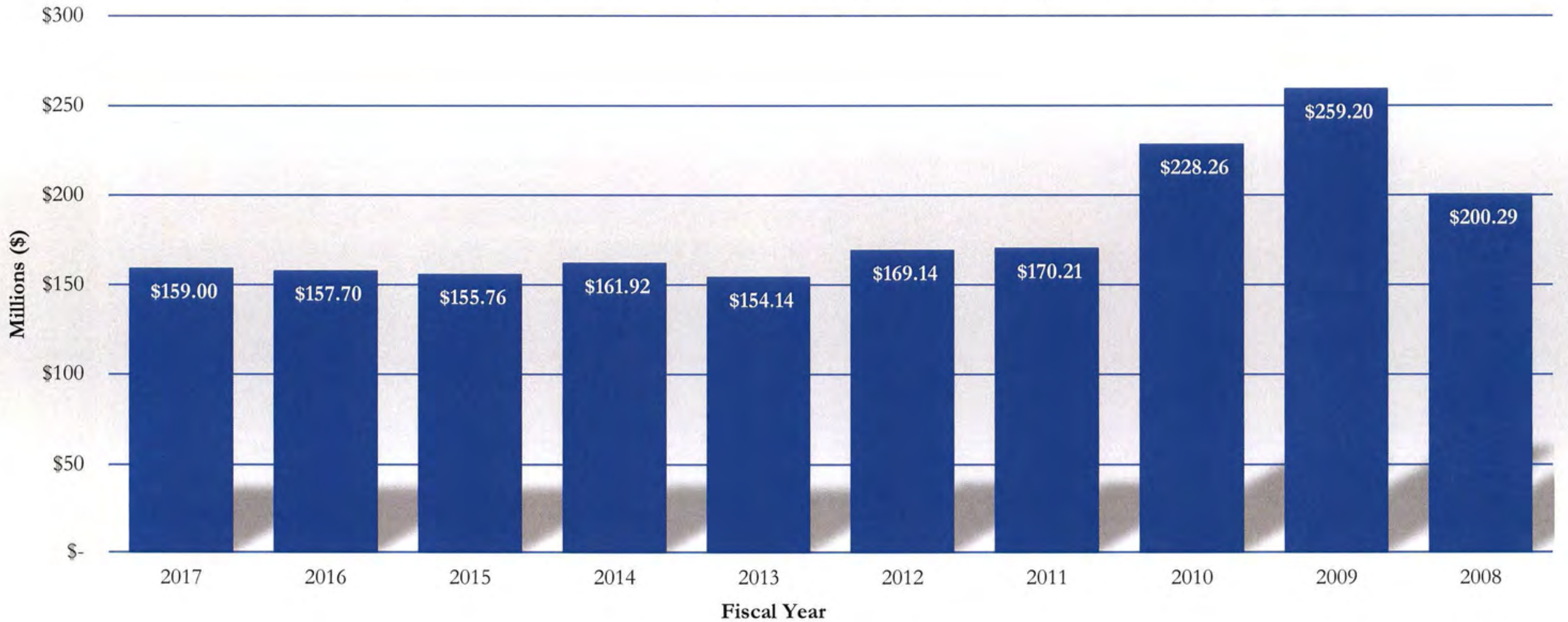


TABLE 4, Total Expenses - Last 10 Fiscal Years

Total Expenses										
Fiscal Year	Operating Expenses		Depreciation		Interest Expense (1)			Other, Net		Total Expenses
2017	$	69,085,262	$	29,906,334	$	49,956,074		$	1,331,299	$ 150,291,788
2016		65,589,515		29,534,326		53,797,721			6,868,984	155,790,546
2015		64,117,276		28,692,538		53,173,194			852,691	146,835,699
2014		63,694,839		24,836,437		47,613,797			4,689,285	140,834,358
2013		61,331,673		25,827,068		45,798,019	(2)		824,451	133,781,211
2012		61,463,474		25,550,967		46,995,990			22,017,934	156,028,365
2011		63,226,414		24,627,685		48,339,849			676,717	136,870,665
2010		68,487,492		21,662,633		47,976,106			10,162,732	148,288,963
2009		80,959,736		24,982,405		51,150,421	(3)		22,138,615	179,231,177
2008		71,589,610		22,297,214		48,451,423			14,059,382	156,397,629

(1) Net of interest expense incurred during construction, "capitalized interest".

(2) The interest expense for fiscal year 2013 was restated to reflect the implementation of GASB 65, which increased interest expense by $36,788

(3) The interest expense for fiscal year 2009 was restated to reflect the implementation of GASB 53, which increased the expense by $639,993

Total Expenses, in Millions ($)

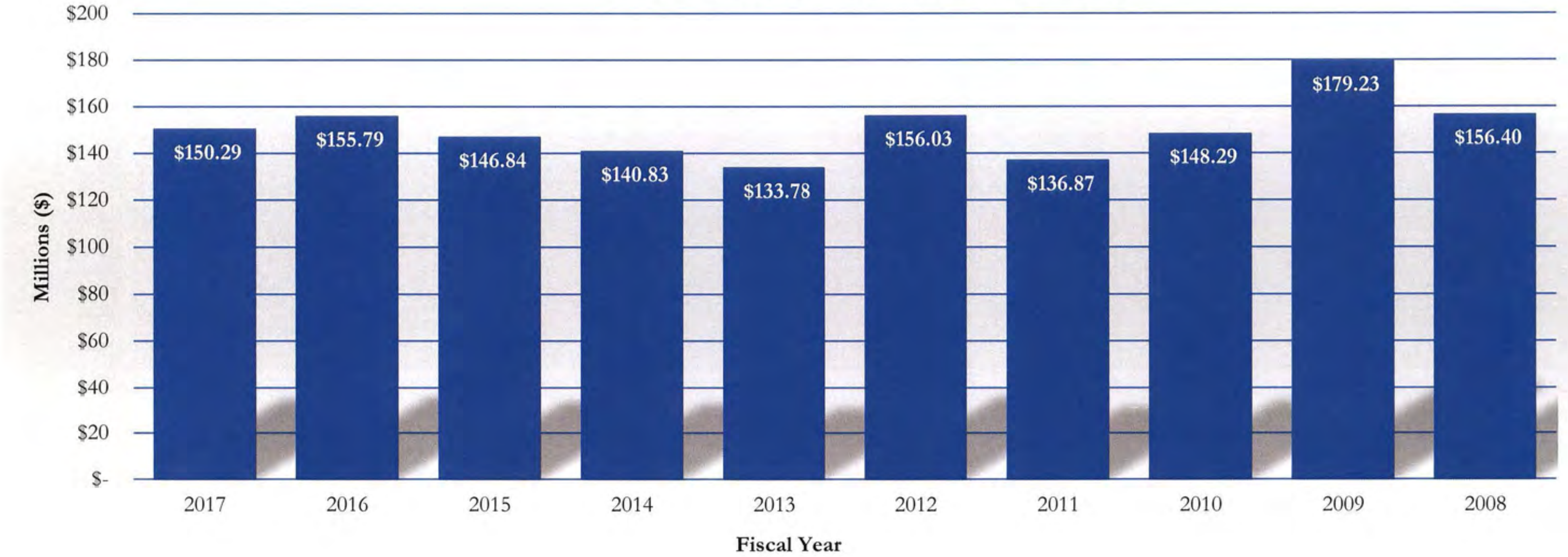


TABLE 5, Operating Department/Program Expenses by Major Expense Category - Last 10 Fiscal Years

Operating Department/Program Expenses By Major Expense Category						
Fiscal Year	Personnel Services	Operating Materials & Supplies	Outside Professional Services	Repairs / Maintenance and Other Services	Rentals, Leases and Insurance	Legal Services
2017	$ 15,651,468	$ 2,115,341	$ 27,379,411	$ 5,106,758	$ 1,785,441	$ 315,239
2016	14,360,036	1,880,699	26,961,759	5,681,474	1,749,423	302,054
2015	12,853,164	2,070,255	26,954,069	4,400,801	1,771,166	292,042
2014	12,113,326	2,242,137	27,594,557	4,155,234	1,821,898	321,258
2013	10,881,764	1,955,653	28,875,211	4,360,741	1,687,154	620,425
2012	10,841,978	1,868,548	37,210,496	3,326,424	1,424,433	2,948,546
2011	11,443,499	1,804,028	36,490,232	2,936,938	1,184,167	3,995,902
2010	11,698,022	1,671,727	35,101,860	3,170,932	1,135,390	4,437,428
2009	11,119,938	1,763,210	40,844,803	4,539,452	1,228,213	2,278,632
2008	10,724,069	1,974,916	44,820,026	3,102,421	594,846	385,331

Operating Department/Program Expenses By Major Expense Cont.						
Fiscal Year	Capital Expenditures	Capital Offset Account (1)	Variable Cost Expenses	Water Quality Expense	Other Expenses (2)	**Total Operating Expenses**
2017	$ 9,738,530	$ (13,795,833)	$ 21,039,688	$ 48,000	$ (299,781)	**$ 69,085,262**
2016	8,126,783	(11,938,629)	18,717,241	48,000	(299,324)	**65,589,515**
2015	12,729,402	(16,217,553)	19,390,716	48,000	(174,787)	**64,117,276**
2014	102,686,949	(109,214,448)	22,113,407	48,000	(187,479)	**63,694,839**
2013	89,532,267	(97,900,109)	21,169,041	195,000	(45,476)	**61,331,673**
2012	48,774,189	(63,821,545)	19,099,049	195,000	(403,644)	**61,463,474**
2011	53,916,293	(69,369,220)	20,654,621	195,000	(25,046)	**63,226,414**
2010	100,694,703	(114,389,518)	24,707,252	292,000	(32,305)	**68,487,492**
2009	106,540,180	(119,200,358)	31,773,909	292,000	(220,243)	**80,959,736**
2008	86,616,793	(104,157,295)	27,263,827	309,750	(45,073)	**71,589,610**

(1) Expenditures incurred with bond funds

(2) Miscellaneous income, sales of surplus materials and supplies, and rental income

Total Operating Department/Program Expenses, in Millions ($)

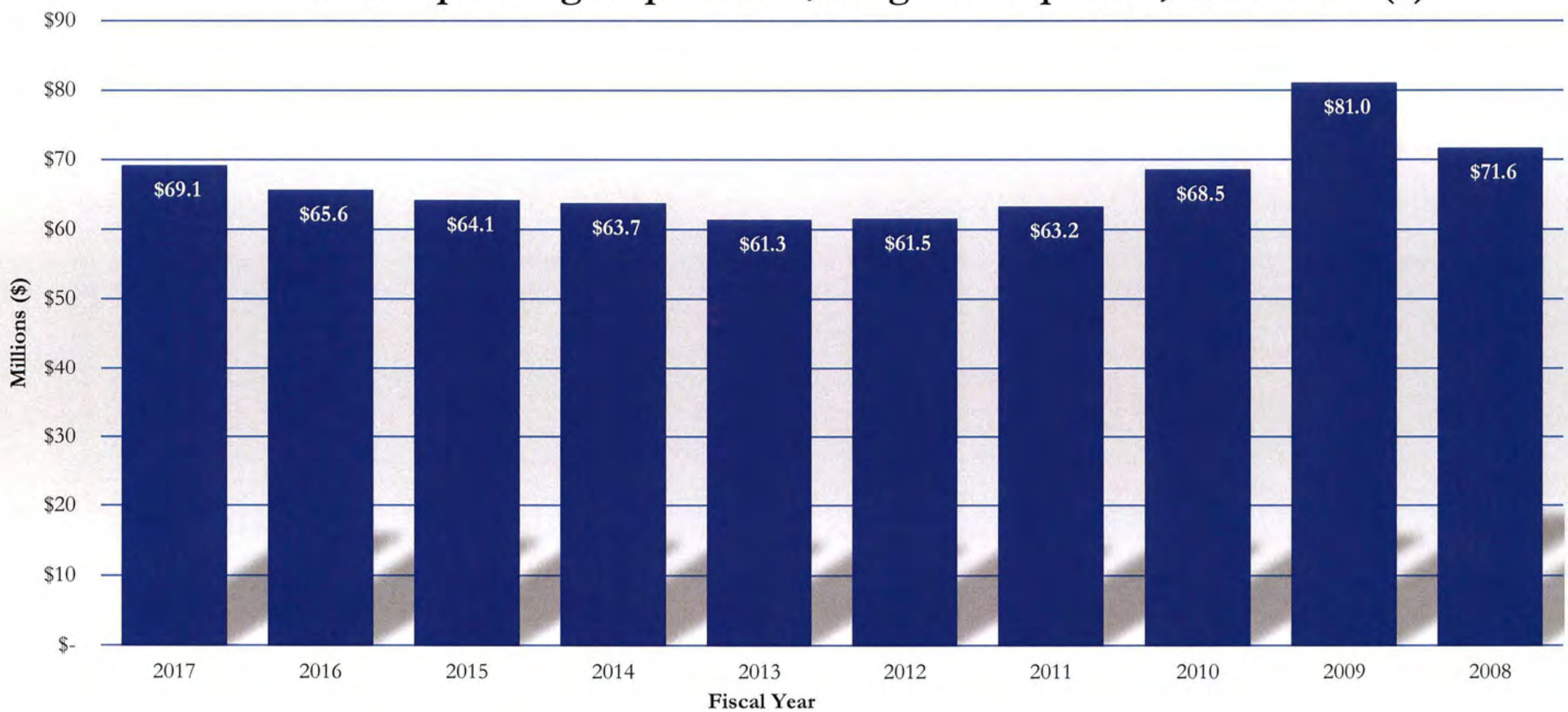


TABLE 6, Total Capital Assets - Last 10 Fiscal Years

	Capital Assets Not Depreciated			
Fiscal Year	Land	Construction in Process	Software in Development	Total Capital Assets Not Depreciated
2017	$ 78,648,965	$ 21,390,285	$ -	$ 100,039,250
2016	78,809,999	14,369,617	-	93,179,616
2015	79,009,272	25,046,156	-	104,055,428
2014	79,011,824	162,427,790	-	241,439,614
2013	79,011,824	94,389,959	120,332	173,522,115
2012	79,011,824	70,171,367	88,809	149,272,000
2011	79,009,159	38,053,485	59,579	117,122,223
2010	78,765,870	198,380,184	143,507	277,289,561
2009	78,547,465	148,266,756	155,591	226,969,812
2008	78,025,735	85,670,016	-	163,695,751

Depreciable Capital Assets, Net			
Land Improvements	Wells	Water Treatment and Pumping Facilities	Transmission Mains
$ 3,294,936	$ 139,107,959	$ 694,211,826	$ 339,942,371
3,294,937	139,107,959	690,138,664	339,673,167
3,294,937	135,730,911	679,588,963	339,673,167
3,294,937	132,464,714	671,568,091	339,673,167
3,294,937	132,274,213	666,965,575	339,673,167
3,294,937	131,040,895	630,439,010	335,893,786
3,167,178	129,879,100	629,775,738	335,233,711
3,167,178	157,088,451	453,766,151	297,278,505
2,961,452	156,770,184	432,358,278	295,318,975
2,961,452	156,601,716	426,251,593	282,527,823

	Depreciable Capital Assets, Net					
Fiscal Year	Buildings	Reservoir	Other Equipment and Software	Accumulated Depreciation/Amortization	Total Depreciable Capital Assets, Net	**Total Capital Assets**
2017	$ 19,555,850	$ 297,136,654	$ 20,632,045	$ 363,334,554	$ 1,150,547,087	$ 1,250,586,337
2016	19,555,850	297,129,318	20,061,991	334,027,402	1,174,934,484	1,268,114,100
2015	19,555,850	296,650,557	19,150,872	305,328,137	1,188,317,120	1,292,372,548
2014	19,555,850	155,663,688	18,923,170	277,687,083	1,063,456,534	1,304,896,148
2013	19,517,378	160,793,688	18,272,091	254,213,727	1,086,577,322	1,260,099,437
2012	17,588,850	160,712,121	17,521,873	229,085,711	1,067,405,761	1,216,677,761
2011	17,311,530	160,528,811	17,298,300	205,473,272	1,087,721,096	1,204,843,319
2010	17,305,980	147,645,314	16,199,886	181,573,989	910,877,476	1,188,167,037
2009	17,303,400	147,645,314	22,132,371	170,977,603	903,512,371	1,130,482,183
2008	16,905,804	147,645,314	17,047,183	150,707,629	899,233,256	1,062,929,007

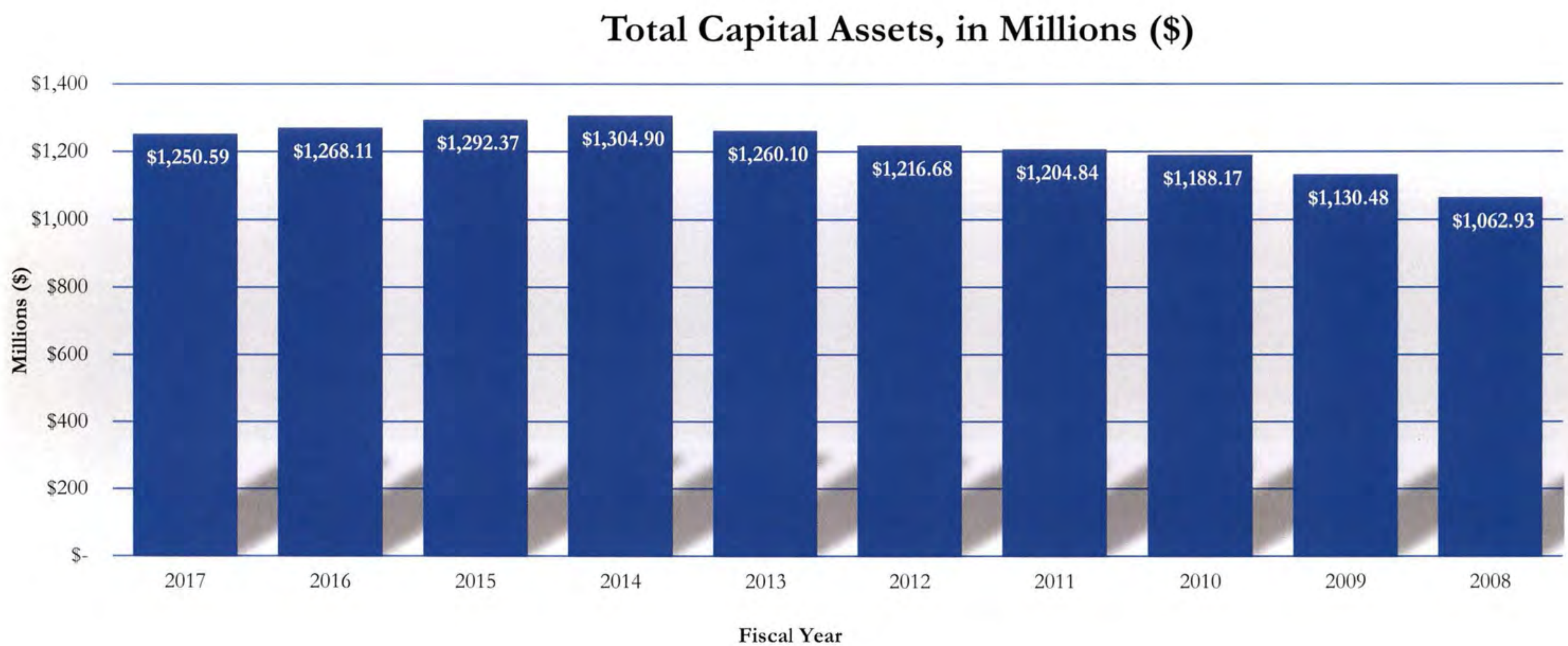

Total Capital Assets, in Millions ($)
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
Millions ($)
$1,250.59
$1,268.11
$1,292.37
$1,304.90
$1,260.10
$1,216.68
$1,204.84
$1,188.17
$1,130.48
$1,062.93
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
Fiscal Year

TABLE 7, Total Net Investment in Capital Assets - Last 10 Fiscal Years

Capital Assets Not Depreciated						
Fiscal Year	Property, Plant, and Equipment net of Depreciation	Water Capacity Rights	Bond Issue Costs (net)	Deferred Outflow	Long Term Debt (all asset acquisition related except reserve funding)	Swaption Payable
2017	$ 1,250,586,337	$ 318,058,360	$ 216,894	$ -	$ (990,377,397)	$ -
2016	1,268,114,100	318,058,360	265,044	-	(1) (990,342,388)	-
2015	1,292,372,548	318,058,360	319,040	-	(1,015,243,200)	-
2014	1,304,896,148	318,058,360	622,906	-	(1,044,813,707)	-
2013	1,260,099,437	318,058,360	697,792	-	(1,079,504,567)	-
2012	1,216,677,761	318,058,360	6,742,066	-	(1,027,474,880)	-
2011	1,204,843,319	318,058,360	7,488,449	-	(1,060,632,244)	-
2010	1,188,167,037	318,058,360	7,061,928	43,277,292	(1,091,517,164)	(59,168,913)
2009	1,130,482,182	318,058,360	7,701,021	17,873,642	(1,120,288,690)	(41,735,751)
2008	1,062,929,007	318,058,360	8,435,625	-	(1,148,211,812)	(26,198,828)

Capital Assets Not Depreciated					
Fiscal Year	Demand Bonds Payable	Long Term Debt Applicable to Cash & Investments of Debt Service Reserve and Unexpended Construction Funds	Accounts Payable Construction Funds	Total Capital Assets Not Depreciated	**Total Capital Assets (In Millions)**
2017	$ -	$ 85,130,890	$ 1,585,331)	$ 691,824,753	$ 691.82
2016	-	91,222,777	(629,307)	690,767,988	$ 690.77
2015	-	100,394,372	(3,257,215)	692,643,905	$ 692.64
2014	-	116,043,308	(8,675,432)	686,131,584	$ 686.13
2013	-	187,131,066	(14,577,127)	671,904,961	$ 671.90
2012	-	156,143,603	(7,088,627)	663,058,283	$ 663.06
2011	-	186,184,518	(6,062,208)	649,880,194	$ 649.88
2010	-	221,630,522	(16,441,210)	611,067,853	$ 611.07
2009	(21,250,000)	252,650,841	(15,700,448)	527,791,157	$ 527.79
2008	(63,750,000)	289,626,255	(11,919,519)	428,969,088	$ 428.97

Notes:

(1) Fiscal year 2016 unamortized bond issue premium was restated to reflect a change in bond premium amortization to the Effective Interest Method. The change resulted in an increase of $4,079,403 in unamortized bond issue premium

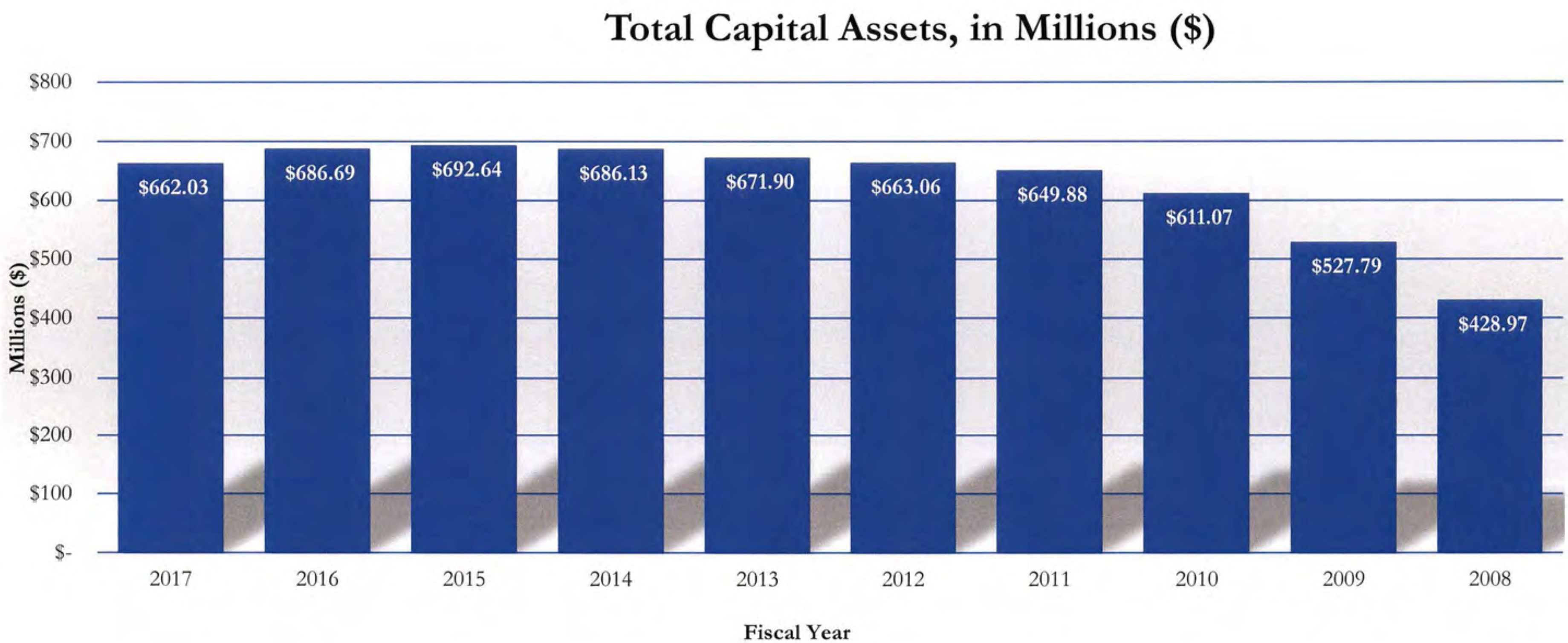

Total Capital Assets, in Millions ($)
$800
$700
$600
$500
$400
$300
$200
$100
$-
Millions ($)
$662.03
$686.69
$692.64
$686.13
$671.90
$663.06
$649.88
$611.07
$527.79
$428.97
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
Fiscal Year

TABLE 8, Schedule of Rates - Last 10 Fiscal Years

Fiscal Year	Water Rate Per 1,000 Gallons (1)
2017	$ 2.5590
2016	$ 2.5590
2015	$ 2.5590
2014	$ 2.5590
2013	$ 2.5590
2012	$ 2.5590
2011	$ 2.5295
2010	$ 2.3980
2009	$ 2.2451
2008	$ 2.2488

(1) The rate is set up on a fiscal year basis starting on October 1st of each year.

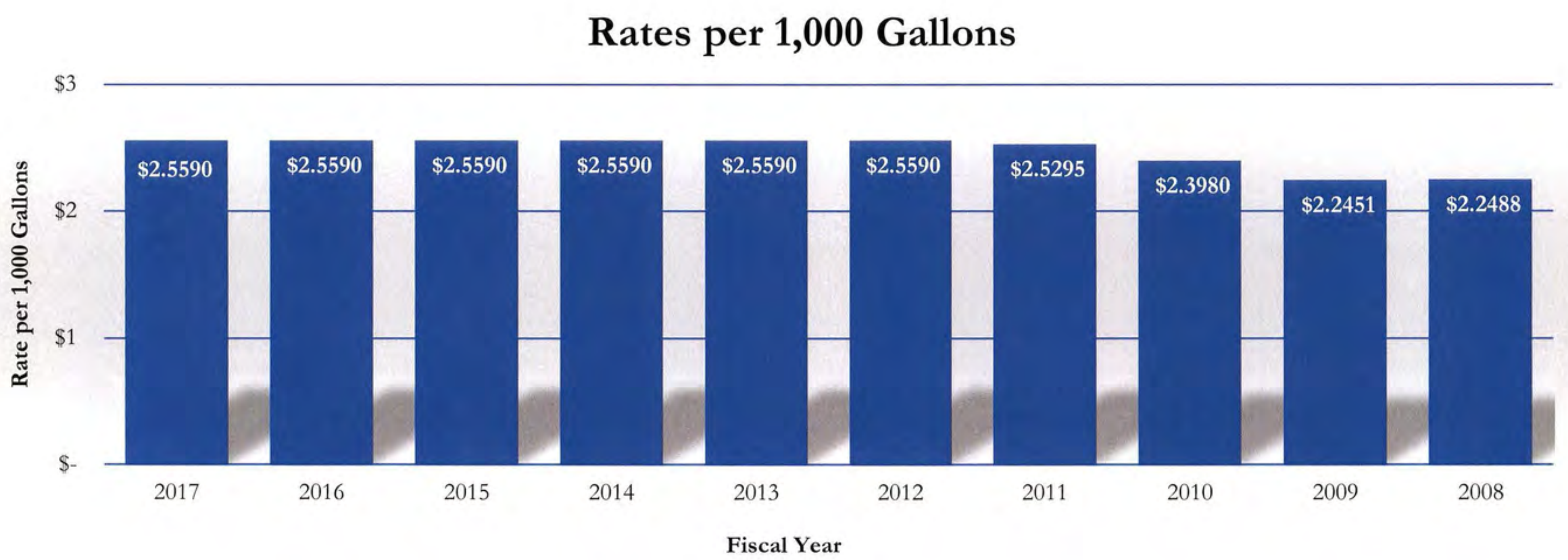
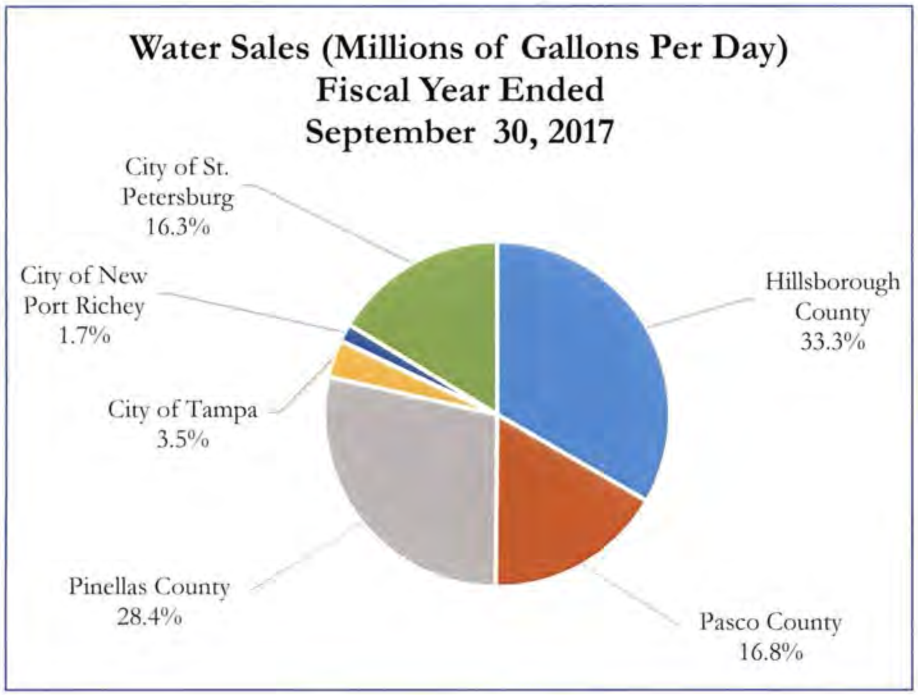

Rates per 1,000 Gallons
$3
$2
$1
$-
Rate per 1,000 Gallons
$2.5590
$2.5590
$2.5590
$2.5590
$2.5590
$2.5590
$2.5295
$2.3980
$2.2451
$2.2488
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
Fiscal Year

Table 9 Water Sales (Millions of Gallons Per Day) - Fiscal Years Ended September 30, 2017 and 2008

Fiscal Year Ended September 30, 2017		
Member Agency	Water Sales at Uniform Rate (million gallons)	Percentage of Water Sold
Hillsborough County	59.74	33.3%
Pasco County	30.12	16.8%
Pinellas County	50.91	28.4%
City of Tampa	6.23	3.5%
City of New Port Richey	3.00	1.7%
City of St. Petersburg	29.25	16.3%
Total Water Sales	**179.25**	**100%**

Fiscal Year Ended September 30, 2008		
Member Agency	Water Sales at Uniform Rate (million gallons)	Percentage of Water Sold
Hillsborough County	49.54	28.0%
Pasco County	26.10	14.8%
Pinellas County	62.01	35.2%
City of Tampa	6.18	3.5%
City of New Port Richey	3.49	2.0%
City of St. Petersburg	29.02	16.5%
Total Water Sales	**176.34**	**100%**



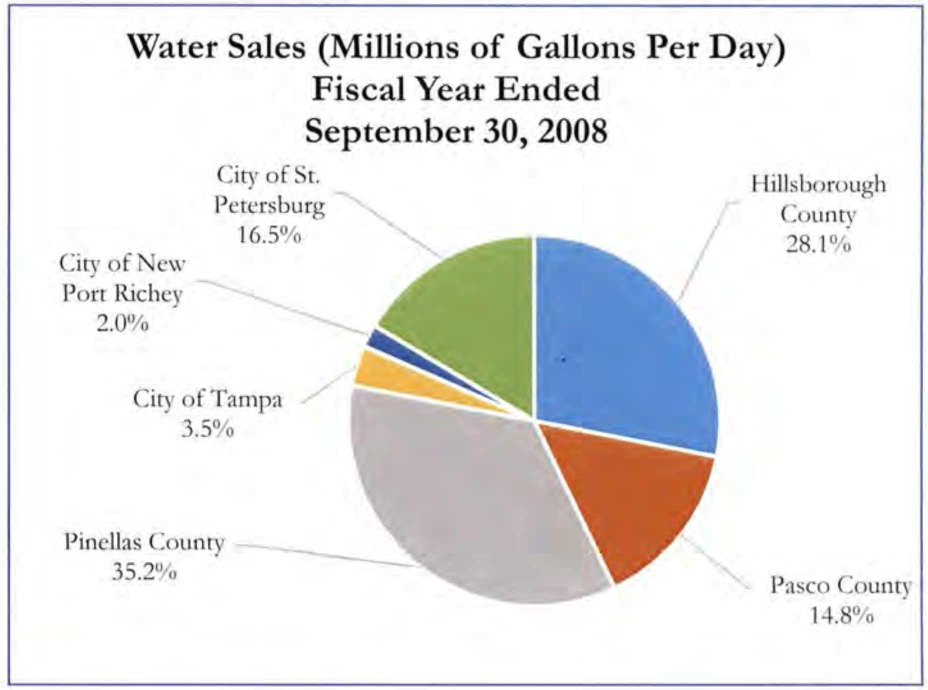


TABLE 10, Water Sales by Member - Last 10 Fiscal Years

Fiscal Year	Pinellas County	Hillsborough County	City of St. Petersburg	Pasco County	City of Tampa	City of New Port Richey	Total Water Sales
2017	$ 44,340,391	$ 52,035,317	$ 25,476,569	$ 26,235,773	$ 5,430,465	$ 2,616,597	$ 156,135,112
2016	45,936,076	52,414,672	27,143,671	24,681,768	-	2,950,771	153,126,958
2015	48,836,008	51,430,199	27,940,618	23,611,104	-	2,906,630	154,724,559
2014	50,380,122	50,421,414	27,395,744	24,258,660	-	2,835,657	155,291,597
2013	51,593,740	48,786,711	28,031,711	25,046,401	381,307	2,653,012	156,492,882
2012	51,623,043	47,926,996	27,476,689	23,678,500	5,072,040	2,338,800	158,116,068
2011	50,167,323	47,097,769	25,582,233	21,912,394	3,900,974	2,258,831	150,919,524
2010	53,206,145	45,620,309	26,531,518	21,393,549	99,893	2,332,195	149,183,609
2009	50,793,218	41,568,310	24,568,837	20,425,064	12,266,183	2,103,488	151,725,100
2008	53,482,048	42,722,711	25,027,409	22,505,372	5,798,369	3,011,345	152,547,254

Total Water Sales, in Millions ($)

TABLE 11, Short-term and Long-term Debt Outstanding - Last 10 Fiscal Years

Fiscal Year	Short-term Debt	Long-term Debt: 1998A Bonds	1998B Bonds	1999 Bonds	2001A Bonds	2001B Bonds	2004 Bonds	2005 Bonds	2006 Bonds
2017	$ 35,762,957	$ -	$ -	$ -	$ 50,000,000	$ -	$ 18,495,000	$ 138,495,000	$ -
2016	34,513,644	-	-	-	50,000,000	-	35,465,000	139,650,000	-
2015	32,612,438	-	-	-	50,000,000	-	47,235,000	145,060,000	355,000
2014	32,238,062	-	-	-	50,000,000	-	58,415,000	150,205,000	62,890,000
2013	32,056,599	-	-	-	50,000,000	-	69,070,000	155,080,000	64,795,000
2012	30,574,094	-	-	-	50,000,000	-	79,215,000	159,720,000	67,940,000
2011	30,044,628	-	-	-	50,000,000	-	88,875,000	164,135,000	70,955,000
2010	28,263,588	27,360,000	38,340,000	7,585,000	301,935,000	157,895,000	95,050,000	167,865,000	73,860,000
2009	27,215,024	27,360,000	38,340,000	14,805,000	302,890,000	161,280,000	101,045,000	171,475,000	76,650,000
2008	26,158,676	27,360,000	38,340,000	21,690,000	303,810,000	164,545,000	106,900,000	174,965,000	79,325,000

Fiscal Year	Long-term Debt: 2008 Bonds	2010 Bonds	2011 Bonds	2011A Bonds	2011B Bonds	2013 Bonds	2015A Bonds	2015B Bonds	2016A Bonds
2017	$ -	$ 6,395,000	$ 48,055,000	$ 46,210,000	$ -	$ 75,295,000	$ 180,835,000	$ 93,945,000	$ 96,630,000
2016	-	6,395,000	58,670,000	46,245,000	-	75,295,000	180,835,000	94,780,000	96,630,000
2015	101,375,000	66,980,000	68,785,000	46,275,000	29,525,000	75,295,000	180,835,000	95,555,000	-
2014	101,375,000	66,980,000	78,415,000	139,465,000	148,105,000	75,295,000	-	-	-
2013	101,375,000	66,980,000	87,585,000	139,760,000	148,270,000	75,295,000	-	-	-
2012	101,375,000	66,980,000	96,320,000	140,050,000	148,435,000	-	-	-	-
2011	101,375,000	66,980,000	104,645,000	140,335,000	148,595,000	-	-	-	-
2010	101,375,000	-	-	-	-	-	-	-	-
2009	101,375,000	-	-	-	-	-	-	-	-
2008	101,375,000	-	-	-	-	-	-	-	-

TABLE 11, Short-term and Long-term Debt Outstanding - Last 10 Fiscal Years – Continued

Long-term Debt Continued									
Fiscal Year	2016B Bonds	2016C Bonds	Acquisition Credits	Unamortized Bond Issue Premium (1)	Unamortized Bond Issue Discount	Deferred refunding losses	Total Long-term Debt	Net OPEB obligation	Net pension liability – FRS Pension Plan
2017	$ 32,360,000	$ 55,345,000	$ 78,890,400	$ 75,389,491	$ -	$ -	$ 996,384,891	$ 372,742	$ 7,442,182
2016	32,590,000	55,345,000	84,858,357	83,399,009	-	-	1,040,157,366	348,554	5,913,769
2015	-	-	90,548,001	65,530,144	-	-	1,063,353,145	320,331	3,122,547
2014	-	-	95,970,439	65,586,394	-	-	1,092,701,833	-	-
2013	-	-	101,143,501	76,344,434	-	(61,129,966)	1,074,567,969	-	-
2012	-	-	106,080,099	75,844,431	-	(69,198,744)	1,022,760,786	-	-
2011	-	-	110,794,193	86,705,946	-	(77,267,523)	1,056,127,616	-	-
2010	-	-	115,298,821	31,409,898	(3,289,100)	(27,476,043)	1,087,208,576	-	-
2009	-	-	119,607,409	34,856,747	(3,474,770)	(30,045,720)	1,116,163,666	-	-
2008	-	-	123,732,433	38,411,599	(3,662,671)	(32,638,225)	1,144,153,136	-	-

Long-term Debt Continued							
Fiscal Year	Net pension liability – HIS Plan	Other noncurrent liabilities	Legal Settlement	Fair value of interest rate swaption	Deferred Revenue	Total noncurrent Liabilities	**Total Short and Long-Term Liabilities (In Millions)**
2017	$ 3,592,306	$ -	$ -	$ -	$ -	$ 1,007,729,114	$ 1,039.96
2016	3,686,822	-	-	-	-	1,050,106,511	1,084.62
2015	3,104,772	-	-	-	-	1,069,900,795	1,102.51
2014	-	275,460	-	-	-	1,092,977,293	1,125.22
2013	-	-	20,966,264	-	21,368,168	1,116,902,401	1,148.96
2012	-	-	20,163,800	-	21,058,204	1,063,982,790	1,094.56
2011	-	-	-	-	18,512,703	1,074,640,319	1,104.68
2010	-	-	-	59,168,913	18,481,864	1,164,859,353	1,193.12
2009	-	-	-	44,641,278	12,157,074	1,172,962,018	1,200.18
2008	-	-	-	26,198,828	25,320,012	1,195,671,976	1,221.83

Notes

(1) Fiscal year 2016 unamortized bond issue premium was restated to reflect a change in bond premium amortization to the Effective Interest Method. The change resulted in a increase of $4,079,701 in unamortized bond issue premium

Total Short and Long Term Debt Oustanding, in Millions ($)

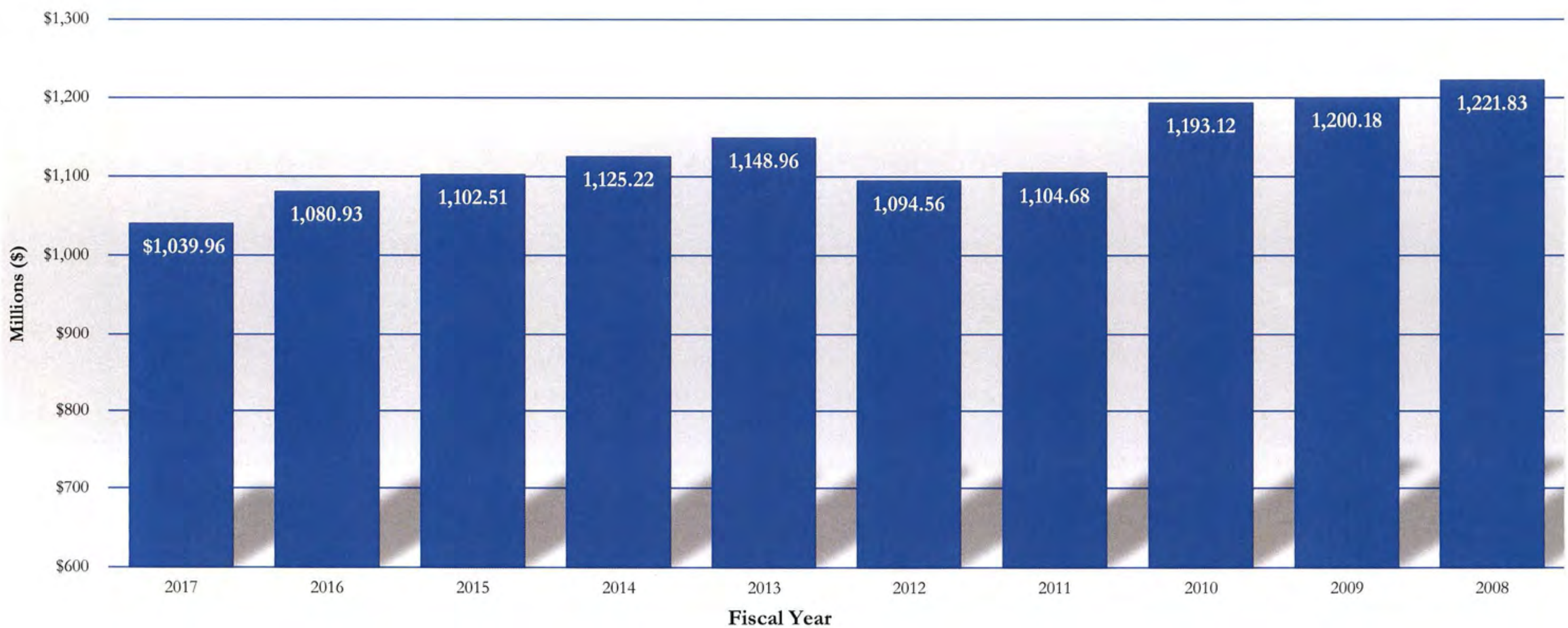


Table 12 - Historical Operating Results - Last 5 Fiscal Years

	2017	2016	2015	2014	2013
Revenue					
Actual water demand (mgd)	179.2650	160.7820	156.0700	157.0200	157.7900
Uniform Rate (per 1,000 gallons)	$ 2.5590	$ 2.5590	$ 2.5590	$ 2.5590	$ 2.5590
Revenue from Sales	**$ 156,811,001**	**$ 153,320,480**	**$ 154,724,559**	**$ 155,333,597**	**$ 156,492,882**
Transfers (to) from Rate Stabilization Fund	(660,623)	1,745,750	(1,172,575)	5,849,796	(6,091,430)
	156,150,378	155,066,230	153,551,984	161,183,393	150,401,452
Purchase price amortization credit	(10,231,557)	(10,231,557)	(10,231,557)	(10,231,557)	(10,231,557)
Litigation and insurance recoveries	1,084,167	1,188,148	979,352	22	12,733
Arbitrage recoveries	-	-	-	-	3,894,212
Investment revenue - unrestricted (1)	1,911,132	1,019,717	758,519	640,275	899,766
Total Revenue	**148,914,120**	**147,042,538**	**145,058,298**	**151,592,133**	**144,976,606**
Operation and maintenance expenditures (2)	(70,370,842)	(67,579,262)	(66,234,230)	(66,749,873)	(64,206,886)
Net Revenue	**$ 78,543,279**	**$ 79,463,276**	**$ 78,824,068**	**$ 84,842,260**	**$ 80,769,720**
Annual debt service payments Series 2001A bonds	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Annual debt service payments Series 2004 bonds	18,786,912	14,249,838	14,246,788	14,254,537	14,251,787
Annual debt service payments Series 2005 bonds	8,835,750	13,374,775	13,379,888	13,365,825	13,374,425
Annual debt service payments Series 2006 bonds	-	372,750	1,569,683	4,846,054	6,211,854
Annual debt service payments Series 2008 bonds (3)	-	1,703,663	5,068,750	5,068,750	5,068,750
Annual debt service payments Series 2010 bonds	319,750	1,825,775	3,331,800	3,331,800	3,331,800
Annual debt service payments Series 2011 bonds	13,548,500	13,554,250	13,550,750	13,549,250	13,551,000
Annual debt service payments Series 2011A bonds	2,299,000	2,295,500	4,413,889	6,922,750	6,923,550
Annual debt service payments Series 2011B bonds	-	657,309	4,039,785	7,378,800	7,382,100
Annual debt service payments Series 2013 bonds	3,619,550	3,619,550	3,619,550	3,619,550	2,352,708
Annual debt service payments Series 2015A bonds	7,611,150	7,611,150	4,397,553	-	-
Annual debt service payments Series 2015B bonds	3,649,346	3,595,158	2,050,153	-	-
Annual debt service payments Series 2016A bonds	4,356,688	2,892,356	-	-	-
Annual debt service payments Series 2016B bonds	1,335,439	930,041	-	-	-
Annual debt service payments Series 2016C bonds	2,767,250	1,345,191	-	-	-
Total Debt Service	**$ 70,129,335**	**$ 71,027,306**	**$ 72,668,589**	**$ 75,337,316**	**$ 75,447,974**
Required deposit to Capital Improvement Fund	5,158,861	4,592,553	2,986,952	6,019,372	1,727,032
Required deposit to Renewal and Replacement Fund	3,242,539	3,155,183	2,891,688	2,583,103	3,533,711
Total debt service and reserve requirements	**$ 78,530,735**	**$ 78,775,042**	**$ 78,547,229**	**$ 83,939,791**	**$ 80,708,717**
Debt service and reserve coverage (times)	**1.00**	**1.01**	**1.00**	**1.01**	**1.00**
Fund Balance (4)	$ 26,266,857	$ 25,331,249	$ 25,005,185	$ 28,979,566	$ 27,873,673
Net revenue plus fund balance	$ 104,810,136	$ 104,794,525	$ 103,829,253	$ 113,821,826	$ 108,643,393
Debt Service coverage (times)	**1.49**	**1.48**	**1.43**	**1.51**	**1.44**

Note 1: Investment revenue does not include interest on construction funds or unrealized investment revenue from derivative instruments.
Note 2: Operation and maintenance expenditures include capital expenditures for maintenance of the existing system.
Note 3: Debt service coverage is calculated on the total debt service requirement, net of any capitalized interest provided from bond proceeds, in accordance with the Bond Resolution
Note 4: Fund balance is defined by the Bond Resolution and is calculated as of the prior year-end in accordance with the Bond Resolution

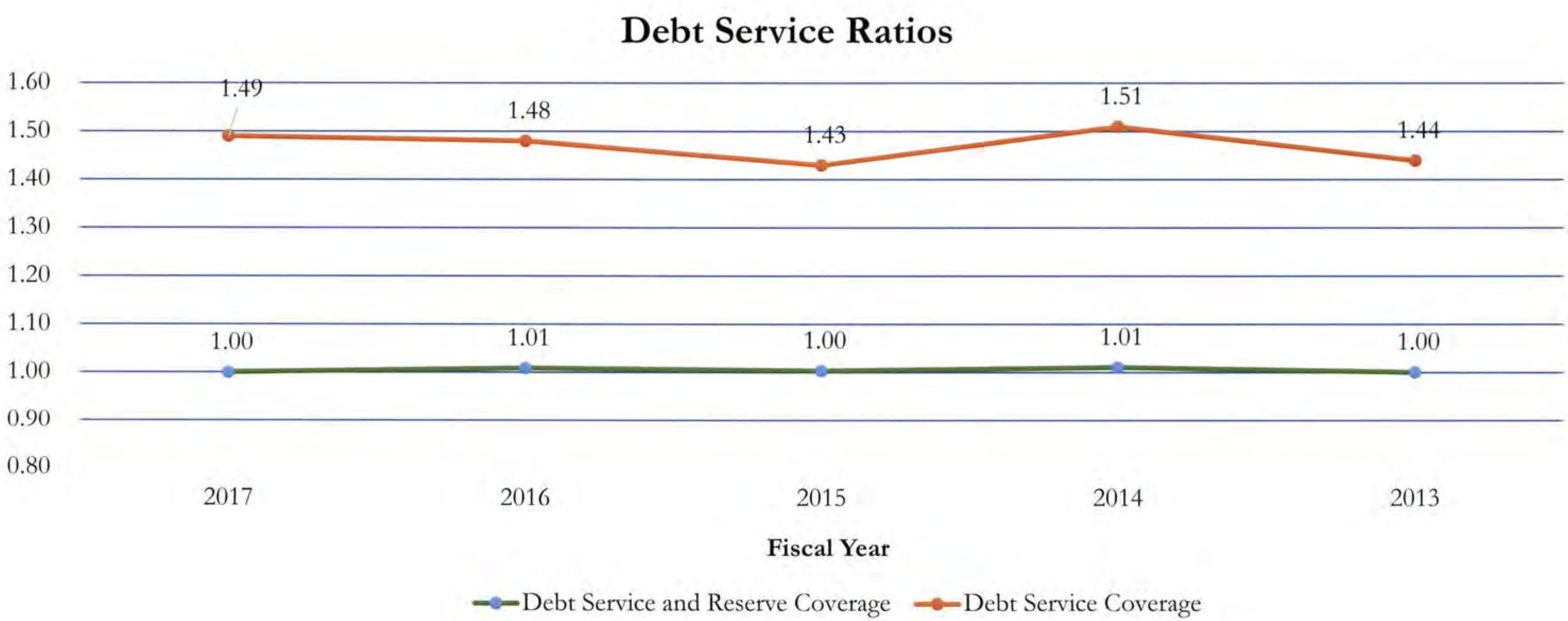

Debt Service Ratios
1.60
1.50
1.40
1.30
1.20
1.10
1.00
0.90
0.80
1.49
1.48
1.43
1.51
1.44
1.00
1.01
1.00
1.01
1.00
2017
2016
2015
2014
2013
Fiscal Year
Debt Service and Reserve Coverage
Debt Service Coverage

TABLE 13, General Information as of September 30, 2017

Number of member agencies:	6
Cities:	3
Counties:	3

Notes: Each of the counties have two board members and each of the cities have one

TABLE 14, Operating Indicators - Last 10 Fiscal Years

FY	Water System Service Area (Square Miles)	Miles of Treated Water Pipeline	Miles of Untreated Treated Water Pipeline	Number of Service Connections	Groundwater Wellfields	Number of Groundwater Treatment Plants	Groundwater Treatment Capacity (Million Gallons per Day)	Desalination Treatment Plant	Desalination Treatment Capacity
2017	2076	156	115	21	13	6	181	1	25
2016	2076	156	115	21	13	6	181	1	25
2015	2076	156	115	21	13	6	181	1	25
2014	2076	156	115	21	13	6	181	1	25
2013	2076	156	115	21	13	6	181	1	25
2012	2076	156	115	21	13	6	181	1	25
2011	2076	152	115	21	13	6	181	1	25
2010	2076	152	115	21	13	6	181	1	25
2009	2076	152	115	21	13	6	181	1	25
2008	2076	152	115	21	13	6	181	1	25

FY	Hydrogen Sulfide Treatment Plants	Hydrogen Sulfide Treatment capacity (Million Gallons per Day)	Number of Surface Water Treatment Plants	Surface Water Treatment Capacity (Million Gallons per Day)	Treated Water Booster Stations	Untreated Water Lift/Withdrawal /Booster Stations	Water Supply Reservoir	Water Supply Reservoir Capacity (Billion Gallons)
2017	2	80	1	120	4	5	1	15.5
2016	2	80	1	120	4	5	1	15.5
2015	2	80	1	120	4	5	1	15.5
2014	2	80	1	120	4	5	1	15.5
2013	2	80	1	120	4	5	1	15.5
2012	1	35	1	120	4	5	1	15.5
2011	1	35	1	120	4	5	1	15.5
2010	1	35	1	120	4	5	1	15.5
2009	1	35	1	66	4	5	1	15.5
2008	1	35	1	66	4	5	1	15.5

TABLE 15, Total Water Production - Last 10 Fiscal Years

Total Water Production				
Fiscal Year	Ground Water	Surface Water	Desalinated Water	Total Water Production (Million Gallons Per Day)
2017	109.7	62.5	7.0	179.2
2016	102.0	57.5	1.3	160.8
2015	102.2	52.9	2.2	157.3
2014	94.0	55.8	9.1	158.9
2013	104.2	45.9	10.4	160.5
2012	108.0	57.6	1.3	166.9
2011	107.5	52.9	3.8	164.2
2010	105.5	38.1	11.4	155.0
2009	81.9	48.6	16.6	147.0
2008	114.1	44.3	19.4	177.8

Total Water Production, in Millions of Gallons Per Day

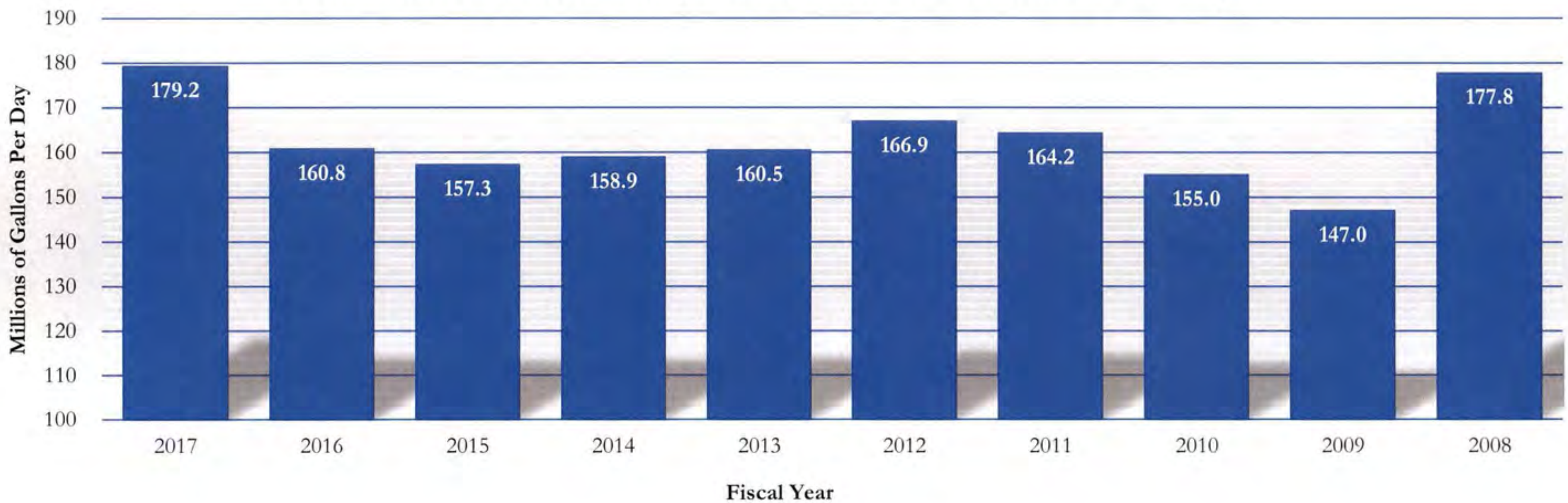


TABLE 16, Employment by Industry - Fiscal Year 2017 and 2008

	Hillsborough County		Pasco County		Pinellas County	
Industry	**2017**	**2008**	**2017**	**2008**	**2017**	**2008**
Utilities	2,897	2,885	856	645	675	556
Construction	38,421	39,506	9,165	9,163	21,623	24,076
Machinery Manufacturing	1,334	985	865	1,089	2,998	3,001
Transportation Equipment Manufacturing	1,609	1,562	126	66	1,566	2,224
Wholesale Trade	34,643	34,578	2,532	2,167	15,101	15,144
Information	17,703	20,639	985	769	7,536	8,689
Other Services	24,102	22,928	4,515	4,293	16,258	18,016
Education & Health Service	94,092	78,194	23,684	17,812	77,085	71,493
Financial Activities	72,213	62,108	4,490	4,489	32,504	30,578
Federal Government	14,896	13,886	784	849	7,041	6,808
Local Government	51,939	50,663	15,456	14,913	33,379	35,994
State Government	17,902	15,993	1,751	1,672	5,210	5,094
Leisure and Hospitality	78,953	63,851	15,521	12,330	56,079	46,814
Manufacturing	26,751	29,554	3,343	3,948	30,222	36,797
Chemical, Energy, Plastic, and Rubber Manufacturing	2,993	3,276	311	317	3,163	3,234
Electronic and Electrical Manufacturing	2,857	2,950	317	313	8,930	11,167
Food, Beverage, and Tobacco Manufacturing	5,193	6,357	216	274	1,099	1,189
Furniture and Misc. Manufacturing	3,166	3,116	383	399	5,445	7,095
Metals and Mining Based Manufacturing	5,511	6,513	859	877	2,930	3,378
Textile, Fiber, and Printing Manufacturing	4,092	4,795	267	614	4,095	5,509
Office-using Industries	236,734	191,692	19,579	17,149	127,646	118,514
Professional and Business Services	141,374	101,465	11,834	9,530	77,624	69,393
Natural Resources and Mining	477	371	30	31	7	6
Retail Trade	75,912	69,999	20,855	18,083	53,128	51,642
Transpiration and Warehousing	16,623	15,176	1,049	1,106	5,396	5,281
Trade, Transportation, and Utilities	130,075	122,638	25,293	22,001	74,301	72,623
Transportation, Warehousing, and Utilities	19,520	18,061	1,905	1,751	6,071	5,837

TABLE 17, Demographic and Economic Statistics - Last 10 Calendar Years (1)

Hillsborough County					
Fiscal Year	County Population (in thousands)	Per Capita Personal Income (in dollars)	Single Family Building Permits	Multi Family Building Permits	Unemployment Rate
2017	1405	$ 48,398	9,154	6,041	4.215 %
2016	1374	45,047	6,457	4,554	4.453
2015	1344	42,467	5,271	4,026	5.041
2014	1316	41,902	4,411	3,079	5.839
2013	1294	40,568	4,798	2,074	6.711
2012	1282	40,878	4,059	3,036	7.979
2011	1272	42,059	3,075	1,106	9.600
2010	1234	39,497	2,903	1,047	10.731
2009	1214	37,782	2,470	1,275	10.586
2008	1197	39,028	3,110	3,090	6.542

Pasco County					
Fiscal Year	County Population (in thousands)	Per Capita Personal Income (in dollars)	Single Family Building Permits	Multi Family Building Permits	Unemployment Rate
2017	509	$ 40,897	3,718	1,849	4.841 %
2016	501	37,924	2,639	1,403	5.115
2015	493	35,679	2,169	1,249	5.790
2014	485	33,953	1,825	960	6.707
2013	476	32,830	1,553	421	7.819
2012	471	32,361	1,167	170	9.148
2011	467	32,665	960	441	10.861
2010	466	31,299	1,012	600	11.946
2009	463	30,258	999	802	11.912
2008	461	31,303	1,182	1,188	7.665

Pinellas County					
Fiscal Year	County Population (in thousands)	Per Capita Personal Income (in dollars)	Single Family Building Permits	Multi Family Building Permits	Unemployment Rate
2017	970	$ 55,984	1,391	1,965	4.195 %
2016	958	52,190	993	1,498	4.432
2015	947	49,252	821	1,341	5.018
2014	938	45,925	695	1,038	5.812
2013	930	44,362	714	2,341	6.778
2012	922	44,108	489	1,072	8.040
2011	918	44,549	341	14	9.728
2010	917	42,027	299	398	10.818
2009	915	39,708	260	962	10.797
2008	916	41,792	418	234	6.595

(1) Information is retrieved from Moody's Corporation Database

TAMPA
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IV. COMPLIANCE SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT 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*

To the Board of Directors of
Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tampa Bay Water, A Regional Supply Authority (the "Agency"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 15, 2018.

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 opinions 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, identified as 2017-001 described in the accompanying schedule of findings and responses, that we consider to be a material weakness.

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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*.

Tampa Bay Water, A Regional Water Supply Authority's Response to the Finding
Tampa Bay Water, A Regional Water Supply Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Agency's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 15, 2018

TAMPA BAY WATER

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	_X_ yes ___ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes _X_ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Programs and State Financial Assistance Projects

There was not an audit of major federal award programs or state financial assistance projects as of September 30, 2017, due to the total amount expended being less than $750,000.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2017-001 Correction of Errors

Criteria: Generally accepted accounting principles require that all cash of the government be reported in the Statement of Net Position. Additionally, Governmental Accounting Standards require bond premiums to be amortized using the effective interest method.

Condition: The Agency did not properly record cash deposits made as a result of various operating agreements. Additionally, the Agency did not properly amortize bond premiums using the effective interest method.

Context: Agency officials made us aware of these items and determined the appropriate amounts to record as of and for the year ended September 30, 2016.

Effect: Prior period adjustments to increase net position and cash and decrease net position and accumulated amortization in the amounts of $9,656,208 and $4,079,403, respectively, were required as of September 30, 2016.

2017-001 Correction of Errors (Continued)
Cause: Internal control procedures related to recording of cash balances and amortization of bond premiums failed to detect and correct these misstatements.

Recommendation: We recommend the Agency implement controls for the proper review of operator contracts to ensure all cash of the Agency is recorded. Additionally, we recommend the Agency implement controls to ensure bond premiums are amortized using the appropriate method as required by Governmental Accounting Standards.

View of Responsible Officials: We concur with the finding. We have implemented the necessary controls and procedures to ensure cash balances are properly recorded and bond premiums are properly amortized in accordance with generally accepted accounting principles and Governmental Accounting Standards.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

SECTION IV
STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Not applicable.

TAMPA BAY WATER

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

STATUS OF PRIOR YEAR AUDIT FINDINGS

No prior year audit findings.

Tampa Bay Water

(A Regional Water Supply Authority)

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

Article I. September 30, 2017

Revenue:		
Actual water demand (mgd)		179.2500
Uniform rate (per 1,000 gallons)	$	2.5590
Revenue from sales	$	156,811,001
Transfer (to) from Rate Stabilization Fund		(660,623)
		156,150,378
Purchase price amortization credit		(10,231,557)
Litigation and insurance recoveries		1,084,167
Investment revenue – unrestricted *(Note 1)*		1,911,132
Total revenue		148,914,120
Operation and maintenance expenditures *(Note 2)*		(70,370,842)
Net revenue	$	78,543,279
Annual debt service payments Series 2001A bonds	$	3,000,000
Annual debt service payments Series 2004 bonds		18,786,912
Annual debt service payments Series 2005 bonds		8,835,750
Annual debt service payments Series 2010 bonds		319,750
Annual debt service payments Series 2011 bonds		13,548,500
Annual debt service payments Series 2011A bonds		2,299,000
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		3,649,346
Annual debt service payments Series 2016A bonds		4,356,688
Annual debt service payments Series 2016B bonds		1,335,439
Annual debt service payments Series 2016C bonds		2,767,250
Total debt service *(Note 4)*		70,129,335
Required deposit to Capital Improvement Fund		5,158,861
Required deposit to Renewal and Replacement Fund		3,242,539
Total debt service and reserve requirements	$	78,530,735
Debt service and reserve coverage (times)		1.00
Fund balance *(Note 3)*	$	26,266,857
Net revenue plus fund balance	$	104,810,136
Debt service coverage (times) *(Note 4)*		1.49

Note 1: Investment revenue does not include interest on construction funds of $47,684 in 2017 or unrealized investment losses of $737,604 in 2017.

Note 2: Operation and maintenance expenditures include capital expenditures for maintenance of the existing system of $1,285,580 in 2017.

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.

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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, 2017, and the statement of activities and cash flows, and the related notes to the financial statements, and have issued our report, thereon, dated February 15, 2018.

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:

- Utility System Refunding and Improvement Revenue Bonds, Series 2001A
- Utility System Refunding Revenue Bonds, Series 2004
- Utility System Refunding and Improvement Revenue Bonds, Series 2005
- Utility System Refunding Revenue Bonds, Series 2010
- Utility System Refunding Revenue Bonds, Series 2011
- Utility System Refunding Revenue Bonds, Series 2011A
- Utility System Refunding Revenue Bonds, Series 2013
- Utility System Refunding Revenue Bonds, Series 2015A
- Utility System Refunding Revenue Bonds, Series 2015B
- Utility System Refunding Revenue Bonds, Series 2016A
- Taxable Utility System Refunding Revenue Bonds, Series 2016B
- 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 15, 2018

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of
Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

Report on the Financial Statements
We have audited the financial statements of Tampa Bay Water, A Regional Water Supply Authority (the "Agency"), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 15, 2018.

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.

Other Reporting Requirements
We have issued our Independent Auditor's Report 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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 15, 2018, 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 findings or recommendations in the preceding annual financial audit report requiring correction.

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. This information is disclosed in the notes to the financial statements.

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Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Agency has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Agency. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted one recommendation, which is described in the schedule of findings and responses and identified as finding 2017-001.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Agency for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
February 15, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tampa Bay Water, A Regional Water Supply Authority
Clearwater, Florida

We have examined Tampa Bay Water, A Regional Supply Authority's (the "Agency") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on 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, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
February 15, 2018

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