

Popular Annual Financial Report

Fiscal Year Ended September 30, 2018
October 1, 2017 – September 30, 2018



A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

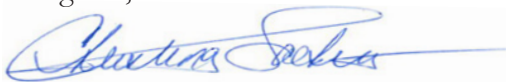
The Finance Department of Tampa Bay Water is proud to present Tampa Bay Water's Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2018.

The financial information presented in the PAFR is derived from the Agency's Comprehensive Annual Financial Report (CAFR) and is presented here in summarized form. The CAFR outlines the Agency's financial position and operating activities for fiscal year 2018 in detail, includes financial statements audited by Mauldin & Jenkins, LLC that received an unmodified (clean) opinion. The Agency's financial records and the annual financial statements are maintained on the accrual basis of accounting, consistent with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements applicable to an enterprise fund. The CAFR is posted on tampabaywater.org.

Tampa Bay Water continues to strive towards awareness, accountability and transparency on all of our financial information to our citizens. In 2018, Tampa Bay Water received awards for the 2017 CAFR, 2017 PAFR and 2018 Annual Budget Book from the Government Finance Officers Association (GFOA). This was the second year that Tampa Bay Water participated in and received the CAFR and PAFR Awards, plus the 9th year Tampa Bay Water participated in and received the Distinguished Budget Award. The attainment of these three awards represents a significant accomplishment by a government and its management.

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

Regards,



Christina Sackett
Chief Financial Officer

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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, 2017

Christopher P. Morill

Executive Director/CEO

ABOUT TAMPA BAY WATER



Tampa Bay Water was created in 1998 after a two-year process that resulted in contracts and legislation that changed the name, structure and operations of the West Coast Regional Water Supply Authority. The creation of Tampa Bay Water ended the region's 'water wars' and created a new alliance between the six member governments in west-central Florida: Hillsborough County, Pasco County, Pinellas County, New Port Richey, St. Petersburg and Tampa.

Tampa Bay Water is a non-profit, special district of the State of Florida created to plan, develop and deliver a high-quality drinking water supply, and works to protect water supply sources.

The Agency is a true regional utility, funded through the sale of water to its member governments. Its members share the cost of developing new supplies, share in environmental stewardship, share voting rights equitably among the three counties and pay the same wholesale water rates.

The Agency provides quality drinking water to its six member governments whose water service areas serve more than 2.5 million residents in the Tampa Bay region. The region is served by a combination of groundwater, river water and desalinated seawater. The Agency has administrative, laboratory and infrastructure management facilities in Cypress Creek, Florida and an administrative facility in Clearwater, Florida.

TAMPA BAY WATER PROVIDES QUALITY DRINKING WATER TO ITS SIX MEMBER GOVERNMENTS WHOSE WATER SERVICE AREAS SERVE MORE THAN 2.5 MILLION RESIDENTS IN THE TAMPA BAY REGION.

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 continual 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.

BOARD OF DIRECTORS AT END OF FISCAL YEAR 2018



**CHAIRMAN
COMMISSIONER**

Sandra L. Murman
Hillsborough County



**VICE CHAIRMAN
COMMISSIONER**

Dave Eggers
Pinellas County



COMMISSIONER

Pat Gerard
Pinellas County



COMMISSIONER

Pat Kemp
Hillsborough County



MAYOR

Rob Marlow
City of New Port Richey



COUNCIL MEMBER

Charlie Miranda
City of Tampa



COMMISSIONER

Ron Oakley
Pasco County



COUNCIL MEMBER

Darden Rice
City of St. Petersburg



COMMISSIONER

Kathryn Starkey
Pasco County



Hillsborough
County Florida



FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018



The Agency owns and operates capital assets with a net book value of \$1.22 billion to provide water to its six member governments. The operating facilities in 2018 included 13 wellfield systems, the enhanced surface water system, and the seawater desalination facility.

The Agency's net position increased by \$4.4 million or 0.56% in fiscal year 2018 from 2017.

Decreased water demand from its six members resulted in a decrease in water production from 179.3 mgd in 2017 to 169.7 mgd in 2018. The decrease was largely due to the one-hundred year drought that impacted the region in 2017.

During 2018, the Agency revenue from water sales was \$160.9. In addition, \$3.0 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 \$1.8 million from 2017 to 2018.

The Agency's operating expenses increased by \$1.4 million, or 2.03%, from 2017 to 2018, because of the 2018 budget policies.

The two tables on the following pages that present the statement of net position and the statement of revenue, expenses, and changes in net position further explain the financial condition of Tampa Bay Water at the end of fiscal year 2018.

CAPITAL ASSETS
\$1.22 BILLION

NET POSITION INCREASE
\$4.4 MILLION

**WATER DEMAND
DECREASED**
**9.6 MILLION
GALLONS PER DAY**

REVENUE FROM WATER SALES
\$160.9 MILLION

**OPERATING EXPENSES
INCREASE**
\$1.4 MILLION

FINANCIAL POSITION

STATEMENTS OF NET POSITION – SEPTEMBER 30, 2018

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

	FISCAL YEAR 2018	FISCAL YEAR 2017
ASSETS		
CURRENT UNRESTRICTED ASSETS	\$ 79,662,346	\$ 72,483,540
CURRENT RESTRICTED ASSETS	155,682,406	141,053,995
NON-CURRENT ASSETS	1,590,897,445	1,637,473,818
TOTAL ASSETS	\$ 1,826,242,197	\$ 1,851,011,353
DEFERRED OUTFLOWS OF RESOURCES		
LOSS ON REFUNDING OF DEBT	\$ 28,037,278	\$ 41,770,450
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – FLORIDA RETIREMENT SYSTEM	4,241,778	4,001,029
UNREALIZED PENSION CONTRIBUTIONS AND LOSSES – HEALTH INSURANCE SUBSIDY	792,037	875,065
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 33,071,093	\$ 46,646,544
LIABILITIES		
LONG-TERM DEBT OUTSTANDING	\$ 951,137,642	\$ 996,384,891
OTHER LIABILITIES	83,597,628	84,547,075
TOTAL LIABILITIES	\$ 1,034,735,270	\$ 1,080,931,966
DEFERRED INFLOWS OF RESOURCES		
RATE STABILIZATION	\$ 33,983,873	\$ 31,028,033
UNREALIZED PENSION GAINS – FLORIDA RETIREMENT SYSTEM	702,204	298,717
UNREALIZED PENSION GAINS – HEALTH INSURANCE SUBSIDY	385,925	312,532
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 35,072,002	\$ 31,639,282
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	\$ 659,267,732	\$ 662,029,752
RESTRICTED	92,933,057	86,907,666
UNRESTRICTED	37,305,229	36,149,231
TOTAL NET POSITION	\$ 789,506,018	\$ 785,086,649

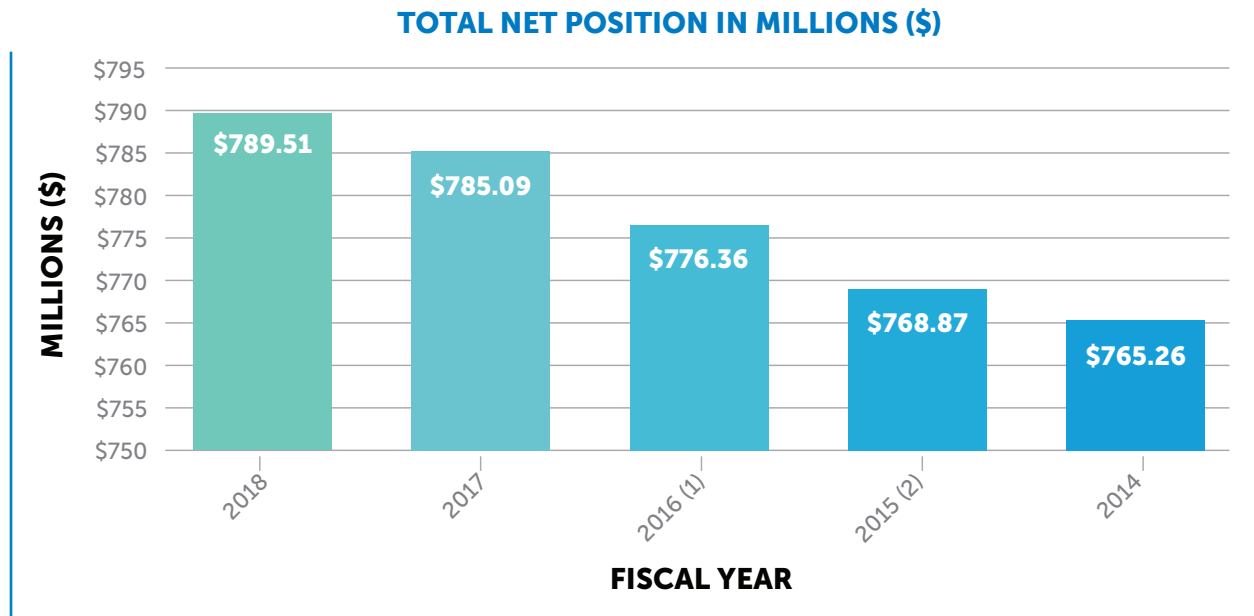
NET POSITION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	FISCAL YEAR 2018	FISCAL YEAR 2017
OPERATING REVENUES	\$ 157,912,579	\$ 156,150,378
OPERATING EXPENSES	(70,533,968)	(69,085,262)
OPERATING INCOME BEFORE DEPRECIATION	87,378,611	87,065,116
DEPRECIATION	(30,210,346)	(29,906,334)
OPERATING INCOME	57,168,265	57,158,782
INVESTMENT REVENUE, NET OF REALIZED AND UNREALIZED GAIN (LOSS)	2,030,328	1,221,212
LESS CAPITALIZED INTEREST	(144,153)	(42,085)
INTEREST EXPENSE	(49,189,636)	(50,649,050)
LESS CAPITALIZED INTEREST	570,497	692,976
LOSS ON DISPOSAL OF CAPITAL ASSETS, NET	(6,034,110)	(1,331,299)
LITIGATION RECOVERIES	18,178	1,084,167
INCOME BEFORE CONTRIBUTIONS	4,419,369	8,134,703
CAPITAL CONTRIBUTIONS	–	590,000
CHANGE IN NET POSITION	4,419,369	8,724,703
TOTAL NET POSITION – BEGINNING	785,086,649	776,361,946
TOTAL NET POSITION – ENDING	\$ 789,506,018	\$ 785,086,649

Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve over time as an indicator of a government's financial condition. Net investment in capital assets makes up the biggest portion of net position. This amount is associated with the Agency's equity in capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources. A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction or resources reserved for debt service. The remaining portion of net position is unrestricted representing resources that are available for services. Over time the deficit gets reduced as liabilities are gradually paid off.

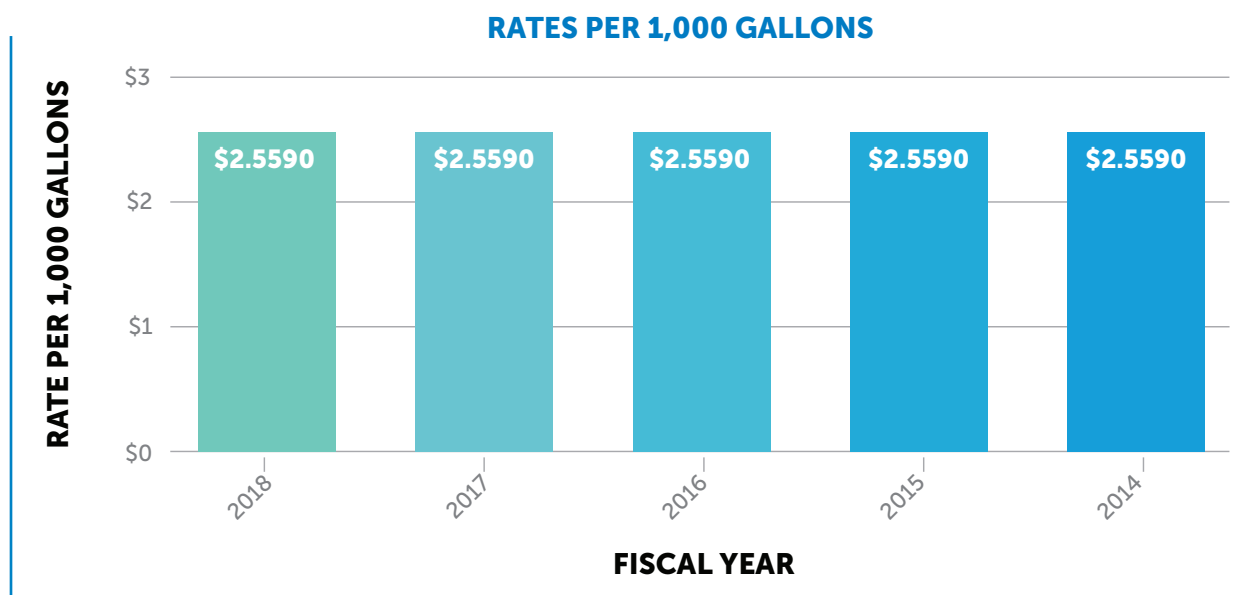
The chart below shows Tampa Bay Water’s total net position at the end of the last five fiscal years.



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 increased by \$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

In fiscal year 2018 the Agency was able to keep the same rate per 1,000 gallons for its members for the seventh consecutive year at \$2.5590. The chart below shows Tampa Bay Water’s rates per 1,000 gallons over the last five years.

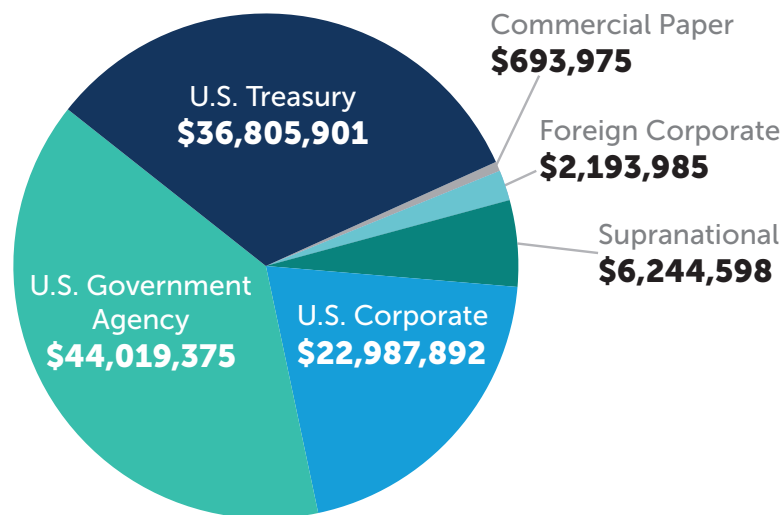


INVESTMENTS

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

Tampa Bay Water's investment pool is in full compliance with the investment policy and had an overall annual rate of return for fiscal year 2018 of 2.64%, compared to the benchmark rate (Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index) of 2.79%. The reason why the benchmark outperformed the investment pool is because the duration of investments of the benchmark are significantly greater than the investment pool. At September 30, 2018, the Agency's investment portfolio was invested as shown below.

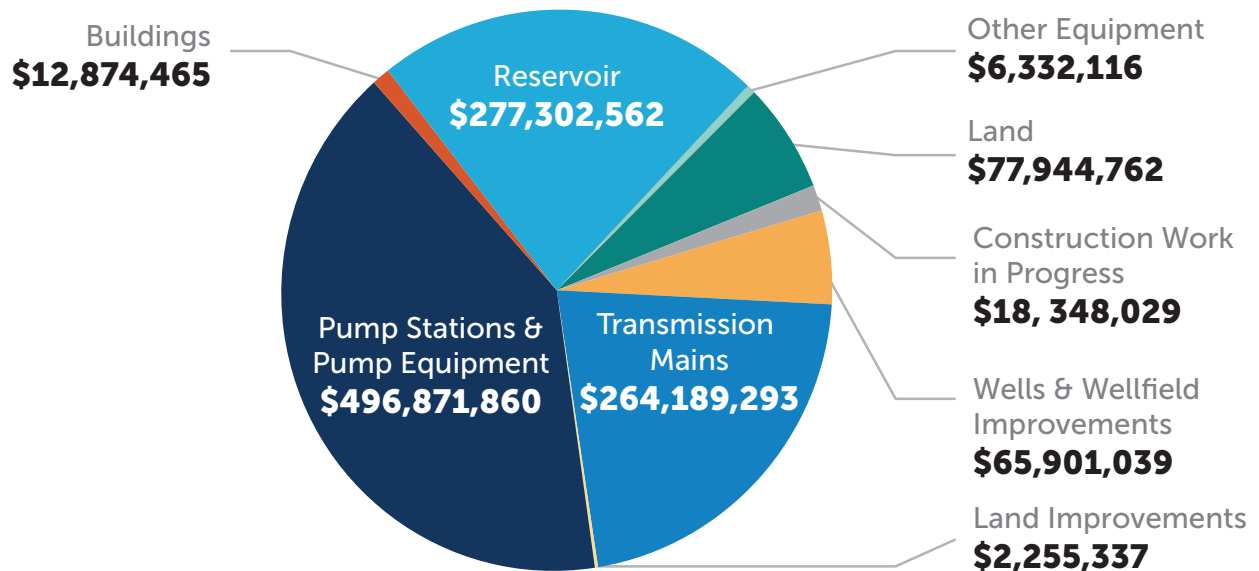
TOTAL INVESTMENTS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2018 \$112,945,726



CAPITAL ASSETS

Tampa Bay Water's capital assets had a total value of \$1.22 billion dollars, net of accumulated depreciation at end of fiscal year 2018. This includes buildings, pump stations and equipment, land, land improvements, transmission mains, wells and wellfield improvements, other equipment, reservoir, and construction in progress. The Agency uses most of its capital assets to provide safe drinking water to its members. There was a 2.28% decrease in total capital assets for fiscal year 2018 compared to fiscal year 2017.

TOTAL CAPITAL ASSETS OWNED BY TAMPA BAY WATER AS OF SEPTEMBER 30, 2018 \$1,222,019,463



LONG-TERM LIABILITIES



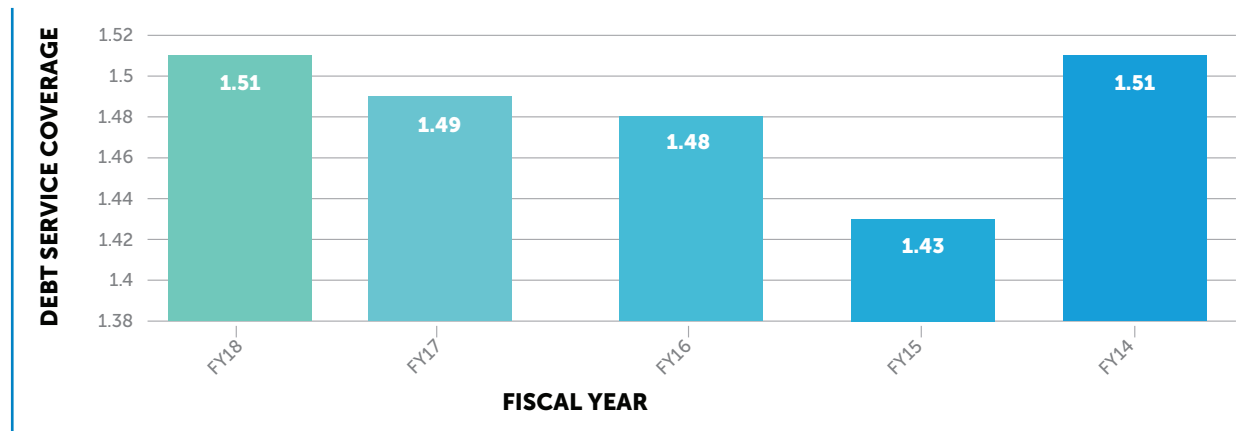
At September 30, 2018, Tampa Bay Water had 12 bonded debt issues outstanding that were used for financing capital improvement projects and refunding prior issued bonds. Bond debt outstanding and other long-term liabilities at September 30, 2018 were as follows:

FISCAL YEAR 2018	
REVENUE BONDS	\$ 842,105,000
ACQUISITION CREDITS	78,890,399
UNAMORTIZED BOND ISSUE PREMIUM	67,700,613
TOTAL LONG-TERM LIABILITIES	\$ 988,696,012

At September 30, 2018, the Agency's bond debt was rated Aa1 by Moody's, AA+ by Standard & Poor's, and AA+ by Fitch Ratings. This rating shows that Tampa Bay Water has a very strong capacity to meet its financial commitments.

This chart below shows that net revenues, together with the Utility Reserve fund balance, was 1.51 times greater than the amount needed for Agency's annual debt service due in fiscal year 2018.

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





GOVERNMENTAL ACCOUNTING TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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