

EMERALD COAST UTILITIES AUTHORITY
PENSACOLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Prepared by:

Department of Finance
Debra Buckley
Director of Finance

INTRODUCTORY SECTION

EMERALD COAST UTILITIES AUTHORITY
PENSACOLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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May 9, 2016

Citizens of Escambia County and
Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

The management and staff of the Emerald Coast Utilities Authority (the “Authority”) are pleased to present the Comprehensive Annual Financial Report for the year ended September 30, 2015. The financial statements are audited in conformity with Chapter 166.241(1), Florida Statutes, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act and the Office of Management and Budget (“OMB”) Circular A-133. The standards governing single audit engagements require the independent auditor to report on the government’s internal control and compliance with legal requirements with special emphasis on the administration of federal awards. These reports have been included in the Supplementary Information Section of this annual report.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Government Profile

The Authority was created by State legislation in 1981 to acquire, consolidate, manage and operate the water and wastewater systems in Escambia County, Florida. The Authority’s service area covers most of southern Escambia County, which is located in the northwestern part of the State of Florida. The Authority is an independent special district and is governed by a board of five members who are elected from districts located in Escambia County. The Authority employs an executive director, who is the chief executive officer of the Authority.

The Authority provides reliable high-quality potable water to 91,081 customers. The wastewater system serves 69,526 customers conveying wastewater to three treatment plants with a total capacity of 33.1 million gallons. The Authority began providing sanitation service in 1992 through an acquisition of the system previously operated by Escambia County. Since that time, mandatory garbage collection has been implemented in Escambia County and automated pick-up and recycling have been implemented throughout the service area. The Authority also purchased two additional residential systems in 1994. In January 2015, the Authority began providing solid waste and recycling collection services to residential customers in the northern half of neighboring Santa Rosa County. The customers in Santa Rosa County who voluntarily signed up for these services boosted the number of sanitation customers to 102,851.

Financial Information

The Authority's financial accounting system is based on the full accrual basis in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All activities of the Authority are accounted for within a single proprietary (enterprise) fund. The intent of the governing body is that the cost of providing goods or services to the general public is financed primarily through user charges. Operational and maintenance costs, including minor equipment purchases, are funded from customer fees and charges. The acquisition and construction of capital assets are funded by bonds, loans, federal grants, contributions from customers and developers, and customer revenues.

The Authority's Board annually approves an operating budget and a five-year capital improvement budget. Budgetary controls are maintained by the Authority. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is by total appropriations. The Executive Director may approve transfers of appropriations within the budget. However, changes in total appropriations require Board approval. Budget-to-actual comparisons are provided in the Comprehensive Annual Financial Report ("CAFR") separately for the combined water and wastewater system, and for the sanitation system, as well as for the Authority as a whole. Although the water and wastewater system and the sanitation system do not meet the definition of separate "funds", the Authority has established a policy that both systems be self-supporting in accordance with sound accounting policy.

Local economy. Because of the county's diverse economic base that includes military, industry, shipping, tourism and recreation, agriculture, services, and retail sales trade, unemployment has been steadily decreasing since the height of the recession in 2010. Labor Market Statistics (State of Florida) listed Escambia County's unemployment rate for September 2015 at 5.2% down from the 2014 rate of 5.8%.

The average price of a single-family dwelling in Escambia County has risen over the last three years as have sales of single-family homes. As of the third quarter of 2015, the average sales price of a single family home was \$137,986 and sales of single family homes had increased over 14% since the same period in 2014. Residential home construction also increased over 15% from 2014 to 2015. The increase in home sales and construction can be attributed to low mortgage rates and increased optimism about the economy.

Long-term financial planning. Capital construction planning involves an evaluation and ranking process that begins in advance of the operating budget process. Input is received from the Board and Committee members, Authority staff and the public, culminating in a plan that clearly expresses the capital needs of the Authority. It is the Authority's philosophy that new projects are only undertaken if current and future operating revenues are sufficient to fund the associated operating costs. The fiscal year 2016 capital improvement budget provides a programmed approach targeting system repairs and the Sanitary Sewer Overflow/Inflow and Infiltration Program, information technology upgrades, additional equipment to serve additional customers, and funding to convert a large portion of the fleet to compressed natural gas fuel. Capital improvement project funding for the 2016 plan year will come from existing balances, operating revenues, and remaining bond funds. The current capital improvement plan, funded annually, totals \$257 million over the next five year planning period.

Rates and charges. The Authority remains financially sound through conservative budgeting and continuously monitoring costs compared to the budget. In order to provide adequate service to its customers, the Authority must receive sufficient revenue to cover operating and maintenance expenses, planned cash outlays, debt service payments and required cash reserves. Rates are reviewed annually during the budget process based on a cost of service analysis. The Authority Board approved a 2.26% increase for water and wastewater rates and a 9.5% increase for sanitation rates for the 2016 fiscal year. Rate increases of 3% for water and wastewater customers and 3.5% for sanitation customers were approved for the 2015 fiscal year.

Independent Audit. Chapter 218.39 of the Florida Statutes requires that the Authority's financial statements be audited by an independent certified public accounting firm. This requirement has been satisfied by the certified public accounting firm of Saltmarsh, Cleaveland & Gund. Their report on the Authority's financial statements is included in the financial section of this report.

Awards and Acknowledgements

For the twenty-seventh consecutive year, the Authority has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") for its CAFR for the fiscal year ended September 30, 2014. This prestigious national award recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. 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 CAFR 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. Preparation of this CAFR would not have been possible without the dedicated effort of the entire Finance Department staff. We would also like to thank the Board for their leadership and support for maintaining the highest standards of professionalism in the management of the Authority's finances.

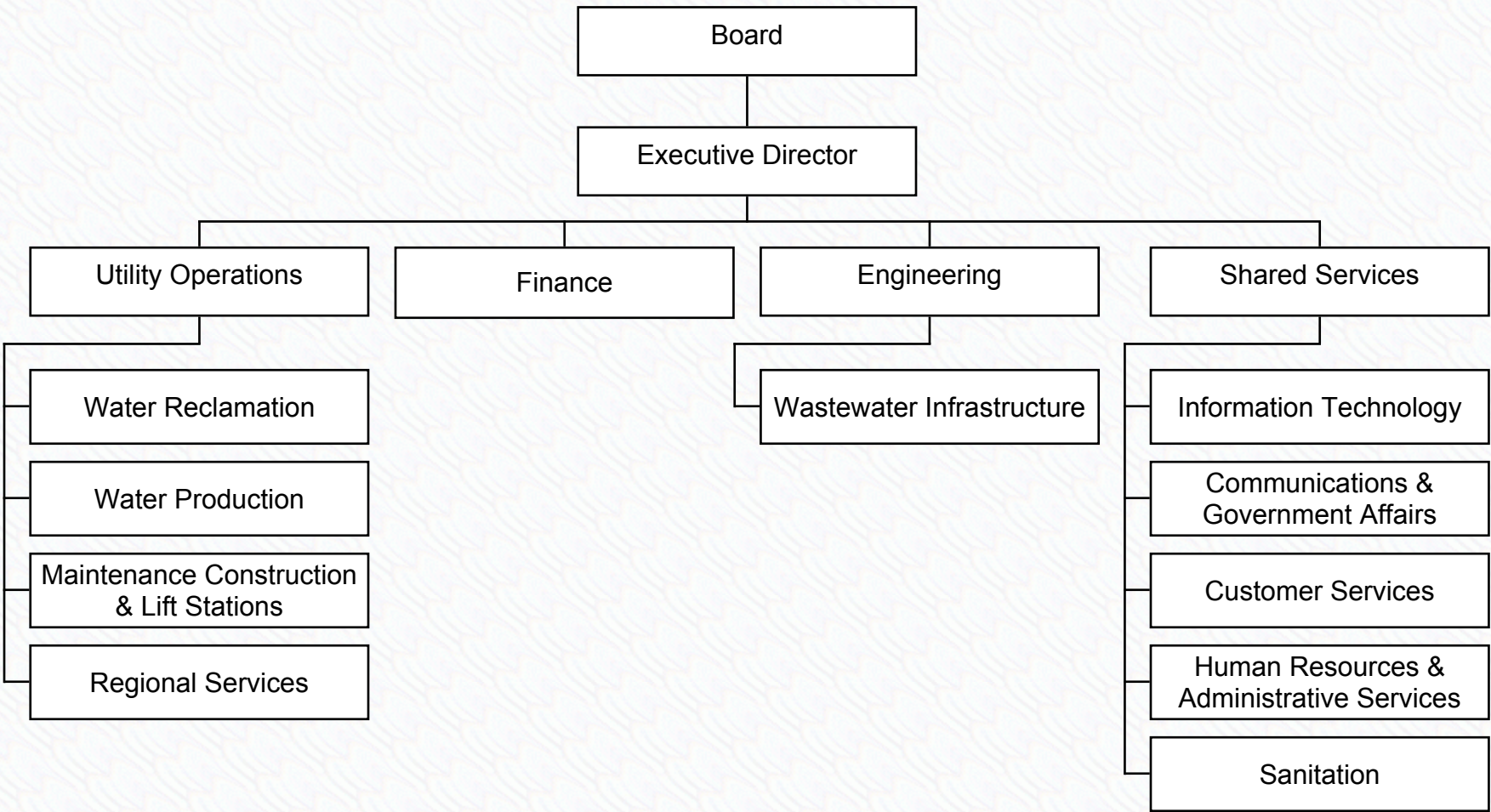
Respectfully submitted,

Executive Director

Director of Finance



EMERALD COAST UTILITIES AUTHORITY





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PRINCIPAL OFFICIALS

Board Members

Larry Walker

Vicki Campbell

Dale Perkins

Lois Benson

Elvin McCorvey

Authority Officials

Stephen E. Sorrell

Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Emerald Coast Utilities Authority
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Emerald Coast Utilities Authority as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Emerald Coast Utilities Authority'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 opinions on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the Emerald Coast Utilities Authority, as of September 30, 2015 and 2014, and the results of its operations and 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 to the financial statements, the Emerald Coast Utilities Authority adopted an accounting standard that required retrospective application, resulting in recognition of net pension liabilities and related pension amounts, and restatement of net position as of October 1, 2013. 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, the Schedule of Proportionate Share of Net Pension Liability-Florida Retirement System, the Schedule of Proportionate Share of Net Pension Liability-Health Insurance Subsidy Program, the Schedule of Contributions-Florida Retirement System, and the Schedule of Contributions-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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Emerald Coast Utilities Authority's basic financial statements. The introductory section, supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Members of the Board
Emerald Coast Utilities Authority

The supplementary information listed in the table of content which includes the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016 on our consideration of the Emerald Coast Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emerald Coast Utilities Authority's internal control over financial reporting and compliance.



Pensacola, Florida
May 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis offers readers of the Authority's financial statements an overview of the financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the letter of transmittal, and the financial statements with accompanying notes.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows on September 30, 2015 by \$504 million (net position), a \$14 million increase over the previous fiscal year. Of this amount, \$84 million (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining \$420 million, approximately \$394 million is the net investment in capital assets while the remainder is restricted for utility plant expansion (\$3 million) and debt service and other bond requirements (\$23 million).
- The Authority secured a contract to provide residential garbage and recycling collection services in neighboring Santa Rosa County. This accounts for the majority of the 5% overall increase in operating revenues for fiscal year 2015 to \$118 million over the previous year.
- Operating expenses for fiscal year 2015 totaled \$104 million, an increase of \$6 million, or 6%. The increase is attributed to the expansion of the residential sanitation collection system and personnel costs.
- The Authority sold 10,262 million gallons of potable water and processed over 7.5 billion gallons of wastewater at its three water reclamation facilities during fiscal year 2015. Authority collection trucks picked up over 109 tons of residential, yard and recycling waste.

Overview of the Annual Financial Report

The Comprehensive Annual Financial Report ("CAFR") is presented in four sections: Introductory, Financial, Statistical, and Other Reports. The Introductory section includes a letter of transmittal, the Authority's Organization Chart, and a list of Principal Officials. The Financial section includes Management's Discussion and Analysis, Financial Statements with accompanying notes, and the Supplementary Information schedules. The Statistical section includes selected financial, operational, and demographic information generally presented on a multi-year basis. Other reports by the auditor regarding internal accounting controls and compliance with laws and regulations are included in the final section of this report, along with the auditor's management letter.

The Authority is a single enterprise fund even though it provides various utility services. The financial statements present the financial position of the Authority using full accrual accounting methods similar to those used by private sector companies. The financial statements include a balance sheet; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements.

The **balance sheet** presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The **statement of revenues, expenses, and changes in net position** presents the results of the business activities during the reporting period and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information essential to fully understand the data provided in the financial statements. The notes present information about the Authority's significant accounting policies, account balances and activities, material risks, obligations, commitments and contingencies.

The **supplementary information** section presents data on pensions and other postemployment benefits, budgetary comparisons, and schedules that focus on the Water and Wastewater System and the Sanitation System. The schedule of revenue and expenses compared-to-budget can be used to determine the Authority's compliance with the budget. The separate schedules reflecting financial information for the Water and Wastewater System and the Sanitation System can be used to determine if the separate systems have recovered all associated costs for that system. It is the Board's philosophy that each system should be self-supporting.

Financial Position

The following Condensed Balance Sheets provide an analysis of the change in financial position from the previous fiscal years:

Condensed Balance Sheets

	September 30,			2015 to 2014		2014 to 2013	
	2015	2014 (Restated)	2013	Dollars	%	Dollars	%
Capital Assets:							
Producing assets	\$ 701,564,845	\$ 688,039,261	\$ 673,573,047	\$ 13,525,584	2.0%	\$ 14,466,214	2.1%
Construction in progress	40,012,678	23,128,999	32,455,131	16,883,679	73.0%	(9,326,132)	-28.7%
Current assets	43,031,988	62,736,200	45,633,411	(19,704,212)	-31.4%	17,102,789	37.5%
Other assets	113,406,214	137,881,751	167,705,222	(24,475,537)	-17.8%	(29,823,471)	-17.8%
Total assets	898,015,725	911,786,211	919,366,811	(13,770,486)	-1.5%	(7,580,600)	-0.8%
Total deferred outflows of resources	8,190,493	7,144,237	3,724,995	1,046,256	14.6%	3,419,242	91.8%
Total assets and deferred outflows	\$906,206,218	\$918,930,448	\$923,091,806	(\$12,724,230)		(\$4,161,358)	
Long-term liabilities							
Long-term liabilities	\$ 354,048,616	\$ 359,675,094	\$ 385,710,554	\$ (5,626,478)	-1.6%	(26,035,460)	-6.7%
Current liabilities	45,591,105	61,350,088	37,978,801	(15,758,983)	-25.7%	23,371,287	61.5%
Total liabilities	399,639,721	421,025,182	423,689,355	(21,385,461)	-5.1%	(2,664,173)	-0.6%
Deferred inflows of resources	2,738,234	8,454,781	-	(5,716,547)	-67.6%	8,454,781	
Net position:							
Net investment in capital assets	393,658,192	333,049,166	314,995,864	60,609,026	18.2%	18,053,302	5.7%
Restricted	25,871,497	46,140,850	50,420,099	(20,269,353)	-43.9%	(4,279,249)	-8.5%
Unrestricted	84,298,574	110,260,469	133,986,488	(25,961,895)	-23.5%	(23,726,019)	-17.7%
Total net position	503,828,263	489,450,485	499,402,451	14,377,778	2.9%	(9,951,966)	-2.0%
Total liabilities and net position	\$ 906,206,218	\$ 918,930,448	\$ 923,091,806	\$ (12,724,230)	-1.4%	\$ (4,161,358)	-0.5%

As of September 30, 2015, the Authority's net position was \$504 million, representing an increase from the previous year of 2.9%. An interlocal agreement was approved in November 2014 to provide solid waste and recycling collection services to the residential customers in the northern half of Santa Rosa County. The revenue from these services, which began January 2, 2015, along with a 3% (\$1.2 million) increase in water revenue and 90% (\$566 thousand) increase in investment income, accounts for the increase in the Authority's net position.

Ending net position for fiscal year 2014 decreased 2% to \$489 million, a \$10 million decrease from the previous fiscal year. Rehabilitation and expansion of the wastewater system gave rise to a 5% increase in wastewater revenue in 2014. Normal growth, combined with modest rate increases allowed for a 4.5% growth in water revenue and a 2.5% growth in sanitation revenue. The revenue increase was offset by the restatement of beginning net position resulting from the implementation of Governmental Accounting Standard Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The \$13.5 million (2%) increase in producing assets is due to the completion of several large construction projects: a new water treatment facility in the Beulah area, the replacement of the Broad Street Water Treatment Facility ("WTF"), ongoing construction to eliminate inflow and infiltration problems in the sewer basin and the purchase of new collection vehicles and garbage containers to begin service in Santa Rosa County. Construction in Progress jumped \$17 million (73%) as the Authority ramped up construction on several projects at the Bayou Marcus and Central Water Reclamation Facilities ("WRF"), began construction of an interim Materials Recovery Facility ("MRF"), and continued the rehabilitation of sewer lines. In 2014, producing assets increased \$14 million (2%) over 2013 while construction in progress decreased by \$9 million (29%), as the Authority focused on the completion of several wastewater infrastructure projects.

The Authority's current assets decreased \$19.7 million (31.4%) due to the maturity of the Forward Supply Agreement. This offset the \$17 million increase in current assets (37.5%) in 2014 because the Forward Supply Agreement became current with its maturity in January 2015. The decrease in restricted assets for the capital improvement program of \$24.5 million is reflected in the difference between other assets from 2014 to 2015. The decrease in other assets from 2013 to 2014 of \$30 million (17.8%) reflects the reclassification of the Forward Supply Agreement from a noncurrent to a current asset as well as decreases of \$7 million in assets restricted for the construction fund and the capital improvement program. Implementation of GASB 68 accounts for the majority of the increases in total deferred outflows of resources during fiscal years 2015 and 2014 of 14.6% and 91.8%, respectively.

The decrease in long-term liabilities of \$5.6 million (1.6%) was due to normal debt service payments offset by a \$7 million increase in the net pension liability and an \$11 million capital lease to purchase sanitation containers and collection vehicles to expand waste collection service into Santa Rosa County. Current liabilities decreased \$15.7 million (25.7%) in 2015 due to the maturity of the Utility System Revenue Bond, Series 1992B. In 2014, long-term liabilities decreased by \$26 million (6.7%) while current liabilities increased by \$23 million (61.5%). This represents the reclassification of the current portion of debt service payments from long-term debt to short-term debt. The Utility System Revenue Bond, Series 1992B had a \$26 million final balloon payment due January 2015. During 2014, the Authority issued an \$11.2 million Utility System Refunding Revenue Note to advance refund the Utility System Revenue Bonds, Series 2004.

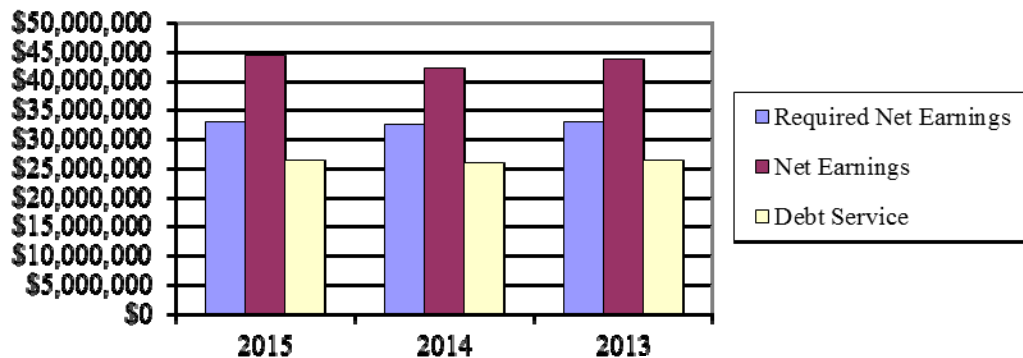
Debt and Debt Service Coverage

In fiscal year 2015, the Authority initiated an \$11 million capital lease to purchase 34 new collection vehicles and 43,900 garbage containers to expand waste collection service into north Santa Rosa County. In fiscal year 2014, the Authority issued an \$11 million Utility System Refunding Revenue Note, Series 2014, to advance refund \$11 million of Utility System Revenue Bonds, Series 2004. The advance refunding reduced total debt service payments by approximately \$1 million and gave rise to an economic gain of approximately \$879,000, which is the difference between the present values of the old and new debt service payments. Additional information on the Authority's long-term debt can be found in Note 5 in the Notes to the Financial Statements section and in the statistical section.

In the bond resolution, the Authority covenants that it will fix, establish, and revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals, and other charges for the use of the product, services and facilities of the System which will always provide gross revenues in each year sufficient to pay 100% of all costs of operation and maintenance of the system, and 125% of the bond service requirement due in each year on all outstanding bonds. The rate covenant in the bond resolution obligates the Authority to review rates annually and to revise such rates and charges as necessary to meet the coverage test and to pay 100% of all costs of operations and maintenance of the System during that fiscal year.

Debt service coverage for 2015 and 2014 was 165% and 162%, respectively, both of which exceeded the debt service covenants requirement of 125%. The Authority believes the ratio is appropriate for the degree of risk in the organization, and it is clear evidence of the strength of its net position. The following table presents the required net earnings as defined by the bond covenants, actual net earnings available for debt service, and total annual debt service. Additional debt service coverage is shown in the statistical section of this report.

Net Earnings Available for Debt Service



Revenues

The following Condensed Statements of Revenues, Expenses, and Changes in Net Position, show the results of operations for the current and the prior two fiscal years:

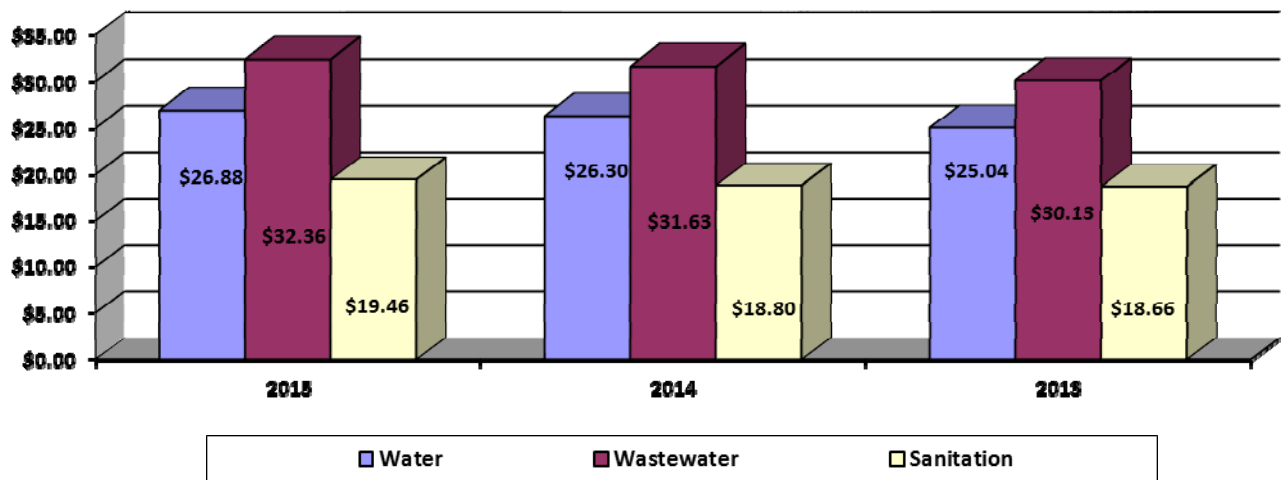
Condensed Statements of Revenues, Expenses, and Changes in Net Position Three-Year Comparison Year Ended September 30,

	2015	2014 (Restated)	2013	2015 to 2014		2014 to 2013	
				Dollars	%	Dollars	%
Revenues:							
Customer charges:							
Wastewater	\$48,755,616	\$48,623,816	\$46,141,252	\$131,800	0.3%	\$2,482,564	5.4%
Water	38,095,464	36,862,307	35,273,626	1,233,157	3.3%	1,588,681	4.5%
Sanitation	23,208,826	18,538,089	18,079,257	4,670,737	25.2%	458,832	2.5%
Total customer charges	110,059,906	104,024,212	99,494,135	6,035,694	5.8%	4,530,077	4.6%
Connection charges	370,567	324,196	355,584	46,371	14.3%	(31,388)	-8.8%
Sewer improvement fee	5,876,999	5,901,267	5,878,031	(24,268)	-0.4%	23,236	0.4%
Other	2,156,869	2,126,168	2,188,270	30,701	1.4%	(62,102)	-2.8%
Total operating revenues	118,464,341	112,375,843	107,916,020	6,088,498	5.4%	4,459,823	4.1%
Expenses:							
Operating expenses:							
Water & Wastewater	78,468,873	76,754,751	72,763,475	1,714,122	2.2%	3,991,276	5.5%
Sanitation	25,143,540	20,618,057	19,359,455	4,525,483	21.9%	1,258,602	6.5%
Total operating expenses	103,612,413	97,372,808	92,122,930	6,239,605	6.4%	5,249,878	5.7%
Operating income	14,851,928	15,003,035	15,793,090	(151,107)	-1.0%	(790,055)	-5.0%
Non-operating revenue (expenses):							
Investment income	1,194,926	628,780	455,766	566,146	90.0%	173,014	38.0%
Insurance proceeds	209,995	91,372	-	118,623	129.8%	91,372	0.0%
Interest expense	(13,342,792)	(13,821,350)	(15,786,745)	478,558	-3.5%	1,965,395	-12.4%
Loss on disposal of assets	4,752,431	(487,609)	(168,100)	5,240,040	-1074.6%	(319,509)	190.1%
Income before capital contributions	7,666,488	1,414,228	294,011	6,252,260	442.1%	1,120,217	381.0%
Capital contributions:							
Cash	4,355,793	5,304,328	3,134,994	(948,535)	-17.9%	2,169,334	69.2%
Non-cash	2,355,497	1,068,579	1,142,273	1,286,918	120.4%	(73,694)	-6.5%
Total capital contributions	6,711,290	6,372,907	4,277,267	338,383	5.3%	2,095,640	49.0%
Change in net position	14,377,778	7,787,135	4,571,278	6,590,643	84.6%	3,215,857	70.3%
Net position at beginning of year, as previously reported	489,450,485	499,402,451	494,831,173	(9,951,966)	-2.0%	4,571,278	0.9%
Restatement	-	(17,739,101)	-	17,739,101	-100.0%	(17,739,101)	
Net position at beginning of year, as restated	489,450,485	481,663,350	494,831,173	7,787,135		(13,167,823)	-2.7%
Net position at end of year	\$503,828,263	\$489,450,485	\$499,402,451	\$14,377,778	2.9%	\$7,787,135	1.6%

Water revenues increased due to a 3% rate increase that went into effect October 1, 2014 for water and wastewater customers. Despite the rate increase wastewater revenues remained constant from 2014 to 2015. Static population growth and a wet spring season also kept revenue growth from exceeding the level expected.

Over the last few years the Authority has focused attention on the rehabilitation of the sewer system in the downtown Pensacola, Pen Haven, and Cantonment areas. We believe the efforts to rehabilitate sewer laterals and sewer lines will not only reduce system operating costs, but also provide greater precision for billing customer charges. In addition to these rehabilitative efforts, the Authority Board approved a 1.93% rate increase for water and wastewater for fiscal year 2014. Billed water consumption rose almost 4% because of a dry summer. A 1.5% population growth in Escambia County also contributed to the increased revenue. The combined effect generated an increase of approximately 5% in both water and wastewater revenues in fiscal year 2014. The table below shows the monthly residential customers bill for the last three fiscal years. The charges are calculated using the typical residential consumption of 6,800 gallons of water and 4,800 gallons of wastewater.

Monthly Residential Customer Bill



Increased disposal costs at the Escambia County owned landfill were the basis for a 3.5% rate increase in fiscal year 2015 and a 1.2% rate increase in fiscal year 2014 for all sanitation customers. The expansion of collection service into north Santa Rosa County began January 2, 2015 serving approximately 20,500 residential customers. The additional customers accounted for 22% growth in revenue of \$4.1 million. The customer base in Escambia County grew by 600 accounting for 3.2% or \$600 thousand increase in revenue. In 2014, the rate increase along with a moderate 1% growth in customers resulted in a 2.5% growth in sanitation revenue.

Water and Wastewater system connection charges increased 14.3%. The previous year connection charges decreased approximately 9% after increasing 14.6% during 2013 reflecting the ebb and flow of residential construction. Other income increased 1.4% over the previous year due to the additional wastewater discharge fines assessed to certain customers through the enforcement of a Department of Environmental Protection Agency (“DEP”) consent order. Cash contributions decreased 18% mainly due to decreased contributions from the Federal Emergency Management Agency (“FEMA”) as construction mitigation resulting from the April 2014 Flood Event wound down. The 69% increase in cash contributions in 2014 is attributed to recognizing \$2.6 million in FEMA contributions for the flood event. This event caused extensive flooding and erosion of roadways exposing broken water and sewer lines in Escambia County. Mitigation repairs are continuing on the main transmission line and are expected to be completed in fiscal year 2017.

Non-cash contributions reflect the utility system contributions by builders and developers. The increase and decrease over the years are a reflection of the variances in construction starts in Escambia County. The utility system contributions are primarily residential and have been completed in accordance with plans and specifications approved by the Authority. These contributions are not budgeted, as they are generally non-cash, of limited relevance to rate setting, and the timing is not subject to the Authority's control.

Expenses

The 2.2% increase in water and wastewater operating expenses for 2015 reflect normal increases in operating costs of materials and supplies, utilities and other personal service related expenses. The increase includes expenses for six new positions: four Water Service Representatives to conduct turn-off and turn-on of delinquent accounts and two part-time Customer Service Specialists to assist with "after-hours" customer service calls.

The increase in water and wastewater operating expenses of 5.5% in 2014 reflects the cost of creating a new department entitled Wastewater Infrastructure Program and costs related to the April 2014 Flood Event. The Wastewater Infrastructure Program focuses on managing the Inflow & Infiltration ("I&I") reparations mandated by the Florida Department of Environmental Protection's sanitary sewer overflows consent order. Costs related to the infrastructure repair needed after the April 2014 Flood were approximately \$2.2 million.

Increased costs associated with the expansion of garbage service into north Santa Rosa County are the main contributor to the 21.9% increase in Sanitation expenses during fiscal year 2015. Without considering the expenses related to garbage collection in Santa Rosa County, expenses increased only 7% due to increased spending for personnel costs, temporary services, repairs and maintenance, and tipping fees due to the loss of the contract for single stream recyclables with Infinitus Material Recovery Facility.

In 2014, Sanitation expenses increased 6.5% due to increased personnel costs, the increase in disposal costs imposed by Escambia County at the Perdido Landfill, and \$400 thousand of costs associated with debris cleanup following the April 2014 Flood.

Beginning net position for fiscal year 2014 was restated to reflect a \$17.7 million decrease, which is the cumulative effect of implementing GASB 68.

Capital Assets

During 2015, the Authority spent \$54.5 million on construction and equipment. Major expenditures included \$12 million to replace and expand the fleet, \$6.5 million to upgrade and replace wastewater lines, \$6 million for Inflow and Infiltration projects, \$6 million to upgrade the CWRF, \$5.6 million to upgrade or replace lift stations and \$3 million to upgrade the Bayou Marcus WRF. Construction spending for fiscal year 2014 totaled \$26.7 million dollars, which included \$5 million for Inflow and Infiltration projects, \$5 million to upgrade or replace water and wastewater lines, \$3.5 million to upgrade lift stations, \$3 million on the Bayou Marcus Water Treatment Facility rehabilitation, and \$2.7 million on replacing and expanding the fleet.

See Note 3 in the Notes to the Financial Statements section for additional information on the Authority's capital assets.

Economic Factors and Next Year's Budget and Rates

The Authority's Board approved a 2.26% rate increase for water and wastewater customers for the 2016 budget. This will provide funding for four new full time positions, costs associated with compliance for inflow and infiltration and lab testing mandated by the Florida Department of Environmental Protection, as well as normal increases in operating costs. Additionally, there is funding for the Land and Timber Management Program for the 2,000 acres owned by the Authority around the CWRF. The capital improvement program will be funded from the fiscal year 2015 rollover from project contingency funds and current year revenues.

The sanitation budget includes funding for a full year of service in Santa Rosa County. The operating budget expense for the Escambia County service area reflects a decrease of 7% from the fiscal year 2015 budget. Cost savings have been achieved from the reduced fuel costs and lower maintenance costs on the compressed natural gas vehicles. The new composting program is expected to reduce disposal costs of the yard waste that was previously taken to the Escambia County Perdido Landfill. The Authority has also partnered with Escambia County to construct a Clean-Stream Materials Recycling Facility that will reduce landfill disposal costs over the long term and provide a stable local processing facility for recyclables. The fiscal year 2016 operating budget is an accurate reflection of the financial plan necessary to continue providing our customers with high quality services at an affordable price.

Requests for Information

This financial report is designed to provide the Authority's ratepayers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Emerald Coast Utilities Authority, Director of Finance, PO Box 15311, Pensacola, FL 32514-0311, or e-mail patricia.sheldon@ecua.fl.gov.

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BASIC FINANCIAL STATEMENTS

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**EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2015 AND 2014**

ASSETS AND DEFERRED OUTFLOWS

	2015	2014 (Restated)
Current Assets:		
Unrestricted assets -		
Cash and investments (<i>note 2</i>)	\$ 3,508,718	\$ 3,219,696
Accounts receivable less allowance for doubtful accounts of \$1,077,000 and \$1,092,700 in 2015 and 2014, respectively	15,073,235	14,953,433
Grants receivable	1,941,744	2,487,217
Due from other governments	1,300,000	1,300,000
Materials and supplies (<i>note 1</i>)	6,700,095	5,339,627
Prepaid expenses	371,640	265,917
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	9,538,893	11,036,320
Forward supply agreement	-	19,733,033
Customer deposits	4,597,663	4,400,957
	43,031,988	62,736,200
Noncurrent Assets:		
Due from other governments	14,300,000	15,600,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,380,555	7,071,427
Operating and maintenance fund	6,642,707	6,260,779
Construction fund	-	161
Debt service reserve	3,082,604	3,076,285
Impact fees	2,591,698	2,597,454
Capital improvement program	63,190,404	87,738,547
Sewer improvement fees	8,899,931	8,061,981
Self-insurance funds (<i>note 12</i>)	4,997,116	4,997,116
Total noncurrent restricted assets	96,785,015	119,803,750
Capital assets -		
Utility plant in service	964,960,022	925,066,338
Construction work in progress	40,012,678	23,128,999
Intangible assets	14,996,954	14,996,954
	1,019,969,654	963,192,291
Less accumulated depreciation and amortization	278,392,131	252,024,031
Total capital assets (<i>notes 1 and 3</i>)	741,577,523	711,168,260
Unamortized debt issuance costs (net of accumulated amortization of \$3,083,780 and \$2,908,080 in 2015 and 2014, respectively) (<i>note 1</i>)	2,321,199	2,478,001
	854,983,737	849,050,011
Total noncurrent assets	854,983,737	849,050,011
Total assets	898,015,725	911,786,211
Deferred Outflows of Resources:		
Loss on bond refunding	3,100,698	3,465,081
Pensions (<i>note 9</i>)	5,089,795	3,679,156
Total deferred outflows of resources	8,190,493	7,144,237
Total Assets and Deferred Outflows	\$ 906,206,218	\$ 918,930,448

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2015	2014 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 3,593,450	\$ 3,607,494
Due to other governments	347,051	384,101
Payroll and compensated absences payable <i>(note 1)</i>	2,604,154	2,174,754
Other current liabilities	18,217	15,961
Total current liabilities (payable from current assets)	6,562,872	6,182,310
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt <i>(notes 1 and 5)</i>	22,524,214	40,900,311
Accrued interest payable	3,364,960	3,634,448
Accounts payable - capital improvements	7,557,485	5,314,690
Customer deposits	4,597,663	4,400,957
Claims liabilities <i>(note 12)</i>	983,911	917,372
Total current liabilities (payable from restricted assets)	39,028,233	55,167,778
Total current liabilities	45,591,105	61,350,088
Long-Term Liabilities:		
Claims liabilities <i>(note 12)</i>	213,924	406,150
Long-term debt <i>(notes 1 and 5)</i>	328,495,815	340,684,025
Long-term compensated absences payable <i>(notes 1 and 5)</i>	1,394,978	1,383,491
Net pension liability <i>(note 9)</i>	19,590,947	12,963,476
Other postemployment benefits <i>(note 11)</i>	4,352,952	4,237,952
Total long-term liabilities	354,048,616	359,675,094
Total liabilities	399,639,721	421,025,182
Deferred Inflows of Resources:		
Pensions <i>(note 9)</i>	2,738,234	8,454,781
Net Position:		
Net investment in capital assets	393,658,192	333,049,166
Restricted for debt service and other bond requirements <i>(note 1)</i>	23,279,799	43,543,396
Restricted for expansion of utility plant <i>(note 1)</i>	2,591,698	2,597,454
Unrestricted	84,298,574	110,260,469
Total net position	503,828,263	489,450,485
Commitments and Contingencies <i>(note 13)</i>	--	--
Total Liabilities, Deferred Inflows and Net Position	\$ 906,206,218	\$ 918,930,448

EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014 (Restated)
Operating Revenues:		
Customer charges -		
Wastewater	\$ 48,755,616	\$ 48,623,816
Water	38,095,464	36,862,307
Sanitation	23,208,826	18,538,089
Connection charges	370,567	324,196
Sewer improvement fees	5,876,999	5,901,267
Other	2,156,869	2,126,168
 Total operating revenues	118,464,341	112,375,843
Operating Expenses Before Depreciation and Amortization:		
Personal services	38,887,843	36,188,995
Contractual services	4,605,517	4,492,375
Professional services	1,329,249	1,241,802
Supplies	8,351,007	7,325,713
Repairs and maintenance	5,922,259	6,329,853
Heat, light and power	7,024,657	7,006,549
Tipping fees	4,975,174	4,845,952
Other	4,050,666	3,601,099
 Total operating expenses before depreciation and amortization	75,146,372	71,032,338
Operating Income Before Depreciation and Amortization	43,317,969	41,343,505
Depreciation and Amortization	28,466,041	26,340,470
 Operating income	14,851,928	15,003,035
Nonoperating Revenues (Expenses):		
Investment income	1,194,926	628,780
Insurance proceeds	209,995	91,372
Interest expense	(13,342,792)	(13,821,350)
Gain (loss) on disposal of assets	4,752,431	(487,609)
 Total nonoperating revenues (expenses)	(7,185,440)	(13,588,807)
Income Before Capital Contributions	7,666,488	1,414,228
Capital contributions - cash (note 8)	4,355,793	5,304,328
Capital contributions - noncash (note 8)	2,355,497	1,068,579
 Change in Net Position	14,377,778	7,787,135
Net Position at Beginning of Year, as previously reported	489,450,485	499,402,451
Restatement for pensions (note 1)	-	(17,739,101)
Net Position at Beginning of Year, as restated	489,450,485	481,663,350
Net Position at End of Year	\$ 503,828,263	\$ 489,450,485

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**EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 124,630,689	\$ 115,447,759
Cash paid to suppliers for goods and services	(53,727,382)	(48,544,162)
Cash paid to employees for services	(27,037,510)	(25,444,812)
Net cash provided by operating activities	<u>43,865,797</u>	<u>41,458,785</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(43,616,925)	(28,172,748)
Proceeds from issuance of long-term debt	-	11,200,000
Debt issuance costs	(18,900)	(45,617)
Principal paid on long-term debt	(41,817,262)	(19,947,245)
Interest paid on long-term debt	(12,887,356)	(12,579,551)
Payments to defease long-term debt	-	(11,202,587)
Proceeds from sale of assets	5,160,460	168,436
Contributions from developers, customers and other governments	4,355,793	5,304,328
Net cash used for capital and related financing activities	<u>(88,824,190)</u>	<u>(55,274,984)</u>
Cash Flows From Investing Activities:		
Investment income	1,042,596	657,984
Proceeds from maturities of investments and notes receivable	43,194,264	16,355,712
Purchases of investments	(22,197,521)	(68,128,137)
Net cash provided by (used for) investing activities	<u>22,039,339</u>	<u>(51,114,441)</u>
Net Decrease in Cash and Cash Equivalents	(22,919,054)	(64,930,640)
Cash and Cash Equivalents, Beginning of Year	<u>86,461,279</u>	<u>151,391,919</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,542,225</u>	<u>\$ 86,461,279</u>

EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)

	2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating income	\$ 14,851,928	\$ 15,003,035
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	28,466,041	26,340,470
Insurance proceeds	209,995	91,372
Changes in -		
Accounts receivable, net	1,180,198	1,446,098
Grants receivable	545,473	(2,113,734)
Materials and supplies	(1,360,468)	(178,272)
Prepaid expenses	(105,723)	23,915
Deferred outflows of resources - pensions	(1,410,639)	-
Accounts payable	(14,044)	457,734
Due to other governments	(37,050)	29,905
Payroll and compensated absences payable	429,400	199,379
Other current liabilities	2,256	(13,178)
Customer deposits	196,706	177,448
Claims liabilities	(125,687)	(387,520)
Long-term compensated absences payable	11,487	12,222
Net pension liability	6,627,471	-
Other postemployment benefits	115,000	369,911
Deferred inflows of resources - pensions	(5,716,547)	-
Net cash provided by operating activities	\$ 43,865,797	\$ 41,458,785

Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:

Cash and investments	\$ 3,508,718	\$ 3,219,696
Restricted assets	110,921,571	154,974,060
	114,430,289	158,193,756
Less notes receivable and investments	(50,888,064)	(71,732,477)
Cash and cash equivalents	\$ 63,542,225	\$ 86,461,279

Supplemental Schedule of Noncash Investing, Capital and Financing Activities:

Property contributed by developers and others	\$ 2,355,497	\$ 1,068,579
Unrealized appreciation (depreciation) in fair value of investments	\$ 288,849	\$ (23,809)
Equipment and improvements acquired under capital lease	\$ 11,068,116	\$ 1,060,267

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NOTES TO FINANCIAL STATEMENTS

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Defining the Reporting Entity:

The Emerald Coast Utilities Authority (formerly, the Escambia County Utilities Authority) (the “Authority”) was formed pursuant to the provisions of Chapter 81-376 Laws of Florida, Special Acts of 1981 as amended. The Authority is governed by a Board of five members elected from districts located in Escambia County, Florida. The purpose of the Authority as mandated by the Legislature is to acquire, consolidate, manage and operate the water and wastewater systems in Escambia County.

In addition to its water and wastewater utility, the Authority also operates a sanitation collection utility for both residential and commercial services. The Authority has established a policy that the sanitation system be self-supporting.

The Emerald Coast Utilities Authority is an independent special district as defined by Section 218.31, Florida Statutes and is not included for financial reporting purposes as a component unit of Escambia County or the City of Pensacola, Florida. There are no organizations that should be considered for inclusion as component units in the Authority’s financial statements.

Fund Accounting:

The Authority is accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and related expenses are recognized when they are incurred.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement:

The Governmental Accounting Standards Board (“GASB”) issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an Amendment of GASB Statement No. 68, effective for fiscal years beginning after June 15, 2014. The Authority participates in the Florida Retirement System (“FRS”) defined benefit pension plan and the Health Insurance Subsidy (“HIS”) defined benefit plan administered by the Florida Division of Retirement. As a participating employer, the Authority implemented GASB Statement No. 68, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers’ proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the Authority was decreased by \$17,739,101 due to the adoption of this Statement.

Financial Statement Presentation:

The Authority has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a Management’s Discussion and Analysis section, a balance sheet, a statement of revenues, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

General Budget Policies:

The Board approves total budget appropriations only. The Executive Director is authorized to transfer budget amounts between departmental and object codes. However, any revisions that alter the total appropriations must be approved by the Board. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to an object code basis (personal services, contractual services, professional services, etc.). All appropriations lapse at year end.

Formal budgetary integration is employed as a management device during the year.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Basis of Accounting:

The budget is prepared on a basis that differs significantly from generally accepted accounting principles. The primary differences are as follows:

- 1) The budget does not include a provision for depreciation expense or amortization of debt issuance costs.
- 2) The budget includes provisions for capital outlay and debt retirement which are not included in the results of operations under generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Materials and Supplies:

Materials and supplies are recorded at the lower of average cost or market.

Restricted Assets:

Assets required to be segregated pursuant to the revenue bond resolutions, by state law, or by Board designation are identified as restricted assets.

Investments:

Investments are stated at fair value.

Capital Assets:

The Authority capitalizes property with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued):

Property acquired through purchase or internal construction is stated at cost. Property contributed by customers and developers is recorded at its fair value at the date received as estimated by engineers. The utility plant is depreciated using the composite straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally as follows:

Buildings	20 to 50 years
Improvements	20 to 50 years
Equipment	5 to 10 years

Capitalization of Interest:

The Authority capitalizes interest on all major construction projects. All other interest is charged to operations as incurred.

Intangible Assets:

Intangible assets are amounts paid for solid waste collection rights within unincorporated areas of Escambia County. The amounts are being amortized over 30 years using the straight-line method.

Debt Issuance Costs:

Debt issuance costs are amortized over the estimated life of the issue using the straight-line method. The Authority follows GASB Statement No. 62 which allows matching the regulated rate recovery of the costs if certain criteria are met.

Deferred Outflows and Inflows of Resources:

The Authority has implemented the provisions of GASB Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of the four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued):

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of the statements of net position. The deferred outflows of resources arising from the refunding of bonds is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred outflows and inflows of resources related to pensions are further discussed in Note 9.

Long-Term Debt/Capital Appreciation Bonds:

Capital appreciation bonds were recorded at their issuance price plus accretion. The difference between the issuance price and the maturity value of the capital appreciation bonds were recognized as accretion over the life of the bonds using the interest method.

Compensated Absences:

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused annual leave. Accordingly, the Authority records an accrual for earned but unused annual leave.

Pensions:

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

Net Position:

Equity is classified as net position and is further classified in the following components:

Net investment in capital assets - Consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted for debt service and other bond requirements - Consists of net position with constraints placed on use by revenue bond resolution.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued):

Restricted for expansion of utility plant - Consists of impact fees received and to be used only for expansion of the utility plant.

Unrestricted - Consists of all other net position not included in the above categories.

Restricted and Unrestricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Operating Revenues and Expenses:

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are customer charges for water, wastewater and sanitation services. Operating expenses include the cost of providing utility services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenue and Unearned Revenue:

The Authority bills customers for water, wastewater and sanitation services monthly on a cycle basis. Unbilled revenue between the end of the cycle and the end of the month is accrued. Connection charges are based on actual costs and, accordingly, are recorded as revenue. Connection charges collected in advance are recorded as unearned revenue.

Capital Contributions:

Capital contributions are recognized in the statements of revenues, expenses and changes in net position when earned, and include impact fees, construction grants and property received from customers and developers.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS

The investment of surplus funds and restricted reserve funds is governed by the Authority's investment policy under the provisions of Section 218.415, Florida Statutes. Investments authorized by the Authority's investment policy and state statute include intergovernmental investment pools, money market funds, including money market mutual funds, interest bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury and U.S. agencies and instrumentalities, and other investments authorized by law or by resolution for a special district.

Chapter 280, Florida Statutes, provides that deposits must be placed in a depository designated under the provisions of Chapter 136 and the regulations of the Department of Banking and Finance as a qualified public depository. As such, these deposits are considered to be fully insured.

Deposits:

The Authority's deposits at September 30, 2015 and 2014 were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer under the provisions of Chapter 280, Florida Statutes. At September 30, 2015 and 2014, the carrying amount of the deposits was \$24,358,482 and \$25,718,001, respectively, and the bank balance was \$24,573,745 and \$26,411,306, respectively.

Investments:

As of September 30, 2015 and 2014, the Authority had the following investments:

	Weighted Average Maturity (Years)	<u>2015</u>	<u>2014</u>
Local Government Surplus Funds Trust Fund	0.079	\$ 34,747,254	\$ 58,498,477
Money Market Mutual Funds	0.086	4,124,761	2,083,024
U.S. Treasury Securities	1.622	9,742,451	37,107,099
Federal Instrumentalities	2.255	20,469,086	16,988,742
Corporate Notes	3.181	9,768,523	9,732,954
State and Local Government Debt	2.762	<u>10,714,379</u>	<u>7,745,295</u>
Total investments		<u>\$ 89,566,454</u>	<u>\$ 132,155,591</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk:

The Authority’s investment policy sets limits to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds have maturities of no longer than twelve (12) months. Investment of reserves, project funds, debt proceeds and other non-operating funds (“core funds”) have a term appropriate to the need for funds and in accordance with debt covenants, but in no event exceed five (5) years and the average duration of the funds as a whole do not exceed three (3) years.

The Authority utilizes “weighted average duration” as a measurement of interest rate risk and as of September 30, 2015, the investments had a weighted average duration of 1.3 years.

The Authority had securities with embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate as follows:

CUSIP	Description	Maturity Date	Market Value	Call Schedule	Call Date
194738V56	Collin County Texas Municipal Bond	2/15/2018	\$ 1,145,362	one time	2/15/2017
76720AAE6	Rio Tinto Finance USA PLC Corporate Notes	8/21/2017	996,528	one time	7/21/2017
855244AF6	Starbucks Corp. Corporate Notes	12/5/2018	2,028,832	one time	11/5/2018
740189AL9	Precision Castparts Corp. Corporate Notes	6/15/2020	2,019,280	one time	5/15/2020
			<u>\$ 6,190,002</u>		

The Authority has no Federal Instrumentalities Mortgage pass-through securities.

Credit Risk:

In November 2007, the State Board of Administration (“SBA”) implemented a temporary freeze on assets held in the Local Government Surplus Funds Trust Fund Investment Pool (“Pool”) due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. In December 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. The Local Government Surplus Funds Trust Fund (“Florida PRIME”, formerly known as “LGIP”) consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Fund B Surplus Funds Trust Fund (“Fund B”) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of restructuring, pool participants had their balances proportionately allocated into the Florida PRIME and Fund B. During the year ended September 30, 2014, the Authority withdrew its remaining funds from Fund B.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk (Continued):

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

The Authority's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below:

- 1) The Local Government Surplus Funds Trust Fund or any other authorized intergovernmental investment pool shall be rated "AAAm" by Standard & Poor's or the equivalent by another rating agency.
- 2) Money Market Mutual Funds rated "AAAm" by Standard & Poor's or the equivalent by another rating agency.
- 3) U.S. Government Treasury Securities, U.S. Government Agencies, and Federal Instrumentalities guaranteed by the U.S. Government or sponsored agencies.
- 4) Commercial Paper that is rated, at the time of purchase, in the highest tier by a minimum of two nationally recognized statistical rating organizations.
- 5) Corporate Notes issued by a corporation or bank denominated in U.S. Dollar, that have a long term debt rating, at the time of purchase, at a minimum single "A" category by any two nationally recognized statistical rating organizations.
- 6) Banker's Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, "P-1" by Moody's Investors Services and "A-1" by Standard & Poor's.
- 7) State and/or Local Government Taxable and/or Tax-Exempt Debt, general obligation or revenue obligation, that have a long term debt rating, at the time of purchase, at a minimum single "A" category by any two nationally recognized statistical rating organizations or at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk (Continued):

At September 30, 2015, the Authority's investments had the following credit quality:

Security Type	Standard & Poor's Credit Rating	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	AAAm	38.79%
Money Market Mutual Funds	AAAm	4.61%
U.S. Treasury Securities	AA+	10.88%
Federal Instrumentalities	AA+	22.85%
Corporate Notes	A+	2.81%
Corporate Notes	AA	2.46%
Corporate Notes	A-	5.63%
State and Local Government Debt	AAA	3.54%
State and Local Government Debt	AA	1.64%
State and Local Government Debt	AA+	2.25%
State and Local Government Debt	AA-	4.54%

Custodial Credit Risk:

The Authority's investment policy requires securities, with the exception of certificates of deposits, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Authority to be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposits are placed in the provider's safekeeping department for the term of the deposit.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk:

The Authority's investment policy has established asset allocation and issuer limits on the following investments to reduce concentration of credit risk of the Authority's investment portfolio.

	Asset Allocation Maximum	Individual Issuer Limit
Local Government Surplus Funds Trust Fund	100%	N/A
Other Intergovernment Investment Pool	25%	N/A
Money Market Mutual Funds	50%	25%
U.S. Government Treasury Securities *	100%	N/A
Interest Bearing Time Deposits or Saving Accounts	20%	10%
U.S. Government Agencies	50%	10%
Federal Instrumentalities	100%	25%
Commercial Paper	25%	5%
Corporate Notes	20%	5%
Banker's Acceptances	25%	5%
State and/or Local Government Taxable and/or Tax-Exempt Debt	25%	N/A

* Treasury Strips are limited to 10% of available funds

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued):

As of September 30, 2015, the Authority had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	\$ 34,747,254	38.78%
Money Market Mutual Funds	4,124,761	4.61%
U.S. Treasury Notes	9,742,451	10.88%
Federal Instrumentalities:		
Federal Home Loan Bank	3,470,997	3.88%
Federal National Mortgage Association	9,989,446	11.15%
Federal Home Loan Mortgage Corporation	7,008,643	7.83%
Corporate Notes:		
Bank of Nova Scotia	2,520,385	2.81%
Berkshire Hathaway	2,203,498	2.46%
Precision Castparts Corporation	2,019,280	2.25%
Rio Tinto Finance USA PLC	996,528	1.11%
Starbucks Corp.	2,028,832	2.27%
State and Local Government Debt:		
Collin County Texas Municipal Bond	1,145,362	1.28%
Connecticut State Municipal Bond	1,469,988	1.64%
Florida Hurricane Catastrophe Fund Finance Corp. Revenue Bonds	2,083,502	2.33%
JEA Florida District Energy System Revenue Bonds	1,010,330	1.13%
New York State Urban Development Corp. Revenue Bonds	2,024,180	2.26%
Indiana Bond Bank Revenue Refunding Bonds	2,011,740	2.25%
Port Authority New York & New Jersey Consolidated Bonds	969,277	1.08%
	<u>\$ 89,566,454</u>	<u>100.00%</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 3 - CAPITAL ASSETS

Capital assets activity during the years ended September 30, 2015 and 2014 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<u>Cost</u>					
Depreciable:					
Buildings and building improvements	\$ 36,222,987	\$ 22,894	\$ (120,000)	\$ 1,118,000	\$ 37,243,881
Improvements other than buildings	782,668,713	16,275,935	(328,942)	8,768,125	807,383,831
Improvements under capital lease	18,402,071	94,612			18,496,683
Equipment	45,527,331	4,891,017	(1,803,577)	41,144	48,655,915
Equipment under capital lease	13,657,474	11,068,115			24,725,589
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	28,587,762	119,812	(253,451)		28,454,123
Construction in progress	23,128,999	26,810,948		(9,927,269)	40,012,678
	<u>963,192,291</u>	<u>59,283,333</u>	<u>(2,505,970)</u>	<u>-</u>	<u>1,019,969,654</u>
<u>Less Accumulated Depreciation and Amortization</u>					
Buildings and building improvements	4,369,464	796,759	(90,667)		5,075,556
Improvements other than buildings	193,540,351	20,222,867	(245,729)		213,517,489
Improvements under capital lease	7,629,484	1,598,081			9,227,565
Equipment	30,883,181	2,078,913	(1,761,545)		31,200,549
Equipment under capital lease	4,629,822	3,266,268			7,896,090
Intangible assets	10,971,729	503,153			11,474,882
	<u>252,024,031</u>	<u>28,466,041</u>	<u>(2,097,941)</u>	<u>-</u>	<u>278,392,131</u>
Total capital assets, September 30, 2015	<u>\$ 711,168,260</u>	<u>\$ 30,817,292</u>	<u>\$ (408,029)</u>	<u>\$ -</u>	<u>\$ 741,577,523</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 3 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<u>Cost</u>					
Depreciable:					
Buildings and building improvements	\$ 30,170,208	\$ 152,967	\$ (292,188)	\$ 6,192,000	\$ 36,222,987
Improvements other than buildings	753,831,547	11,325,319	(1,400,941)	18,912,788	782,668,713
Improvements under capital lease	17,436,416	965,655			18,402,071
Equipment	44,809,202	3,684,701	(2,978,711)	12,139	45,527,331
Equipment under capital lease	13,657,474				13,657,474
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	28,370,601	217,161			28,587,762
Construction in progress	32,455,131	15,790,795		(25,116,927)	23,128,999
	<u>935,727,533</u>	<u>32,136,598</u>	<u>(4,671,840)</u>	<u>-</u>	<u>963,192,291</u>
<u>Less Accumulated Depreciation and Amortization</u>					
Buildings and building improvements	3,882,354	779,298	(292,188)		4,369,464
Improvements other than buildings	175,981,794	18,541,499	(982,942)		193,540,351
Improvements under capital lease	6,063,467	1,566,017			7,629,484
Equipment	30,380,229	3,243,616	(2,740,664)		30,883,181
Equipment under capital lease	2,922,935	1,706,887			4,629,822
Intangible assets	10,468,576	503,153			10,971,729
	<u>229,699,355</u>	<u>26,340,470</u>	<u>(4,015,794)</u>	<u>-</u>	<u>252,024,031</u>
Total capital assets, September 30, 2014	<u>\$ 706,028,178</u>	<u>\$ 5,796,128</u>	<u>\$ (656,046)</u>	<u>\$ -</u>	<u>\$ 711,168,260</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 - CAPITALIZED INTEREST

Total interest costs incurred for the years ended September 30, 2015 and 2014 amounted to \$14,262,604 and \$16,045,381, respectively. Of these amounts, \$919,812 and \$2,224,031 were capitalized in the respective years as part of the cost of the utility plant.

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2015</u>	<u>2014</u>
\$26,306,513 Utility System Revenue Bonds, Series 1992B, including \$11,635,000 of current interest bonds and \$14,671,513 of capital appreciation bonds, interest from 3.4% to 6.25%, matured in January 2015, secured by net revenue	\$ -	\$ 26,306,513
\$86,384,803 State of Florida Department of Environmental Protection Revolving Loans, interest from 2.04% to 3.27%, maturing through October 2032, secured by net revenue	70,608,605	74,638,815
\$17,335,000 Utility System Revenue Bonds, Series 2006, interest from 4% to 5.25%, maturing in annual installments through January 2036, secured by net revenue	15,120,000	15,530,000
\$28,660,000 Utility System Refunding Revenue Bonds, Series 2006B, interest from 4% to 5%, maturing in annual installments through January 2029, secured by net revenue	20,325,000	21,680,000
\$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	128,660,000	129,005,000
\$42,399,000 Utility System Revenue Note, Series 2010, interest at 6%, maturing in annual installments through January 2031, secured by net revenue	36,341,000	37,945,000
\$13,151,000 Utility System Refunding Revenue Note, Series 2011, interest at 3.03%, maturing in annual installments through January 2023, secured by net revenue	9,740,000	10,853,000

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>2015</u>	<u>2014</u>
\$8,544,000 Sanitation System Refunding Revenue Bond, Series 2012, interest at 2.75%, maturing in annual installments through January 2022, secured by net revenue	6,327,000	7,128,000
\$25,010,000 Utility System Refunding Revenue Note, Series 2013, interest at 2.3%, maturing in annual installments through January 2028, secured by net revenue	22,095,000	23,690,000
\$11,200,000 Utility System Refunding Revenue Note, Series 2014, interest at 3.12%, maturing in annual installments through January 2027, secured by net revenue	10,475,000	11,200,000
\$11,973,722 capital lease, interest at 2.12%, payments due annually through February 2019	7,056,586	8,730,133
\$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	10,659,135	11,322,459
\$1,993,355 capital lease, interest at 2.09%, payments due monthly through September 2022	1,452,203	1,658,584
\$965,655 capital lease, interest at 2.09%, payments due monthly through February 2024	855,694	951,159
\$11,068,116 capital lease, interest at 2.48%, payments due semi-annually through February 2023	10,417,781	-
Unamortized bond premiums, net	887,025	945,673
	351,020,029	381,584,336
Less current maturities	22,524,214	40,900,311
	\$ 328,495,815	\$ 340,684,025

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - LONG-TERM DEBT (Continued)

There are a number of covenants in the debt agreements. One such covenant requires that the Authority's net revenue each year be equal to at least 125% of annual bond debt service requirements. Debt service coverage for 2015 and 2014 was 165% and 162%, respectively.

Long-term liabilities activity during the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes	\$ 358,922,001	\$ -	\$ (38,343,371)	\$ 320,578,630	\$ 18,557,495
Capital leases	22,662,335	11,068,115	(3,289,051)	30,441,399	3,966,719
Compensated absences payable	2,352,019	1,122,753	(922,327)	2,552,445	1,157,467
Other postemployment benefits	4,237,952	442,000	(327,000)	4,352,952	-
	<u>\$ 388,174,307</u>	<u>\$ 12,632,868</u>	<u>\$ (42,881,749)</u>	<u>\$ 357,925,426</u>	<u>\$ 23,681,681</u>

The annual requirements to amortize bonds and notes outstanding at September 30, 2015 are as follows:

Year Ending September 30	Principal	Interest	Total
2016	\$ 18,557,495	\$ 12,506,019	\$ 31,063,514
2017	19,207,789	12,133,932	31,341,721
2018	19,895,135	11,441,751	31,336,886
2019	20,604,583	10,722,611	31,327,194
2020	21,345,182	9,975,665	31,320,847
2021-2025	115,537,637	37,661,202	153,198,839
2026-2030	92,711,631	14,490,786	107,202,417
2031-2035	10,697,153	1,598,347	12,295,500
2036-2037	1,135,000	117,600	1,252,600
	<u>\$ 319,691,605</u>	<u>\$ 110,647,913</u>	<u>\$ 430,339,518</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 5 - LONG-TERM DEBT (Continued)

Assets acquired under capital leases are categorized as improvements under capital lease and equipment under capital lease. Future debt service payments under these capital leases are as follows:

Year Ending September 30	Present Value of Net Minimum Lease Payments	Amount Representing Interest	Total Minimum Future Lease Payments
2016	\$ 3,966,719	\$ 916,328	\$ 4,883,047
2017	4,071,493	811,554	4,883,047
2018	4,179,314	703,733	4,883,047
2019	4,290,273	592,773	4,883,046
2020	2,545,853	478,567	3,024,420
2021-2025	9,206,568	1,284,957	10,491,525
2026	2,181,179	145,531	2,326,710
Present value of net minimum lease payments	<u>\$ 30,441,399</u>	<u>\$ 4,933,443</u>	<u>\$ 35,374,842</u>

NOTE 6 - ADVANCE REFUNDINGS OF DEBT

The Authority has issued refunding revenue bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service coverage savings. The Authority has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues.

During the year ended September 30, 2014, the Authority issued a \$11,200,000 Utility System Refunding Revenue Note, Series 2014, to advance refund \$11,160,000 of Utility System Revenue Bonds, Series 2004. The advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$777,621. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2027 using the straight-line amortization method.

The advance refunding reduced total debt service payments by approximately \$1,092,000 and gave rise to an economic gain of approximately \$879,000 (difference between the present values of the old and new debt service payments).

At September 30, 2015, the Authority has \$95,780,000 of bonds outstanding that are considered to be defeased.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 7 - SEGMENT INFORMATION

The Authority has issued revenue bonds to finance capital acquisitions for its water and wastewater department and its sanitation department. Both departments are accounted for in a single enterprise fund (i.e., the Authority). However, investors in the revenue bonds rely solely on the revenue generated by the individual departments for repayment. Summary financial information by department is presented below:

	<u>2015</u>		<u>2014 (Restated)</u>	
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Water and Wastewater</u>	<u>Sanitation</u>
Condensed Statement of Net Position				
Assets:				
Current assets	\$ 50,596,674	\$ 5,542,330	\$ 59,876,506	\$ 5,384,270
Noncurrent assets	810,439,133	44,544,604	821,004,572	28,045,439
Total assets	<u>861,035,807</u>	<u>50,086,934</u>	880,881,078	33,429,709
Deferred outflows of resources	<u>6,294,977</u>	<u>1,895,516</u>	5,473,158	1,671,079
Total assets and deferred outflows	<u>\$ 867,330,784</u>	<u>\$ 51,982,450</u>	<u>\$ 886,354,236</u>	<u>\$ 35,100,788</u>
Liabilities:				
Current liabilities	\$ 38,324,002	\$ 20,374,119	\$ 56,827,243	\$ 7,047,421
Long-term liabilities	326,758,290	27,290,326	340,256,472	19,418,622
Total liabilities	<u>365,082,292</u>	<u>47,664,445</u>	397,083,715	26,466,043
Deferred inflows of resources	<u>2,090,583</u>	<u>647,651</u>	6,455,042	1,999,739
Net Position:				
Net investment in capital assets	382,008,060	11,650,132	324,272,461	8,776,705
Restricted	21,813,049	4,058,448	42,823,299	3,317,551
Unrestricted	<u>96,336,800</u>	<u>(12,038,226)</u>	115,719,719	(5,459,250)
Total net position	<u>500,157,909</u>	<u>3,670,354</u>	482,815,479	6,635,006
Total liabilities, deferred inflows and net position	<u>\$ 867,330,784</u>	<u>\$ 51,982,450</u>	<u>\$ 886,354,236</u>	<u>\$ 35,100,788</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 7 - SEGMENT INFORMATION (Continued)

	2015		2014 (Restated)	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
Condensed Statement of Revenues, Expenses, and Changes in Net Position				
Operating revenues:				
Customer charges	\$ 86,851,080	\$ 23,208,826	\$ 85,486,123	\$ 18,538,089
Other operating revenue (1)	12,543,847	91,270	11,831,844	167,967
Total operating revenue	<u>99,394,927</u>	<u>23,300,096</u>	<u>97,317,967</u>	<u>18,706,056</u>
Operating expenses:				
Depreciation and amortization	24,233,609	4,232,432	22,345,095	3,995,375
Other operating expenses (1)	54,235,264	25,141,790	54,409,656	20,270,862
Total operating expenses	<u>78,468,873</u>	<u>29,374,222</u>	<u>76,754,751</u>	<u>24,266,237</u>
Operating income (loss)	<u>20,926,054</u>	<u>(6,074,126)</u>	<u>20,563,216</u>	<u>(5,560,181)</u>
Nonoperating revenues (expenses):				
Investment income	1,191,376	3,550	622,899	5,881
Interest expense	(12,717,909)	(624,883)	(13,285,094)	(536,256)
Other nonoperating revenues (expenses)	4,997,004	(34,578)	(339,833)	(56,404)
Total nonoperating revenues (expenses)	<u>(6,529,529)</u>	<u>(655,911)</u>	<u>(13,002,028)</u>	<u>(586,779)</u>
Income (loss) before capital contributions and transfers	14,396,525	(6,730,037)	7,561,188	(6,146,960)
Capital contributions	6,670,270	41,020	5,830,493	542,414
Transfers	(3,724,365)	3,724,365	(3,193,860)	3,193,860
Change in net position	<u>17,342,430</u>	<u>(2,964,652)</u>	<u>10,197,821</u>	<u>(2,410,686)</u>
Net position at beginning of year, as previously reported	482,815,479	6,635,006	486,161,078	13,241,373
Restatement	-	-	(13,543,420)	(4,195,681)
Net position at beginning of year, as restated	<u>482,815,479</u>	<u>6,635,006</u>	<u>472,617,658</u>	<u>9,045,692</u>
Net position at end of year	<u>\$ 500,157,909</u>	<u>\$ 3,670,354</u>	<u>\$ 482,815,479</u>	<u>\$ 6,635,006</u>

(1) – Includes overhead charges between departments that are eliminated in the basic financial statements.

	2015		2014	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
Condensed Statement of Cash Flows				
Net cash provided by (used for)				
Operating activities	\$ 31,053,970	\$ 12,811,827	\$ 37,909,762	\$ 3,549,023
Capital and related financing activities	(82,063,908)	(6,760,282)	(51,281,118)	(3,993,866)
Investing activities	22,035,789	3,550	(51,120,322)	5,881
Net increase (decrease)	<u>(28,974,149)</u>	<u>6,055,095</u>	<u>(64,491,678)</u>	<u>(438,962)</u>
Cash and cash equivalents, beginning of year	82,054,623	4,406,656	146,546,301	4,845,618
Cash and cash equivalents, end of year	<u>\$ 53,080,474</u>	<u>\$ 10,461,751</u>	<u>\$ 82,054,623</u>	<u>\$ 4,406,656</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 8 - CAPITAL CONTRIBUTIONS

Capital contributions include contributions from other governments and grant funds awarded to the Authority. Capital contributions for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Capital contributions - cash -		
Impact fees	\$ 2,591,698	\$ 2,597,455
Other	1,764,095	2,706,873
	\$ 4,355,793	\$ 5,304,328
Capital contributions - noncash -		
Property contributed by developers and others	\$ 2,355,497	\$ 1,068,579

NOTE 9 - RETIREMENT PLANS

Florida Retirement System:

As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing multiple-employer defined benefit plans administered by the Florida Department of Management Services Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”) for participating public employees.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Division of Retirement, 2639 N. Monroe Street, Building C, Tallahassee, Florida 32399 or calling 1-850-488-6491.

Pension Plan:

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The Pension Plan was amended in 1998 to add the Deferred Retirement Option Program (“DROP”) and amended in 2000 to provide a defined contribution plan alternative for FRS members.

Benefits Provided - Authority employees hired before January 1, 1996 and all employees hired after September 30, 2007 are covered by the Pension Plan. Employees who retire with 30 years of credited service or at age 62 with 6 years of credited service are entitled to a benefit, payable monthly for life, equal to 1.6 percent of their average final compensation for each year of credited service. Average final compensation is the employee’s average salary for the five highest years of salary earned during covered employment. Benefits fully vest on reaching 6 years of credited service for employees hired through June 30, 2011 and on reaching 8 years of credited service for employees hired after that date. Vested employees may retire before age 62 or 30 years of credited service and receive reduced retirement benefits. The Pension Plan also provides death and disability benefits.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

The DROP permits employees eligible for normal retirement under the Pension Plan to defer receipt of monthly benefit payment while continuing employment with an FRS participating employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

Contributions - The Authority is required by State statute to make contributions to the Pension Plan equal to a certain percent of covered employees' salaries. The employer contribution rates at September 30, 2015 were 7.26% for regular participants, 21.43% for senior management, 42.27% for elected officials, and 12.88% for DROP participants. The employee contribution rate was 3% for all categories, excluding DROP.

The Authority's contributions to the Pension Plan totaled \$1,970,003, \$1,828,049 and \$1,208,001 for the years ended September 30, 2015, 2014, and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015 and 2014, the Authority reported a net pension liability of \$10,431,360 and \$4,889,259, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2015 and 2014, the Authority's proportionate share was 0.080760945% and 0.080132467%, respectively.

For the year ended September 30, 2015, the Authority recognized pension expense of \$1,075,262 related to the Pension Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the years ended September 30, 2015 and 2014:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2015:		
Differences between expected and actual experience	\$ 1,101,243	\$ 247,400
Change in assumptions	692,364	-
Net difference between projected and actual earnings on Pension Plan investments	-	2,490,834
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	1,432,328	-
Authority Pension Plan contributions subsequent to measurement date	499,847	-
	<u>\$ 3,725,782</u>	<u>\$ 2,738,234</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2014:		
Differences between expected and actual experience	\$ -	\$ 302,562
Change in assumptions	846,738	-
Net difference between projected and actual earnings on Pension Plan investments	-	8,152,219
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	1,663,762	-
Authority Pension Plan contributions subsequent to measurement date	502,154	-
	\$ 3,012,654	\$ 8,454,781

The deferred outflows of resources related to the Pension Plan totaling \$499,847 resulting from Authority contributions to the Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30			
2016		\$	(495,721)
2017			(495,721)
2018			(495,721)
2019			1,559,295
2020			348,565
Thereafter			67,004
		\$	487,701

Actuarial Assumptions - The total pension liability in the July 1, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

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

The actuarial assumptions used in the July 1, 2015 and 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based in 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 class are summarized in the following table:

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.20%	3.10%	1.70%
Fixed income	18.00%	4.80%	4.70%	4.70%
Global equity	53.00%	8.50%	7.20%	17.70%
Real estate (property)	10.00%	6.80%	6.20%	12.00%
Private equity	6.00%	11.90%	8.20%	30.00%
Strategic investments	12.00%	6.70%	6.10%	11.40%
	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the Plan's investment policy.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

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

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 7.65% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (6.65%) or 1%-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Authority's proportionate share of the net pension liability	\$ 27,030,011	\$ 10,431,360	\$ (3,381,445)

Pension Plan Fiduciary Net Position - Detailed information about the 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 and 2014 the Authority reported a payable of \$143,243 and \$134,929, respectively, for the outstanding amount of contributions to the Pension Plan required for the years ended September 30, 2015 and 2014.

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 the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

HIS Plan (Continued):

Benefits Provided - For the 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 payment of \$30 and a maximum payment of \$150 per month pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which includes Medicare.

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. At September 30, 2015 the contribution rate was 1.66%. The Authority 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled \$451,157, \$380,263, and \$299,392 for the years ended September 30, 2015, 2014, and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015 and 2014, the Authority reported a net pension liability of \$9,159,587 and \$8,074,217, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2015 and 2014, the Authority's proportionate share was 0.089813731% and 0.086353010%, respectively.

For the year ended September 30, 2015, the Authority recognized pension expense of \$772,899 related to the HIS Plan. In addition, the Authority reported deferred outflows of resources related to pensions from the following sources at September 30, 2015 and 2014:

	2015	2014
Change in assumptions	\$ 720,620	\$ 287,312
Net difference between projected and actual earnings on HIS Plan investments	4,958	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of HIS Plan contributions	513,979	292,574
Authority contributions subsequent to measurement date	124,456	86,616
	\$ 1,364,013	\$ 666,502

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

HIS Plan (Continued):

The deferred outflows of resources related to pensions totaling \$124,456 resulting from Authority contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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:

Year Ending September 30		
2016	\$	216,006
2017		216,006
2018		216,006
2019		214,998
2020		214,514
Thereafter		162,027
	\$	1,239,557

Actuarial Assumptions - The total pension liability in the July 1, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	3.80%

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

The actuarial assumptions used in the July 1, 2015 and 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 3.80%. 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.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

HIS Plan (Continued):

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 3.80% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (2.80%) or 1%-point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Authority's proportionate share of the net pension liability	\$ 10,436,924	\$ 9,159,587	\$ 8,094,481

Pension Plan Fiduciary Net Position - Detailed information about 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.

Payables to the Pension Plan - At September 30, 2015 the Authority reported a payable of \$42,461 for the outstanding amount of contributions to the HIS Plan required for the year ended September 30, 2015.

Retirement Plan and Trust for the General Employees:

The Authority also sponsors a defined contribution retirement plan covering Authority employees hired after December 31, 1995 and before October 1, 2007 who elected to continue participation in the plan. The Authority established the defined contribution retirement plan to cover substantially all Authority employees hired subsequent to December 31, 1995. Effective October 1, 2007, employees who are eligible to participate in the Authority's defined contribution retirement plan could elect to transfer their participation from the Authority's plan to the Florida Retirement System. Under the Authority's Plan, which is administered by the Florida League of Cities, Inc., the Authority contributes 8% of the employees' gross salaries. The Plan does not allow for employee contributions. An employee becomes fully vested after six years of employment. The Authority contributed a total of \$36,167 and \$39,241 for the years ended September 30, 2015 and 2014, respectively, equal to the required contribution for each year.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Internal Revenue Code Section 457, all assets are held in trust for the exclusive benefit of the participants.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

The Authority has implemented GASB Statement No. 45, *Accounting and Financial Reported by Employers for Postemployment Benefits Other Than Pensions*. This statement sets forth rules for how governmental employers should account for Other Postemployment Benefits (“OPEB”).

Prior to the implementation of GASB Statement No. 45, the costs of the Authority OPEB have been reflected in the financial statements on a pay-as-you-go basis of accounting where the subsidy provided by the Authority, as described below, has been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. GASB Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the Authority during an employee’s working life, rather than waiting until the employee’s service has been completed and he or she has retired.

Plan Description:

The Authority’s retirees and their dependents are permitted to remain covered under the Authority’s respective medical plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.0801, Florida Statutes.

Retirees are required to pay the full amount of the insurance company’s stated premium in order to remain covered under the medical plan; however, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since older retirees generally have higher costs, this means that the Authority is actually subsidizing the cost of the retiree and dependent coverage because it pays all or a significant portion of that premium on behalf of the active employees. This practice is categorized as an “implicit rate subsidy”. The Authority has assumed an obligation to pay for the implicit subsidy for the covered lifetimes of the current retirees and their dependents, as well for the covered lifetimes of the current employees after they retire in the future.

Since this OPEB is directly tied to insurance coverage for active employees, a separate benefit plan has not been established to account for the benefits and obligations related to the implicit rate subsidy. Accordingly, a separate audited report is not prepared.

Funding Policy:

There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for this purposes. All approved benefits are paid through insurance premiums from the Authority’s general assets when due.

In order to begin and maintain retiree medical/prescription coverage, premium payments are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. The amount of the premium required for retiree and dependent coverage may change each plan year.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual OPEB cost is calculated based on the actuarially determined annual required contribution ("ARC") of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The net OPEB obligation is included within long-term liabilities on the balance sheets.

The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Normal cost (service cost for one year)	\$ 134,000	\$ 323,086	\$ 305,098
Amortization of unfunded actuarial accrued liability	<u>140,000</u>	<u>215,063</u>	<u>207,070</u>
Annual required contribution (ARC)	<u>\$ 274,000</u>	<u>\$ 538,149</u>	<u>\$ 512,168</u>
Net OPEB obligation at beginning of year	<u>\$ 4,237,952</u>	<u>\$ 3,868,041</u>	<u>\$ 3,538,337</u>
Annual required contribution (ARC)	274,000	538,149	512,168
Interest on net OPEB obligation	168,000	149,306	136,580
Adjustment to ARC	<u>(204,000)</u>	<u>(148,771)</u>	<u>(136,090)</u>
Annual OPEB cost (expense)	<u>238,000</u>	<u>538,684</u>	<u>512,658</u>
Employer contributions made	<u>(123,000)</u>	<u>(168,773)</u>	<u>(182,954)</u>
Increase in net OPEB obligation	<u>115,000</u>	<u>369,911</u>	<u>329,704</u>
Net OPEB obligation at end of year	<u>\$ 4,352,952</u>	<u>\$ 4,237,952</u>	<u>\$ 3,868,041</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2015, 2014 and 2013 was as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB Cost	\$ 238,000	\$ 538,684	\$ 512,658
Amount Contributed	\$ 123,000	\$ 168,773	\$ 182,954
Percentage of OPEB Cost Contributed	51.7%	31.3%	35.7%
Net OPEB Obligation	\$ 4,352,952	\$ 4,237,952	\$ 3,868,041

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status:

As of October 1, 2014, the most recent actuarial valuation date, the OPEB funding progress was as follows:

Actuarial Accrued Liability (AAL) - Entry Age	\$ 2,918,000
Actuarial Value of Assets	-
Unfunded AAL (UAAL)	\$ 2,918,000
Funded Ratio	0%
Covered Payroll	\$ 24,674,284
UAAL as a Percentage of Covered Payroll	11.83%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presented in the Required Supplementary Information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued):

The following actuarial information was used:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contribution rate	1.0%	0.8%	0.8%
Annual OPEB cost	\$ 238,000	\$ 538,684	\$ 512,658
Contributions made	\$ 123,000	\$ 168,773	\$ 182,954
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent, closed	Level percent, closed	Level percent, closed
Remaining amortization period	24 years	25 years	26 years
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	3.96%	3.86%	3.86%
Projected salary increases *	4.0% - 7.8%	4.0% - 8.375%	4.0% - 8.375%
Payroll growth assumptions	3.96%	3.86%	3.86%
Healthcare cost initial trend rate	4.5%	0%	0%
Healthcare cost ultimate trend rate	4%	5.47%	5.47%
* Includes general price inflation at	2.4%	3%	3%

NOTE 12 - RISK MANAGEMENT

The Authority has established a self-insurance program to cover its risk of loss related to general liabilities and workers' compensation claims. The Authority purchases excess insurance coverage for workers' compensation claims with a \$300,000 deductible in order to protect itself against catastrophic losses. Settled claims have not exceeded this excess coverage in any of the last three fiscal years. During the year ended September 30, 2015, the Authority changed its policy to fully cover its risks related to workers' compensation claims incurred after July 1, 2015. Excess insurance coverage is not purchased for general liabilities claims because the sovereign immunity limits of the State of Florida essentially restricts general liabilities claims to \$200,000 per person and \$300,000 per occurrence. General liabilities claims above \$200,000 would have to be approved by the State Legislature.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 12 - RISK MANAGEMENT (Continued)

Claims expenses and liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The Authority does not discount its claims liabilities. Management believes that there are no significant liabilities for claims incurred but not reported at September 30, 2015.

Changes in claims liabilities for the years ended September 30, 2015 and 2014 are shown below:

	2015	2014
Claims liabilities, beginning of year	\$ 1,323,522	\$ 1,711,042
Claims incurred and changes in estimates	894,701	766,705
Claims paid	(1,020,388)	(1,154,225)
	\$ 1,197,835	\$ 1,323,522

At September 30, 2015, the Authority has restricted cash of \$4,997,116 for purposes of funding its claims liabilities.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Legal Contingencies:

The Authority is involved in various lawsuits and claims incidental to the normal course of its operations. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Authority.

Construction Commitments:

The Authority has contractual commitments of approximately \$21 million for construction projects at September 30, 2015.

NOTE 14 - SUBSEQUENT EVENT

In October 2015, the Authority issued a \$52,285,000 Utility System Refunding Revenue Note, Series 2015, to advance refund \$12,293,000 of Utility System Revenue Bonds, Series 2006 and fund capital projects.

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REQUIRED SUPPLEMENTARY INFORMATION

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
SEPTEMBER 30, 2015**

The table below shows a biennial analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of October 1, 2010, October 1, 2012 and October 1, 2014:

	<u>October 1, 2014</u>	<u>October 1, 2012</u>	<u>October 1, 2010</u>
Actuarial Accrued Liability (AAL) - Entry Age	\$ 2,918,000	\$ 5,282,823	\$ 11,179,754
Actuarial Value of Assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded AAL (UAAL)	<u>\$ 2,918,000</u>	<u>\$ 5,282,823</u>	<u>\$ 11,179,754</u>
Funded Ratio	0%	0%	0%
Covered Payroll	\$ 24,674,284	\$ 22,889,336	\$ 21,783,583
UAAL as a Percentage of Covered Payroll	11.83%	23.08%	51.32%

EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
Emerald Coast Utilities Authority's proportion of net pension liability	0.080760945%	0.080132467%
Emerald Coast Utilities Authority's proportionate share of net pension liability	\$ 10,431,360	\$ 4,889,259
Emerald Coast Utilities Authority's covered-employee payroll	\$ 27,881,118	\$ 25,830,081
Emerald Coast Utilities Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	37.41%	18.93%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Emerald Coast Utilities Authority's proportion of net pension liability	0.089813731%	0.086353010%
Emerald Coast Utilities Authority's proportionate share of net pension liability	\$ 9,159,587	\$ 8,074,217
Emerald Coast Utilities Authority's covered-employee payroll	\$ 27,881,118	\$ 25,830,081
Emerald Coast Utilities Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	32.85%	31.26%
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 June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,970,003	\$ 1,828,049
Contributions in relation to the contractually required contribution	<u>(1,970,003)</u>	<u>(1,828,049)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Emerald Coast Utilities Authority's covered-employee payroll	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	7.07%	7.08%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 451,157	\$ 380,263
Contributions in relation to the contractually required contribution	<u>(451,157)</u>	<u>(380,263)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Emerald Coast Utilities Authority's covered-employee payroll	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	1.62%	1.47%

* The amounts presented for each fiscal year were determined as of June 30. Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2014 was not available.

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SUPPLEMENTARY INFORMATION

The Water and Wastewater System and the Sanitation System do not meet the definition of a “fund” as defined by NCGA Statement 1: Governmental Accounting and Financial Reporting Principles and, therefore, are not funds for financial reporting purposes. Accordingly, combining statements are not presented. The schedules for the above referenced Systems presented on pages 70 through 85 are not required by generally accepted accounting principles.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2015**

Federal Agency, Pass-through Entity, Federal Program	Federal CFDA Number	Contract Grant Number	Expenditures
FEDERAL AWARDS			
Department of Homeland Security - Passed through State of Florida, Division of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	15-SP-8Z-01-27-09-51	\$ 1,271,764
Department of Housing and Urban Development - Passed through Escambia County Community Development Block Grants/ Entitlement Grants	14.218	B-13-UC-12-0013 B-14-UC-12-0012	<u>57,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,328,764</u></u>

NOTE: The above schedule is prepared on the accrual basis of accounting.

EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2015

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	\$ 48,755,616	\$	\$ 48,755,616
Water	38,095,464		38,095,464
Sanitation	23,208,826		23,208,826
Connection charges	370,567		370,567
Sewer improvement fees	5,876,999		5,876,999
Other	2,156,869		2,156,869
Total operating revenues	<u>118,464,341</u>	<u>-</u>	<u>118,464,341</u>
Operating Expenses Before Depreciation and Amortization:			
Personal services	38,887,843	1,000,695	39,888,538
Contractual services	4,605,517		4,605,517
Professional services	1,329,249		1,329,249
Supplies	8,351,007		8,351,007
Repairs and maintenance	5,922,259		5,922,259
Heat, light and power	7,024,657		7,024,657
Tipping fees	4,975,174		4,975,174
Other	4,050,666		4,050,666
Total operating expenses before depreciation and amortization	<u>75,146,372</u>	<u>1,000,695</u>	<u>76,147,067</u>
Income Before Depreciation and Amortization	43,317,969	(1,000,695)	42,317,274
Depreciation and Amortization	<u>28,466,041</u>	<u>(28,466,041)</u>	<u>-</u>
Operating income	<u>14,851,928</u>	<u>27,465,346</u>	<u>42,317,274</u>
Nonoperating Revenues (Expenses):			
Investment income	1,194,926	(288,849)	906,077
Insurance proceeds	209,995		209,995
Interest expense	(13,342,792)	(919,812)	(14,262,604)
Gain on disposal of assets	4,752,431	(4,752,431)	-
Total nonoperating revenues (expenses)	<u>(7,185,440)</u>	<u>(5,961,092)</u>	<u>(13,146,532)</u>
Income Before Capital Contributions and Other Financing Sources (Uses)			
	7,666,488	21,504,254	29,170,742
Capital contributions - impact fees and other	4,355,793	-	4,355,793
Capital contributions - noncash	2,355,497	(2,355,497)	-
Principal sinking fund requirements	-	(22,082,262)	(22,082,262)
Change in Net Position	<u>\$ 14,377,778</u>	<u>\$ (2,933,505)</u>	<u>\$ 11,444,273</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 48,755,617	\$ (1)
38,077,838	17,626
23,318,385	(109,559)
370,567	-
5,876,999	-
1,986,605	170,264
<u>118,386,011</u>	<u>78,330</u>
41,595,144	1,706,606
4,954,654	349,137
1,395,867	66,618
9,161,809	810,802
6,069,260	147,001
7,187,347	162,690
4,975,174	-
4,373,221	322,555
<u>79,712,476</u>	<u>3,565,409</u>
38,673,535	3,643,739
<u>-</u>	<u>-</u>
<u>38,673,535</u>	<u>3,643,739</u>
906,076	1
125,986	84,009
(18,346,440)	4,083,836
-	-
<u>(17,314,378)</u>	<u>4,167,846</u>
21,359,157	7,811,585
4,010,448	345,345
-	-
<u>(20,637,582)</u>	<u>(1,444,680)</u>
<u>\$ 4,732,023</u>	<u>\$ 6,712,250</u>

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS AND DEFERRED OUTFLOWS

	2015	2014 (Restated)
Current Assets:		
Unrestricted assets -		
Cash and investments	\$ 3,508,718	\$ 3,219,646
Accounts receivable less allowance for doubtful accounts of \$1,012,400 and \$1,026,400	13,450,575	13,347,755
Grants receivable	1,940,308	1,950,903
Due from Sanitation System	13,107,016	2,524,576
Due from other governments	1,300,000	1,300,000
Materials and supplies	4,951,926	3,986,238
Prepaid expenses	361,039	265,917
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	7,379,429	9,147,481
Forward supply agreement	-	19,733,033
Customer deposits	4,597,663	4,400,957
	50,596,674	59,876,506
Noncurrent Assets:		
Due from other governments	14,300,000	15,600,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,053,655	6,856,757
Operating and maintenance fund	4,884,332	4,871,457
Construction fund	-	161
Debt service reserve	3,082,604	3,076,285
Impact fees	2,591,698	2,597,454
Capital improvement program	56,973,392	86,824,772
Sewer improvement fees	8,899,931	8,061,981
Self-insurance funds	4,997,116	4,997,116
Total noncurrent restricted assets	88,482,728	117,285,983
Capital assets -		
Utility plant in service	909,033,024	881,913,261
Construction work in progress	37,528,440	22,707,877
	946,561,464	904,621,138
Less accumulated depreciation	241,195,975	218,945,422
Total capital assets	705,365,489	685,675,716
Unamortized debt issuance costs (net of accumulated amortization of \$3,066,418 and \$2,895,563)	2,290,916	2,442,873
	810,439,133	821,004,572
Deferred Outflows of Resources:		
Loss on bond refunding	2,409,030	2,664,203
Pensions	3,885,947	2,808,955
Total deferred outflows of resources	6,294,977	5,473,158
Total Assets and Deferred Outflows	\$ 867,330,784	\$ 886,354,236

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2015	2014 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 2,595,375	\$ 2,872,064
Due to other governments	333,998	371,954
Payroll and compensated absences payable	2,094,075	1,811,890
Other current liabilities	18,217	15,961
Total current liabilities (payable from current assets)	5,041,665	5,071,869
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	18,511,173	38,235,092
Accrued interest payable	3,178,669	3,459,168
Accounts payable - capital improvements	6,402,731	5,108,098
Customer deposits	4,597,663	4,400,957
Claims liabilities	592,101	552,059
Total current liabilities (payable from restricted assets)	33,282,337	51,755,374
Total current liabilities	38,324,002	56,827,243
Long-Term Liabilities:		
Claims liabilities	32,285	92,934
Long-term debt	307,255,286	325,832,527
Long-term compensated absences payable	1,110,532	1,124,352
Net pension liability	14,957,261	9,897,333
Other postemployment benefits	3,402,926	3,309,326
Total long-term liabilities	326,758,290	340,256,472
Total liabilities	365,082,292	397,083,715
Deferred Inflows of Resources:		
Pensions	2,090,583	6,455,042
Net Position:		
Net investment in capital assets	382,008,060	324,272,461
Restricted for debt service and other bond requirements	19,221,351	40,225,845
Restricted for expansion of utility plant	2,591,698	2,597,454
Unrestricted	96,336,800	115,719,719
Total net position	500,157,909	482,815,479
Total Liabilities, Deferred Inflows and Net Position	\$ 867,330,784	\$ 886,354,236

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**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014 (Restated)</u>
Operating Revenues:		
Customer charges -		
Wastewater	\$ 48,755,616	\$ 48,623,816
Water	38,095,464	36,862,307
Connection charges	370,567	324,196
Sewer improvement fees	5,876,999	5,901,267
Charges for overhead	4,230,682	3,648,180
Other	2,065,599	1,958,201
	<u>99,394,927</u>	<u>97,317,967</u>
Operating Expenses Before Depreciation:		
Personal services	29,265,961	28,755,996
Contractual services	3,217,153	3,580,184
Professional services	1,177,726	1,053,393
Supplies	6,711,893	6,022,744
Repairs and maintenance	3,811,244	4,939,863
Heat, light and power	6,941,806	6,932,628
Other	3,109,481	3,124,848
	<u>54,235,264</u>	<u>54,409,656</u>
Operating Income Before Depreciation	<u>45,159,663</u>	<u>42,908,311</u>
Depreciation	<u>24,233,609</u>	<u>22,345,095</u>
Operating income	<u>20,926,054</u>	<u>20,563,216</u>
Nonoperating Revenues (Expenses):		
Investment income	1,191,376	622,899
Insurance proceeds	209,995	90,471
Interest expense	(12,717,909)	(13,285,094)
Gain (loss) on disposal of assets	4,787,009	(430,304)
	<u>(6,529,529)</u>	<u>(13,002,028)</u>
Income Before Capital Contributions and Transfers	<u>14,396,525</u>	<u>7,561,188</u>
Capital contributions - impact fees and other	4,314,773	4,761,914
Capital contributions - noncash	2,355,497	1,068,579
Transfers to Sanitation System	(3,724,365)	(3,193,860)
Change in Net Position	<u>17,342,430</u>	<u>10,197,821</u>
Net Position at Beginning of Year, as previously reported	<u>482,815,479</u>	<u>486,161,078</u>
Restatement for pensions	-	(13,543,420)
Net Position at Beginning of Year, as restated	<u>482,815,479</u>	<u>472,617,658</u>
Net Position at End of Year	<u>\$ 500,157,909</u>	<u>\$ 482,815,479</u>

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 100,812,697	\$ 97,535,228
Cash paid to suppliers for goods and services	(49,330,201)	(39,381,555)
Cash paid to employees for services	(20,428,526)	(20,243,911)
Net cash provided by operating activities	31,053,970	37,909,762
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(40,621,848)	(26,552,007)
Proceeds from issuance of long-term debt	-	11,200,000
Debt issuance costs	(18,900)	(45,617)
Principal paid on long-term debt	(38,485,999)	(17,364,203)
Interest paid on long-term debt	(12,387,539)	(12,131,701)
Payments to defease long-term debt	-	(11,202,587)
Proceeds from sale of assets	5,135,605	53,083
Contributions from developers, customers, and other governments	4,314,773	4,761,914
Net cash used for capital and related financing activities	(82,063,908)	(51,281,118)
Cash Flows From Investing Activities:		
Investment income	1,039,046	652,103
Proceeds from maturities of investments and notes receivable	43,194,264	16,355,712
Purchases of investments	(22,197,521)	(68,128,137)
Net cash provided by (used for) investing activities	22,035,789	(51,120,322)
Net Decrease in Cash and Cash Equivalents	(28,974,149)	(64,491,678)
Cash and Cash Equivalents, Beginning of Year	82,054,623	146,546,301
Cash and Cash Equivalents, End of Year	\$ 53,080,474	\$ 82,054,623

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)**

	2015	2014
Reconciliation of Operating Income to Net Cash		
Provided by Operations:		
Operating income	\$ 20,926,054	\$ 20,563,216
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	24,233,609	22,345,095
Insurance proceeds	209,995	90,471
Transfers to Sanitation System	(3,724,365)	(3,193,860)
Changes in -		
Accounts receivable	1,197,180	1,704,210
Grants receivable	10,595	(1,577,420)
Materials and supplies	(965,688)	(81,363)
Prepaid expenses	(95,122)	23,915
Deferred outflows of resources - pensions	(1,076,992)	-
Accounts payable	(276,689)	380,435
Due from Sanitation System	(10,582,440)	(2,524,576)
Due to other governments	(37,956)	33,576
Payroll and compensated absences payable	282,185	135,224
Other current liabilities	2,256	(13,178)
Customer deposits	196,706	177,448
Claims liabilities	(20,607)	(442,442)
Long-term compensated absences payable	(13,820)	(3,835)
Net pension liability	5,059,928	-
Other postemployment benefits	93,600	292,846
Deferred inflows of resources - pensions	(4,364,459)	-
Net cash provided by operating activities	\$ 31,053,970	\$ 37,909,762

Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:

Cash and investments	\$ 3,508,718	\$ 3,219,646
Restricted assets	100,459,820	150,567,454
	103,968,538	153,787,100
Less notes receivable and investments	(50,888,064)	(71,732,477)
Cash and cash equivalents	\$ 53,080,474	\$ 82,054,623

Supplemental Schedule of Noncash Investing, Capital and Financing Activities:

Property contributed by developers and others	\$ 2,355,497	\$ 1,068,579
Unrealized appreciation (depreciation) in fair value of investments	288,849	(23,809)
Equipment and improvements acquired under capital lease	-	965,655

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2015**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	\$ 48,755,616	\$	\$ 48,755,616
Water	38,095,464		38,095,464
Connection charges	370,567		370,567
Sewer improvement fees	5,876,999		5,876,999
Charges for overhead	4,230,682	(3,724,365)	506,317
Other	2,065,599		2,065,599
Total operating revenues	<u>99,394,927</u>	<u>(3,724,365)</u>	<u>95,670,562</u>
Operating Expenses Before Depreciation:			
Personal services	29,265,961	1,006,234	30,272,195
Contractual services	3,217,153		3,217,153
Professional services	1,177,726		1,177,726
Supplies	6,711,893		6,711,893
Repairs and maintenance	3,811,244		3,811,244
Heat, light and power	6,941,806		6,941,806
Other	3,109,481		3,109,481
Total operating expenses before depreciation	<u>54,235,264</u>	<u>1,006,234</u>	<u>55,241,498</u>
Operating Income Before Depreciation	45,159,663	(4,730,599)	40,429,064
Depreciation	<u>24,233,609</u>	<u>(24,233,609)</u>	<u>-</u>
Operating income	<u>20,926,054</u>	<u>19,503,010</u>	<u>40,429,064</u>
Nonoperating Revenues (Expenses):			
Investment income	1,191,376	(288,849)	902,527
Insurance proceeds	209,995		209,995
Interest expense	(12,717,909)	(899,218)	(13,617,127)
Gain on disposal of assets	4,787,009	(4,787,009)	-
Total nonoperating revenues (expenses)	<u>(6,529,529)</u>	<u>(5,975,076)</u>	<u>(12,504,605)</u>
Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)			
	14,396,525	13,527,934	27,924,459
Capital contributions - impact fees and other	4,314,773	-	4,314,773
Capital contributions - noncash	2,355,497	(2,355,497)	-
Transfers to Sanitation System	(3,724,365)	3,724,365	-
Principal sinking fund requirements	-	(18,750,999)	(18,750,999)
Change in Net Position	<u>\$ 17,342,430</u>	<u>\$ (3,854,197)</u>	<u>\$ 13,488,233</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 48,755,617	\$ (1)
38,077,838	17,626
370,567	-
5,876,999	-
506,317	-
1,887,004	178,595
<u>95,474,342</u>	<u>196,220</u>
31,837,026	1,564,831
3,566,286	349,133
1,244,342	66,616
7,522,674	810,781
3,958,238	146,994
7,104,496	162,690
3,378,919	269,438
<u>58,611,981</u>	<u>3,370,483</u>
36,862,361	3,566,703
-	-
<u>36,862,361</u>	<u>3,566,703</u>
902,526	1
125,986	84,009
(17,204,957)	3,587,830
-	-
<u>(16,176,445)</u>	<u>3,671,840</u>
20,685,916	7,238,543
3,969,428	345,345
-	-
-	-
<u>(18,128,903)</u>	<u>(622,096)</u>
<u>\$ 6,526,441</u>	<u>\$ 6,961,792</u>

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2015 AND 2014**

ASSETS AND DEFERRED OUTFLOWS

	2015	2014 (Restated)
Current Assets:		
Unrestricted assets -		
Cash and investments	\$ -	\$ 50
Accounts receivable less allowance for doubtful accounts of \$64,600 and \$66,300	1,622,660	1,605,678
Grants receivable	1,436	536,314
Materials and supplies	1,748,169	1,353,389
Prepaid expenses	10,601	-
Restricted assets -		
Restricted by debt agreements - Sinking fund	2,159,464	1,888,839
 Total current assets	 5,542,330	 5,384,270
Noncurrent Assets:		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	326,900	214,670
Operating and maintenance fund	1,758,375	1,389,322
Capital improvement program	6,217,012	913,775
Total noncurrent restricted assets	8,302,287	2,517,767
Capital assets -		
Utility plant in service	55,926,998	43,153,077
Construction work in progress	2,484,238	421,122
Intangible assets	14,996,954	14,996,954
	73,408,190	58,571,153
Less accumulated depreciation and amortization	37,196,156	33,078,609
Total capital assets	36,212,034	25,492,544
Unamortized debt issuance costs (net of accumulated amortization \$17,362 and \$12,517)	30,283	35,128
 Total noncurrent assets	 44,544,604	 28,045,439
Deferred Outflows of Resources:		
Loss on bond refunding	691,668	800,878
Pensions	1,203,848	870,201
Total deferred outflows of resources	1,895,516	1,671,079
 Total Assets and Deferred Outflows	 \$ 51,982,450	 \$ 35,100,788

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2015	2014 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 998,075	\$ 735,430
Due to Water and Wastewater System	13,107,016	2,524,576
Due to other governments	13,053	12,147
Payroll and compensated absences payable	510,079	362,864
Total current liabilities (payable from current assets)	14,628,223	3,635,017
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	4,013,041	2,665,219
Accrued interest payable	186,291	175,280
Accounts payable - capital improvements	1,154,754	206,592
Claims liabilities	391,810	365,313
Total current liabilities (payable from restricted assets)	5,745,896	3,412,404
Total current liabilities	20,374,119	7,047,421
Long-Term Liabilities:		
Claims liabilities	181,639	313,216
Long-term debt	21,240,529	14,851,498
Long-term compensated absences payable	284,446	259,139
Net pension liability	4,633,686	3,066,143
Other postemployment benefits	950,026	928,626
Total long-term liabilities	27,290,326	19,418,622
Total liabilities	47,664,445	26,466,043
Deferred Inflows of Resources:		
Pensions	647,651	1,999,739
Net Position:		
Net investment in capital assets	11,650,132	8,776,705
Restricted for debt service and other bond requirements	4,058,448	3,317,551
Unrestricted	(12,038,226)	(5,459,250)
Total net position	3,670,354	6,635,006
Total Liabilities, Deferred Inflows and Net Position	\$ 51,982,450	\$ 35,100,788

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>Residential</u>	<u>Commercial</u>	<u>Total 2015</u>	<u>Total 2014 (Restated)</u>
Operating Revenues:				
Customer charges -				
Sanitation	\$ 21,768,161	\$ 1,440,665	\$ 23,208,826	\$ 18,538,089
Other	80,531	10,739	91,270	167,967
	<u>21,848,692</u>	<u>1,451,404</u>	<u>23,300,096</u>	<u>18,706,056</u>
Operating Expenses Before Depreciation and Amortization:				
Personal services	9,236,225	385,657	9,621,882	7,432,999
Contractual services	1,377,953	10,411	1,388,364	912,191
Professional services	149,431	2,092	151,523	188,409
Supplies	1,581,044	58,070	1,639,114	1,302,969
Repairs and maintenance	2,028,593	82,422	2,111,015	1,389,990
Heat, light and power	81,520	1,331	82,851	73,921
Tipping fees	4,621,813	353,361	4,975,174	4,845,952
Overhead allocation	4,143,805	86,877	4,230,682	3,648,180
Other	929,799	11,386	941,185	476,251
	<u>24,150,183</u>	<u>991,607</u>	<u>25,141,790</u>	<u>20,270,862</u>
Total operating expenses before depreciation and amortization				
	<u>24,150,183</u>	<u>991,607</u>	<u>25,141,790</u>	<u>20,270,862</u>
Operating Income (Loss) Before Depreciation and Amortization				
	(2,301,491)	459,797	(1,841,694)	(1,564,806)
Depreciation and Amortization				
	3,814,236	418,196	4,232,432	3,995,375
Operating loss	<u>(6,115,727)</u>	<u>41,601</u>	<u>(6,074,126)</u>	<u>(5,560,181)</u>
Nonoperating Revenues (Expenses):				
Investment income	3,550	-	3,550	5,881
Insurance proceeds	-	-	-	901
Interest expense	(622,973)	(1,910)	(624,883)	(536,256)
Gain (loss) on disposal of assets	(34,578)	-	(34,578)	(57,305)
	<u>(654,001)</u>	<u>(1,910)</u>	<u>(655,911)</u>	<u>(586,779)</u>
Total nonoperating revenues (expenses)				
	<u>(654,001)</u>	<u>(1,910)</u>	<u>(655,911)</u>	<u>(586,779)</u>
Loss Before Capital Contributions and Transfers				
	(6,769,728)	39,691	(6,730,037)	(6,146,960)
Capital contributions - other	41,020	-	41,020	542,414
Transfers from Water and Wastewater System	3,724,365	-	3,724,365	3,193,860
	<u>3,765,385</u>	<u>-</u>	<u>3,765,385</u>	<u>3,736,274</u>
Change in Net Position	<u>\$ (3,004,343)</u>	<u>\$ 39,691</u>	<u>(2,964,652)</u>	<u>(2,410,686)</u>
Net Position at Beginning of Year, as previously reported			6,635,006	13,241,373
Restatement for pensions			<u>-</u>	<u>(4,195,681)</u>
Net Position at Beginning of Year, as restated			6,635,006	9,045,692
Net Position at End of Year			\$ 3,670,354	\$ 6,635,006

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**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 23,817,992	\$ 17,912,531
Cash paid to suppliers for goods and services	(4,397,181)	(9,162,607)
Cash paid to employees for services	(6,608,984)	(5,200,901)
Net cash provided by operating activities	<u>12,811,827</u>	<u>3,549,023</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,995,077)	(1,620,741)
Principal paid on long-term debt	(3,331,263)	(2,583,042)
Interest paid on long-term debt	(499,817)	(447,850)
Proceeds from sale of assets	24,855	115,353
Contributions from other governments	41,020	542,414
Net cash used for capital and related financing activities	<u>(6,760,282)</u>	<u>(3,993,866)</u>
Cash Flows From Investing Activities:		
Investment income	3,550	5,881
Net cash provided by investing activities	<u>3,550</u>	<u>5,881</u>
Net Decrease in Cash and Cash Equivalents	6,055,095	(438,962)
Cash and Cash Equivalents, Beginning of Year	<u>4,406,656</u>	<u>4,845,618</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,461,751</u></u>	<u><u>\$ 4,406,656</u></u>

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Continued)**

	2015	2014
Cash Flows From Operating Activities:		
Operating loss	\$ (6,074,126)	\$ (5,560,181)
Adjustments to reconcile net operating loss to cash provided by operating activities -		
Depreciation and amortization	4,232,432	3,995,375
Insurance proceeds	-	901
Transfers from Water and Wastewater System	3,724,365	3,193,860
Changes in -		
Accounts receivable	(16,982)	(258,112)
Grants receivable	534,878	(536,314)
Materials and supplies	(394,780)	(96,909)
Prepaid expenses	(10,601)	-
Deferred outflows of resources - pensions	(333,647)	-
Accounts payable	262,645	77,299
Due to Water and Wastewater System	10,582,440	2,524,576
Due to other governments	906	(3,671)
Payroll and compensated absences payable	147,215	64,155
Claims liabilities	(105,080)	54,922
Long-term compensated absences payable	25,307	16,057
Net pension liability	1,567,543	-
Other postemployment benefits	21,400	77,065
Deferred inflows of resources - pensions	(1,352,088)	-
Net cash provided by operating activities	\$ 12,811,827	\$ 3,549,023
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and investments	\$ -	\$ 50
Restricted assets	10,461,751	4,406,606
Cash and cash equivalents	\$ 10,461,751	\$ 4,406,656
 Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Equipment and improvements acquired under capital lease	\$ 11,068,116	\$ 94,612

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2015**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Sanitation	\$ 23,208,826	\$	\$ 23,208,826
Other	91,270		91,270
Total operating revenues	<u>23,300,096</u>	<u>-</u>	<u>23,300,096</u>
Operating Expenses Before Depreciation and Amortization:			
Personal services	9,621,882	(5,539)	9,616,343
Contractual services	1,388,364		1,388,364
Professional services	151,523		151,523
Supplies	1,639,114		1,639,114
Repairs and maintenance	2,111,015		2,111,015
Heat, light and power	82,851		82,851
Tipping	4,975,174		4,975,174
Overhead allocation	4,230,682	(3,724,365)	506,317
Other	941,185		941,185
Total operating expenses before depreciation	<u>25,141,790</u>	<u>(3,729,904)</u>	<u>21,411,886</u>
Operating Income (Loss) Before Depreciation and Amortization	(1,841,694)	3,729,904	1,888,210
Depreciation and Amortization	<u>4,232,432</u>	<u>(4,232,432)</u>	<u>-</u>
Operating income (loss)	<u>(6,074,126)</u>	<u>7,962,336</u>	<u>1,888,210</u>
Nonoperating Revenues (Expenses):			
Investment income	3,550		3,550
Insurance proceeds	-		-
Interest expense	(624,883)	(20,594)	(645,477)
Loss on disposal of assets	(34,578)	34,578	-
Total nonoperating revenues (expenses)	<u>(655,911)</u>	<u>13,984</u>	<u>(641,927)</u>
Income (Loss) Before Capital Contributions, Transfers And Other Financing Sources (Uses)	(6,730,037)	7,976,320	1,246,283
Capital contributions - other	41,020		41,020
Transfers from Water and Wastewater System	3,724,365	(3,724,365)	-
Principal sinking fund requirements	-	(3,331,263)	(3,331,263)
Changes in Net Position	<u>\$ (2,964,652)</u>	<u>\$ 920,692</u>	<u>\$ (2,043,960)</u>

<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 23,318,385	\$ (109,559)
99,601	(8,331)
<u>23,417,986</u>	<u>(117,890)</u>
9,758,118	141,775
1,388,368	4
151,525	2
1,639,135	21
2,111,022	7
82,851	-
4,975,174	-
506,317	-
994,302	53,117
<u>21,606,812</u>	<u>194,926</u>
1,811,174	77,036
-	-
<u>1,811,174</u>	<u>77,036</u>
3,550	-
-	-
(1,141,483)	496,006
-	-
<u>(1,137,933)</u>	<u>496,006</u>
673,241	573,042
41,020	-
-	-
<u>(2,508,679)</u>	<u>(822,584)</u>
<u>\$ (1,794,418)</u>	<u>\$ (249,542)</u>

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STATISTICAL SECTION - UNAUDITED

STATISTICAL SECTION - UNAUDITED

This part of the Authority'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 says about the Authority's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules present information to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides.

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**EMERALD COAST UTILITIES AUTHORITY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(THOUSANDS OMITTED)
(UNAUDITED)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net investment in capital assets	\$ 393,658	\$ 333,049	\$ 314,996	\$ 340,956	\$ 386,293	\$ 439,104	\$ 393,117	\$ 233,930	\$ 205,862	\$ 158,881
Restricted	25,871	46,141	50,420	48,228	45,881	40,971	38,376	36,204	35,307	31,273
Unrestricted	84,299 *	110,260	133,986	105,647	37,649	12,926	39,945	55,893	56,214	62,556
Total net assets	\$ 503,828	\$ 489,450	\$ 499,402	\$ 494,831	\$ 469,823	\$ 493,001	\$ 471,438	\$ 326,027	\$ 297,383	\$ 252,710

* Amount includes restatement for pensions totaling \$17,739,101.

EMERALD COAST UTILITIES AUTHORITY
SCHEDULES OF REVENUES AND EXPENSES
LAST TEN FISCAL YEARS
(THOUSANDS OMITTED)
(UNAUDITED)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Revenues:										
Customer charges	\$ 110,060	\$ 104,024	\$ 99,494	\$ 96,815	\$ 94,520	\$ 87,359	\$ 83,454	\$ 80,812	\$ 80,163	\$ 76,713
Connection charges	370	324	356	310	263	232	246	467	705	755
Sewer improvement fees	5,877	5,902	5,878	5,895	5,892	5,918	5,924	6,097	2,020	-
Other	2,157	2,126	2,188	2,603	4,963	2,266	2,578	2,870	1,447	1,992
Total operating revenues	118,464	112,376	107,916	105,623	105,638	95,775	92,202	90,246	84,335	79,460
Operating Expenses Before Depreciation and Amortization:										
Personal services	38,888	36,189	34,999	33,788	33,711	34,574	34,779	32,470	30,647	27,684
Contractual services	4,605	4,492	2,635	2,440	2,677	3,061	2,253	2,879	2,493	2,315
Professional services	1,329	1,242	726	826	677	740	845	482	605	516
Supplies	8,351	7,326	7,215	7,190	6,712	6,023	6,142	6,685	6,019	5,412
Repairs and maintenance	5,922	6,330	4,823	4,453	3,405	3,459	3,119	3,797	3,926	4,229
Heat, light and power	7,025	7,007	6,399	6,709	7,565	6,652	6,390	5,400	5,309	4,848
Tipping fees	4,975	4,846	4,378	4,243	4,130	3,774	3,651	3,516	3,285	3,317
Other	4,051	3,601	3,459	3,405	3,276	3,592	3,899	3,931	4,202	3,498
Total operating expenses before depreciation and amortization	75,146	71,033	64,634	63,054	62,153	61,875	61,078	59,160	56,486	51,819
Operating Income Before Depreciation and Amortization:	43,318	41,343	43,282	42,569	43,485	33,900	31,124	31,086	27,849	27,641
Depreciation and Amortization	28,466	26,340	27,489	28,632	24,961	22,751	19,340	18,152	16,122	14,569
Operating income	14,852	15,003	15,793	13,937	18,524	11,149	11,784	12,934	11,727	13,072

EMERALD COAST UTILITIES AUTHORITY
SCHEDULES OF REVENUES AND EXPENSES
LAST TEN FISCAL YEARS
(THOUSANDS OMITTED)
(UNAUDITED)
(Continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Nonoperating Revenues (Expenses):										
Investment income	1,195	629	456	575	816	2,297	4,054	5,132	5,427	4,215
Settlement income	-	-	-	-	413	813	10,047	-	-	-
Interest expense	(13,342)	(13,821)	(15,787)	(15,791)	(15,037)	(12,907)	(14,102)	(9,864)	(9,169)	(9,009)
Hurricane disaster assistance, net	-	-	-	-	-	-	-	(327)	(33)	(124)
Insurance recoveries, net	210	91	-	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	4,752	(488)	(168)	(586)	(30,987)	(865)	(818)	(226)	(1,457)	(498)
Total nonoperating revenues (expenses)	(7,185)	(13,589)	(15,499)	(15,802)	(44,795)	(10,662)	(819)	(5,285)	(5,232)	(5,416)
Income (Loss) Before Capital Contributions	7,667	1,414	294	(1,865)	(26,271)	487	10,965	7,649	6,495	7,656
Capital contributions - cash	4,356	5,304	3,135	25,616	2,403	18,700	133,868	15,431	25,909	9,670
Capital contributions - noncash	2,355	1,069	1,142	1,258	689	2,376	578	5,564	12,269	5,026
Change in Net Position	\$ 14,378	\$ 7,787	\$ 4,571	\$ 25,009	\$ (23,179)	\$ 21,563	\$ 145,411	\$ 28,644	\$ 44,673	\$ 22,352

**EMERALD COAST UTILITIES AUTHORITY
OUTSTANDING DEBT BY TYPE AND PER CUSTOMER
LAST TEN FISCAL YEARS
(UNAUDITED)**

OUTSTANDING DEBT BY TYPE

Year	State Revolving Loans	Capital Leases	Water and Wastewater System Bonds	Sanitation System Note	Water and Wastewater System Notes	Total
2006	\$ 6,697,534	\$ 46,701	\$ 177,084,968	\$ 11,834,160	\$ -	\$ 195,663,363
2007	\$ 12,447,691	\$ 23,107	\$ 171,193,203	\$ 11,324,432	\$ -	\$ 194,988,433
2008	\$ 20,589,473	\$ 15,880,016	\$ 163,452,276	\$ 10,789,704	\$ 130,000,000	\$ 340,711,469
2009	\$ 20,080,754	\$ 14,815,860	\$ 155,259,786	\$ 10,224,976	\$ 130,000,000	\$ 330,381,376
2010	\$ 41,285,144	\$ 13,706,821	\$ 147,113,709	\$ 9,640,248	\$ 129,885,000	\$ 341,630,922
2011	\$ 57,960,646	\$ 13,148,796	\$ 138,761,341	\$ 9,025,521	\$ 172,084,000	\$ 390,980,304
2012	\$ 80,944,920	\$ 24,539,850	\$ 117,169,768	\$ 8,544,000	\$ 183,464,000	\$ 414,662,538
2013	\$ 78,522,250	\$ 24,052,878	\$ 83,441,246	\$ 7,910,000	\$ 205,719,000	\$ 399,645,374
2014	\$ 74,638,815	\$ 22,662,335	\$ 64,462,186	\$ 7,128,000	\$ 212,693,000	\$ 381,584,336
2015	\$ 70,608,605	\$ 30,441,399	\$ 36,332,025	\$ 6,327,000	\$ 207,311,000	\$ 351,020,029

OUTSTANDING DEBT PER CUSTOMER

Year	Water and Wastewater System Debt	Water and Wastewater System Customers	Water and Wastewater System Debt Per Customer	Sanitation System Debt	Sanitation System Customers	Sanitation System Debt Per Customer
2006	\$ 183,829,203	89,692	\$ 2,050	\$ 11,834,160	64,653	\$ 183
2007	\$ 183,664,001	90,337	\$ 2,033	\$ 11,324,432	65,298	\$ 173
2008	\$ 328,794,812	89,716	\$ 3,665	\$ 11,916,657	65,043	\$ 183
2009	\$ 319,581,784	88,470	\$ 3,612	\$ 10,799,592	78,205	\$ 138
2010	\$ 331,990,674	88,723	\$ 3,742	\$ 9,640,248	79,417	\$ 121
2011	\$ 381,954,783	88,653	\$ 4,308	\$ 9,025,521	78,995	\$ 114
2012	\$ 394,144,817	89,240	\$ 4,417	\$ 20,517,721	80,078	\$ 256
2013	\$ 379,640,225	89,690	\$ 4,233	\$ 20,005,149	80,812	\$ 248
2014	\$ 364,067,619	90,569	\$ 4,020	\$ 17,516,717	81,675	\$ 214
2015	\$ 325,766,459	91,801	\$ 3,549	\$ 25,253,570	102,851	\$ 246

**EMERALD COAST UTILITIES AUTHORITY
PARITY DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	Operating Revenue and Interest Income	Operating Expenses Before Depreciation and Amortization	Net Revenue Available For Debt Service	Debt Service	Actual Coverage	Required Coverage
2006	\$ 83,299,789	\$ 51,819,044	\$ 31,480,745	\$ 16,631,968	1.89	1.25
2007	\$ 88,912,836	\$ 56,485,926	\$ 32,426,910	\$ 17,775,258	1.82	1.25
2008	\$ 93,658,613	\$ 59,159,846	\$ 34,498,767	\$ 19,573,227	1.76	1.25
2009	\$ 95,012,742	\$ 61,078,331	\$ 33,934,411	\$ 25,044,035	1.35	1.25
2010	\$ 96,531,362	\$ 61,875,496	\$ 34,655,866	\$ 23,897,498	1.45	1.25
2011	\$ 106,768,233	\$ 62,153,475	\$ 44,614,758	\$ 24,567,207	1.82	1.25
2012	\$ 105,981,395	\$ 63,053,532	\$ 42,927,863	\$ 26,149,721	1.64	1.25
2013	\$ 108,296,990	\$ 64,633,524	\$ 43,663,466	\$ 26,216,817	1.67	1.25
2014	\$ 113,024,920	\$ 71,032,338	\$ 41,992,582	\$ 25,911,407	1.62	1.25
2015	\$ 119,370,418	\$ 75,146,372	\$ 44,224,046	\$ 26,323,772	1.68	1.25

**EMERALD COAST UTILITIES AUTHORITY
NUMBER OF ACTIVE CUSTOMERS AT FISCAL YEAR END
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Water</u>	<u>Percent Change</u>	<u>Sewer</u>	<u>Percent Change</u>	<u>Ratio of Sewer Customers To Water Customers</u>	<u>Sanitation</u>	<u>Percent Change</u>
2006	89,692	1%	63,527	2%	71%	64,653	2%
2007	90,337	1%	65,101	2%	72%	65,298	1%
2008	89,716	-1%	65,216	0%	73%	65,043	0%
2009	88,470	-1%	64,741	-1%	73%	78,205	20%
2010	88,723	0%	65,268	1%	74%	79,417	2%
2011	88,653	0%	65,633	1%	74%	78,995	-1%
2012	89,240	1%	66,668	2%	75%	80,078	1%
2013	89,690	1%	67,565	1%	75%	80,812	1%
2014	90,569	1%	68,871	2%	76%	81,675	1%
2015	91,081	1%	69,526	1%	76%	102,851	26%

EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL CUSTOMERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2015 AND 2006
(UNAUDITED)

2015

Name	Water Sales in Millions of Gallons	Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
NAVFAC SE (NAS Pensacola)	-	\$ -	\$ 1,809,366	\$ 1,809,366	1.5
NAVFAC SE (Corry Station SW)	-	-	990,418	990,418	0.8
Pall Gelman Sciences	76.0	176,898	433,485	610,383	0.5
Baptist Hospital	63.8	172,268	416,920	589,188	0.5
Escambia County Jail	60.7	144,804	383,359	528,163	0.4
City of Gulf Breeze	220.2	507,023	-	507,023	0.4
Portofino Island Resort	51.4	200,514	262,770	463,284	0.4
Escambia Housing	38.0	99,943	258,765	358,708	0.3
Sacred Heart Hospital	39.3	110,351	234,504	344,855	0.3
Pensacola Christian College	35.9	95,848	202,394	298,242	0.3
Azalea Trace Inc	31.9	77,022	217,954	294,976	0.2
University of West Florida	-	586	294,244	294,830	0.2
U.S. Navy - Saufley Field	32.8	71,424	201,800	273,224	0.2
DM Oakwood Terrace	29.5	69,994	200,587	270,581	0.2
Columbia West Florida Regional Medical Center	25.6	65,669	175,043	240,712	0.2
	<u>705.1</u>	<u>\$ 1,792,344</u>	<u>\$ 6,081,609</u>	<u>\$ 7,873,953</u>	<u>6.4</u>

2006

Name	Water Sales in Millions of Gallons	Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
Pensacola Christian College	93.7	\$ 150,116	\$ 421,372	\$ 571,488	0.7
Baptist Hospital	72.1	125,261	313,774	439,035	0.6
Escambia County Jail	75.6	120,013	299,630	419,643	0.5
Escambia Housing	65.1	113,365	296,512	409,877	0.5
Portofino Island Resort	37.0	117,999	171,467	289,466	0.4
Sacred Heart Hospital	49.3	86,713	186,844	273,557	0.3
Perdido Housing	41.2	67,436	187,536	254,972	0.3
Pall Gelman Sciences	46.6	71,979	174,191	246,170	0.3
U.S. Navy - Saufley Field	46.8	66,115	163,860	229,975	0.3
University of West Florida	0.0	491	202,007	202,498	0.3
Columbia West Florida Regional Medical Center	32.6	54,275	147,740	202,015	0.3
Area Housing	26.9	45,545	122,760	168,305	0.2
Pensacola Village Apartments	27.5	43,105	125,163	168,268	0.2
Crown Health Care & Laundry	31.5	49,312	114,903	164,215	0.2
Clerk of the Court MC Blanchard Building	25.9	40,567	118,020	158,587	0.2
	<u>671.8</u>	<u>\$ 1,152,292</u>	<u>\$ 3,045,779</u>	<u>\$ 4,198,071</u>	<u>5.3</u>

**EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL EMPLOYERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2015 AND 2006
(UNAUDITED)**

2015

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Baptist Health Care	6,612	4.72%
Navy Federal Credit Union	4,494	3.21%
Sacred Heart Health System	3,483	2.49%
Gulf Power Company	1,371	0.98%
West Florida Healthcare	1,200	0.86%
Ascend Performance Materials	800	0.57%
West Corporation	800	0.57%
Medical Center Clinic	500	0.36%
International Paper	425	0.30%
Cox Communications	400	0.29%
CHCS Services/igate	380	0.27%
	<u>20,465</u>	<u>14.62%</u>

2006

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Sacred Heart Health System	3,500	2.57%
Baptist Health Care	3,470	2.55%
University of West Florida	2,400	1.77%
Solutia, Inc.	1,800	1.32%
Lakeview Center	1,500	1.10%
Gulf Power Company	1,400	1.03%
West Florida Regional Medical	1,300	0.96%
Pensacola Christian College	1,078	0.79%
International Paper	900	0.66%
West Corporation	800	0.59%
Pensacola Junior College	770	0.57%
	<u>18,918</u>	<u>13.91%</u>

Source: Pensacola Chamber of Commerce, Enterprise Florida Inc., Reference USA, and Florida Research and Economic Development Labor Market Statistics

**EMERALD COAST UTILITIES AUTHORITY
RECORDED RAINFALL
(UNAUDITED)**

Pensacola, Florida
October 2014 - September 2015

Month	Monthly Rainfall (inches)
October	4.44
November	1.20
December	3.50
January	6.47
February	3.94
March	2.38
April	9.98
May	5.13
June	4.10
July	7.00
August	6.71
September	6.36
	61.21

Pensacola, Florida
Last Ten Fiscal Years

Year	Annual Rainfall (inches)
2006	45.53
2007	41.42
2008	71.00
2009	72.40
2010	83.65
2011	48.15
2012	70.49
2013	69.52
2014	84.98
2015	61.21

Source: National Oceanic and Atmospheric Administration
www.srh.noaa.gov

**EMERALD COAST UTILITIES AUTHORITY
WATER CONSUMPTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Pumped (Millions of gallons)</u>	<u>Consumption Billed (Millions of gallons)</u>	<u>Unaccounted For (Millions of gallons)</u>	<u>Percentage Unaccounted For</u>
2006	13,808	12,660	1,148	8.31%
2007	13,357	11,857	1,500	11.23%
2008	12,159	11,001	1,158	9.52%
2009	11,583	10,504	1,079	9.32%
2010	12,253	10,511	1,742	14.22%
2011	12,725	11,592	1,133	8.90%
2012	11,435	10,636	799	6.99%
2013	11,041	9,838	1,203	10.90%
2014	11,382	10,217	1,165	10.24%
2015	11,684	10,262	1,422	12.17%
	<u>121,427</u>	<u>109,078</u>	<u>12,349</u>	10.17%

**EMERALD COAST UTILITIES AUTHORITY
SEWAGE PLANT FLOWS
(MILLIONS OF GALLONS)
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Central Water Reclamation Facility (1)</u>	<u>Main Street Wastewater Treatment Plant (2)</u>	<u>Bayou Marcus Water Reclamation Facility</u>	<u>Pensacola Beach Wastewater Treatment Plant</u>	<u>Total</u>
2006		5,785	1,802	283	7,870
2007		5,549	1,813	275	7,637
2008		6,060	1,931	322	8,313
2009		5,620	1,951	307	7,878
2010		6,002	2,374	329	8,705
2011	3,736	1,312	2,116	300	7,464
2012	5,227		1,944	330	7,501
2013	5,186		2,252	287	7,725
2014	5,575		2,345	287	8,207
2015	5,102		2,147	326	7,575
	<u>24,826</u>	<u>30,328</u>	<u>20,675</u>	<u>3,046</u>	<u>78,875</u>

Notes: (1) The Central Water Reclamation Facility began accepting sewage flows August 30, 2010.
(2) The Main Street Wastewater Treatment Plant was taken offline April 28, 2011.

**EMERALD COAST UTILITIES AUTHORITY
OPERATING INDICATORS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Water:										
New connections	614	588	666	524	438	424	437	659	1,192	1,232
Average daily consumption (MGD)	31.972	31.142	30.227	31.180	34.816	33.560	32.914	34.473	33.617	36.430
Maximum daily flow (MGD)	36.956	53.280	50.697	50.180	54.033	45.590	58.426	55.466	60.092	65.375
Minimum daily flow (MGD)	27.569	22.328	22.109	22.460	22.436	24.680	24.242	25.105	25.747	26.200
Raw water pumped and treated (MG)	11,684	11,382	11,041	11,435	12,725	12,253	11,583	12,159	13,357	13,808
Wastewater:										
New connections	709	885	1,024	629	494	556	569	560	1,460	1,333
Treatment capacity (MGD)	33.100	33.100	33.100	33.100	33.100	30.600	30.600	30.600	30.600	30.600
Average daily treated flow (MGD)	21.603	22.116	21.158	20.506	20.583	23.776	21.598	22.800	20.931	21.574
Percent of capacity utilized	65.3	66.8	62.8	47.6	72.5	75.5	71.2	72.6	68.8	76.3
Percent of unused capacity	34.7	33.2	37.2	52.4	27.5	24.5	28.8	27.4	31.2	23.7
Sanitation System:										
Residential (tons/year)	67,826	74,779	74,949	71,931	70,239	73,555	75,094	79,877	80,639	82,216
Yard waste (tons/year)	21,644	25,122	22,626	17,990	17,711	14,479	13,069	12,332	11,279	11,481
Recycling waste (tons/year) ⁽¹⁾	13,490	12,064	11,132	10,357	9,148	7,864	3,682	-	-	-
Bulk waste (tons/year)	6,496	7,064	5,538	3,590	2,602	3,015	2,958	2,726	3,729	4,698
Total residential tons	<u>109,456</u>	<u>119,029</u>	<u>114,245</u>	<u>103,868</u>	<u>99,700</u>	<u>98,913</u>	<u>94,803</u>	<u>94,935</u>	<u>95,647</u>	<u>98,395</u>
Average number of customers/month	87,513	81,554	73,763	79,810	79,516	78,711	73,256	63,617	63,877	63,088
Refuse collected (tons/customer/year)	1.251	1.460	1.549	1.301	1.254	1.257	1.294	1.492	1.497	1.560
Commercial (tons/year)	12,529	11,217	10,418	10,179	10,388	6,678	9,308	18,314	15,558	15,131
Roll-off (tons/year)	4,929	3,461	3,212	1,333	1,128	1,627	3,603	6,567	9,802	8,543
Total commercial tons	<u>17,458</u>	<u>14,678</u>	<u>13,630</u>	<u>11,512</u>	<u>11,516</u>	<u>8,305</u>	<u>12,911</u>	<u>24,881</u>	<u>25,360</u>	<u>23,674</u>
Average number of customers/month	1,304	1,257	1,213	1,291	1,338	1,395	837	2,912	2,853	2,448
Refuse collected (tons/customer/year)	13.388	11.677	11.237	8.917	8.607	5.953	15.425	8.544	8.889	9.671

**EMERALD COAST UTILITIES AUTHORITY
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

HOME SALES

Year	Single Family		Townhouse/Condominium	
	Number	Average Price	Number	Average Price
2006	5,788	\$ 155,304	1,175	\$ 468,699
2007	4,338	\$ 149,173	734	\$ 490,411
2008	3,058	\$ 140,700	385	\$ 419,451
2009	2,589	\$ 132,352	434	\$ 328,628
2010	2,782	\$ 120,900	413	\$ 254,111
2011	2,708	\$ 123,040	509	\$ 257,420
2012	2,984	\$ 121,471	576	\$ 222,141
2013	3,613	\$ 131,126	658	\$ 229,816
2014	4,142	\$ 134,338	697	\$ 219,194
2015	4,728	\$ 137,986	733	\$ 252,688

Source: Metro Market Trends

CONSTRUCTION STARTS

	Residential	
	Number of Units	Value (\$000)
2006	1,237	\$ 244,313
2007	948	\$ 143,129
2008	555	\$ 85,386
2009	534	\$ 181,323
2010	568	\$ 178,646
2011	639	\$ 184,737
2012	606	\$ 116,814
2013	758	\$ 152,433
2014	703	\$ 157,530
2015	811	\$ 180,427

Source: Escambia County Building Inspection Department
U. S. Census Bureau

**EMERALD COAST UTILITIES AUTHORITY
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

ESCAMBIA COUNTY POPULATION

<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>
2006	309,647	6,024	1.98%
2007	311,775	2,128	0.69%
2008	313,480	1,705	0.55%
2009	312,980	(500)	-0.16%
2010 (1)	311,184	(1,796)	-0.57%
2011	307,412	(3,772)	-1.21%
2012	299,261	(8,151)	-2.65%
2013	301,120	1,859	0.62%
2014	305,817	4,697	1.56%
2015	305,872	55	0.02%

Source: Florida Statistical Abstract
Bureau of Economic and Business Research
University of Florida
EMSI Complete Employment - 2011

Note: (1) Reflects results of 2010 Census.

**EMERALD COAST UTILITIES AUTHORITY
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

ESCAMBIA COUNTY STATISTICS

<u>Year</u>	<u>Estimated Personal Income (\$000)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	\$ 8,844,871	\$ 29,647	3.3%
2007	\$ 9,578,459	\$ 31,886	3.9%
2008	\$ 10,010,459	\$ 33,661	4.9%
2009	\$ 10,285,652	\$ 34,649	9.7%
2010	\$ 9,999,561	\$ 33,667	11.2%
2011	\$ 10,299,824	\$ 34,567	9.2%
2012	\$ 10,782,146	\$ 36,047	8.6%
2013	\$ 11,406,889	\$ 37,682	6.1%
2014	\$ 11,740,067	\$ 38,389	5.8%
2015	\$ 11,379,979	\$ 36,632	5.2%

Source: Personal income data provided by the U.S. Bureau of Economic Analysis.
Estimates for 2006-2011 reflect county population estimates available as of April 2012.
Unemployment data provided by Labor Market Statistics (State of Florida).

**FULL-TIME EQUIVALENT
EMPLOYEES BY ACTIVITY**

<u>Year</u>	<u>Water and Wastewater System</u>	<u>Sanitation System</u>	<u>Total</u>
2006	405	111	516
2007	405	111	516
2008	422	115	537
2009	416	115	531
2010	415	115	530
2011	414	117	531
2012	416	117	533
2013	435	116	551
2014	435	116	551
2015	445	116	561

Source: Authority's annual budget

**EMERALD COAST UTILITIES AUTHORITY
MISCELLANEOUS STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

CAPITAL ASSET STATISTICS BY ACTIVITY

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Water:										
Wells	32	32	32	32	32	32	32	34	34	33
Water mains (miles)	1,685	1,685	1,746	1,684	1,680	1,678	1,713	1,591	1,762	1,762
Storage capacity (MGD)	16	16	14	14	14	14	14	14	14	14
Wastewater:										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	1,243	1,237	1,222	1,209	1,202	1,198	1,294	1,079	1,089	1,089
Treatment capacity (MGD)	33	33	33	33	33	31	31	31	31	31
Sanitation:										
Collection vehicles	125	104	104	95	94	94	98	98	77	80

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**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2015
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Property Coverage	Florida Municipal Insurance Trust Policy #0162 (Florida League of Cities)	1) All Risk Coverage for structures, equipment and contents on schedules 2) Covers structures, equipment, and contents 3) Property Schedules	(1) \$100,000,000 maximum blanket coverage. All risk for real property and contents per occurrence; \$100,000 deductible on wind and peril 2% and 5% deductible for distance to waterfront locations. (2) \$100,000,000 Total Coverage.
Flood Coverage	Wright National Flood Insurance Company (PRIA – Agent)	Property Schedules	Conditions: Coverage including flood for flood in zones A through E
Automobiles	Florida Municipal Insurance Trust Policy #0162	All scheduled vehicles \$25,000 deductible on collision \$25,000 deductible on liability	\$1,000,000 Liability Limits
Boiler & Machinery (Equipment Breakdown)	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Comprehensive Coverage Pays loss from an accident to a covered object while in use or connected ready for use (as part of property coverage)	1) \$50,000,000 per accident 2) The limit of liability is paid on a repair or replacement basis Deductibles: \$100,000 each claim except equipment over 100HP
Environmental Pollution	Arch Insurance (PRIA – Agent) Policy #POL0030085-02	Covers Fuel Storage Tanks Environmental impairment liability	\$1,000,000 \$10,000 SIR per Claim

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2015
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Business Interruption Coverage/Business Income	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Covers actual loss of earnings sustained by ECUA resulting from necessary interruption of business	\$6,000,000
Business Interruption Coverage/Extra Expense	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Covers necessary extra expense incurred by ECUA to continue as nearly as practicable the normal operation of business following damage to or destruction of real and personal property	\$5,000,000
Crime Coverage/Money & Securities	Hartford Insurance Group (PRIA – Agent) Bond/Policy #21BPEGC4309	1) Losses inside and outside of premises 2) Depository Forgery	1) \$75,000 2) \$50,000
Crime Coverage/Honesty	Hartford Insurance Group (PRIA – Agent) Bond/Policy #21BSBAG2849	Bond covering losses through fraudulent or dishonest act; includes Finance Director	\$250,000
Comprehensive General Liability	ECUA Self Insured	Bodily injury and property damage	State of Florida (sovereign immunity) \$200,000 per person \$300,000 per occurrence
Road Restoration	Western Surety Company (PRIA Agent) Bond/Policy #929323580	Damages to Department of Transportation Roads	State of Florida Requirements \$10,000 Road Restoration Bond

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2015
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Cyber Liability Insurance	Illinois Union Insurance Company (PRIA – Agent) Policy #EON G25663809 001	Cyber Liability/Data Breach	<ol style="list-style-type: none"> 1) Privacy limit \$1,000,000 2) Data Breach Fund \$100,000 3) Network Security Liability \$1,000,000 4) Regulatory proceeding \$500,000 5) Policy Aggregate \$1,000,000
Directors & Officers Liability - Public Officials E & O - (Public Entity Liability Policy)	AEC Insurance Company (PRIA – Agent) Policy #EON M00613393 001	<p>Pays on behalf of public officials and employees all losses which they shall be legally obligated to pay for civil claims against them because of wrongful acts</p> <p>Reimburses ECUA for losses in which it shall be required by law to indemnify public officials and employees for civil claims made against them because of wrongful acts</p>	<p>\$1,000,000 each loss and aggregate for each policy year</p> <p>\$25,000 Each Wrongful Act other than an Employment Practices Violation; \$75,000 - Each Employment Practices Violation</p>
Workers' Compensation	Florida Municipal Insurance Trust Policy #0162	Statutory coverage: \$10,000 deductible per claim	<ol style="list-style-type: none"> 1) \$1,000,000 each accident 2) \$1,000,000 by disease 3) \$1,000,000 aggregate by disease

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2015
(UNAUDITED)**

Types of Coverage

Name of Company

Details of Coverage

Liability Limits

Medical Insurance

Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.

All plans cover annual exams, preventive care, mental health services, substance use services, and eligible inpatient and outpatient services in participating facilities. Maximum out-of-pocket per calendar year includes annual deductible.

Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus

\$1,250/2,500 deductible per calendar year
\$3,750/7,500 out-of-pocket maximum per calendar year
90/10% coinsurance for medical services
100% coverage for preventive care
Discounted fees paid for emergency health services; deductible and coinsurance
\$10/35/60 pharmacy copayment for 31-day supply, after deductible has been met
In-network & Out-of-network benefits
Employer contribution into Health Savings Account: \$750/employee only; \$1,125/employee + family

Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus

Maximum Policy Benefit: No
Maximum Policy Benefit
FMIT contracted fees are paid for covered medical services until annual deductible has been met. Coinsurance of 10% is required for eligible in-network expenses after deductible is satisfied.
Mental Health & Substance Use Services, Outpatient: 10% of eligible expenses after deductible.
Mental Health & Substance Use Services, Inpatient & Intermediate: 10% of eligible expenses after deductible.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2015
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance (Continued)	Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.	Plan 14 - FMIT Medical Plan ASO Choice Plus \$1,000/2,000 deductible per calendar year \$4,000/8,000 out-of-pocket maximum per calendar year 80/20% coinsurance for major services after deductible has been met 100% coverage for preventive care \$25/50 per office visit \$200 fee for emergency health services \$10/35/60 pharmacy copayment for 31-day supply In-network & Out-of-network benefits	Plan 14 - FMIT Medical Plan ASO Choice Plus Maximum Policy Benefit: No Maximum Policy Benefit Mental Health & Substance Use Services, Outpatient: \$25 per visit, In-network. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible, In-network.
Life Insurance	Unum	Basic Life, includes Accidental Death & Dismemberment Additional Life – optional	Basic Coverage: \$50,000 or 1x salary, whichever is greater; doubled if death is caused by accident. Additional Life: 1x, 2x, 3x or 4x salary.
Dental Insurance	United Concordia	Diagnostic/Preventive Services – plan pays 100%; Basic Services – plan pays 80% ; Major Services – plan pays 50% Orthodontics (Adult & Child) – plan pays 50%; \$50/100 calendar year deductible for Basic and Major services	Calendar year maximum per covered person is \$1,000 or \$1,500 for Diagnostic/Preventative, Basic, and Major Services. Lifetime Orthodontic Maximum per covered person is \$1,000 or \$1,500.
Long Term Disability Insurance	Unum	60% of gross monthly income, pre-disability earnings 6-month elimination period	\$5,000 maximum monthly benefit

OTHER REPORTS

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Emerald Coast Utilities Authority (the “Authority”) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated May 9, 2016.

Internal Control Over Financial Reporting

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

Members of the Board
Emerald Coast Utilities Authority

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated May 9, 2016.

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.



Pensacola, Florida
May 9, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on Compliance for Each Federal Program

We have audited Emerald Coast Utilities Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida
May 9, 2016

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS
YEAR ENDED SEPTEMBER 30, 2015**

A. SUMMARY OF AUDITOR’S RESULTS

1. The independent auditor’s report expresses an unmodified opinion on the financial statements of the Emerald Coast Utilities Authority (the “Authority”).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor’s Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor’s report on compliance for the major federal program for the Authority expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program for the Authority which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

Federal Program	CFDA No.
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs.
9. The Authority did not qualify as a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

None.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

None.

**EMERALD COAST UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2015**

There were no prior year audit findings.

**INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES**

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

We have examined the Emerald Coast Utilities Authority's (the "Authority") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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



Pensacola, Florida
May 9, 2016

MANAGEMENT LETTER

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the financial statements of the Emerald Coast Utilities Authority (the “Authority”), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 9, 2016.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133; Schedule of Findings and Questioned Costs, and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 9, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in the notes to the financial statements. The Emerald Coast Utilities Authority was established pursuant to the provisions of Chapter 81-376 Laws of Florida, Special Acts of 1981 as amended. There are no component units.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Members of the Board
Emerald Coast Utilities Authority

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



Pensacola, Florida
May 9, 2016