

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

An Enterprise Fund Department of the Martin County, Florida,
Board of County Commissioners

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Years Ended September 30, 2015 and 2014**

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***INTRODUCTORY
SECTION***



Government Finance Officers Association

**Certificate of
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Reporting**

Presented to

**Martin County
Florida Utilities Department**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



MARTIN COUNTY

BOARD OF COUNTY COMMISSIONERS

UTILITIES & SOLID WASTE DEPARTMENT

PO Box 9000 Stuart, FL 34995-9000

John E. Polley

Director

Phone (772) 221-1442

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DOUG SMITH
Commissioner, District 1

ED FIELDING
Commissioner, District 2

ANNE SCOTT
Commissioner, District 3

SARAH HEARD
Commissioner, District 4

JOHN HADDOX
Commissioner, District 5

May 27, 2016

Honorable Martin County Board of Commissioners
Taryn Kryzda, County Administrator

Dear Ladies and Gentlemen:

The Comprehensive Annual Financial Report (“CAFR”) of the Martin County Utilities Department (the “Department”) for the fiscal year ended September 30, 2015 is hereby submitted. The Department is an enterprise fund operation of the Martin County, Florida, (the “County”) Board of County Commissioners (the “Board”).

The Clerk of the Circuit Court and Comptroller’s Accounting Department prepared the CAFR. The report consists of management’s representations concerning the finances of the Department. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the Department has established a comprehensive internal control framework that is designed both to protect its assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Department’s financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Because the cost of internal controls should not outweigh their benefits, the Department’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. We believe that the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly state the financial position and results of the operations of the Department.

The Department’s financial statements have been audited by RSM U.S., L.L.P., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Department for the fiscal year ended September 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors’ report is presented as the first component of the financial section of this report.

TARYN KRYZDA, CPM
County Administrator

MICHAEL D. DURHAM
County Attorney

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<http://www.martin.fl.us>

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Department's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DEPARTMENT

History and purpose

The Department was organized in conjunction with the purchase of Southern Gulf Utilities in 1981, which provided water to the Town of Sewall's Point by wholesale purchase of water from the City of Stuart. In 1984 the Department constructed its first water treatment facility (North System Treatment Plant). Subsequent milestones in the growth of the Department's utility system include the 1986 purchase of the Intercoastal Utilities water and wastewater system; the 1987 construction of the North County wastewater plant; the 1993 construction of the North System Reverse Osmosis Plant; the 1993 purchase of the Martin Downs Utility water and wastewater system; the 1994 construction of the Tropical Farms water and wastewater plant; and a major expansion of the Tropical Farms system which was completed in 2008.

Today the Department's utility system service area ("System") encompasses a large portion of the unincorporated eastern section of the County where the majority of the population of the County resides. The System's service area essentially surrounds and excludes the City of Stuart, the largest City in the County, which is serviced by its own municipally-owned water and wastewater system. As of September 30, 2015 the Department had approximately 33,945 water and wastewater connections, providing service to an estimated population of 90,853 customers.

The Department, as an operating unit of the Board, reports directly to the County Administrator. Martin County provides a full range of services and is a Non-Charter County established under the Constitution and the laws of the State of Florida. The legislative and governing body of the County is the five-member Board of County Commissioners. In accordance with State Statutes Chapter 28-12, the Clerk of the Circuit Court and Comptroller is the Clerk of the Commission and official custodian of the accounting records for the Department. The Accounting Department of the Clerk's Office, and the Administrative Services Department, which report to the County Administrator, process accounting and budget entries generated by the Department.

Budgetary control

The Department's budget is included in the County's annual budget, which is prepared pursuant to Chapter 129, Florida Statutes. The Department's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) with the exception that capital asset purchases are budgeted as capital outlay expenditures for control purposes. Activities of the operation accounts (Revenue; Operations and Maintenance; Sinking Fund Accounts, including Bond Interest, Bond Principal, Renewal and Replacement; and Capital Improvement) required by covenants securing the Department's indebtedness are included in the annual budget.

The Department's facilities

The Department has made significant improvements to the infrastructure of the water and wastewater system since 1981 to accommodate the customer growth within the System. In 2001 the Department evaluated future demand on the System, reviewed existing facilities and established a 10 year capital improvement master plan. This master plan is updated annually with the majority of funding provided by the issuance of revenue bonds, System development fees and reserves of the System.

An overview of the Department's facilities

Water treatment facilities – The water treatment facilities of the System consist of two water treatment plants with a combined Florida Department of Environmental Protection (FDEP) permitted treatment capacity of 18.80 MGD expressed as a maximum daily flow basis. The water treatment process consists primarily of reverse osmosis, membrane and/or lime softening, filtration, and disinfection. In addition to the water treatment plants, the System has six water storage/repumping tanks, high service pumping equipment, emergency diesel generators, a communications center for telemetry monitoring and operating system and a state-certified water quality testing laboratory.



North Treatment Facility



Tropical Farms Treatment Facility

The first phase of the Tropical Farms water plant expansion was completed in FY 2008 and consists of a 8.0 MGD reverse osmosis water treatment plant in addition to the original 2.0 MGD membrane softening plant, two new surficial wells and three floridan wells, iron treatment facility, a 5 million gallon storage tank and two 16” deep injection wells.



Injection Well #2 Tropical Farms



Control Room Tropical Farms Operations Building



Tropical Farms Reverse Osmosis Operations Building



Head Works and Odor Control Tropical Farms Wastewater Plant

Well fields – The Department draws its raw water supply from 29 surficial aquifer wells and 9 Floridian aquifer wells with an additional consumptive use permits from South Florida Water Management for five additional Floridian wells. Permitted capacity for these wells is 7,946 MGY. The South Florida Water Management District regulates the raw water supply through a consumptive use permitting process.

Wastewater treatment facilities – The wastewater treatment facilities of the System consist of two treatment plants with a combined FDEP permitted capacity of 8.66 MGD. In addition to the wastewater treatment plants, the System has three deep injection wells, water reuse and percolation ponds. The Department currently disposes of treated effluent through reuse lines for irrigation purposes or through permitted percolation ponds. Sludge is disposed of through dewatering, hauling and disposal at an approved FDEP landfill.

The first phase of the Tropical Farms wastewater plant expansion from 0.94 MGD to 5.0 MGD, was completed in FY 2008. This expansion included two deep injection wells for disposal of reverse osmosis concentrate and wet weather disposal of effluent. In addition the design of the expansion of the North System wastewater treatment plant from 1.03 MGD to 2.76 MGD commenced in 2003 and was completed in FY 2006.



Tropical Farms Wastewater Lab/Workshop Building

Transmission and distribution system – The Department maintains approximately 546 miles of finished waterlines. The pipeline ranges in size from 2 to 24 inches in diameter and is constructed of polyvinyl chloride or ductile iron. The System also maintains 3,555 fire hydrants and has five emergency interconnects; two with the City of Stuart, and one each with Port St. Lucie, South Martin Regional Utility and Fort Pierce Utilities Authority.



Field Maintenance Building (Converted Water Tank)

Collection system – The Department maintains collection and transmission facilities of over 374 miles of pipeline ranging in size from 2 to 20 inches in diameter, with 391 pump stations and 17 miles of vacuum sewers.



North River Shores Wastewater Vacuum Building

Effluent reuse system – The Department maintains a wastewater reuse program which includes converting wastewater effluent into irrigation quality water (I.Q.) for use on golf courses, green spaces and some residential irrigation using 39 miles of I.Q. reuse water mains. During fiscal year 2015 approximately 53.2% of all wastewater effluent was processed into irrigation quality water. The use of I.Q. water is an important component of conserving water resources and wastewater management.

The Department's operations

The Department's operations are entirely related to providing water, wastewater and reuse (Irrigation Quality water) services.

Technical Services operations division – This division is responsible for implementing the Department's capital improvement master plan, coordinating and inspecting construction projects, designing in-house distribution and collection projects and maintaining the well field

protection program, as well as maintaining drawings and records of the Department's water and wastewater system. The division maintains utility system data on its Geographic Information System (GIS), a computer system that stores data based on physical geographic location. The data includes the size and type of pipe, valves, fire hydrants and other system components as well as the date the component was installed and other relevant data.

Customer service division – This division is responsible for all customer service functions, including customer billing, collection, meter reading and meter maintenance. Prior to FY 2013 the customer service function was part of the Financial Operations Division. The responsibility for the accounting and financial functions for the department were transferred to the Martin County Clerk of the Court of the Circuit Court and Comptroller.

Water and wastewater plant operations division – This division is responsible for the operations of the water supply and treatment plants and the wastewater treatment and effluent disposal facilities. The Department strives to ensure that the water supply meets the highest quality standards possible for safety, aesthetics and taste. The Department employs staff that is certified in treatment, testing, monitoring and distribution of the water supply. Water is tested regularly, both prior to and after treatment, to ensure that it complies with or surpasses all federal and state water quality requirements. An annual consumer confidence report is provided to the Department's customers by July 1st of each year. This division is also responsible for the operation, maintenance and regulatory reporting for the wastewater treatment facilities and operation and maintenance of the effluent disposal facilities.

Field operations division – This division is responsible for the maintenance of water mains, gravity sewers, force mains and fire hydrants throughout the Department's total utility service area. In addition, this division provides prompt repair and maintenance of leaks, major line breaks, new installations, correction of sewer backups, and all customer service fieldwork. This division is also responsible for maintaining the cross connection control program to detect and prevent cross-connections that may create a potential health hazard. A cross-connection is any physical connection between the water supply and any private piping arrangement that contains a foreign liquid or substance. Prevention requires the installation of an approved backflow prevention device.

Plant maintenance operations division – This division is responsible for all maintenance and general routine upkeep of the water and wastewater treatment facilities and lift stations. These functions are performed by certified maintenance mechanics, instrument technicians and certified electricians. This division operates and monitors the supervisory control and data acquisition (SCADA) system that allows water and wastewater treatment operators to monitor and control pumping, treatment and discharge from their control panels, where automation can provide an extra level of efficiency.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Department operates.

Local economy and demand trends

Martin County is located on the east coast of South/Central Florida in the area commonly referred to as the Treasure Coast. According to the Bureau of Business and Economic Research, the population of the County has increased 5.2% from 2005 to 2015. The economy of the County is based upon retail trade and services, healthcare, construction, manufacturing and tourism. The Department's service area continues to reflect primarily residential and light businesses. Growth in the number of water connections increased 5.85% between fiscal years 2011 and 2015, or an average of 1.17% per year. A continued increase in population is projected through "build-out" which is expected to occur in 2025.

Many residents are in the service area for only part of the year. The permanent year-around population of Martin County as of April 2015 was approximately 150,062 residents. The Department experiences monthly fluctuations in water consumption and wastewater services depending on seasonal demands due to the changes in seasonal and permanent population. The Department has year-around mandatory irrigation restrictions that prohibit irrigation between 9:00 a.m. and 5:00 p.m. and during FY 2009 mandatory restrictions by South Florida Management District permanently limited irrigation to three days a week. In addition there is a surcharge on potable water rates above 10,000, 15,000 and 25,000 gallons per month to discourage excessive use of water for irrigation.

Long-range financial planning

The Department's capital improvement master plan is projected to require approximately \$51 million over the next 10 years. These improvements include \$4.8 million in transmission and distribution lines, \$5.1 million for a raw water main from Tropical Farms to Martin Downs, \$7.5 million for sanitary sewer lining, \$5.2 million in Tropical Farms Water and Wastewater plant improvements, \$7.2 million for automatic meter retrofit of existing meters, \$3.3 million for asbestos-cement main replacement, \$1.8 million for North Floridan Aquifer well, \$1.4 million for replacement of treatment plant filters and membranes, \$2.5 million for lift station construction and rehabilitation and \$5.2 million for the North Water Plant headworks improvements.

During fiscal year 2009 the Board of County Commissioners approved automatically adjusting rates each year based on an amount equal to the prior year's price index for water and wastewater published by the Florida Public Service Commission on or about March 31st or each year. Annual indexing will not be less than 0% or exceed 2.5% for the five-year period. On October 1, 2014 the rates were indexed 1.63% and this increase sunsets the indexing.

Awards and acknowledgements

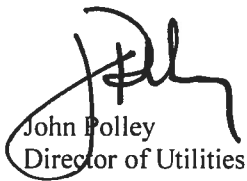
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. This was the fourteenth consecutive year that the Department achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and

efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated services of the County's Office of Management and Budget's staff and the Clerk of the Court and Comptroller's staff. We also thank the Martin County Board of County Commissioners for their continued assistance in enabling the Department to fulfill its roll in delivering highly efficient and effective countywide water and wastewater services.

Respectfully submitted,



John Polley
Director of Utilities



Paul Schmitt
Paul Schmitt
Director of Financial Services
Office of Carolyn Timmann
Martin County Clerk of Court
and Comptroller

PRINCIPAL OFFICIALS

**MARTIN COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
AS OF SEPTEMBER 30, 2015**

ED FIELDING
Chairman
County Commissioner
District #2

DOUG SMITH
County Commissioner
District #1

ANNE SCOTT
County Commissioner
District #3

SARAH HEARD
County Commissioner
District #4

JOHN HADDOX
County Commissioner
District #5

TARYN KRYZDA
County Administrator

UTILITIES DEPARTMENT

MANAGEMENT TEAM

JOHN POLLEY
Director

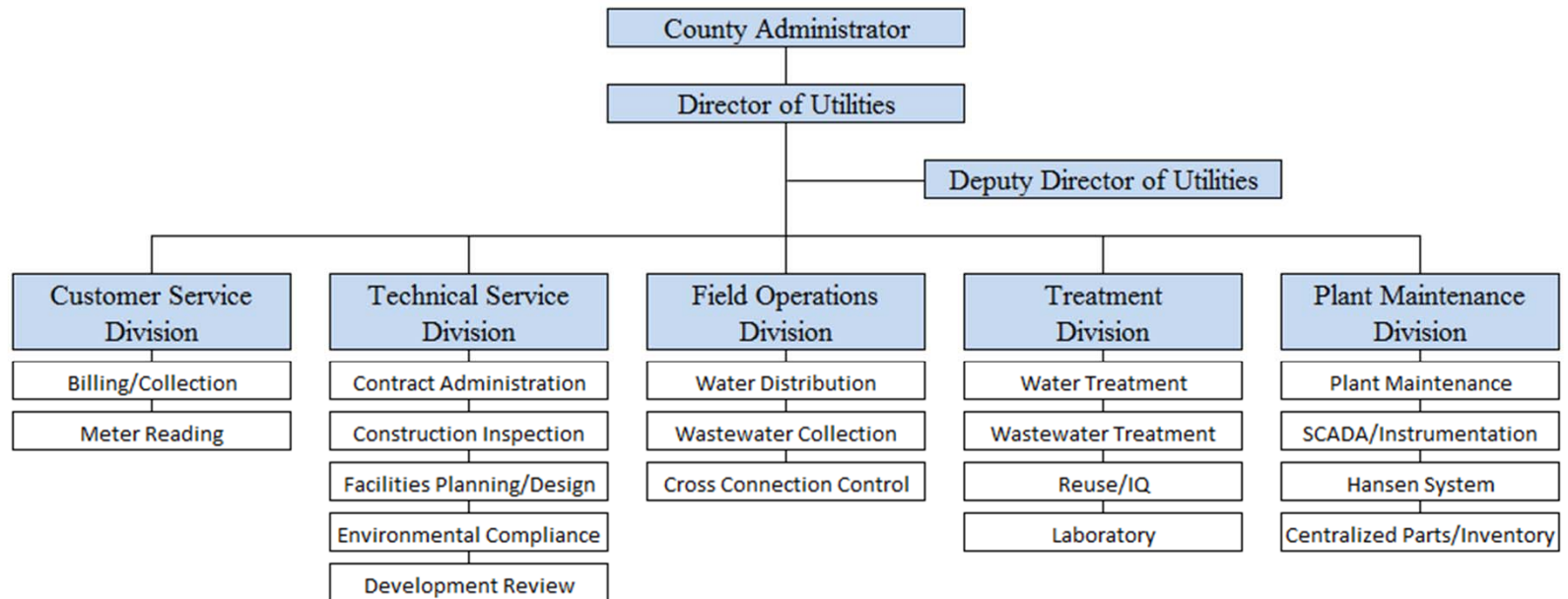
LEO REPETTI
Deputy Director

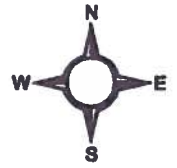
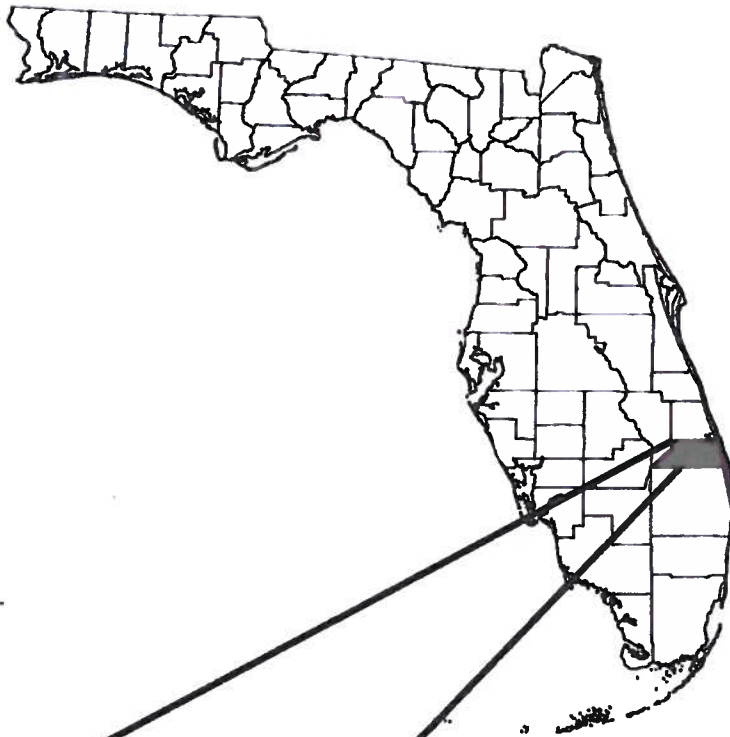
TODD LEYLAND
Operations Administrator
Treatment

TED ROBBINS
Administrator
Technical Services

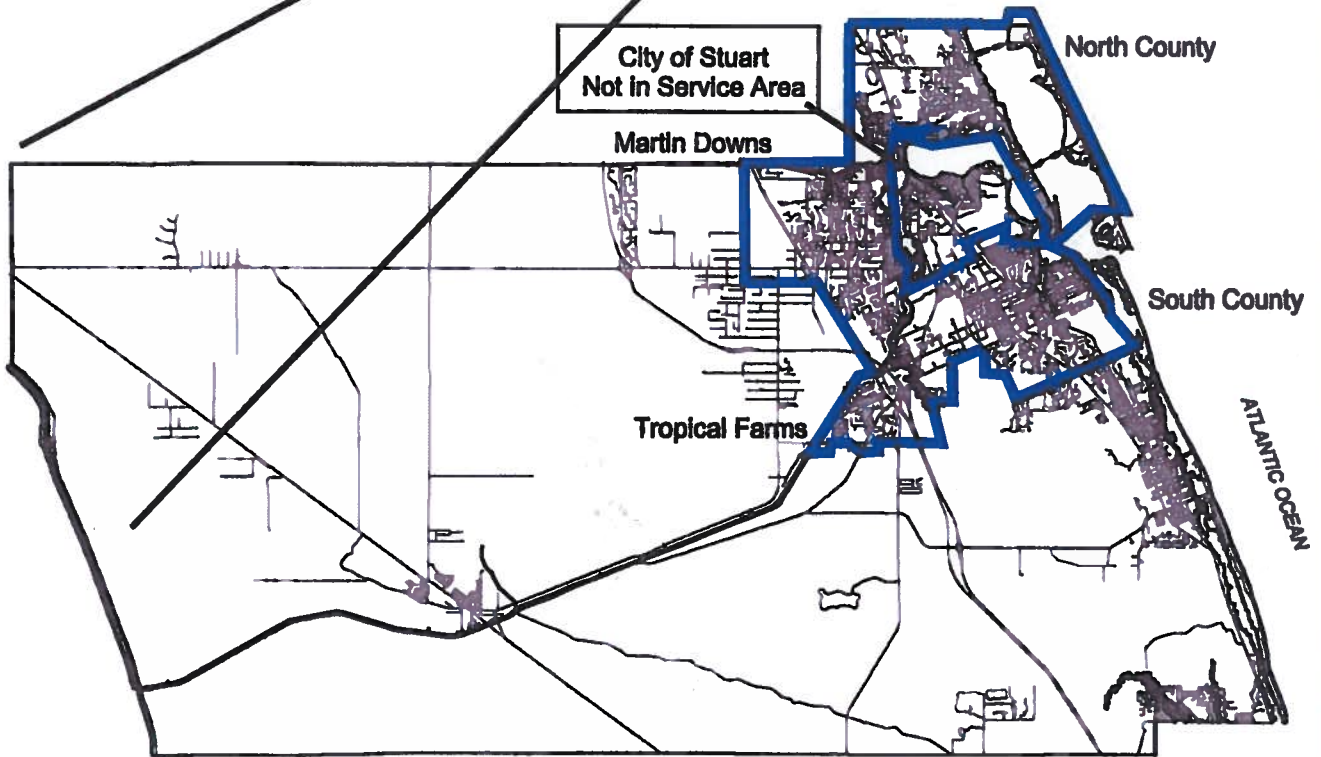
DARREN BROTHERS
Superintendent
Field Operations/Maintenance

MARTIN COUNTY, FLORIDA UTILITIES DEPARTMENT





Martin County, Florida



MARTIN COUNTY, FLORIDA UTILITY SERVICE AREA

***FINANCIAL
SECTION***

Independent Auditor's Report

The Honorable Board of County Commissioners
Martin County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Martin County Utilities Department (the Department), an enterprise fund of Martin County, Florida, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Department'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 audits. 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 financial position of the Department, as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1, the financial statements referred to above present only the Department and do not purport to, and do not, present fairly the financial position of Martin County, Florida, as of September 30, 2015 and 2014 and the changes in its financial position and where applicable, its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 the Department adopted Governmental Accounting Standards Board (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 68*, which resulted in the Department restating net position for recognition of the Department's pension related activity prior to October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for other postemployment benefits, schedule of the proportionate share of net pension liability for the Florida Retirement System, schedule of contributions to the Florida Retirement System, schedule of the proportionate share of the net pension liability for the Health Insurance Subsidy Program, and the schedule of the contributions to the Health Insurance Subsidy Program 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The accompanying introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section are 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 not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 27, 2016 and March 27, 2015 on our consideration of the Department'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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
May 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Our discussion and analysis of the Department's financial performance provides an overview of the Department's financial activities for the fiscal years ended September 30, 2015 and 2014. Please read it in conjunction with the Department's financial statements that begin on page 28.

HIGHLIGHTS

Financial highlights

2015

- Operating revenues increased to \$32.3 million or 3.3%. Overall water sales increased 4.9% from FY 2014, along with the annual rate increase of 1.63% and the addition of 442 new customers combined to increase operating revenue.
- Operating expenses increased by \$1.0 million to \$27.3 million or 3.8%. Operating Expenses increased as the Department instituted a program for cleaning and painting infrastructure throughout the system. The program includes painting of storage tanks, valves and exposed water/sewer pipes.
- The Department's customer base increased by 442 customers or 1.32%. Connections from new construction and assessments are down slightly over last year.

2014

- Operating revenues increased to \$31.3 million or 5.7%. Overall water sales increased 6.6% from FY 2013, along with the annual rate increase of 2.41% and the addition of 549 new customers combined to increase operating revenue.
- Operating expenses increased to \$26.3 million or 0.2%. Operating expenses increased due to performing a one-time study of septic to sewer in the department's service area and the abandonment of three wells in Jensen Beach, which is a one-time expense. This increase also reflects the increase in the pension related expenses totaling \$5.2 million.
- The Department's customer base increased by 549 customers or 1.67%. Connections from new construction and assessments are up slightly over last year.

Department highlights

2015

- Designed and permitted water assessment projects to be completed in FY2016 to Fern Creek, Palm Brook Court Estates, and Old Port Salerno Peninsular. Once completed this will bring service to 106 residences.
- The Department won American Water Works Association's (AWWA) "Best Tasting Water Contest" for Region VIII in March, 2015.
- The Department completed the ConEdison/BCR fertilizer facilities at North and Tropical Farms Wastewater Treatment Plants.
- The Department obtained 20 year water use permits which guarantees a sustainable water supply for Martin County residents.

2014

- Completed the Skyline Drive and Rio Pine Lane water assessment projects bringing service to 262 residences.
- The Department won American Water Works Association's (AWWA) "Best Tasting Water Contest" for Region VIII for 2014.
- The Department's Technical Services Division began implementation of an imaging program to convert paper files and maps to digital archival with searchable quality.
- The Department has installed to date 9,649 automatic radio-read meters as part of the long term capital improvement project to retrofit the entire system with AMR meters.

USING THIS ANNUAL REPORT**Required financial statements**

The financial statements of the Department report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes the entire Department's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Department and assessing the liquidity and financial flexibility of the Department.

The Statement of Revenues, Expenses and Changes in Net Position includes all of the current year's revenues and expenses. This statement measures the success of the Department's operations over the past year and can be used to determine whether the Department has successfully recovered all its costs through its user fees and other charges, profitability, and credit-worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Department's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and capital and noncapital financing activities and explains where the cash came from, what the cash was used for and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

One of the most important questions asked about the Department's finances is "Is the Department, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Department's activities in a way that will help answer this question. These two statements report the net position of the Department and the changes in them. You can think of the Department's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Department's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Department's total net position increased by \$4.3 million in FY2015 and increased by \$4.6 million in FY2014. Our analysis below focuses on the Department's net position (Table 1) and changes in net position (Table 2) during the year.

**Table 1
Net Position**

	As of September 30, 2015	As of September 30, 2014	%	As of September 30, 2013	% Change
Capital assets	\$ 244,631,026	\$ 241,648,349	1.2	\$ 233,897,175	3.3
Current and other assets	48,822,802	51,561,097	(5.3)	50,995,878	1.1
Total assets	<u>293,453,828</u>	<u>293,209,446</u>	0.1	<u>284,893,053</u>	2.9
Deferred outflows of resources					
Loss on refunding debt	3,017,352	3,434,510	(12.1)	3,878,144	(11.4)
Pension	1,024,112	258,136	296.7	226,309	14.1
Total deferred outflows	<u>4,041,464</u>	<u>3,692,646</u>	9.4	<u>4,104,453</u>	(10.0)
Long term liabilities					
Long term liabilities	83,004,825	86,393,985	(3.9)	86,084,128	0.4
Other liabilities	8,454,635	8,447,827	0.1	6,740,245	25.3
Total liabilities	<u>91,459,460</u>	<u>94,841,812</u>	(3.6)	<u>92,824,373</u>	2.2
Deferred inflows of resources					
Pension	1,203,544	1,561,747	(22.9)	235,099	564.3
Total deferred inflows	<u>1,203,544</u>	<u>1,561,747</u>	(22.9)	<u>235,099</u>	564.3
Net position:					
Net investment in capital assets	168,903,436	161,934,423	4.3	150,991,024	7.2
Restricted	15,652,735	16,128,537	(3.0)	15,856,953	1.7
Unrestricted	20,276,117	22,435,573	(9.6)	29,090,057	(22.9)
Total net position, restated	<u>\$ 204,832,288</u>	<u>\$ 200,498,533</u>	2.2	<u>\$ 195,938,034</u>	2.3

Net investment in capital assets for fiscal year 2015, increased \$6.9 million or 4.3% as compared to 2014, which was due to principal payments on outstanding debt while depreciation expense and an increase in the purchase of new capital assets and completed capital construction. Investment in capital assets reflects an increase of \$10.9 million or 7.2% for the fiscal year ended 2014 as compared to 2013, which was due to completed capital construction and the purchase of capital assets.

Restricted net position decreased 3.0% in fiscal year 2015 as compared to 2014 due to the decrease in cash balances of investments in the Capital Facility and Replacement and Renewal Fund. Restricted net position increased 1.7% in fiscal year 201 as compared to 2013 due to the increase in cash balances of investments in the Capital Facility and Replacement and Renewal Fund.

Unrestricted net position decreased \$2.1 million or 2.2% in fiscal year 2015 due to a decrease in capital contributions from assessments, principal payments on assessment and a change in the pension liability for the Department.

Long-term Liabilities in fiscal year 2015 decreased \$3.3 million or 3.9% due to annual principal payments on outstanding bonds and loans as well as a reduction in FRS Pension related liabilities. In fiscal year 2014 long-term Liabilities increased \$0.3 million or 0.4%, the change was a net effect of an additional loan from the Solid Waste Department as well as the restatement of FRS pension related liabilities directed by new accounting standards.

The use of net position reported above as restricted are limited to purposes specified by the Department's various bond documents.

Changes in the Department's net position can be determined by reviewing the following summary of Revenues, Expenses and Changes in Net Position for the year.

Table 2
Statement of Revenues, Expenses, and Change in Net Position

	FY 2015	FY 2014	%	FY 2013	%
			Change		Change
Operating Revenues:					
Water revenues	\$ 16,726,067	\$ 15,945,183	4.9	\$ 14,956,292	6.6
Sewer Revenues	13,610,005	13,236,423	2.8	12,497,205	5.9
Water service availability fees	260,785	302,171	(13.7)	376,661	(19.8)
Sewer service availability fees	238,203	268,074	(11.1)	323,484	(17.1)
Engineering Fees	84,170	47,295	78.0	46,573	1.6
Miscellaneous	1,375,690	1,461,577	(5.9)	1,363,623	7.2
Total operating revenues	<u>32,294,920</u>	<u>31,260,723</u>	3.3	<u>29,563,838</u>	5.7
Non-operating revenues					
Interest income	979,968	691,429	41.7	521,661	32.5
Other revenues	79,580	35,441	124.5	22,646	56.5
Total non-operating revenues	<u>1,059,548</u>	<u>726,870</u>	45.8	<u>544,307</u>	33.5
Total Revenues	<u>33,354,468</u>	<u>31,987,593</u>	4.3	<u>30,108,145</u>	6.2
Operating Expenses:					
Administrative and general	4,995,193	4,784,375	4.4	4,908,118	(2.5)
Operating and maintenance	11,912,619	11,464,570	3.9	11,270,032	1.7
Depreciation and amortization	10,418,990	10,064,805	3.5	10,070,136	(0.1)
Total Operating Expenses	<u>27,326,802</u>	<u>26,313,750</u>	3.8	<u>26,248,286</u>	0.2
Non-operating expenses:					
Interest expense	2,810,965	2,990,115	(6.0)	3,166,024	(5.6)
Amortization of bond discounts/costs	576,107	476,880	20.8	522,707	(8.8)
Total non-operating expenses	<u>3,387,072</u>	<u>3,466,995</u>	(2.3)	<u>3,688,731</u>	(6.0)
Total expenses	<u>30,713,873</u>	<u>29,780,745</u>	3.1	<u>29,937,017</u>	(0.5)
Income Before Contributions	2,640,594	2,206,848	19.7	171,128	1,189.6
Contributions	1,693,161	2,353,651	(28.1)	3,839,256	(38.7)
Changes in net position	4,333,755	4,560,499	(5.0)	4,010,384	13.7
Net position at beginning of year	<u>200,498,533</u>	<u>195,938,034</u>	2.3	<u>195,154,688</u>	0.4
Restatement*	-	-	0.0	(3,227,038)	(100.0)
Net Position at beginning, as restated	<u>200,498,533</u>	<u>195,938,034</u>	2.3	<u>191,927,650</u>	2.1
Net position at end of year	<u>\$ 204,832,288</u>	<u>\$ 200,498,533</u>	2.2	<u>\$ 195,938,034</u>	2.3

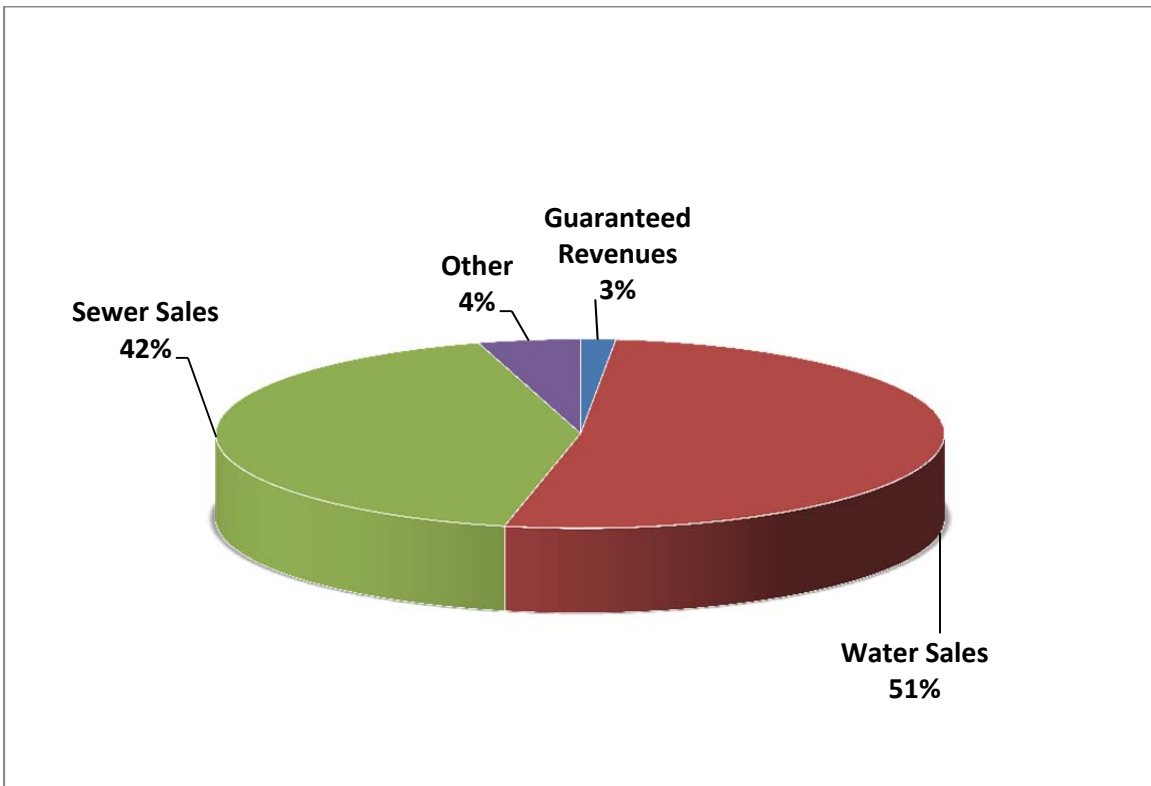
Operating Revenue

Total operating revenues reflect a 3.3% increase in fiscal year 2015 compared to 2014 and an increase of 5.7% in fiscal year 2014 compared to 2013. The increase was the result of the addition of new customers and a rate increase of 1.63%, and total water consumption increased to a higher level than in fiscal year 2014 and 2013.

Capital Contributions

Capital contributions decreased 28.1% from fiscal year 2015 to 2014 and decreased 38.7% from fiscal year 2014 to 2013 due to a decrease in special assessments completed and a decrease in capital facility charges collected.

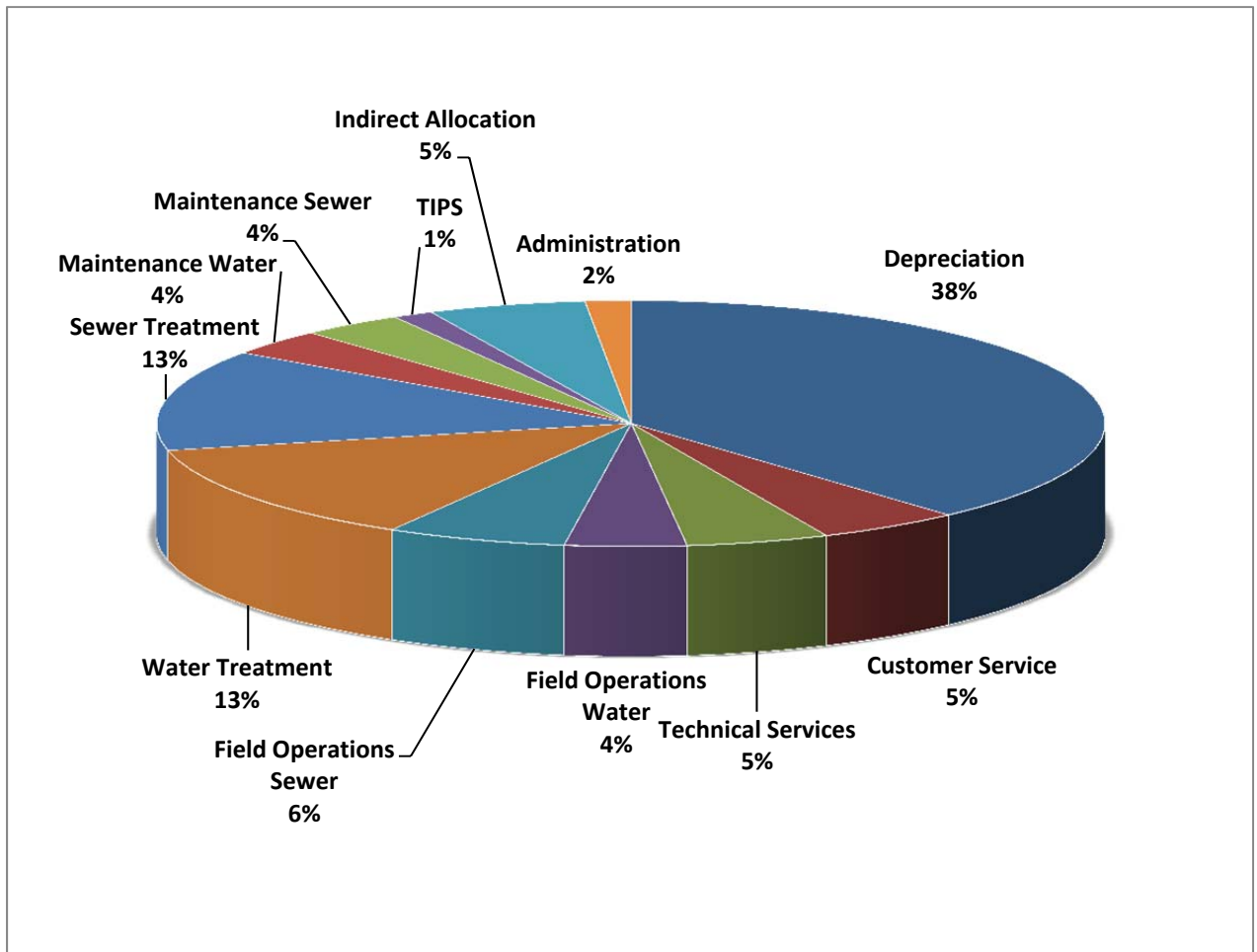
**Operating Revenues Distribution
Fiscal Year Ended September 30, 2015**



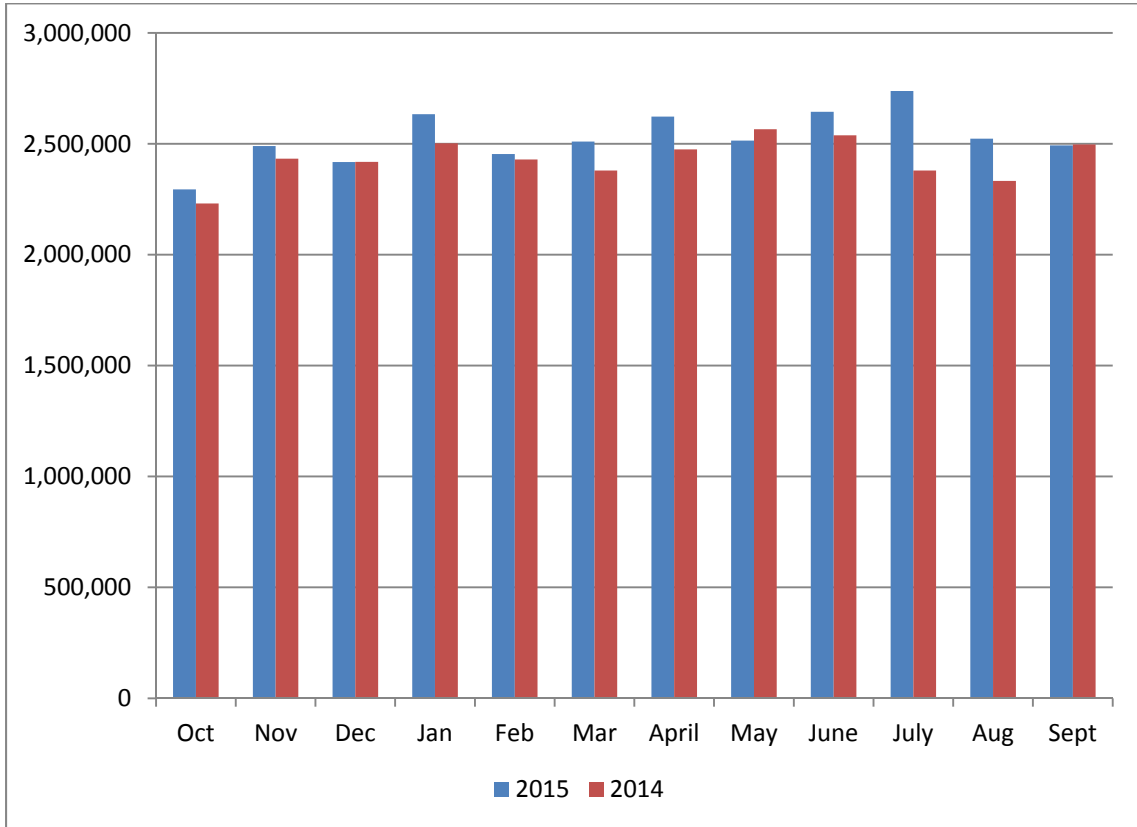
Operating Expenses

Operating expenses, excluding depreciation and amortization, increased by \$0.7 million or 4.1% over fiscal year 2014 due to new maintenance program of painting infrastructure. From fiscal year 2014 to 2013 operating expenses, excluding depreciation and amortization, increased \$0.07 million or 0.4% due to increases in maintenance expenses, abandonment of three surficial aquifer wells.

**Operating Expenses Distribution
Fiscal Year Ended September 30, 2015**



**Monthly Water and Sewer Revenue Comparison
Fiscal Years Ended September 30, 2015 and 2014**



As a self-supporting operation that receives no tax dollars, the Department derives its operating revenues primarily from charges for potable water and wastewater services and fees from new development pending connection to the utility system (service availability fees). Non-operating revenue includes interest income, gains from disposal of capital assets and new customers seeking to connect to the utility system through contributions and payment of connection fees (capital facility charges).

CAPITAL ASSETS AND DEBT MANAGEMENT

Capital assets

At September 30, 2015 the Department holds \$244.6 million in a broad range of capital assets, including water and wastewater treatment plants, Floridan and surficial aquifer wells, water transmission and distribution mains, wastewater collection systems, water storage facilities, pump stations and effluent disposal systems. This amount represents a net increase (including additions and deductions) of \$3.0 million or 1.23% over last year.

The following table summarizes the Department's capital assets, net of accumulated depreciation for the years ended September 30, 2015 and 2014

Table 3
Capital Assets

	2015	2014
Land	\$ 5,760,644	\$ 5,759,243
Buildings	95,114,791	84,914,859
Wells	6,092,927	5,438,454
Water distribution system	54,720,573	55,500,091
Sewer collection system	71,141,625	70,197,547
Equipment and leasehold improvements	2,416,124	1,647,599
Intangible assets	5,867,877	5,936,025
	241,114,561	229,393,818
Construction work in progress	3,516,465	12,254,531
 Net utility plant	 \$ 244,631,026	 \$ 241,648,349

The following table summarized the changes in capital assets. These changes are presented in detail in Note 5 to the financial statements.

Balance at beginning of year	\$ 241,648,349	\$ 233,897,175
Additions	22,168,102	6,532,429
Retirements	(510,099)	(179,720)
Depreciation	(10,418,990)	(10,064,806)
Accumulated depreciation retired	481,730	178,995
Decrease (increase) in construction work in progress	(8,738,066)	11,284,276
	\$ 244,631,026	\$ 241,648,349

The year's major additions to the utility system included:

• Tropical Farms Bio Solids Facility	\$ 7.9 million
• North Jensen Bio Solids Facility	\$ 5.4 million
• Tropical Farms Reclaimed Storage Improvements	\$ 1.4 million
• NWWTP Monitoring Well	\$ 1.1 million
• Martin Downs Reclaimed Storage Improvements	\$ 1.0 million
• Emergency Generator & Pump Replacement #324/400	\$ 0.9 million
• AMR Replacement Program	\$ 0.7 million
• Sanitary Sewer Lining	\$ 0.3 million
• Tropical Farms Bulk Acid Tank Replacement	\$ 0.3 million

The Department's 2015 budget plans for investing in capital projects, including the following:

• Tropical Farms Activated Sludge Pump Replacement	\$ 2.3 million
• MD Inline Master Pump Station	\$ 2.0 million
• Tropical Farms Headworks Improvements	\$ 1.8 million
• Kanner Highway Utility Accommodations	\$ 1.6 million
• North Wastewater Plant Headworks Improvements	\$ 1.5 million
• North Facility Energy Recovery Device	\$ 1.5 million
• Emergency Generator & Pump Replacement LS #401	\$ 1.0 million
• CR714 Utility Accommodations	\$ 1.0 million
• Miles Grant Watermain	\$ 0.5 million
• Catalyst for Load Shedding Generators	\$ 0.5 million

These projects are budgeted to be funded from cash reserves, excess operating revenue, and capital facility charges.

Debt

At September 30, 2015 the Department had a total of \$84.6 million in bonds and loans outstanding versus \$88.9 million last year.

	<u>2015</u>	<u>2014</u>
Utility System Refunding Revenue Bonds net of premium, discount and deferred refunding charges	\$ 24,385,000	\$ 26,030,000
Utility System Refunding Note net of refunding Charges	44,260,000	46,515,000
Utility System Revenue Bonds	8,244,110	8,128,103
Advance from Solid Waste Fund	6,151,782	6,530,587
State Revolving Fund Loan	<u>1,586,965</u>	<u>1,723,244</u>
Total Outstanding Debt	<u>\$ 84,627,857</u>	<u>\$ 88,926,934</u>

The Department's revenue bond rating is AA- insured and AA- underlying from S&P and AA insured and AA insured from Fitch rating services. All the revenue bonds are insured. More detailed information about the Department's long-term debt is presented in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Department's service area continues to reflect primarily residential and light businesses. Growth in the number of water connections over the last five years has averaged 1.17%. Customer growth increased slightly due to the addition of new customers, the completion of special assessments, the acquisition of private utilities and new construction. New development is minimal and reflects the current economic environment. Water restrictions implemented by the South Florida Water Management District were made permanent in November 2009 and limit irrigation to three days a week. The growth in the number of accounts served has occurred primarily due to the in-fill of existing developments, special assessment projects for extension of water and wastewater lines, as well as new construction.

The Department is in the process of implementing a septic tank elimination program. The first phase of this program was designed in 2003 for the Seagate Harbor/Lighthouse Point development. The Florida Department of Environmental Protection State Revolving Loan (SRF) funding was obtained for this project and property owners of the affected area were assessed for the cost of construction of the wastewater collection system. This project was completed in FY 2005. The SRF loan for this project was finalized in FY 2006 for \$2.8 million. In FY 2011 the Department completed the North River Shores project to provide wastewater service through a special assessment and a South Florida Water Management grant with a total project cost of \$4.8 million.

During FY 2009 a financial feasibility and rate study was conducted to determine future revenue requirements. As a result of that study, the Board of County Commissioners approved rate indexing for the next five fiscal years, not to exceed 2.5% annually beginning on or after October 1, 2010. For fiscal year ending 2015, rates were increased 1.63%.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Department's Financial Coordinator at P.O. Box 9000, Stuart, Florida 34995-9000.

MARTIN COUNTY, FLORIDA

UTILITIES DEPARTMENT

STATEMENTS OF NET POSITION

September 30, 2015 and 2014

	<u>2015</u>	<u>2014*</u>
ASSETS		
Current assets:		
Pooled cash and cash equivalents	\$ 218,711	\$ 218,821
Pooled restricted cash and cash equivalents	858,828	605,687
Pooled investments	21,261,312	22,646,528
Restricted Investments	2,420,333	3,018,634
Accounts receivable	2,847,371	2,872,017
Special assessment notes receivable	1,038,411	1,021,179
Inventories	817,109	873,378
Total current assets	<u>29,462,075</u>	<u>31,256,244</u>
Noncurrent assets:		
Restricted assets:		
Pooled investments	11,850,432	11,561,600
Special assessment notes receivable	1,730,735	2,063,596
Total restricted assets	<u>13,581,167</u>	<u>13,625,196</u>
Capital assets:		
Land	5,760,644	5,759,243
Buildings	144,148,806	130,126,818
Water distribution system	103,521,354	100,825,539
Sewer collection system	111,723,802	107,649,744
Equipment	6,146,521	5,489,114
Intangible assets	8,468,435	8,261,101
	379,769,562	358,111,559
Less depreciation and amortization	(138,655,001)	(128,717,741)
	241,114,561	229,393,818
Construction work in progress	3,516,465	12,254,531
Capital assets, net	<u>244,631,026</u>	<u>241,648,349</u>
Other noncurrent assets:		
Special assessment notes receivable, less current portion	5,779,560	6,679,657
Total other noncurrent assets	<u>5,779,560</u>	<u>6,679,657</u>
Total noncurrent assets	<u>263,991,753</u>	<u>261,953,202</u>
TOTAL ASSETS	<u>\$ 293,453,828</u>	<u>\$ 293,209,446</u>
Deferred Outflow of Resources		
Loss on Refunding Debt	3,017,352	3,434,510
Pension	1,024,112	258,136
TOTAL DEFERRED OUTFLOWS	<u>\$ 4,041,464</u>	<u>\$ 3,692,646</u>

* Fiscal year 2014 was restated due to GASB pronouncement Statement No. 68, see Note 8

See accompanying notes to financial statements.

MARTIN COUNTY, FLORIDA

UTILITIES DEPARTMENT

STATEMENTS OF NET POSITION

September 30, 2015 and 2014

LIABILITIES AND NET POSITION

	<u>2015</u>	<u>2014*</u>
LIABILITIES		
Current liabilities:		
Payable from current assets:		
Accounts payable	\$ 2,134,406	\$ 1,667,667
Accrued wages payable	198,530	180,602
Accrued compensated absences	94,035	94,158
Accrued interest payable	23,409	24,305
Advance from Solid Waste	388,335	571,767
Loans, Notes payable	2,460,028	2,391,279
	<u>5,298,743</u>	<u>4,929,778</u>
Payable from restricted assets:		
Customer deposits	1,157,025	1,120,960
Contracts payable	268,867	752,089
Current portion of bonds, net	1,730,000	1,645,000
	<u>3,155,892</u>	<u>3,518,049</u>
Total current liabilities	<u>8,454,635</u>	<u>8,447,827</u>
Long-term liabilities:		
Accrued compensated absences	431,081	465,877
Net Pension Liability	2,524,250	1,609,220
Loans and notes payable	43,386,937	45,846,965
Advance from Solid Waste	5,763,447	5,958,820
Bonds payable, net	30,899,110	32,513,103
Total long-term liabilities	<u>83,004,825</u>	<u>86,393,985</u>
TOTAL LIABILITIES	<u>\$ 91,459,460</u>	<u>\$ 94,841,812</u>
Deferred Inflow of Resources		
Pension	1,203,544	1,561,747
TOTAL DEFERRED INFLOWS	<u>1,203,544</u>	<u>1,561,747</u>
NET POSITION		
Net investment in capital assets	168,903,436	161,934,423
Restricted:		
Capital projects	15,456,904	15,898,116
Debt service	195,831	176,760
Other purposes	-	53,661
Unrestricted	20,276,117	22,435,573
TOTAL NET POSITION	<u>\$ 204,832,288</u>	<u>\$ 200,498,533</u>

* Fiscal year 2014 was restated due to GASB pronouncement Statement No. 68, see Note 8

See accompanying notes to financial statements.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014*</u>
Operating revenues:		
Water revenues	\$ 16,726,067	\$ 15,945,183
Sewer revenues	13,610,005	13,236,423
Water service availability fees	260,785	302,171
Sewer service availability fees	238,203	268,074
Engineering fees	84,170	47,295
Miscellaneous	1,375,690	1,461,577
	<u>32,294,920</u>	<u>31,260,723</u>
Total operating revenues		
Operating expenses:		
Administrative and general	4,995,193	4,784,375
Operating and maintenance	11,912,619	11,464,570
Depreciation and amortization	10,418,990	10,064,805
	<u>27,326,802</u>	<u>26,313,750</u>
Total operating expenses		
Operating income	<u>4,968,118</u>	<u>4,946,973</u>
Nonoperating revenues (expenses):		
Interest income	979,968	691,429
Interest expense	(2,810,965)	(2,990,115)
Amortization of bond discount	(576,107)	(476,880)
Gain on disposal of assets	79,580	35,441
	<u>(2,327,524)</u>	<u>(2,740,125)</u>
Total nonoperating revenues (expenses), net		
Income before contributions	2,640,594	2,206,848
Capital contributions	<u>1,693,161</u>	<u>2,353,651</u>
Change in net position	4,333,755	4,560,499
Net positon, beginning of year, as restated	<u>200,498,533</u>	<u>195,938,034</u>
Net position, end of year	<u>\$ 204,832,288</u>	<u>\$ 200,498,533</u>

* Fiscal year 2014 was restated due to GASB pronouncement Statement No. 68, see Note 8

See accompanying notes to financial statements.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Payments received from customers	\$ 32,319,566	\$ 30,995,325
Deposits received from customers	563,073	567,803
Payments for salaries and benefits	(5,221,333)	(5,048,040)
Payments to suppliers for goods and services	(11,389,611)	(11,101,258)
Refunds of customer deposits	(527,008)	(488,763)
Net cash provided by operating activities	15,744,687	14,925,067
Cash flows from capital and related financing activities:		
Proceeds from solid waste loan	-	6,716,490
Collection (distribution) of special assessment fees	1,215,727	(331,294)
Capital contributions	1,102,800	1,920,449
Proceeds from sale of assets	107,951	36,168
Payments for utility plant	(13,322,900)	(17,110,102)
Debt obligation costs	(42,942)	(44,875)
Principal payments on bonds, notes and loans	(4,415,084)	(4,083,534)
Interest payments on bonds, notes and loans	(2,811,861)	(2,991,164)
Net cash used in capital and related financing activities	(18,166,309)	(15,887,862)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	8,711,986	16,716,784
Interest income	979,968	691,429
Purchase of investments	(7,017,301)	(18,463,520)
Net cash provided by (used in) investing activities	2,674,653	(1,055,307)
Net increase (decrease) in cash and cash equivalents	253,031	(2,018,102)
Pooled cash and cash equivalents at beginning of period	824,508	2,842,610
Pooled cash and cash equivalents at end of period	\$ 1,077,539	\$ 824,508
Reconciliation to statement of net position:		
Pooled cash and cash equivalents - unrestricted	218,711	218,821
Pooled cash and cash equivalents - restricted	858,828	605,687
Pooled cash and cash equivalents - end of year	\$ 1,077,539	\$ 824,508

See accompanying notes to financial statements.

(continued)

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
STATEMENTS OF CASH FLOWS (continued)
For the Years Ended September 30, 2014 and 2013

	2015	2014
Reconciliation of utility operating income to net cash provided by operating activities:		
Operating income	\$ 4,968,118	\$ 4,946,973
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other expenses (revenue)		
Depreciation	10,418,990	10,064,805
Decrease (Increase) in accounts receivable	24,646	(265,398)
(Increase) in Deferred Outflows Pension	(765,976)	(31,827)
Decrease (Increase) in inventories	56,269	(239,893)
Increase in accounts payable	466,739	603,205
(Decrease) Increase in Deferred Inflow Pension	(358,203)	1,326,648
Increase (Decrease) in Net Pension Liability	915,030	(1,609,028)
Increase in accrued wages payable	17,928	39,618
(Decrease) in accrued compensated absences	(34,919)	10,925
Increase in customer deposits	36,065	79,040
Total adjustments	10,776,569	9,978,095
Net cash provided by operating activities	\$ 15,744,687	\$ 14,925,067

Noncash investing, capital and financing activities:

During the years ended September 30, 2015 and 2014, the Department had system assets contributed in the amount of \$590,361 and \$433,202, respectively.

During the year ended September 30, 2015 and 2014 there was amortization of loss on bond refunding and bond premium of \$576,107 and \$476,880 respectively.

See accompanying notes to financial statements.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 1 - GENERAL

The Martin County, Florida Utilities Department (the Department) operates as an enterprise fund of Martin County (the County). An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The Departments' financial statements do not reflect the financial position of Martin County, Florida and the changes in its financial position and cash flows of all proprietary fund types, in conformity with accounting principles generally accepted in the United States, rather only reflects the position of the Department.

The County is a political subdivision of the State of Florida, and operates as a non-charter government pursuant to Article VIII, Section (1)(f) of the Constitution of the State of Florida. The fiscal year of the County is from October 1 to September 30, as established in Section 218.33, Florida Statutes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The Department functions as a self-supporting governmental enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through user charges. Accordingly, the accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider are met.

The accompanying financial statements combine the accounts of both the Water and Wastewater Systems (collectively, "the System") to provide meaningful information with respect to the Department, with all transactions of the Department accounted for as one enterprise fund. All significant inter-system accounts and transactions have been eliminated.

Use of Estimates

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

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pooled Cash and Cash Equivalents

Amounts reported as pooled cash and cash equivalents include petty cash funds and restricted and unrestricted amounts deposited in interest-bearing demand deposits through the County's pooled cash and investment systems. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Pooled Investments

The Department participates in the County's pooled cash and investment systems as required for all departments reporting to the Board. The Accounting Department of the Clerk of the Circuit Court and Comptroller manages the pooled cash and investments guided by the County's Investment Policy. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value (quoted market price or best available estimate thereof), except for investments with remaining maturities of one year or less at time of purchase, which are stated at amortized cost and approximate fair value. Investments in Florida PRIME and Florida Local Government Investment Trust are recorded at their share price, which represents the fair value of the trusts' underlying investments.

Operating Revenues and Expenses

The Department distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Department's principal on-going operations. The principal operating revenues of the Department are charges to customers for water and wastewater services. The Department also recognizes as operating revenue service availability fees and tap fees intended to cover the cost of connecting new customers to the System. Operating expenses for the Department include the cost of producing water and wastewater services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, and then unrestricted resources as they are needed.

Accounts Receivable and Revenue Recognition

Billings to water utility customers are based on metered consumption which is determined at various dates each month. An estimate of unbilled accounts receivable is accrued at September 30th to recognize the sales revenues earned between the last meter reading date and the end of the fiscal year. The accrual is based on the average consumption through September 30th for service days that were not billed.

Special Assessments Receivable and Revenue Recognition

A non-current special assessment receivable is recorded for contributed capital resulting from special assessment projects. A portion of the balance is reclassified as a current special assessment receivable. This current portion is estimated based on the actual tax billing by the Tax Collector. No allowance is recorded because liens are recorded against assessed property. Special assessments capital contribution revenue is recognized when the project has final acceptance and the amounts have been added to the tax roll.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories primarily consist of water meters, meter boxes, pumps, SCADA parts, pipe and hardware used in the operations of the Department.

Restricted Assets

Assets are restricted in accordance with provisions of County bond resolutions authorizing the issuance of Utilities System Revenue Bonds, and other applicable obligations.

Capital Assets

The Department defines capital assets as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at cost. Assets contributed to the Department, such as from developers or special assessments, are recorded at estimated fair market value on the date contributed. Intangible plant assets relate to customer bases acquired from various purchased water systems. Dispositions and retirements and resulting gains and losses are reported in the year of disposal. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives:

<u>Classification</u>	<u>Useful Life in Years</u>
Buildings	5-40
Water distribution systems	3-40
Wells	5-20
Sewer collection systems	3-40
Equipment and leasehold improvements	3-15
Intangible assets	10-40

Construction Work in Progress

Construction work in progress represents costs accumulated for the replacement and new construction of sections of the Department's transmission and distribution systems, plant expansions and rehabilitations, and other projects that were not completed at year-end.

Bond Premium, Bond Discount and Accounting Loss on Bond Refunding

Both the bond discount and the accounting loss on bond refunding are associated with the issuance of the Consolidated Utilities System Refunding and Improvement Revenue Bonds, Series 1994, and the Utilities System Refunding Revenue Bonds, Series 1998 and are being amortized over the life of the refunded bonds using a method which approximates the effective interest method. The bond premium associated with the issuance of the Utility System Revenue Bonds Series 2003 Bonds is being amortized over the life of the Series 2003 Bonds using a method which approximates the effective interest method.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Employees of the Department are entitled to various amounts of paid time off depending on length of service. The liability for accrued leave is based upon the actual unused accrued leave at the employee's current rate of pay plus applicable benefits. The current portion of the liability is based on the estimated vacation earnings for the current year. The liability for unused sick leave balance is accrued at 50% for those employees who currently have or are expected to have a length of service of six years or more as employees are entitled to payment of 50% of the balance of their sick leave at time of retirement or termination.

Deferred Outflows/Inflows of Resources

In addition to assets, there is a separate section for deferred outflows of resources which represents a consumption of net position applicable to a future period and will not be recognized as an outflow (expense/expenditure) until that time. The deferred loss on refunding is reported in the government-wide statement of net position and the proprietary funds statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are also recorded for pension related items (i.e. change in assumptions, difference between projected and actual earnings, change in proportionate share and contributions after measurement date).

In addition to liabilities, there is a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow (revenue) until that time. Deferred inflows in the fund financial statements represent revenue not received within the County's period of availability. Deferred inflows in government wide financials are for pension related items.

Net position

Equity in the Department's statement of net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation, and deferred loss on refunding, reduced by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds. In the statement of net position, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position on the financial statements that are based on the accrual basis of accounting. Net position is reported as restricted when there are third party limitations (statutory, contractual or bond covenant) on their use. Unrestricted net position represents net position that does not meet the definition of either.

Reclassification

Certain 2014 balances have been reclassified to conform to the financial statement presentation used in 2015.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 3 – RESTATEMENT

The Department participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the County implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which requires employers participating in a cost-sharing multiple-employer defined benefit pension plan to report the employers’ proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The effect of the accounting change on the net position as previously reported for fiscal year 2014 and prior years is as follows:

	2014	2013
Net position, previously reported October 1	\$ 203,411,364	\$ 199,165,072
Adjustment for FRS	(2,135,276)	(2,502,288)
Adjustment for HIS	(777,555)	(724,750)
Net position, as restated October 1	\$ 200,498,533	\$ 195,938,034

NOTE 4 – POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Department participates in the County’s pooled cash and investment systems which is a highly liquid investment pool of approximately \$144.4 million and \$139.8 million as of September 30, 2015 and 2014, respectively. The equity in the County’s pooled cash system is available to the Department on a demand basis. The accounting department of the Clerk of the Circuit Court, as Clerk to the Board, performs all of the investing functions of the Department. Information regarding credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for pooled cash and cash equivalents and investments can be found in the County’s footnotes to the financial statements included in the County’s Comprehensive Annual Financial Report.

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of the following amounts at September 30, 2015 and 2014, held in various accounts established in part by the Department’s bond documents.

September 30, 2015	Cash and Cash Equivalents	Investments	Special Assessments Receivable	Total
Performance bonds	\$ -	\$ 29,829	\$ -	\$ 29,829
Customer deposits	-	1,157,025	-	1,157,025
Unclaimed Checks	4,731	-	-	4,731
Due to other Governments	3,642	-	-	3,642
Lend a hand deposits	12,366	-	-	12,366
Debt reserve	115,411	80,421	-	195,832
Renewal and replacement	20,252	5,811,539	4,261	5,836,052
Capital improvement account	702,426	7,191,951	1,726,474	9,620,851
	\$ 858,828	\$ 14,270,765	\$ 1,730,735	\$ 16,860,328

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 5 - RESTRICTED ASSETS, continued

<u>September 30, 2014</u>	Cash and <u>Cash Equivalents</u>	<u>Investments</u>	Special Assessments <u>Receivable</u>	<u>Total</u>
Performance bonds	\$ -	\$ 30,908	\$ -	\$ 30,908
Customer deposits	-	1,120,960	-	1,120,960
Unclaimed Checks	2,292	-	-	2,292
Due to other Governments	3,274	-	-	3,274
Lend a hand deposits	17,188	-	-	17,188
Debt reserve	176,760	-	-	176,760
Renewal and replacement	5,196	5,691,539	20	5,696,755
Capital improvement account	<u>400,977</u>	<u>7,736,827</u>	<u>2,063,576</u>	<u>10,201,380</u>
	<u>\$ 605,687</u>	<u>\$ 14,580,234</u>	<u>\$ 2,063,596</u>	<u>\$ 17,249,517</u>

NOTE 6 - CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2015 and 2014 were as follows:

	Balance <u>9/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/2015</u>
Capital assets, not being depreciated:							
Land	\$ 5,759,243	\$ —	\$ —	\$ 5,759,243	\$ 1,401	\$ —	\$ 5,760,644
Intangible assets, land use rights	335,483	8,976	—	344,459	30,180	—	374,639
Construction in progress	<u>970,255</u>	<u>11,977,022</u>	<u>(692,747)</u>	<u>12,254,531</u>	<u>2,787,302</u>	<u>(11,525,368)</u>	<u>3,516,465</u>
Total capital assets, not being depreciated:	<u>7,064,981</u>	<u>11,985,998</u>	<u>(692,747)</u>	<u>18,358,233</u>	<u>2,818,883</u>	<u>(11,525,368)</u>	<u>9,651,748</u>
Capital assets, being depreciated:							
Buildings	128,392,580	1,734,238	—	130,126,818	14,021,988	—	144,148,806
Water distribution system	86,524,120	2,550,868	—	89,074,988	1,590,918	—	90,665,906
Wells	11,706,165	44,386	—	11,750,551	1,104,897	—	12,855,448
Sewer collection system	105,622,353	2,027,392	—	107,649,745	4,074,057	—	111,723,802
Equipment & leasehold improvements	5,502,264	166,569	(179,720)	5,489,113	1,167,507	(510,099)	6,146,521
Intangible assets	<u>7,916,642</u>	<u>—</u>	<u>—</u>	<u>7,916,642</u>	<u>177,154</u>	<u>—</u>	<u>8,093,796</u>
Total capital assets, being depreciated	<u>345,664,124</u>	<u>6,523,453</u>	<u>(179,720)</u>	<u>352,007,857</u>	<u>22,136,521</u>	<u>(510,099)</u>	<u>373,634,279</u>
Less depreciation and amortization for:							
Buildings	(41,764,599)	(3,447,360)	—	(45,211,959)	(3,822,056)	—	(49,034,015)
Water distribution system	(31,266,736)	(2,308,161)	—	(33,574,897)	(2,370,436)	—	(35,945,333)
Wells	(5,840,340)	(471,757)	—	(6,312,097)	(450,424)	—	(6,762,521)
Sewer collection system	(34,335,259)	(3,116,938)	—	(37,452,197)	(3,129,980)	—	(40,582,177)
Equipment & leasehold improvements	(3,582,626)	(437,884)	178,995	(3,841,515)	(370,612)	481,730	(3,730,397)
Intangible assets	<u>(2,042,370)</u>	<u>(282,706)</u>	<u>—</u>	<u>(2,325,076)</u>	<u>(275,482)</u>	<u>—</u>	<u>(2,600,558)</u>
Total depreciation and amortization	<u>(118,831,930)</u>	<u>(10,064,806)</u>	<u>178,995</u>	<u>(128,717,741)</u>	<u>(10,418,990)</u>	<u>481,730</u>	<u>(138,655,001)</u>
Total capital assets, being depreciated, net	<u>226,832,194</u>	<u>(3,541,353)</u>	<u>(725)</u>	<u>223,290,116</u>	<u>11,717,531</u>	<u>(28,369)</u>	<u>234,979,278</u>
Capital assets, net	<u>\$233,897,175</u>	<u>\$ 8,444,645</u>	<u>\$ (693,472)</u>	<u>\$241,648,349</u>	<u>\$ 14,536,414</u>	<u>\$(11,553,737)</u>	<u>\$ 244,631,026</u>

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 6 – CAPITAL ASSETS, continued

The Department has active construction projects as of September 30, 2015. These projects include rehab of Tropical Farms and North Jensen WWTP headworks, Jensen Beach Energy Recovery Implementation, major lift station rehabs and utility accommodations along CR 714 and Kanner Highway. At September 30, 2015 the Department’s commitments with contractors are as follows:

	<u>Spent to date</u>	<u>Remaining Commitment</u>
JB Energy Recovery Implementation	\$ 999,333	\$ 517,104
CR714 Utility Accommodations	855,525	285,063
Miles Grant Watermain	586,322	35,167
Lift Station #377 Odor Control	140,665	80,940
Tropical Farms WWTP Headworks	120,480	1,161,304
SE Great Pocket Watermain	119,079	23,146
Lift Station #162 Rehabilitation	95,131	-
Martin Downs Master Repump Station	92,732	1,990,000
Kanner Highway Conflicts for Walls	86,966	1,645,980
NWWTP Headworks Project	85,852	1,414,664
Water Plant Generator Silencers	79,050	429,466
TF WWTP Sludge Pumps	73,576	718,096
Building Projects	42,942	150,000
Sewer Projects	57,834	51,521
Water Projects	<u>80,978</u>	<u>62,226</u>
Total	<u>\$ 3,516,465</u>	<u>\$ 8,564,677</u>

The commitments for these projects are being financed by operating revenues and capital facility charges.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 7 - LONG-TERM DEBT

Changes in long-term liabilities for the years ended September 30, 2015 and 2014 were as follows:

	Balance 9/30/2013	Additions	Reductions	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Due in 2016
Revenue Bonds								
Series 2009A Bonds	\$ 7,990,000	\$ —	\$ —	\$ 7,990,000	\$ —	\$ —	\$ 7,990,000	\$ —
Series 2009B Bonds	27,610,000	—	(1,580,000)	26,030,000	—	(1,645,000)	24,385,000	1,730,000
Plus (Less):								
Unamortized premium	457,634	—	(44,875)	412,759	—	(42,942)	369,817	—
Unamortized discount	(307,902)	33,246	—	(274,656)	158,949	—	(115,707)	—
Total revenue bonds	<u>35,749,732</u>	<u>33,246</u>	<u>(1,624,875)</u>	<u>34,158,103</u>	<u>158,949</u>	<u>(1,687,942)</u>	<u>32,629,110</u>	<u>1,730,000</u>
Series 2010 Refunding Note	14,725,000	—	(905,000)	13,820,000	—	(940,000)	12,880,000	965,000
Series 2012 Refunding Note	33,975,000	—	(1,280,000)	32,695,000	—	(1,315,000)	31,380,000	1,355,000
State Revolving Fund Loan (WWG12063607P)	1,855,875	—	(132,631)	1,723,244	—	(136,279)	1,586,965	140,028
Advance from Solid Waste Fund	—	6,716,490	(185,903)	6,530,587	—	(378,805)	6,151,782	388,335
Total long-term debt	<u>86,305,607</u>	<u>6,749,736</u>	<u>(4,128,409)</u>	<u>88,926,934</u>	<u>—</u>	<u>(4,458,026)</u>	<u>84,627,857</u>	<u>4,578,363</u>
Other liabilities:								
Compensated absences	549,111	514,934	(504,010)	560,035	20,316	(55,235)	525,116	94,035
Total long-term liabilities	<u>\$ 86,854,718</u>	<u>\$ 7,264,670</u>	<u>\$ (4,632,419)</u>	<u>\$ 89,486,969</u>	<u>\$ 179,265</u>	<u>\$ (4,513,261)</u>	<u>\$ 85,152,973</u>	<u>\$ 4,672,398</u>

In October of 2009, the Department issued \$28.68 million of Utility System Refunding Bonds Series 2009B (Series 2009B) with an average interest rate of 4.38%, to provide funds for the purpose of (1) refunding a portion of the Utilities System Revenue Bonds, Series 1998, (2) paying certain expenses related to the issuance and sale of the Series 2009B Bonds, and (3) paying a portion of the cost of purchasing a municipal bond insurance policy and debt service reserve surety policy. The Refunding Bonds were issued to refund the \$28.75 million principal amount of the Department's Utilities System Refunding Revenue

Bonds, Series 1998 that matured on or after November of 2009. The net proceeds of \$28.85 million (after payment of \$0.60 million in underwriting fees, insurance and other issuance costs) combined with the Department's equity contribution of \$0.125 million were placed in an irrevocable trust to call in November of 2009, the portion of the outstanding 1998 Series Bonds being refunded and to pay all associated accrued interest. As a result, a portion of the 1998 Series bonds are considered to be in-substance defeased and the liability for those bonds have been removed from the Department's financial statements.

For the Series 2009B, interest is payable on April 1 and October 1 of each year and principal is payable on October 1 of each year. The interest rates on the outstanding bonds range from 2.0% to 5.0%; \$16.95 million are serial bonds, payable annually through 2020; \$11.73 million are term bonds, principal due annually from 2022 to 2024.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 7 - LONG-TERM DEBT, continued

Utilities System Revenue Bonds

In September of 2003, the Department issued \$40.45 million of Utility System Revenue Bonds Series 2003 (Series 2003 Bonds) to provide funds for the purpose of (1) construction of a new reverse osmosis water treatment plant, expansion of wastewater treatment plants and construction of extensions and improvements to the Department's combined water and wastewater utility system, (2) funding a deposit to the Reserve Account through the purchase of a debt service reserve policy, and (3) paying certain expenses related to the issuance and sale of the Series 2003 Bonds.

Interest is payable on the Series 2003 Bonds on April 1 and October 1 of each year and principal is payable on October 1 of each year. Interest rates on the outstanding bonds range from 2.0% to 5.0%; \$20.5 million are serial bonds, payable annually through 2023; \$19.96 million are term bonds, principal due annually from 2024 to 2033. In June of 2012 the Series 2003 Bonds were advanced refunded through the issuance of the Utility System Refunding Revenue Note, Series 2012.

In October of 2009, the Department issued \$7.99 million of Utility System Revenue Bonds Series 2009A (Series 2009A Bonds) to provide funds for the purpose of (1) paying a portion of the costs of acquiring two existing water and wastewater systems, Miles Grant and Utilities Inc. (2) paying certain expenses related to the issuance and sale of the Series 2009A Bonds, and (3) paying a certain portion of the cost of purchasing a municipal bond insurance policy and debt service reserve surety policy.

Interest is payable on the 2009A Bonds on April 1 and October 1 of each year and principal is payable on October 1 of each year. The interest rate on the outstanding bonds is 5.0%; and the Series 2009A are term bonds, principal due annually from 2027 to 2039.

Utilities System Refunding Revenue Notes

In November of 2010, the Department issued \$16.9 million in a Utilities System Revenue Refunding Note, Series 2010, with an interest rate of 2.91 percent, to advance refund the Utilities System Revenue Bonds, Series 2001. The Refunding Note was issued to refund the \$16.02 million principal amount of the Department's Utilities System Revenue Bonds, Series 2001 that mature on or after October 1, 2011. The net proceeds of \$16,850,581 combined with the Department's equity contribution of \$0.10 million were placed in an irrevocable trust to call in October of 2011, all outstanding bonds and to pay all accrued interest and call premiums on the Utilities System Revenue Bonds, Series 2001. As a result, the \$16.02 million of the 2001 Series Bonds are considered to be in-substance defeased.

In June of 2012, the Department issued \$34.26 million in a Utility System Refunding Revenue Note, Series 2012, with an interest rate of 2.9%, to advance refund the Utilities System Revenue Bonds, Series 2003. The refunding note was issued to refund the \$32.21 million principal amount of the Department's Utilities System Revenue Bonds, Series 2003 that mature on or after October of 2014. The net proceeds of \$34.54 million (after payment of \$0.117 million in issuance costs) combined with the Department's equity contribution of \$0.40 million were placed in an irrevocable trust to call in October of 2014, all outstanding bonds and to pay all accrued interest and call premiums on the Utilities System Revenue Bonds, Series 2003. As a result, the \$32.21 million of the 2003 Series Bonds are considered to be in-substance defeased.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 7 - LONG-TERM DEBT, continued

The refunding reduced its total debt service payments over the next twenty-one years by \$7. million and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5.26 million.

The Series 1998, 2003, and 2009A/B Bonds and Series 2010 and 2012 Refunding Notes (collectively, “the bonds and refunding notes”) are collateralized by 100% of (i) net revenues of the Department, (ii) certain Capital Facilities Charges collected with respect to the Department, (iii) special assessments, if any, and (iv) amounts on deposit in funds and accounts established by the bond resolutions, equal to remaining principal and interest requirements over the terms of respective bond agreements.

The bonds and refunding notes include restrictive covenants which require the establishment and maintenance of various reserve and bond service accounts and also govern the flow of funds with respect to such accounts. In addition, such covenants generally require the Department to establish rates and fees sufficient to provide net revenues and special assessments equal to 110% of the annual debt service requirements, or rates and fees sufficient to provide net revenues, capital facilities charges and special assessments equal to 120% of annual debt service requirements.

Based on the interpretations of the Resolutions, the Department’s pledged revenues recognized in 2015 were approximately \$19.94 million with capital facilities charges and \$18.59 million exclusive of capital facilities charges, amounting to 292% and 272%, respectively, of principal and interest requirements.

State Revolving Fund Loan

In 2002, the Department entered into a loan agreement with the State of Florida, Department of Environmental Protection (FDEP) to fund the planning and design of wastewater collection systems for construction in Seagate Harbor, Lighthouse Point. The Seagate Harbor, Lighthouse Point project was finalized in May of 2006. The outstanding principal due in September of 2015 and 2014 was \$1.59 million and \$1.72 million, respectively. Interest rates on the outstanding loan range from 2.71% to 3.11%.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - LONG-TERM DEBT, continued

Advance From Solid Waste

In 2014, the Department entered into an advance agreement with the Solid Waste fund to provide partial funding of the Bio Solids Facilities in Jensen Beach and Tropical Farms. The Bio Solids Facility completed construction in September of 2015. The original advance amount was \$6.72 million to be repaid over 15 years with an interest rate of 2.5%. At September 30, 2015 the outstanding principal was \$6.15 million.

The future principal maturity amounts and related interest costs for all long-term debt and the sinking fund requirements of the Series 1998, 2003 and 2009A and B bonds, the state revolving fund loan (WWG12063607P), and the Series 2010 and 2012 Refunding Notes and the Advance from Solid Waste are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Bond/Loan</u> <u>Sinking Fund</u> <u>Requirements</u>
2016	4,578,363	2,969,703	7,548,066
2017	4,741,985	2,802,205	7,544,190
2018	4,935,956	2,615,679	7,551,635
2019	5,135,290	2,417,497	7,552,787
2020	5,324,994	2,223,243	7,548,237
2021-2025	29,759,164	8,114,049	37,873,213
2026-2030	17,437,995	3,844,664	21,282,659
2031-2035	9,445,000	1,598,445	11,043,445
2036-2039	<u>3,015,000</u>	<u>386,000</u>	<u>3,401,000</u>
	<u>\$ 84,373,747</u>	<u>\$ 26,971,485</u>	<u>\$ 111,345,232</u>

NOTE 8 - CAPITAL CONTRIBUTIONS

Capital contributions consist of monies received, capital assets contributed and special assessment revenue recognized for equipping and expanding capacity and facilities of the Department. Additions during fiscal year 2015 consisted of \$1.1 million in cash and \$0.59 million in capital assets revenue recognized. Additions during fiscal year 2014 consisted of \$0.75 million in cash, \$0.43 million in capital assets and \$1.17 million of special assessment revenue recognized.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Department, as an enterprise fund of the County, participates in the Florida Retirement System ("FRS"), a cost-sharing, multiple-employer, public employee retirement plan, which covers substantially all of the Department's full-time employees. The Florida Department of Management Services Division of Retirement administers the FRS Pension Plan and the Retiree Health Insurance Subsidy ("HIS Plan").

The Florida Legislature established the FRS under Chapter 121, Florida Statutes, and has sole authority to amend benefits provisions. Each year the FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications.

Drop Benefits

The Deferred Retirement Option Program (DROP) is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of the FRS, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for an FRS employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination, employees will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit, in the same amount determined at retirement, plus annual cost-of-living increases.

Funding Policy

Effective July 1, 2011, all employees, except those participating in the DROP program, are required to make a 3% contribution of their gross salary. The FRS is a defined benefit plan for all state, participating county, district school board, community college and university employees. Governmental employers are required to make contributions to the FRS based on statewide contribution rates. Accordingly, the actuarial information and related disclosures attributable to the Department's employees are not determinable. The Department is required to contribute an actuarially determined rate. Contribution rates, expressed as a percentage of covered annual payrolls, in effect during the fiscal year for the following classes of memberships were:

	10/01/14 - <u>06/30/15</u>	07/01/15 - <u>09/30/15</u>
Regular	7.37%	7.26%
Senior Management	21.14%	21.43%
DROP	12.28%	12.88%

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

The contributions of the County are established and may be amended by the State Legislature. The Department's contributions to the FRS for the years ended September 30, 2015, 2014, and 2013 were \$0.37 million, \$0.36 million and \$0.27 million, respectively, each equal to the required contributions for the respective year.

The County's contributions, including employee contributions, to the FRS Pension Plan totaled \$11.7 million for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Department reported a liability of \$1.6 million for its proportionate share of the FRS Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Department's proportionate share of the net pension liability was based on the Department's contributions for the current fiscal year. The County's proportionate share was based on the county's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the County's proportionate share was 0.242969329 percent, which was a decrease of 0.006 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the Department recognized pension expense of \$0.07 million. In addition the department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 172,281	\$ 38,704
Change of assumptions	108,314	-
Net difference between projected and actual earnings on Pension Plan investments	574,802	964,473
Changes in proportion and differences between County Pension Plan contributions and proportionate share of contributions	-	198,133
County Pension Plan contributions subsequent to the measurement date	82,424	-
Total	<u>\$ 937,821</u>	<u>\$ 1,201,310</u>

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

The deferred outflows of resources related to the FRS Pension Plan, totaling \$0.08 million resulting from Department's 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ (175,277)
2017	(175,277)
2018	(175,277)
2019	153,517
2020	18,872
Thereafter	7,529

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	Inflation
Salary increases	Salary increases
Investment rate of return	7.65 %, net of pension plan investment expense, including inflation

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

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

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

The long-term expected rate of return on FRS 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 the 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 the 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

Sensitivity of the Department's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease ▼ (6.65%)	Discount Rate ▼ (7.65%)	1% Increase ▼ (8.65%)
County's proportionate share of the net pension liability	\$ 4,228,629	\$ 1,631,903	\$ (529,000)

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

Payables to the Pension Plan - At September 30, 2015, the Department reported an addition to Net Pension Liabilities in the amount of \$0.8 million for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

Plan Description – The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, 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, 2015, 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 HIS 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.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The County contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in 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 County's contributions to the HIS Plan totaled \$1.28 million for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the Department reported a liability of \$.9 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The County's proportionate share of the net pension liability was based on the County's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the County's proportionate share was .168266227 percent, which was a decrease of .001 percent from its proportionate share measured as of June 30, 2014.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

For the fiscal year ended September 30, 2015, the Department recognized pension expense of \$0.07 million. In addition the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Change of assumptions	70,204	
Net difference between projected and actual earnings on HIS Plan investments	483	
Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions	3,971	2,234
County HIS Plan contributions subsequent to the measurement date	11,633	
Total	<u>\$ 86,291</u>	<u>\$ 2,234</u>

The deferred outflows of resources related to the HIS Plan, totaling \$0.01 million resulting from County 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, 2016. 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:	<u>Amount</u>
2016	\$ 13,854
2017	13,854
2018	13,854
2019	13,756
2020	8,487
Thereafter	8,619

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

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

Inflation	2.6 %
Salary increases	3.3 %, average, including inflation
Investment rate of return	3.8 %, municipal bond rate

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

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

Discount Rate - The discount rate used to measure the total pension liability was 3.8%. 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 County's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Department's proportionate share of the net pension liability calculated using the discount rate of 3.8%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.8%) or one percentage point higher (4.8%) than the current rate:

	1% Decrease ▼ (2.8%)	Current Discount Rate ▼ (3.8%)	1% Increase ▼ (4.8%)
County's proportionate share of the net pension liability	\$ 1,016,787	\$ 892,347	\$ 788,582

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 Systems Comprehensive Annual Financial Report.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

Payables to the Pension Plan - At September 30, 2015, the Department's reported an addition to Net Pension Liabilities in the amount of \$0.07 million for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and County Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, 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 County.

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

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2015 and 2014

NOTE 9 - DEFINED BENEFIT PENSION PLAN, continued

The FRS publishes an annual report that provides ten-year historical trend information about progress made in accumulating sufficient assets to pay benefits when due. This report may be obtained by writing to the Division of Retirement, Research, Education and Policy Section, P. O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706, or accessing their Internet site at http://dms.myflorida.com/human_resource_support/retirement.

NOTE 10 – POSTEMPLOYMENT BENEFITS

The Martin County Board of County Commissioners (the “Board”) engages an actuarial firm to determine the County’s annual required contribution and unfunded obligation, which are the responsibility for the Board’s General Fund. The Department participates in the County administered single-employer defined benefit healthcare plan that provides postretirement medical and dental coverage to retirees, their eligible spouses and dependents. These benefits are currently funded on a pay-as-you go basis, based on the number of employees as part of payroll costs. No assets have been segregated and restricted to fund these benefits. All other obligations related to OPEB are recorded with in the government activities section of the County’s financial statements and the actuarially estimated AAL are not determined by fund. Further information about OPEB is available in the County’s Comprehensive Annual Financial Report.

NOTE 11 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to tort; theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. As a department of the Board, coverage for employee health, property, general liability, automobile liability, workers’ compensation, public employee bond and comprehensive crime loss is covered through a comprehensive property and liability risk management program provided through the Self-Insurance Internal Service Fund of the County. The County is part of the Tri-County Risk Management Program, which is a public entity risk pool. The self-insurance program is one whereby the Department is allocated a portion of the County’s annual contributions along with the other members of the program. The County is subject to a special assessment in the event of a deficiency, except to the extent that the deficiency results from a specific claim against another member of the public entity risk pool in excess of the reinsurance available; such a deficiency is solely the responsibility of that member. As of September 30, 2015 there have been no special assessments. Settlements have not exceeded coverage for each of the past three years.

Additionally, the County allocated to the Department certain support costs for insurance coverage. The total of such costs charged to expense was \$1.46 million for the year ended September 30, 2015 of which \$58,365 was for insurance and \$1.46 million for the year ended September 30, 2014 of which \$61,671 was for insurance. Further information about the County-wide self-insurance program is available in the County’s Comprehensive Annual Financial Report.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Department is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the self-insurance program are reviewed and losses are accrued when loss is probable. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position for the Department.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Required Supplementary Information
September 30, 2015
(unaudited)

Schedule of Martin County Proportionate Share of Net Pension Liability
Florida Retirement System
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Utilities proportion of the net pension liability (asset)	0.012634405%	0.012921416%
Utilities proportionate share of the net pension liability (asset)	\$ 1,631,903	\$ 788,396
Utilities covered-employee payroll	\$ 2,664,933	\$ 2,618,138
Utilities proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61.24%	30.11%
Plan fiduciary net position as a percentage of the total pension liability	92%	96%

* The amounts presented for each fiscal year were determined as of 6/30/2015.

Schedule of Martin County Contributions
Florida Retirement System
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 311,811	\$ 398,810
Contributions in relation to the contractually required contribution	\$ (401,459)	\$ (384,753)
Contribution deficiency (excess)	<u>\$ (89,649)</u>	<u>\$ 14,057</u>
Utilities covered-employee payroll	\$ 2,681,812	\$ 2,630,500
Contributions as a percentage of covered-employee payroll	11.63%	15.16%

* The amounts presented for each fiscal year were determined as of 9/30/2015.

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Required Supplementary Information
September 30, 2015
(unaudited)

Schedule of Martin County Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Utilities proportion of the net pension liability (asset)	0.008749844%	0.008778634%
Utilities proportionate share of the net pension liability (asset)	\$ 892,346	\$ 820,824
Utilities covered-employee payroll	\$ 2,664,933	\$ 2,618,138
Utilities proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.48%	31.35%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30.

Schedule of Martin County Contributions
Health Insurance Subsidy Program
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 36,469	\$ 31,950
Contributions in relation to the contractually required contribution	\$ (36,603)	\$ (31,978)
Contribution deficiency (excess)	<u>\$ (135)</u>	<u>\$ (27)</u>
Utilities covered-employee payroll	\$ 2,681,812	\$ 2,630,500
Contributions as a percentage of covered-employee payroll	1.36%	1.21%

* The amounts presented for each fiscal year were determined as of 9/30.

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Required Supplementary Information
September 30, 2015
(unaudited)**

Other Postemployment Benefits Plan

Agencies:	Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as Percentage Covered Payroll
	10/1/2009	\$ -	\$ 60,811,586	\$ 60,811,586	0%	\$ 60,817,030	99.99%
	10/1/2011	\$ -	\$ 62,846,097	\$ 62,846,097	0%	\$ 57,391,433	109.50%
	10/1/2013	\$ -	\$ 59,463,166	\$ 59,463,166	0%	\$ 60,207,352	98.76%

Note:

- (1) There were no actuarial valuations performed for fiscal years 2011, 2013 and 2015.
- (2) The schedule of funding progress above presents that balances for the overall County, which includes Martin County Utilities

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***STATISTICAL
SECTION***

STATISTICAL SECTION

This part of Martin County Utilities Department's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reports about the Department's overall financial health.

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MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Net Position by Component
Last Ten Fiscal Years
(unaudited)

Components of Net Position at Year-End	Fiscal Year									
	<u>2015</u>	<u>2014</u>	<u>2013</u> ²	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net investment in capital assets	\$ 168,903,436	\$ 161,934,423	\$ 150,991,024	\$ 149,380,517	\$ 149,380,517	\$ 146,666,415	\$ 139,310,726	\$ 142,688,331	\$ 138,345,047	\$ 124,491,318
Restricted:										
Capital Projects	15,456,904	15,898,116	15,583,093	15,936,299	18,102,936	16,695,872	21,888,414	16,969,305	13,666,538	15,907,079
Other Purposes	195,831	230,421	273,860	249,382	-	-	-	-	-	-
Unrestricted	<u>20,276,117</u>	<u>22,435,573</u>	<u>29,090,057</u>	<u>29,588,490</u>	<u>26,329,586</u>	<u>19,482,819</u>	<u>18,409,308</u>	<u>22,989,757</u>	<u>24,424,801</u>	<u>17,496,761</u>
Total Net Position at Year-End	<u>\$ 204,832,288</u>	<u>\$ 200,498,533</u>	<u>\$ 195,938,034</u>	<u>\$ 195,154,688</u>	<u>\$ 193,813,039</u>	<u>\$ 182,845,106</u>	<u>\$ 179,608,448</u>	<u>\$ 182,647,393</u>	<u>\$ 176,436,386</u>	<u>\$ 157,895,158</u>

Notes:

1. Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when constraints placed on net asset use are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
2. Restated for implementation of GASB 68 and 71.

Source: Department's financial records

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Changes in Net Position
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues:										
Metered water sales	\$ 16,726,067	\$ 15,945,183	\$ 14,956,292	\$ 15,046,843	\$ 15,311,585	\$ 14,278,309	\$ 13,253,601	\$ 12,467,630	\$ 13,334,616	\$ 13,297,035
Sewer sales	13,610,005	13,236,423	12,497,205	12,297,237	12,093,494	11,344,357	10,825,316	10,357,544	10,521,801	10,407,006
Guaranteed revenue	498,988	570,245	700,145	713,954	712,468	775,307	910,650	948,148	1,000,507	1,132,301
Miscellaneous	1,375,690	1,461,577	1,363,623	1,431,582	1,215,918	1,172,685	1,085,491	939,723	1,039,807	981,542
Engineering fees	84,170	47,295	46,573	59,428	37,549	80,473	84,310	235,428	122,012	156,753
Total operating revenues	32,294,920	31,260,723	29,563,838	29,549,044	29,371,014	27,651,131	26,159,368	24,948,473	26,018,743	25,974,637
Operating Expenses:										
Administrative and general	\$ 4,995,193	\$ 4,784,375	\$ 4,908,118	\$ 4,806,477	\$ 4,740,726	\$ 5,066,052	\$ 4,651,397	\$ 4,637,217	\$ 5,307,238	\$ 4,843,176
Operating and maintenance	11,912,619	11,464,570	11,270,032	10,966,083	11,185,347	11,494,376	11,579,049	11,295,598	10,309,513	10,461,426
Depreciation and amortization	10,418,990	10,064,805	10,070,136	9,893,592	9,749,429	9,496,037	9,189,290	8,296,285	7,205,658	6,735,327
Total operating expenses	27,326,802	26,313,750	26,248,286	25,666,152	25,675,502	26,056,465	25,419,736	24,229,100	22,822,409	22,039,929
Operating Income (Deficit)	4,968,118	4,946,973	3,315,552	3,882,892	3,695,512	1,594,666	739,632	719,373	3,196,334	3,934,708
Nonoperating Revenues (Expenses):										
Investment income	\$ 979,968	\$ 691,429	\$ 521,661	\$ 917,394	\$ 748,788	\$ 774,737	\$ 771,162	\$ 1,448,698	\$ 2,712,279	\$ 2,737,067
Interest expense	(2,810,965)	(2,990,115)	(3,166,024)	(3,832,787)	(4,024,138)	(4,599,194)	(4,402,615)	(2,899,179)	(2,626,974)	(2,864,588)
Grants	-	-	-	-	-	-	-	49,300	2,063,900	1,793,000
Amortization of bond discount and issue costs	(576,107)	(476,880)	(522,707)	(647,683)	(519,857)	(419,550)	(308,410)	(313,079)	(317,565)	(317,987)
Other income (expense)	79,580	35,441	22,646	(76,014)	5,865	4,485	(64,779)	(113,563)	(71,672)	(6,852)
Total nonoperating revenues (expenses)	(2,327,524)	(2,740,125)	(3,144,424)	(3,639,090)	(3,789,342)	(4,239,522)	(4,004,642)	(1,827,823)	1,759,968	1,340,640
Income (Deficit) before Capital Contributions	2,640,594	2,206,848	171,128	243,802	(93,830)	(2,644,856)	(3,265,010)	(1,108,450)	4,956,302	5,275,348
Special Item	-	-	-	-	-	-	(4,622,039)	-	-	-
Capital Contributions	1,693,161	2,353,651	3,839,256	1,841,469	11,061,763	5,881,514	4,848,104	7,319,457	9,569,228	7,678,073
Increase in Net Position	4,333,755	4,560,499	4,010,384	2,085,271	10,967,933	3,236,658	(3,038,945)	6,211,007	14,525,530	12,953,421
Net Position, Beginning of Year	\$ 200,498,533	\$ 195,938,034	\$ 195,154,688	\$ 193,813,039	\$ 182,845,106	\$ 179,608,448	\$ 182,647,393	\$ 176,436,386	\$ 157,895,158	\$ 144,941,737
Restatement	-	-	(3,227,038) ¹	(743,622) ²	-	-	-	-	4,015,698 ³	-
Net Position, at Year-End	\$ 204,832,288	\$ 200,498,533	\$ 195,938,034	\$ 195,154,688	\$ 193,813,039	\$ 182,845,106	\$ 179,608,448	\$ 182,647,393	\$ 176,436,386	\$ 157,895,158

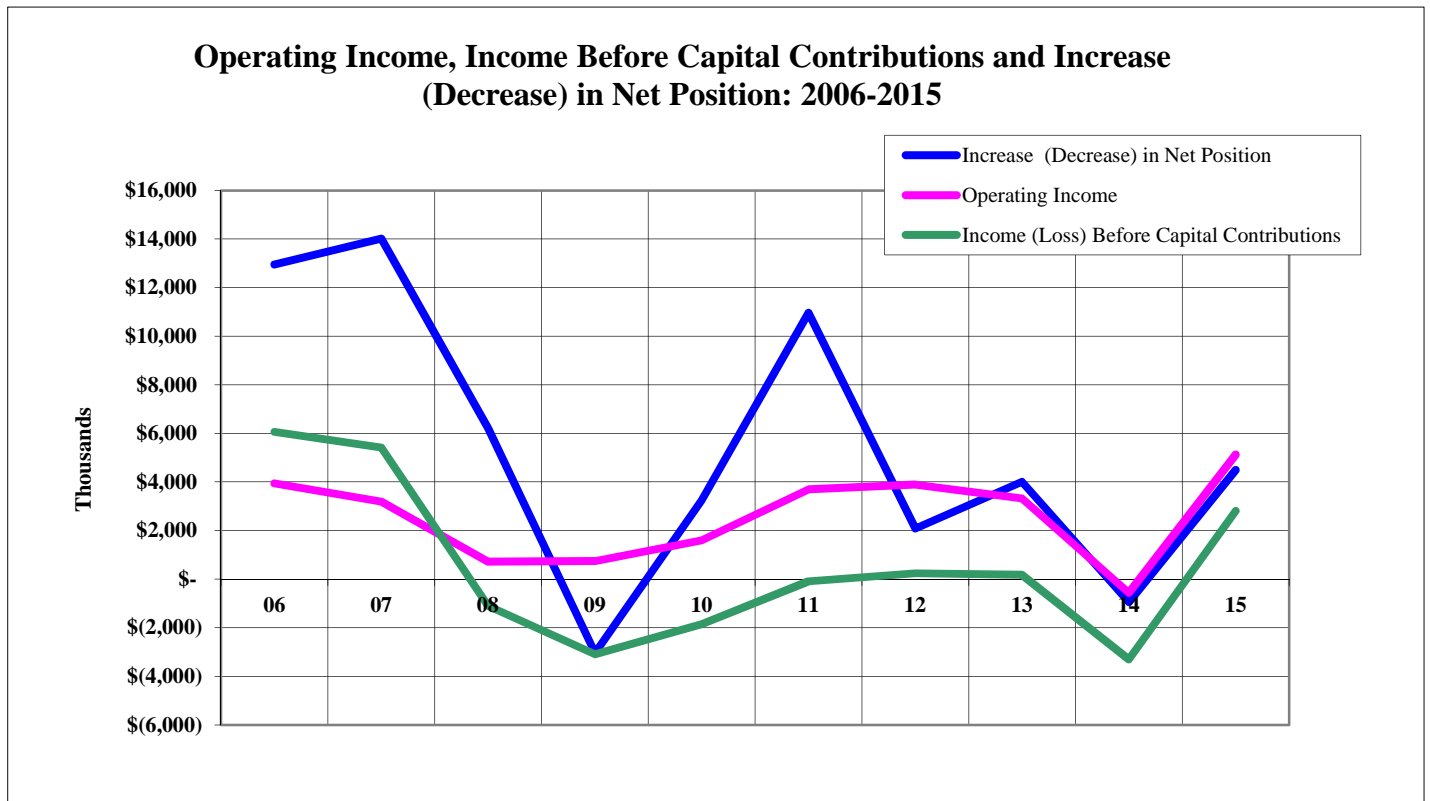
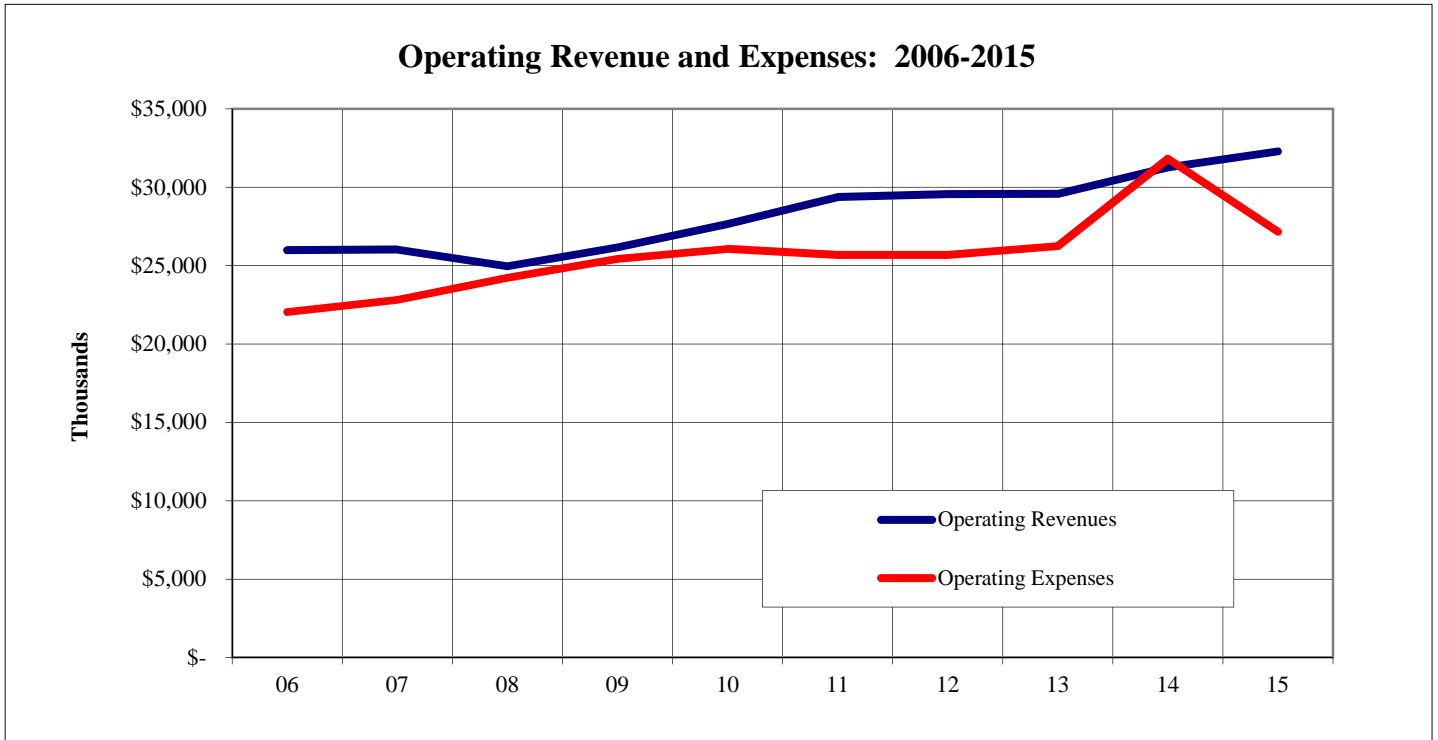
(1) Fiscal Year 2013 was restated due to the implementation of GASB pronouncement statement No. 68

(2) A Restatement of Net Position was required per a recently adopted GASB Pronouncement, Statement No. 65 *Items Previously reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify deferred outflows of resources or deferred inflow of resources, items previously reported as Assets and Liabilities.

(3) A Restatement of Net Position was required in 2008 for 2007 due to a changed in the Department's method of accounting for recognizing special assessment revenue to provide for recognition once the project for which the assessments are levied is completed, rather than when cash from assessments is received.

Source:
Department's financial records

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Last Ten Fiscal Years**
(unaudited)



Note: Fiscal year 2009 includes the retirement of Martin Downs water and wastewater plant assets
Source: Department's financial records

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Revenues By Source
Last Ten Fiscal Years**

(Unaudited)

Fiscal Year Ended Sept. 30	Operating Revenues					Total Operating Revenues	Non-Operating Revenues			Total Revenues
	Metered Water Sales	Sewer Sales	Guaranteed Revenues	Misc.	Engineering Fees		Investment Income	Other Income	Capital Contributions	
2006	\$ 13,297,035	\$ 10,407,006	\$ 1,132,301	\$ 981,542	\$ 156,753	\$ 25,974,637	\$ 2,737,067	\$ 2,590,110	\$ 6,890,569	\$ 38,192,383
2007	13,334,616	10,521,801	1,000,507	1,039,807	122,012	26,018,743	2,712,279	2,063,900	9,569,228	40,364,150
2008	12,467,630	10,357,544	948,148	939,723	235,428	24,948,473	1,448,698	49,300	7,319,457	33,765,928
2009	13,253,601	10,825,316	910,650	1,085,491	84,310	26,159,368	771,162	5,000	4,848,104	31,783,634
2010	14,278,309	11,344,357	775,307	1,172,685	80,473	27,651,131	774,737	4,485	5,881,514	34,311,867
2011	15,311,585	12,093,494	712,468	1,215,918	37,549	29,371,014	748,788	5,865	11,061,763	41,187,430
2012	15,046,843	12,297,237	713,954	1,431,582	59,428	29,549,044	917,394	41,293	1,841,469	32,349,200
2013	14,956,292	12,497,205	700,145	1,363,623	46,573	29,563,838	521,661	22,646	3,839,256	33,947,401
2014	15,945,183	13,236,423	570,245	1,461,577	47,295	31,260,723	691,429	35,442	2,353,651	34,341,244
2015	16,726,067	13,610,005	498,988	1,375,690	84,170	32,294,920	979,968	79,580	1,693,161	35,047,629

Note: The Department changed the method of accounting for recognizing special assessment revenue effective October 1, 2006. Special assessment revenue is now included in Capital Contributions. Special assessment revenue is recognized when the project is completed rather than when cash from assessments is received.

Source: Department's financial records

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Operating Expenses by Function
Last Ten Fiscal Years

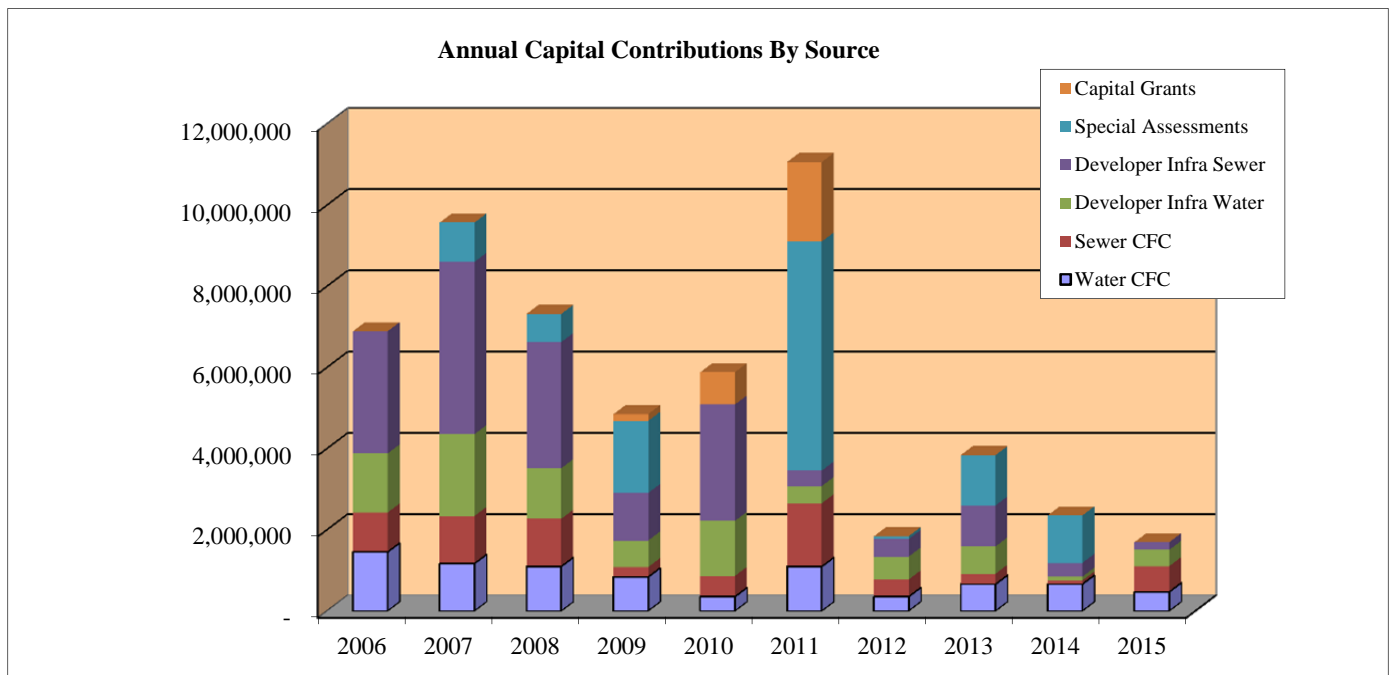
(Unaudited)

Fiscal Year Ended Sept. 30	Operating Expenses				Total Operating Expenses	Non-Operating Expenses			
	Administrative and General	Operating and Maintenance	Indirect Costs	Depreciation		Interest Expense	Amortization of Bond Discount and Issue Costs	Other Expenses	Total Expenses
2006	\$ 3,889,953	\$ 10,461,426	\$ 953,223	\$ 6,735,327	\$ 22,039,929	\$ 2,864,588	\$ 317,987	\$ 16,458	\$ 25,238,962
2007	4,177,595	10,309,513	1,129,643	7,205,658	22,822,409	2,626,974	317,565	71,672	25,838,620
2008	3,446,276	11,295,598	1,190,941	8,296,285	24,229,100	2,899,179	313,079	113,563	27,554,921
2009	3,460,456	11,579,049	1,190,941	9,189,290	25,419,736	4,402,615	285,176	93,012	30,200,539
2010	3,853,658	11,494,376	1,212,394	9,496,037	26,056,465	4,599,194	419,550	-	31,075,209
2011	3,528,332	11,185,347	1,212,394	9,749,429	25,675,502	4,024,138	519,857	-	30,219,497
2012	3,361,697	10,966,083	1,444,780	9,893,592	25,666,152	3,832,787	647,683	117,307	30,263,929
2013	3,424,392	11,270,032	1,483,726	10,070,136	26,248,286	3,166,024	522,707	-	29,937,017
2014	3,323,916	11,464,570	1,460,459	10,064,805	26,313,750	2,990,115	476,880	-	29,780,745
2015	3,534,734	11,912,619	1,460,459	10,418,990	27,326,802	2,810,965	576,107	-	30,713,874

Source: Department's financial records

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
SCHEDULE OF ANNUAL CAPITAL CONTRIBUTIONS BY SOURCE
Last Ten Fiscal Years
(Unaudited)

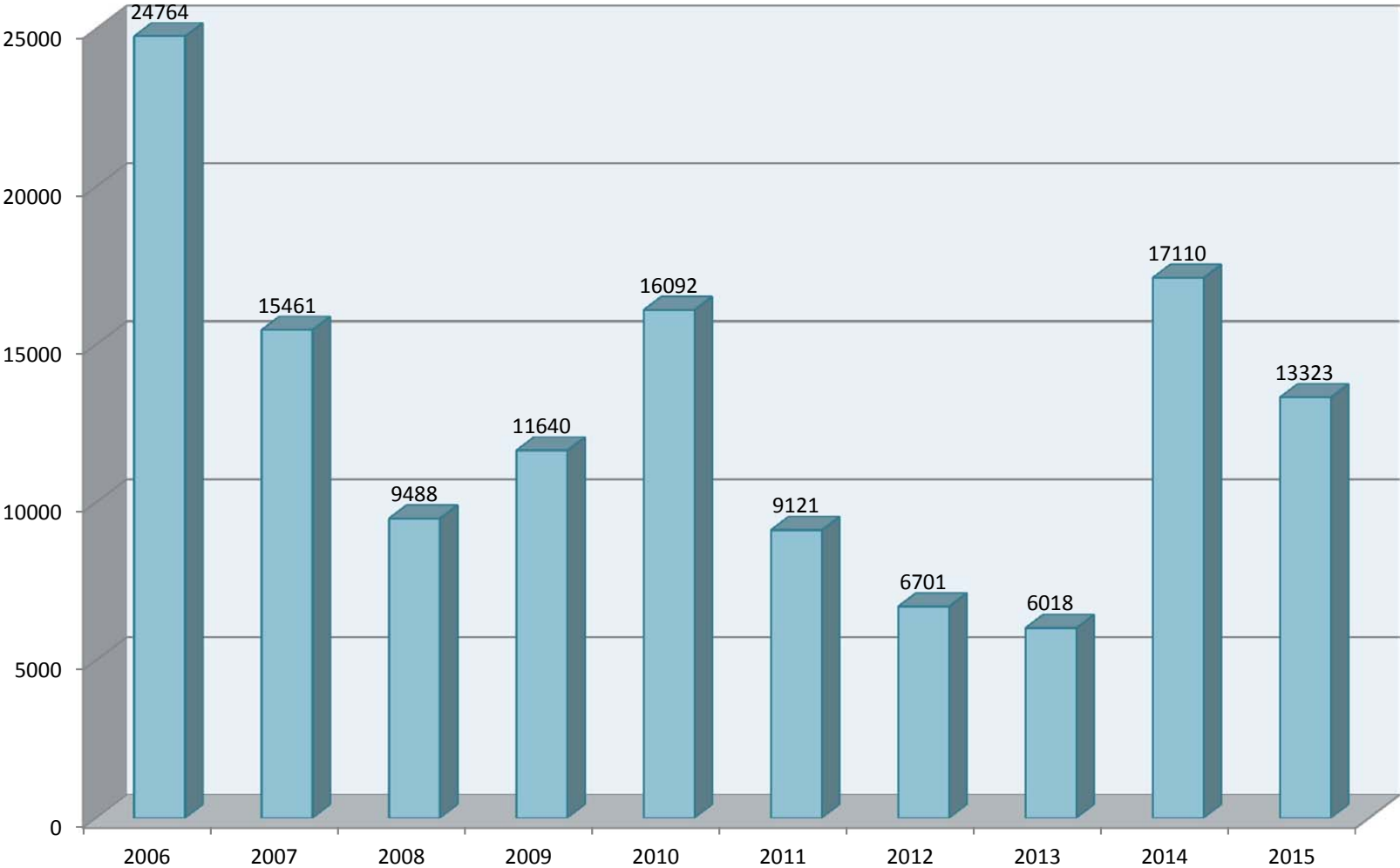
Fiscal Year	Special Assessments	Capital Grants	Water Capital Facility Charges	Sewer Capital Facility Charges	Developer Infrastructure Water	Developer Infrastructure Sewer	Total
2006	\$ -	\$ -	\$ 1,454,340	\$ 968,784	\$ 1,456,232	\$ 3,011,213	\$ 6,890,569
2007	968,786	-	1,167,856	1,172,612	2,014,230	4,245,744	9,569,228
2008	694,165	-	1,098,156	1,172,083	1,245,202	3,109,851	7,319,457
2009	1,776,670	166,380	839,055	239,796	654,638	1,171,565	4,848,104
2010	-	795,190	353,587	510,300	1,354,077	2,868,360	5,881,514
2011	5,644,154	1,958,334	1,096,555	1,558,114	422,794	381,812	11,061,763
2012	70,597	-	353,752	422,393	561,867	432,860	1,841,469
2013	1,239,266	-	660,240	257,033	671,822	1,010,895	3,839,256
2014	1,170,768	-	660,866	88,815	93,810	339,391	2,353,651
2015	-	-	470,250	632,550	401,473	188,888	1,693,161



Source: Department's financial records

Note: The Department has changed the method of accounting for recognizing special assessment revenue effective October 1, 2006. Special assessment revenue is now included in Capital Contributions rather than non-operating income as recorded prior to October 1, 2006. Special assessment revenue is recognized when the project is completed rather than when cash from assessments is received.

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
CAPITAL DISBURSEMENTS
Last Ten Fiscal Years (\$000)
(Unaudited)**

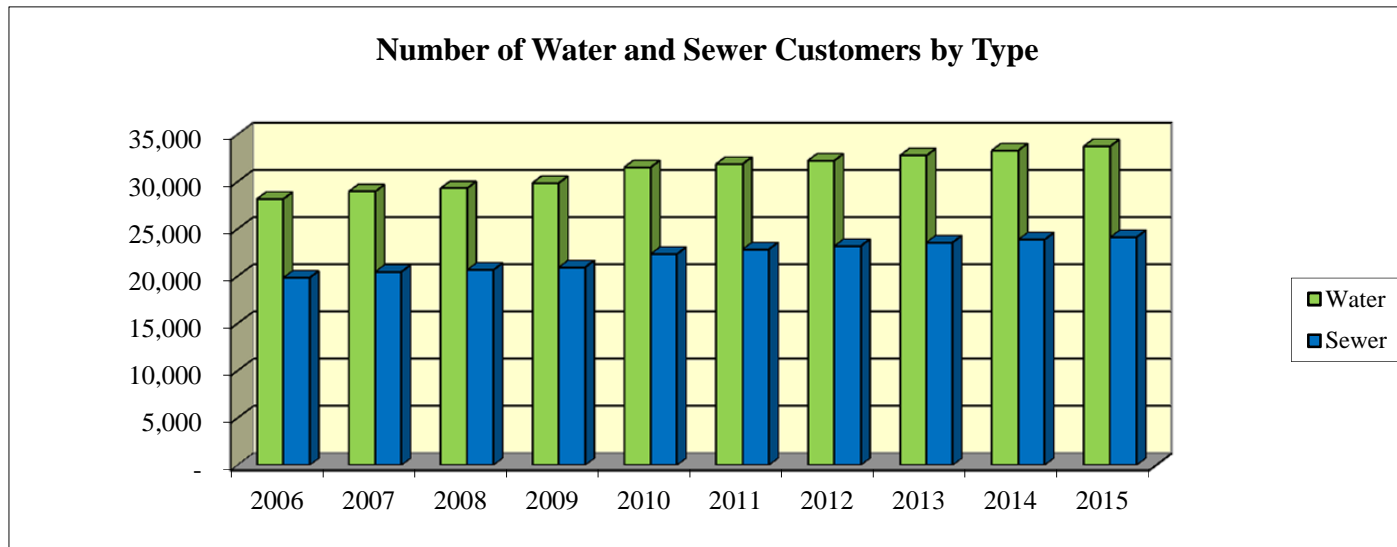


Source: FY 2006-2015 Audited Statement of Cash Flows

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Number of Water and Sewer Customers by Type
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Water					Sewer					Total	
	Residential	Multi-Family	Commercial	Irrigation	Other	Residential	Multi-Family	Commercial	I.Q	Other	Water	Sewer
2006	25,859	252	1,510	177	373	18,482	130	1,088	11	122	28,171	19,833
2007	26,495	262	1,558	202	436	19,050	138	1,149	12	114	28,953	20,463
2008	26,745	274	1,615	211	449	19,095	139	1,194	14	211	29,294	20,653
2009	27,174	332	1,647	239	472	19,296	201	1,208	17	226	29,864	20,948
2010	28,729	385	1,675	246	493	20,650	253	1,197	18	230	31,528	22,348
2011	29,081	389	1,693	245	473	21,071	261	1,251	18	238	31,881	22,839
2012	29,426	388	1,710	250	466	21,402	266	1,275	20	233	32,240	23,196
2013	29,906	391	1,721	257	487	21,758	276	1,284	20	230	32,762	23,568
2014	30,441	392	1,737	260	480	22,058	274	1,292	20	225	33,310	23,869
2015	30,862	391	1,753	261	485	22,329	274	1,320	20	173	33,752	24,116

Notes: Information is from customer billing records from Sept 30 of every year. "Other" includes service availability customers, lift station maintenance accounts, fire service and temporary accounts.



Source: Department's financial records

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Water and Sewer Rates
September 30, 2015

MONTHLY BASE FACILITY (MINIMUM) CHARGE: ALL CUSTOMERS

Meter Size	Single Family (per dwelling unit)		Multi-Family (per dwelling unit)		Non-Residential (per meter)	
	Water	Sewer	Water	Sewer	Water	Sewer
5/8"	\$14.29	\$13.62	\$7.14	\$6.83	\$16.99	\$16.21
1"	\$35.71	\$13.62	\$7.14	\$6.83	\$42.57	\$40.57
1 1/2"	\$71.43	\$13.62	\$7.14	\$6.83	\$84.99	\$81.06
2"	\$114.27	\$13.62	\$7.14	\$6.83	\$135.98	\$129.69
3"			\$7.14	\$6.83	\$271.98	\$259.37
4"			\$7.14	\$6.83	\$424.97	\$405.25
6"			\$7.14	\$6.83	\$849.92	\$810.54
8"			\$7.14	\$6.83	\$1,529.87	\$1,458.90
Sewer Only		\$48.53				

FIRE LINE SERVICE (Customers Served by Separate Fire Line)

Meter Size	No gallonage charge		
1 1/2"	\$7.08	\$7.08	\$7.08
2"	\$11.33	\$11.33	\$11.33
3"	\$22.65	\$22.65	\$22.65
4"	\$35.43	\$35.43	\$35.43
6"	\$71.12	\$71.12	\$71.12
8"	\$127.48	\$127.48	\$127.48
10"	\$184.13	\$184.13	\$184.13
12"	\$304.54	\$304.54	\$304.54

Rates effective October 1, 2014

Source: Department's financial records

CUSTOMER ACCOUNT CHARGE: ALL CUSTOMERS (Per Bill)

Single Family (per dwelling unit)	Multi-Family (per dwelling unit)	Non-Residential (per meter)					
			Water	Sewer	Water	Sewer	Water
\$2.28	\$3.56	\$2.28	\$3.56	\$2.28	\$3.56	\$2.28	\$3.56

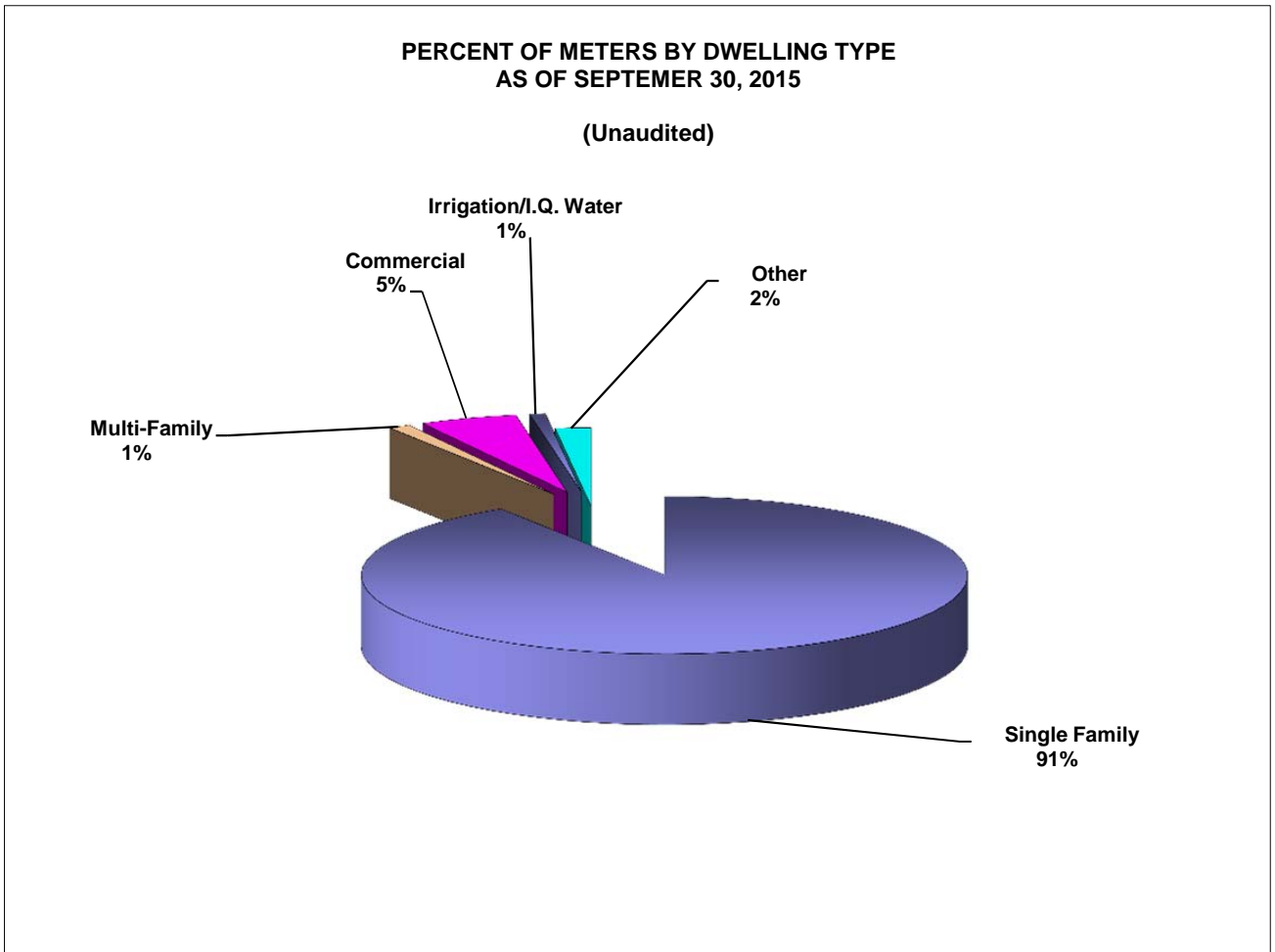
GALLONAGE CHARGE: ALL CUSTOMERS

(steps times # of units)		Water	Sewer
Single Family:	1-10,000 gallon rate	\$2.13	\$4.19
	10,001-15,000 gallon rate	\$3.00	
	15,001-25,000 gallon rate	\$3.85	
	25,001 gallon rate or more	\$4.70	
Multi-Family:	1-5,000 gallon rate	\$2.13	\$4.19
	5,001-7,500 gallon rate	\$3.00	\$4.19
	7,501-12,500 gallon rate	\$3.85	\$4.19
	12,501 gallon rate or more	\$4.70	\$4.19
Non-Residential:			
Commercial	All gallons	\$2.58	\$4.19
Irrigation (potable)	1-10,000 gallon rate	\$3.00	
	10,001-25,000 gallon rate	\$3.85	
	25,001 gallon rate or more	\$4.70	
Irrigation (I.Q.)	All gallons	\$0.46	

SEWER CHARGE CAPS (LIMITS): ALL SEWER CUSTOMERS

Single Family:	10,000 gallons per month "per unit"
Multi Family:	None
Non-Residential:	None

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT**
(unaudited)



Number of Accounts by Dwelling Type

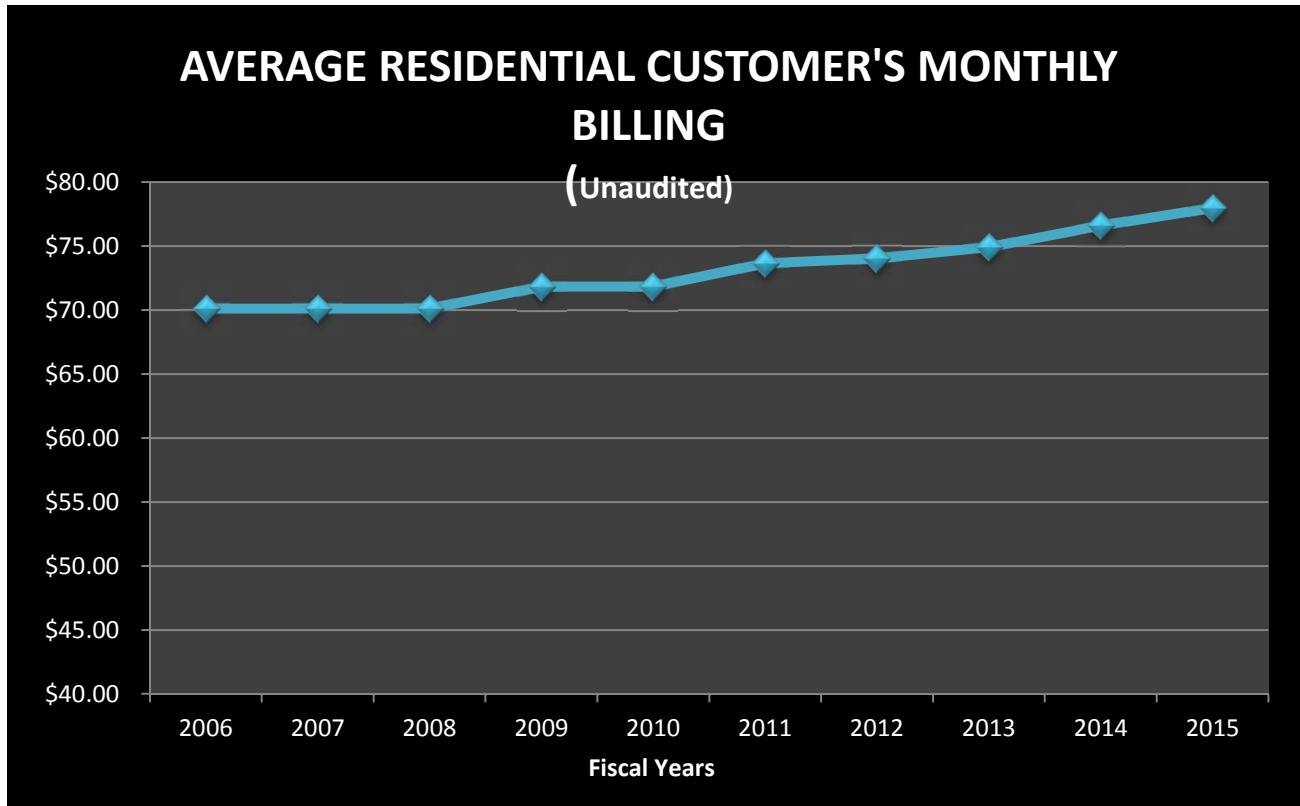
Single Family	30,862
Multi-Family	394
Commercial	1,765
Irrigation/I.Q. Water	281
Other	643
	33,945

Source: Department's financial records

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Average Residential Customer Billings
Last Ten Fiscal Years
(Unaudited)

<u>FISCAL YEAR</u>	<u>CUSTOMER ACCOUNT CHARGE</u>	<u>BASE FACILITY CHARGE</u>	<u>COMMODITY FEE</u>	<u>TOTAL FEE</u>	<u>% INCREASE</u>
2006	\$ 5.25	\$ 25.10	\$ 39.76	\$ 70.11	0.0%
2007	5.25	25.10	39.76	70.11	0.0%
2008	5.25	25.10	39.76	70.11	0.0%
2009	5.38	25.71	40.74	71.83	2.5%
2010	5.38	25.71	40.74	71.83	0.0%
2011	5.52	26.35	41.79	73.66	2.5%
2012	5.54	26.50	42.00	74.04	0.5%
2013	5.61	26.81	42.49	74.91	1.2%
2014	5.74	27.46	43.40	76.60	2.3%
2015	5.84	27.91	44.24	77.99	1.8%

NOTE: An average customer is defined as having combined service and using 7,000 gallons each month.



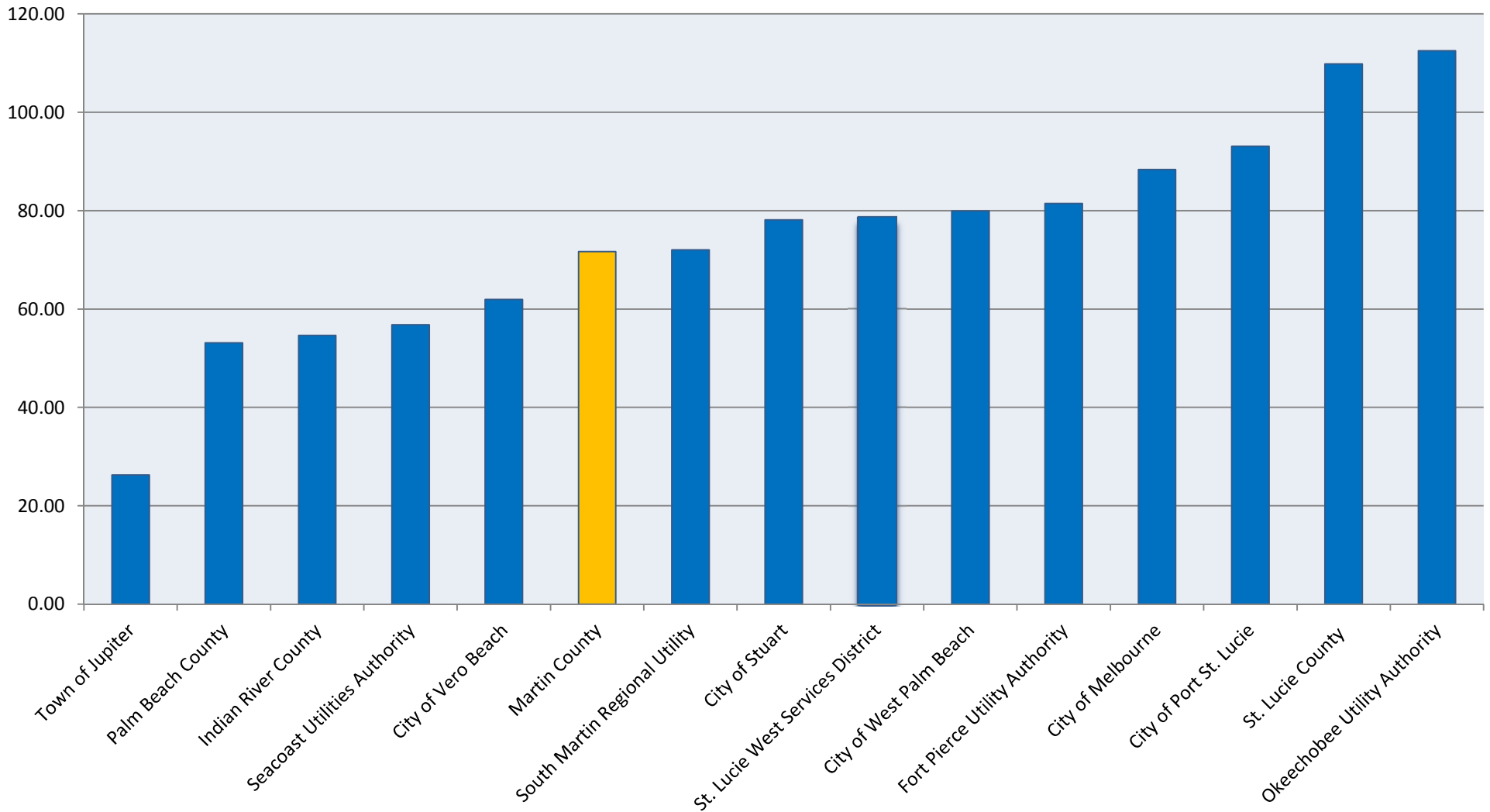
Source: Department's financial records

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
SCHEDULE OF TEN LARGEST CUSTOMERS
Current Year and Nine Years Ago**

(Unaudited)

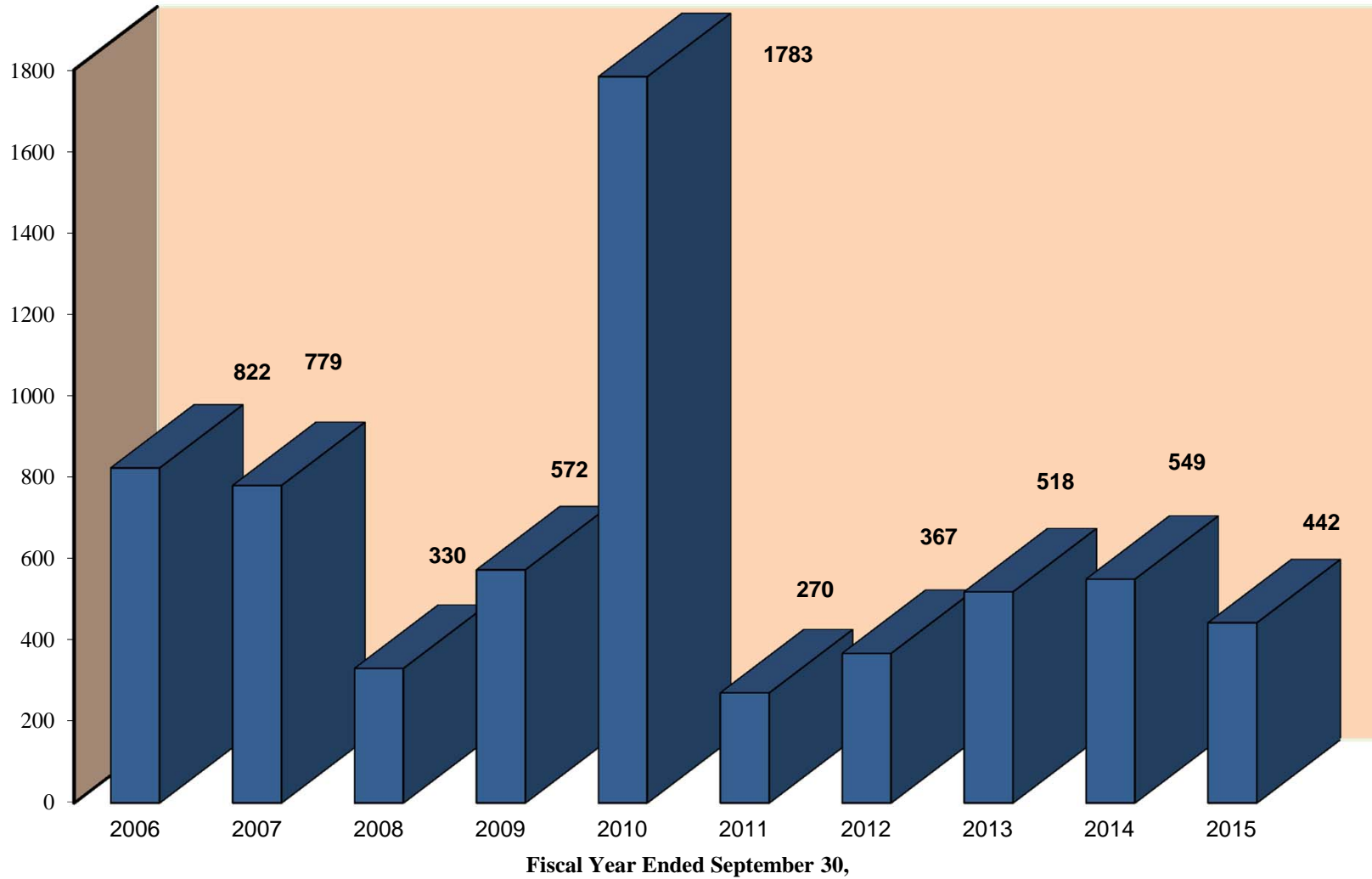
CUSTOMER	2015			2006		
	REVENUES	RANK	PERCENTAGE OF TOTAL OPERATING REVENUES	REVENUES	RANK	PERCENTAGE OF TOTAL OPERATING REVENUES
Piper's Landing HOA	\$ 214,595	1	0.66%			
Vista Del Lago Association, Inc.	166,817	2	0.52%	157,982	2	0.61%
St. Lucie Falls POA	156,957	3	0.49%	188,133	1	0.72%
Sandpebble/Joe's Point	151,617	4	0.47%			
Portofino @ Jensen Beach	144,781	5	0.45%	97,312	7	0.37%
South River POA	140,773	6	0.44%	152,224	3	0.59%
Willoughby Cove LLC	116,046	7	0.36%	111,238	4	0.43%
Life Care Services Corp.	105,097	8	0.33%	106,566	5	0.41%
Coquina Cove, LTD	101,300	9	0.31%	91,926	9	0.35%
Martin Memorial Medical Center	94,457	10	0.29%	95,737	8	0.37%
Turbo Combusters Technologies				105,267	6	0.41%
Sunshine Mobile Manor MHC LLC				77,787	10	0.30%
TOTAL	\$ 1,392,440		4.31%	\$ 1,184,172		4.56%
TOTAL OPERATING REVENUES	\$ 32,294,920			\$ 25,974,637		

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
SCHEDULE OF RESIDENTIAL WATER/WASTEWATER BILL COMPARISONS
September 30, 2015
(Unaudited)**



Analysis based on 5/8" meters and 6,000 gallons per month consumption

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Meter Connections
Last Ten Fiscal Years
(Unaudited)**



Martin County, Florida
Schedule of Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Residential	Commercial	Agricultural	Other	Total Real Property	Personal Property	Assessed Property	Assessed Value	Homestead & Other Exemptions	Taxable Valuation	Direct Rate
2006	\$ 18,375,321,803	\$ 2,967,417,600	\$ 1,617,739,690	\$ 2,102,944,040	\$ 25,063,423,133	\$ 1,711,693,725	\$ 36,529,832	\$ 26,811,646,690	\$ 9,126,414,465	\$ 17,685,232,225	6.0487
2007	23,394,337,118	3,376,848,910	2,504,648,950	2,691,985,565	31,967,820,543	2,121,882,216	40,120,307	34,129,823,066	12,757,499,249	21,372,323,817	5.8142
2008	23,559,171,870	3,762,262,785	3,023,883,970	2,744,087,375	33,089,406,000	2,159,405,510	45,924,411	35,294,735,921	12,594,110,006	22,700,625,915	5.3496
2009	20,429,958,733	3,715,829,925	2,593,303,123	2,843,204,485	29,582,296,266	2,166,888,200	60,594,501	31,809,778,967	11,183,140,471	20,626,638,496	5.7267
2010	17,786,366,431	3,317,390,175	2,399,917,340	2,712,772,705	26,216,446,651	2,094,539,575	47,271,907	28,358,258,133	9,567,825,566	18,790,432,567	6.3228
2011	15,986,019,852	2,930,020,513	1,848,319,700	2,366,717,691	23,131,077,756	2,069,709,043	45,743,610	25,246,530,409	7,753,620,332	17,492,910,077	6.5686
2012	15,146,410,571	2,696,185,025	1,405,034,390	2,172,168,785	21,419,798,771	2,379,712,569	47,987,530	23,847,498,870	6,704,274,218	17,143,224,652	6.7340
2013	14,495,129,157	2,567,563,225	1,376,935,105	1,961,063,100	20,400,690,587	2,691,033,580	43,326,596	23,135,050,763	6,197,480,627	16,937,570,136	6.7084
2014	14,827,621,858	2,621,200,178	1,327,209,170	1,996,225,450	20,772,256,656	2,751,732,111	46,969,179	23,570,957,946	6,382,476,674	17,188,481,272	6.8908
2015	15,804,742,761	2,777,158,840	1,257,881,600	2,012,517,930	21,852,301,131	2,694,829,935	56,762,712	24,603,893,778	6,915,578,676	17,688,315,102	7.0137

Note: Assessed values approximate estimated actual values and tax rates are per \$1,000 of assessed value.

Source: Martin County Property Appraiser's Office.

Martin County, Florida
Schedule of Direct and Overlapping Property Tax Rates
Per Thousand of Taxable Value
Last Ten Fiscal Years
(unaudited)

	Fiscal Year Taxes Are Payable									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
County Direct Rates										
General- Countywide										
General Fund	4.8950	4.9280	4.5480	4.8970	5.3090	5.5250	5.7336	5.6956	5.8300	5.9651
Bonds - General Obligation	0.1960	0.0530	0.0590	0.0640	0.0694	0.0314	-	-	-	-
Bonds - Lands For You	0.1050	0.0290	0.0320	0.0340	0.0368	0.0167	-	-	-	-
Bonds - FIT	0.0240	0.0320	0.0310	0.0290	0.0320	0.0345	0.0368	0.0373	0.0368	-
Municipal Service Taxing Units ¹	0.8287	0.7722	0.6796	0.7027	0.8756	0.9610	0.9636	0.9755	1.0240	1.0486
Total County Direct Rate	6.0487	5.8142	5.3496	5.7267	6.3228	6.5686	6.7340	6.7084	6.8908	7.0137
Overlapping Rates - Countywide										
School Board	7.3000	6.7440	6.6020	6.2520	6.7030	6.9560	6.6040	6.9040	7.2780	7.1380
Children's Services	0.3337	0.3202	0.2972	0.3523	0.3523	0.3523	0.3693	0.3693	0.3693	0.3618
South Florida Water Management	0.6970	0.6970	0.6240	0.6240	0.6240	0.6240	0.4363	0.4289	0.4110	0.3842
Florida Inland Navigation District	0.0385	0.0385	0.0345	0.0345	0.0345	0.0345	0.0345	0.0345	0.0345	0.0345
Overlapping Rates - Non-Countywide										
City of Stuart	5.4615	5.3442	4.5573	4.5788	4.6081	4.6436	4.6674	4.9041	4.8020	4.8540
Town of Jupiter Island	3.0904	2.9994	2.9994	3.1400	3.2350	3.3841	5.0794	4.7229	4.7047	4.5813
Town of Ocean Breeze Park	5.1949	3.4815	2.2911	2.4241	2.2459	2.6295	4.6799	4.7910	5.0619	4.9472
Town of Sewall's Point	1.9410	2.4000	2.1690	2.2300	2.2300	2.1800	2.2896	2.2896	2.3500	2.6000
Drainage Districts ²	15-56.63/ac	20-52.72/ac	4.44-66.25/ac	4.05-83.08/ac	4.42-68.63/ac	5.10-68.75/ac	5.10-68.75/ac	5.10-68.75/ac	5.10-68.29/ac	5.82-68.27/ac

Note: Per Florida Statute (F.S.)200.081, no municipality can levy ad valorem taxes against real and tangible personal property in excess of 10 mills, except for voted levies. As defined in F.S. 192.001, a mill is one-thousandth of a United States dollar. So, a one mill tax rate would produce one dollar of taxes on each \$1,000 of assessed property valuation.

¹ Municipal Services Taxing Units are special taxing units established by the Board of County Commissioners via an adopted ordinance. They are geographic areas defined by specific boundaries and are in the unincorporated areas of the County. These taxes are used within the boundaries of the taxing unit for services such as sidewalk/street repair, fire/rescue services, stormwater abatement, parks operations, and community redevelopment area operations.

² Drainage Districts are special districts that have governing boards with policy-making powers. They have the responsibility for providing irrigation, drainage, etc. for the land areas within the drainage district boundaries. The tax rates are assessed on a per acre basis and are only assessed on the land within the drainage district boundaries. The total tax levy for taxes payable in fiscal year 2015 is \$1,092,146. This is .73% of the total original levy of \$149,622,887.

Source: Martin County Tax Collector's Office.

Martin County, Florida
Schedule of Demographic and Economic Statistics
Last Ten Years
(unaudited)

Year	Population	Personal Income ¹		Unemployment Rate	Median Age
		Total Personal Income ²	Per Capita Personal Income		
2006	142,645	\$ 7,851,094	\$ 56,741	3.4	49.2
2007	143,737	8,586,709	61,868	4.4	49.5
2008	143,868	8,364,241	60,140	6.9	50.2
2009	143,856	8,207,593	58,712	11.1	50.5
2010	143,777	7,435,382	50,758	11.8	49.7
2011	146,689	7,787,403	52,798	10.8	50.0
2012	147,203	7,897,895	53,071	8.8	50.6
2013	148,077	8,199,279	54,205	7.6	50.8
2014	148,585	10,054,953	65,551	6.1	51.3
2015	150,062	-	-	5.2	-

¹ Data for 2015 is not available.

² In thousands of dollars.

Sources: The personal income information is from the Bureau of Economic Analysis, U.S. Department of Commerce and the 2008-15 unemployment rate are from the State of Florida Agency for Workforce Innovation. All other information is from the University of Florida Bureau of Economic & Business Research.

Martin County, Florida
Schedule of Principal Employers
Current Year and Nine Years Ago
(unaudited)

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Martin Health Systems	3,120	1	4.71%	2,587	1	4.03%
Martin County School District	2,528	2	3.81%	2,556	2	3.99%
Martin County Government	1,634	3	2.47%	1,670	3	2.60%
State of Florida	506	4	0.76%	672	5	1.05%
Paradigm Precisions	369	5	0.56%	-		
Triumph Group - Vought Aircraft Division	324	6	0.49%	-		
Liberator Medical Supply	316	7	0.48%	-		
Florida Power & Light	302	8	0.46%	-		
Seacoast National Bank	302	9	0.46%	-		
City of Stuart	254	10	0.38%	-		
Publix Supermarkets	-			1,251	4	1.95%
Armellini Express Lines	-			603	6	0.94%
Wal-Mart	-			400	7	0.62%
Winn-Dixie Stores	-			354	8	0.55%
Home Depot	-			379	9	0.59%
Lowe's Home Improvement Center	-			330	10	0.51%
Total	9,655		14.58%	10,802		16.83%

Sources: The labor force figures are from the Florida Agency for Workforce Innovation. The Treasure Coast Magazine provided the 2005 employer data and the 2014 employer data is from the Business Development Board of Martin County except for the governmental entities which provided their own data. The Business Development Board data includes information for only their targeted industries which may not include businesses that have been included on this list in the past such as Lowes, Publix, Winn-Dixie, etc.. More information on their targeted industries can be found on their website <http://www.bdbmc.org>.

*This schedule could not be updated for 2015 because the non-governmental data was not available as of April 20 ,2016.

Note: The data presented in this list can include part time and full time employees. The labor force figure for 2014 and 2005 is 66,267 and 64,123, respectively. These numbers were used to calculate the percentage of total county employment. The 2014 figure is a preliminary average and is subject to change.

Data for 2015 is not available.

Martin County, Florida
Schedule of Property Tax Levies and Collections,
Last Ten Fiscal Years
(unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year (Original Levy)		Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Adjustments	Amount		Percentage of Original Levy	Amount		Percentage of Adjusted Levy	
2006 ¹	\$ 138,792,622	\$ (5,876,538)	\$ 132,916,084	\$ 132,795,379	95.68 %	\$ 97,183	\$ 132,892,562	99.98 %
2007	160,732,307	(5,826,007)	154,906,300	154,759,193	96.28	108,201	154,867,394	99.97
2008	155,197,512	(5,521,908)	149,675,604	149,509,351	96.33	103,072	149,612,423	99.96
2009	149,178,832	(5,912,814)	143,266,018	142,885,561	95.78	170,414	143,055,975	99.85
2010	141,048,660	(5,130,821)	135,917,839	135,671,472	96.19	127,044	135,798,516	99.91
2011	137,569,894	(4,942,857)	132,627,037	132,313,569	96.18	196,180	132,509,749	99.91
2012	137,852,340	(5,037,763)	132,814,577	132,687,415	96.25	37,027	132,724,442	99.93
2013	136,206,570	(4,818,100)	131,388,470	131,237,670	96.35	87,386	131,325,056	99.95
2014	142,591,382	(5,071,411)	137,519,971	137,347,038	96.32	61,700	137,408,738	99.92
2015	149,622,887	(5,456,599)	144,166,288	144,012,998	96.25	-	144,012,998	99.89

Note: The adjustments are discounts, errors and insolvencies. The errors and insolvencies could be errors in values, homestead omission, etc. Property tax levies become due and payable on November 1st of each year. A 4% discount is allowed if paid in November, with the discount decreasing by 1% each month. Thus, taxes paid in March will not receive any discount.

¹ For fiscal year 2006 only, additional early payment discounts were offered to taxpayers. A 4% discount was allowed for payments made by January 31, 2006, a 3% discount was allowed for payments made by February 28, 2006, and a 2% discount was allowed for payments made by March 31, 2006.

Source: Martin County Tax Collector

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Debt Service Coverage
Last Ten Fiscal Years

(Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<i>PRIMARY DEBT SERVICE COVERAGE</i>										
Operating revenues	\$ 32,294,920	\$ 31,260,723	\$ 29,563,838	\$ 29,549,044	\$ 29,371,014	\$ 27,651,131	\$ 26,159,368	\$ 24,948,473	\$ 26,018,743	\$ 25,974,637
General and administrative expenses (a)	(15,447,353)	(14,788,486)	(14,694,424)	(14,327,780)	(14,713,133)	(15,347,488)	(15,109,284)	(14,757,562)	(14,558,780)	(14,367,837)
Non-operating income (b)	729,531	691,429	521,661	673,537	558,104	624,889	619,237	1,028,230	1,638,364	1,988,350
Special assessment fees (c)	1,219,968	643,087	733,151	604,700	690,738	563,989	554,071	886,170	462,598	-
Net revenues available for debt service	\$ 18,797,066	\$ 17,806,753	\$ 16,124,226	\$ 16,499,501	\$ 15,906,723	\$ 13,492,521	\$ 12,223,392	\$ 12,105,311	\$ 13,560,925	\$ 13,595,150
Connection fees (d)	1,353,237	946,339	994,352	996,280	771,830	1,013,725	711,537	2,585,175	3,087,645	3,229,503
Net revenues & connection fees	\$ 20,150,303	\$ 18,753,092	\$ 17,118,578	\$ 17,495,781	\$ 16,678,553	\$ 14,506,246	\$ 12,934,929	\$ 14,690,486	\$ 16,648,570	\$ 16,824,653
Debt service requirements (e)	\$ 6,823,649	\$ 6,831,083	\$ 6,813,507	\$ 7,022,218	\$ 7,106,186	\$ 7,296,289	\$ 7,065,799	\$ 7,062,209	\$ 7,066,689	\$ 7,065,974
Actual coverage:										
Excluding connection fees	2.75	2.61	2.37	2.35	2.24	1.85	1.73	1.71	1.92	1.92
Including connection fees	2.95	2.75	2.51	2.49	2.35	1.99	1.83	2.08	2.36	2.38
Required coverage:										
Excluding connection fees	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Including connection fees	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
<i>STATE REVOLVING FUND LOAN DEBT SERVICE COVERAGE</i>										
Net revenues available for debt service	\$ 18,797,066	\$ 17,806,753	\$ 16,124,226	\$ 16,499,501	\$ 15,906,723	\$ 13,492,521	\$ 12,223,392	\$ 12,105,311	\$ 13,560,925	\$ 13,595,150
Less: revenue required for primary debt service coverage (f)	7,506,014	7,514,190	7,494,858	7,724,440	7,816,805	8,025,918	7,772,379	7,768,430	7,773,358	7,772,571
Less indirect costs	1,460,459	1,460,459	1,483,726	1,444,780	1,212,940	1,212,940	1,190,941	1,190,941	1,129,643	953,223
Adjusted net revenues	\$ 9,830,593	\$ 8,832,104	\$ 7,145,642	\$ 7,330,281	\$ 6,876,978	\$ 4,253,663	\$ 3,260,072	\$ 3,145,940	\$ 4,657,924	\$ 4,869,356
Debt service requirements (g)	\$ 721,157	\$ 455,946	\$ 182,439	\$ 180,724	\$ 182,086	\$ 182,439	\$ 182,439	\$ 182,439	\$ 182,439	\$ 163,649
Actual coverage	13.63	19.37	39.17	40.56	37.77	23.32	17.87	17.24	25.53	29.75
Required Coverage	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15

- a. Excludes depreciation, loss on disposal of assets, indirect costs to General Fund and includes other debt services costs exclusive of bond principal and interest.
- b. Does not include interest income on project funds from bond proceeds or interest income on connection fees. Also does not include gain on sale of assets. For fiscal year 2008 interest on project funds and connection fees totaled \$420,468.
- c. Special assessment fees received in the fiscal year are included for purposes of debt service coverage in the calculation of net revenues per the bond covenants. On the Statement of Revenues, Expenses and Changes in New Assets special assessment revenues are recognized when the project is completed and recorded as a capital contribution. This change was made in FY 2008 and restated for FY 2007 only.
- d. Amounts shown reflect Capital Facility Charges and interest adjusted by the Capital Facility Charges Debt Service Component.
- e. Total debt service includes bond principal and total interest expense. Amount reported as interest expense in the Statement of Revenues, Expenses and Changes in Net Assets is net of capitalized interest and bond premiums.
- f. Represents 110% of primary debt service requirements.
- g. Represents debt service requirements on outstanding State Revolving Fund Loans and Internal Department Loan for such fiscal year.

Source: Department's financial records

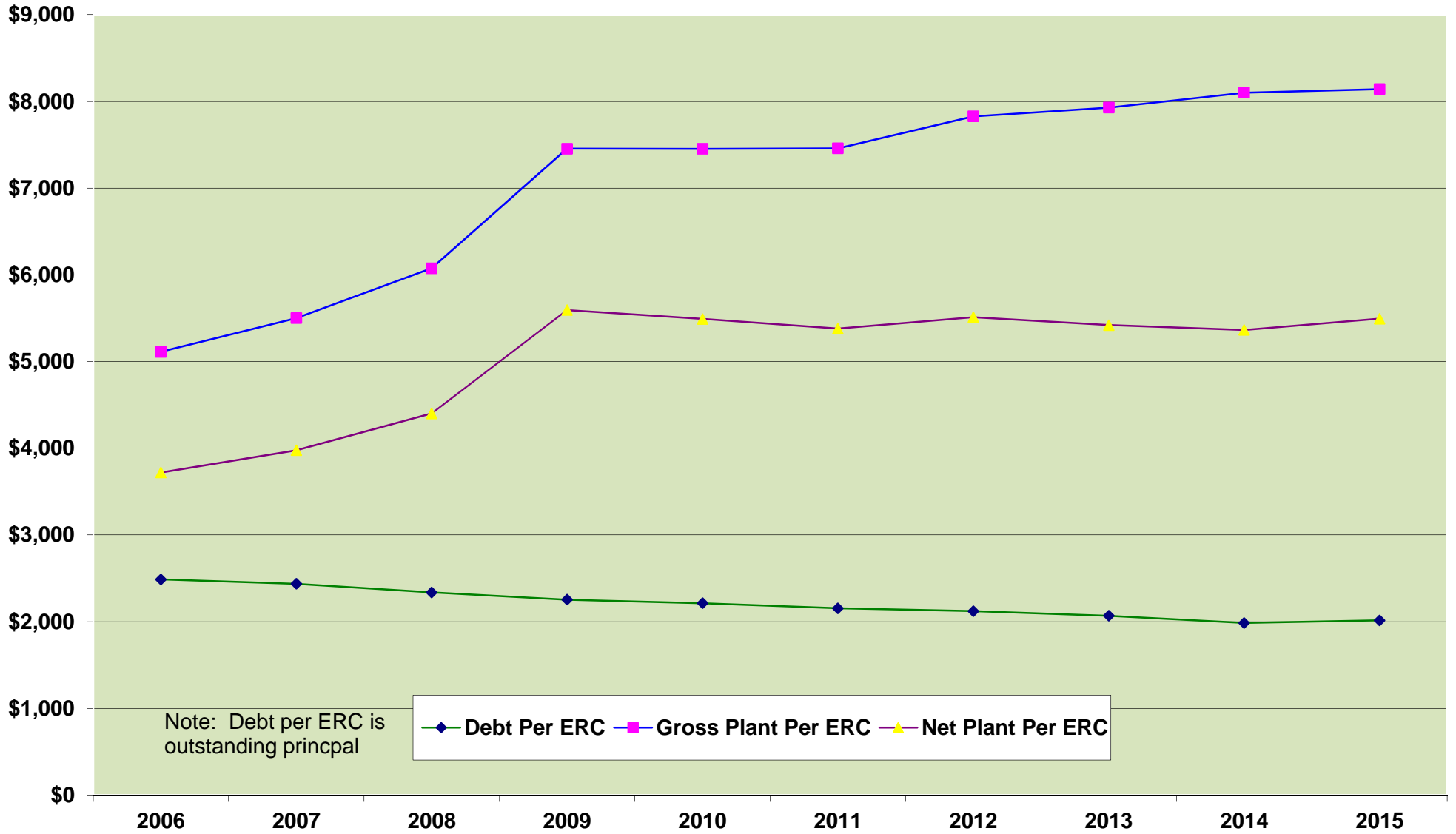
MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
Schedule of Ratio of Revenues Bonded Debt Outstanding: 2006-2015
(Unaudited)

<u>Year</u>	<u>Revenue Bonds/Loans Outstanding (1)</u>	<u>Gross Revenues (2)</u>	<u>Ratio of Revenue Debt to Gross Revenue</u>	<u>Estimated Population Served</u>	<u>Percentage of Personal Income(3)</u>	<u>Debt Per Capita (4)</u>
2006	\$ 96,817,859	\$ 33,724,928	2.87	81,778	2.09%	1,184
2007	94,186,212	32,381,265	2.91	77,759	1.96%	1,211
2008	91,342,642	29,868,516	3.06	77,768	1.95%	1,175
2009	91,226,836	28,201,138	3.23	79,475	1.96%	1,148
2010	93,392,845	30,008,067	3.11	86,894	2.12%	1,075
2011	89,261,478	31,588,235	2.83	87,030	1.94%	1,026
2012	90,042,761	32,108,711	2.80	88,147	1.92%	1,022
2013	86,305,607	31,835,648	2.71	88,757	1.79%	972
2014	88,926,934	33,577,021	2.65	89,929	-	-
2015	84,627,857	35,677,236	2.37	90,853	-	-

- (1) Details regarding outstanding debt can be found in the notes to the financial statements.
- (2) Gross Revenues are defined as operating revenues plus investment income plus gain on disposition of capital assets plus other income, capital contributions minus noncash capital contributions and special assessment cash.
- (3) See the schedule of demographic and economic statistics for personal income and population data. These ratios are calculated using personal income and population served by the utility for the calendar year.
- (4) Population estimates are utility water and wastewater customers only. Calculation was adjusted in FY 2007 to match BEBR (University of Florida Bureau of Economic & Business Research).

Note: Data for 2013 - 2014 is not available to calculate the percentage of personal income.

**MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
SCHEDULE OF INVESTMENT PER EQUIVALENT RESIDENTIAL CONNECTION (ERC)
Last Ten Fiscal Years
(Unaudited)**



Source: Department's financial records

Martin County, Florida
Utilities Department
Schedule of Statistical Operating Indicators
Last Ten Fiscal Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Water</u>										
New Connections	822	779	330	572	1,783	270	367	518	549	442
Average daily consumption (mgd)	9.271	8.814	7.994	8.515	8.699	9.098	9.296	8.833	9.342	9.518
Peak daily consumption (mgd)	10.999	10.275	10.027	9.867	9.345	12.742	13.939	11.227	12.452	13.011
<u>Wastewater</u>										
Average daily sewage treatment (mgd)	4.875	4.581	4.465	3.294	3.797	3.883	4.110	4.162	4.147	4.148

Martin County, Florida
Utilities Department
Schedule of Capital Asset Statistics
Last Ten Fiscal Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Water</u>										
Water mains (miles)	451	468	474	504	512	518	519	526	543	546
Fire Hydrants	2,746	2,860	3,011	3,078	3,283	3,363	3,389	3,461	3,514	3,555
Raw water wells (surficial)	30	30	30	30	30	30	30	29	29	29
Raw water wells (floridian)	9	9	9	9	9	9	9	9	9	9
Treatment capacity (mgd)	16.54	16.54	16.54	18.80	18.80	18.80	18.80	18.80	18.80	18.80
Storage capacity (mg)	19.70	19.70	19.70	19.70	16.00	16.00	16.00	16.00	14.00	14.00
<u>Wastewater</u>										
Force main and collection sewer	317	327	337	351	356	362	364	374	374	374
Vacuum sewers	5	5	5	7	11	17	17	17	17	17
Pump stations	329	340	343	360	381	383	387	390	391	391
Reuse water mains	18	21	21	34	35	36	39	39	39	39
Treatment Capacity (mdg)	6.950	6.950	9.510	7.760	7.760	7.760	7.760	8.660	8.660	8.660

MARTIN COUNTY, FLORIDA
UTILITIES DEPARTMENT
SCHEDULE OF CAPITAL ASSET STATISTICS
For the Fiscal Year Ending September 30, 2015
(Unaudited)

WATER SUPPLY, TREATMENT AND DISTRIBUTION SYSTEMS

Water Supply:

The Surficial Aquifer and the Floridan aquifer provide the raw water for utility operations.

Raw Water Well: 38 wells (29 Surficial and 9 Floridan*):

7,946 mg - Permitted yearly withdrawal

Treatment Plants:

9.519 mgd - Average finished water produced from 10/1/14 to 9/30/15

2 primary operational plants with a combined permitted treatment capacity of 18.80 mgd (MDF)

3.30 mgd - North County WTP (Lime Softening/Filtration/Chloramination)

5.50 mgd - North County RO WTP (Reverse Osmosis/Chloramination)

2.00 mgd - Tropical Farms WTP (Membrane Softening/Chloramination)

8.00 mgd - Tropical Farms WTP (Reverse Osmosis/Chloramination)

Distribution System:

546 miles of finished water pipe

15 miles of raw water pipe

1 remote storage and repump station filled during low flow periods, used to meet peak flow water demands

6 emergency interconnects with City of Stuart, Port St. Lucie, FPUA and South Martin Regional Utility

3,555 fire hydrants

WASTEWATER COLLECTION AND TREATMENT SYSTEMS

Treatment Plants:

4.509 mgd - Maximum three month average wastewater treated in FY2014/2015

4.150 mgd - Annual average wastewater treated in FY2014/2015

2 primary plants with a combined permitted treatment capacity of 8.66 mgd

2.76 mgd - Permitted capacity @ North County WWTP (MMADF)

5.90 mgd - Permitted capacity @ Tropical Farms WWTP (3MADF)

Collection System:

196 miles of collection sewer

391 pump stations

178 miles of force main

39 miles of reuse water mains

17 miles of vacuum sewers

Effluent Disposal:

1 Deep injection well located at the North County WWTP and 6.950 mgd permitted for reclaimed water irrigation

2 Deep injection wells located @ Tropical Farms WWTP each with a permitted capacity of 10.88 mgd, permitted for disposal of wastewater and R.O. concentrate

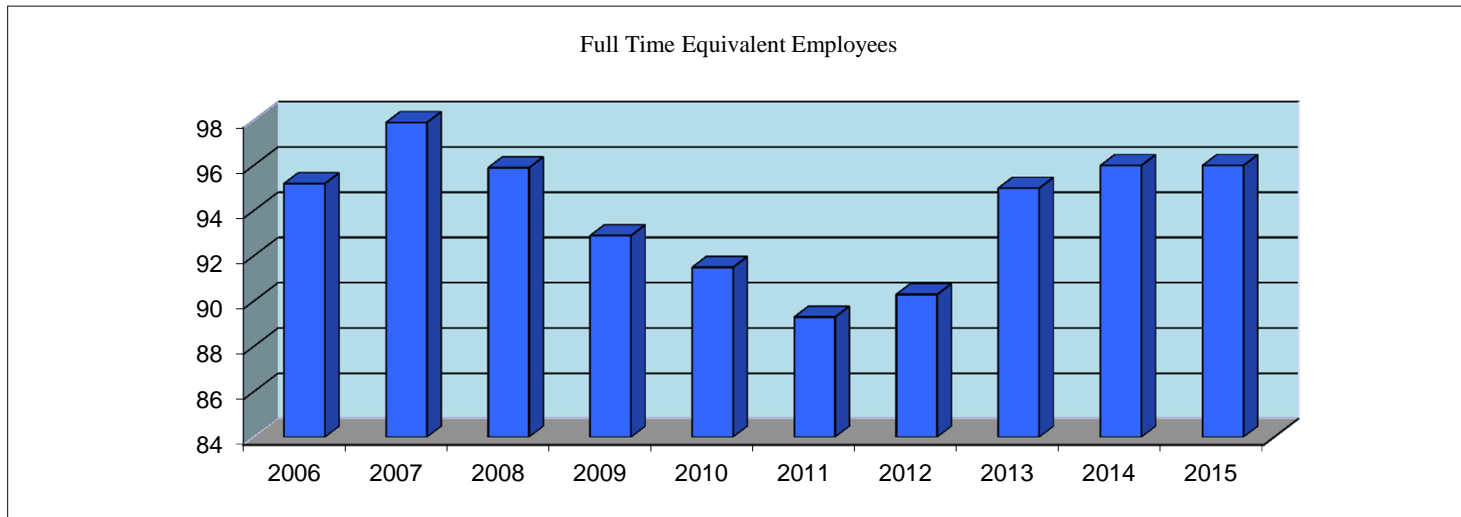
2.76 mgd - Permitted capacity @ North County WWTP (MMADF)

5.90 mgd - Permitted capacity @ Tropical Farms WWTP (3MADF)

* MCU has SFWMD CUP for four additional Floridan wells. Tropical Farms SAS Wells 9, 10 and 12 are standby only.

Martin County, Florida
Utilities Department
Schedule of Authorized Full Time Equivalent Employees By Function
Last Ten Fiscal Years
(unaudited)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Administration	3.2	3.6	3.6	2.6	1.9	2	2	2.6	2.6	2.6
Customer Service	14.6	14.9	14.9	14.9	12.2	12.9	11.9	15	15	15
Technical Services	16.4	16.4	15.4	13.4	14.4	13.4	13.4	13.4	13.4	13.4
Field Operations	19	19	20	20	20	19	22	22	23	23
Treatment	29	30	29	29	30	29	27	27	27	27
Maintenance	13	14	13	13	13	13	14	15	15	15
Total	95.2	97.9	95.9	92.9	91.5	89.3	90.3	95	96	96



Source: Department's financial records



RSM US LLP

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

Independent Auditor's report

The Honorable Board of County Commissioners
Martin County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying statement of net position of the Martin County Utilities Department (the Department), an enterprise fund of Martin County, Florida (the County), as of September 30, 2015, and the statements of revenue, expenses and changes in net position and cash flows and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 27, 2016. Our report includes an emphasis of a matter paragraph due to the adoption of *Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and its amendment, GASB Statement No. 71*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

RSM US LLP

West Palm Beach, Florida
May 27, 2016