

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Prepared by:

Department of Finance  
Debra Buckley  
Director of Finance

## **INTRODUCTORY SECTION**

**EMERALD COAST UTILITIES AUTHORITY**  
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**TABLE OF CONTENTS**

	PAGE
<i>I. INTRODUCTORY SECTION</i>	
Letter of Transmittal .....	1 - 3
Organizational Chart.....	4
List of Principal Officials .....	5
Certificate of Achievement for Excellence in Financial Reporting.....	6
<i>II. FINANCIAL SECTION</i>	
Independent Auditor's Report .....	8 - 9
Management's Discussion and Analysis .....	10 - 17
Basic Financial Statements:	
Comparative Balance Sheets .....	20 - 21
Comparative Statements of Revenues, Expenses and Changes in Net Assets .....	22
Comparative Statements of Cash Flows .....	24 - 25
Notes to Financial Statements.....	27 - 47
Required Supplementary Information:	
Schedule of Funding Progress .....	49
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	51
Schedule of Revenues and Expenses Compared to Budget.....	52- 53

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**TABLE OF CONTENTS**  
**(Continued)**

	PAGE
<i>II. FINANCIAL SECTION (Continued)</i>	
Water and Wastewater System -	
Comparative Schedules of Assets, Liabilities and Net Assets.....	54 - 55
Comparative Schedules of Revenues, Expenses and Changes in Net Assets.....	57
Comparative Schedules of Cash Flows.....	58 - 59
Schedule of Revenues and Expenses Compared to Budget.....	60 - 61
Sanitation System -	
Comparative Schedules of Assets, Liabilities and Net Assets.....	62 - 63
Comparative Schedules of Revenues, Expenses and Changes in Net Assets.....	64
Comparative Schedules of Cash Flows.....	66 - 67
Schedule of Revenues and Expenses Compared to Budget.....	68 - 69
<i>III. STATISTICAL SECTION - UNAUDITED</i>	
Net Assets by Component - Last Ten Fiscal Years .....	73
Schedules of Revenues and Expenses - Last Ten Fiscal Years .....	74 - 75
Outstanding Debt by Type and Per Water Customer - Last Ten Fiscal Years .....	76
Debt Service Coverage - Last Ten Fiscal Years .....	77

**EMERALD COAST UTILITIES AUTHORITY**  
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**TABLE OF CONTENTS**  
**(Continued)**

	PAGE
<i>III. STATISTICAL SECTION - UNAUDITED (Continued)</i>	
Number of Active Customers at Fiscal Year End - Last Ten Fiscal Years .....	78
Principal Customers .....	79
Principal Employers .....	80
Recorded Rainfall .....	81
Water Consumption - Last Ten Fiscal Years .....	82
Sewage Plant Flows - Last Ten Fiscal Years .....	83
Operating Indicators - Last Ten Fiscal Years .....	84
Miscellaneous Statistics - Last Ten Fiscal Years .....	85 - 88
Schedule of Insurance .....	90 - 94
 <i>IV. OTHER REPORTS</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed with <i>Government Auditing Standards</i> .....	95 - 96
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	97 - 98
Schedule of Findings and Questioned Costs .....	99 - 100
Management Letter .....	101- 103

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March 21, 2013

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, 2012. 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. Responsibility for both the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operation of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

Management’s Discussion and Analysis (“MD&A”) can be found in the Financial Section immediately following the report of the independent auditors. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Authority’s management staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **The Reporting Entity**

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 far 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 began providing sanitation service in 1992 through an acquisition of the system previously operated by Escambia County. Since that time, mandatory garbage collection and automated pick-up have been implemented throughout the service area. The Authority also purchased two additional residential systems in 1994.

## **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, which is utilized when the intent of the governing body is that the cost of providing goods or services to the general public be 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 loans, Federal and State grants, contributions from customers and developers, and customer revenues.

The Authority 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.** The county has a diverse economic base that includes military, industry, shipping, tourism and recreation, agriculture, services, and retail sales trade. The United States Department of Labor Bureau of Labor Statistics listed Escambia County's unemployment rate for September 2012 at 8.6%. The County's rate matches the state unemployment rate and is slightly above the nation's 7.6% rate.

Sales of single-family homes, townhouses and condominiums in Escambia County rose 10% from 3,217 in 2011 to 3,560 in 2012. Decreases in the average sales price, low mortgage rates, and increased optimism about the economy contributed to the increased sales.

**Long-term financial planning.** Capital construction planning entails an evaluation and ranking process that begins in advance of the operating budget process. 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 2013 capital improvement budget provides an aggressive approach targeting system repairs and the Sanitary Sewer Overflow/Inflow and Infiltration program. Funding for the 2013 capital improvements plan is anticipated to come from the issuance of debt either from the State Revolving Loan Fund, bank loans, or bonds. The current capital improvements plan totals \$252 million over the next five year planning period.

Stringent financial planning and conservative budgeting have ensured that the Authority remains fiscally sound. Water and wastewater rates increased 7% and 4.5% for the fiscal years beginning October 1, 2011 and 2012, respectively. Sanitation service rates increased 1.7% effective October 1, 2011 mainly due to an increase in the disposal fees at the Escambia County Landfill. The Authority was able to avoid a rate increase for its sanitation customers for fiscal year 2013, due to expected fuel cost savings from the utilization of compressed natural gas as our primary fuel source.

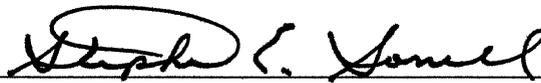
**Independent Audit.** State statutes require that the Authority’s financial statements be audited by an independent certified public accounting firm. This requirement has been satisfied by the certified public accounting firm of Saltmarsh, Cleaveland & Gund. Their report on the Authority’s financial statements is included in the financial section of this report.

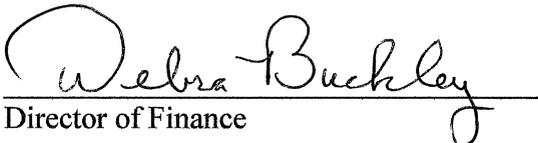
**Awards and Acknowledgements**

The Authority was 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, 2011. This is the twenty-fourth consecutive year the Authority has received the prestigious national award. The Certificate of Achievement 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.

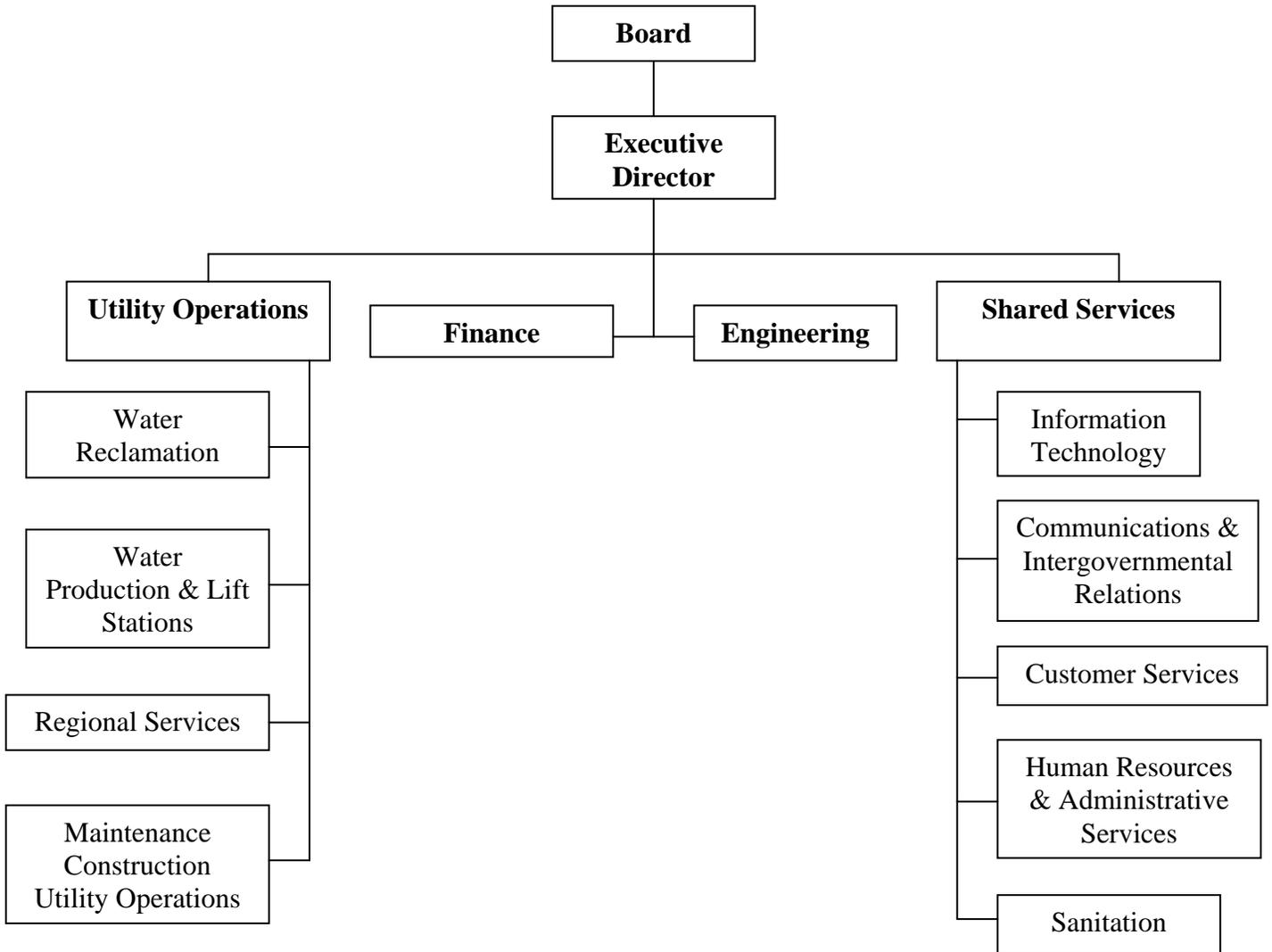
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. Preparation of this CAFR would not have been possible without the dedicated effort of the entire Finance Department staff. We would also like to thank the Board for their support and leadership in planning and conducting the financial operations of the Authority in a most responsible and progressive manner.

Respectfully submitted,

  
Executive Director

  
Director of Finance

# EMERALD COAST UTILITIES AUTHORITY





P. O. Box 15311 • 9255 Sturdevant Street  
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Ph: 850-476-5110 • fax: 850-494-7346

## PRINCIPAL OFFICIALS

### Board Members

Elvin McCorvey

Larry Walker

Dale Perkins

Lois Benson

Elizabeth Campbell

### Authority Officials

Stephen E. Sorrell

Executive Director

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Mouill*

President

*Jeffrey R. Emer*

Executive Director

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited the accompanying basic financial statements of the Emerald Coast Utilities Authority as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Emerald Coast Utilities Authority, as of September 30, 2012 and 2011, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2013 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* and should be considered in assessing the results of our audit.

Members of the Board  
Emerald Coast Utilities Authority

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 17 and the Schedule of Funding Progress on page 49 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.

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. 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 accompanying 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. The Schedule of Expenditures of Federal Awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



Pensacola, Florida  
March 21, 2013

## 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 on September 30, 2012. Please read it in conjunction with the letter of transmittal, and the financial statements with accompanying notes.

### Financial Highlights

- The Authority's assets exceeded its liabilities on September 30, 2012 by \$494 million (net assets), a \$25 million increase over the previous fiscal year. Of this amount, \$105 million (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining \$389 million, approximately \$337 million was invested in capital assets net of related debt, while the remainder was restricted for utility plant expansion (\$2 million) and debt service and other bond requirements (\$50 million).
- Long-term debt increased by approximately \$20 million over fiscal year 2011. The Authority received \$25 million in additional State Revolving Loan Funds ("SRF") loans. Debt service coverage for 2012 was 164%, which exceeded the debt service covenants requirement of 125%.
- Operating revenue for 2012 remained constant at \$105 million while operating expenses before depreciation and amortization decreased 2% or \$900 thousand.
- The volume of potable water sold in 2012 decreased over 2011 by 956 million gallons. The decrease is attributed to the increased rainfall. The Authority processed over 7.5 billion gallons of wastewater at its three water reclamation facilities during the past year. Approximately 86% of the total is directed to beneficial reuse through agreements with industrial reuse partners and through the wetlands application system at the Bayou Marcus Wastewater Treatment Facility.

### Overview of the Annual Financial Report

The Comprehensive Annual Financial Report ("CAFR") is presented in three sections: Introductory, Financial, and Statistical. 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 assets; a statement of cash flows; and notes to the financial statements.

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

The **statement of revenues, expenses, and changes in net assets** presents the results of the business activities during the reporting period and information as to how the net assets changed during the year. All changes in net assets 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 the schedule of expenditures of federal awards, budgetary comparisons, data on other postemployment benefits, 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,			2012 to 2011		2011 to 2010	
	2012	2011	2010	Dollars	%	Dollars	%
Capital Assets:							
Producing assets	\$ 686,562,829	\$ 655,748,523	\$ 403,620,977	\$ 30,814,306	4.7%	\$ 252,127,546	62.5%
Construction in progress	20,004,358	28,176,185	290,746,312	(8,171,827)	-29.0%	(262,570,127)	-90.3%
Current assets	59,332,504	52,382,620	39,643,815	6,949,884	13.3%	12,738,805	32.1%
Other assets	167,613,665	148,122,858	135,678,610	19,490,807	13.2%	12,444,248	9.2%
Total assets	<u>\$ 933,513,356</u>	<u>\$ 884,430,186</u>	<u>\$ 869,689,714</u>	<u>\$ 49,083,170</u>	5.5%	<u>\$ 14,740,472</u>	1.7%
Long-term liabilities	\$ 398,399,472	\$ 377,582,778	\$ 329,169,866	\$ 20,816,694	5.5%	48,412,912	14.7%
Current liabilities	40,282,711	37,024,859	47,518,444	3,257,852	8.8%	(10,493,585)	-22.1%
Total liabilities	438,682,183	414,607,637	376,688,310	24,074,546	5.8%	37,919,327	10.1%
Net assets:							
Invested in capital assets, net of related debt	336,895,479	382,131,022	435,474,150	(45,235,543)	-11.8%	(53,343,128)	-12.2%
Restricted	52,289,208	50,042,511	44,601,206	2,246,697	4.5%	5,441,305	12.2%
Unrestricted	105,646,486	37,649,016	12,926,048	67,997,470	180.6%	24,722,968	191.3%
Total net assets	<u>494,831,173</u>	<u>469,822,549</u>	<u>493,001,404</u>	<u>25,008,624</u>	5.3%	<u>(23,178,855)</u>	-4.7%
Total liabilities and net assets	<u>\$ 933,513,356</u>	<u>\$ 884,430,186</u>	<u>\$ 869,689,714</u>	<u>\$ 49,083,170</u>	5.5%	<u>\$ 14,740,472</u>	1.7%

Total net assets as of September 30, 2012 were approximately \$494 million, an increase of 5.3% from the prior year resulting from a decrease in the construction fund and increases in utility plant and long-term and short-term debt. Unrestricted net assets increased 181%, or \$68 million due to an increase in contributions. Total net assets decreased \$23 million from 2010 to 2011 as a result of the disposal of the Main Street Wastewater Treatment Plant (“MSWWTP”).

Producing assets increased \$31 million (5%) in 2012 compared to \$252 million (62.5%) in 2011. The increase in 2012 reflects additions of capitalized construction projects of \$28 million, \$31 million in capital purchases, \$1 million in developer noncash contributions, disposals of \$3 million as well as a decrease of \$26 million from depreciation. Several major lift stations and transmission lines related to the MSWWTP relocation project were completed during 2012 as well as a new administration building and phase 5 of the Lakewood Sanitary Sewer project in the Warrington area. In addition, the Authority purchased 50 sanitation trucks (\$12 million) that use compressed natural gas (“CNG”) fuel. Construction in progress decreased 29% or \$8 million dollars. The Authority spent \$23 million on capital projects during fiscal year 2012 and capitalized \$31 million in construction costs. The \$252 million increase in producing assets from 2010 to 2011 reflects additions of \$297 million capitalized construction-in-progress and \$689 thousand from developer noncash contributions offset by a decrease of \$20.7 million for depreciation. The Authority disposed of \$31 million in assets in 2011, of which the bulk is the MSWWTP. There was a corresponding decrease of \$262.6 million in construction-in-progress in 2011 due to the completion of construction projects and the transfer of those costs from construction-in-progress to utility plant in-service.

In 2012 current assets increased \$6.9 million or 13.3% as a result of an increase in cash and investments. Other assets increased \$19.5 million or 13.2% due to the recognition of the receivable from the City of Pensacola for its contribution toward the costs of replacing and demolishing the MSWWTP. Current assets increased \$13 million or 32% from 2010 to 2011 as a result of several factors, net revenues from operations was up \$7.4 million due to both rate increases and the new Central Wastewater Reclamation Facility (“CWRF”) coming on line. The remaining increases were increases in accounts receivable, materials and supplies and funds restricted for debt service payments. Increased funding for the construction fund and the cash restricted for the capital improvement program account for the increase in other assets of \$12.4 million (9.2%) in 2011.

Long-term liabilities increased by \$21 million, or 5.5% during the past year compared with \$48 million, or 15% the previous fiscal year. The Authority received an additional \$25 million loan from the SRF for various construction projects. The 8.8% increase in current liabilities is attributed to the \$1.5 million loan service fee for the new SRF loan. The previous year total liabilities increased by \$38 million or 10% mainly due to the issuance of \$42.4 million in utility system revenue notes and an additional \$18 million loan secured from the SRF to finance the construction of the CWRF.

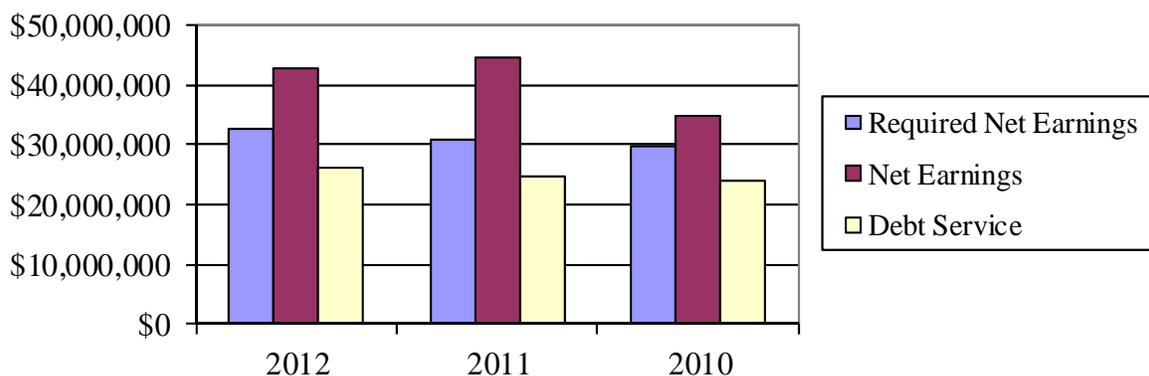
## Debt and Debt Service Coverage

The Authority received an additional \$25 million SRF loan funds during 2012 for funding the MSWWTP relocation project. Acceptance of the SRF loans allowed the Authority to utilize the bank loan funds originally obtained for relocating the MSWWTP for other capital construction projects and reduced the financial costs of those projects since the interest rate is lower than bond or bank loan financial transactions and the fees associated with the issuance of bonds were avoided. In 2011, the Authority issued \$42.4 million in utility system revenue notes to fund various projects to expand and upgrade the water and wastewater system. An additional \$18 million was received from the SRF to finance the construction of the CWRP. In 2010, the Authority received a \$20 million loan from the SRF for CWRP construction. Debt incurred under the SRF Loan program, outstanding at the end of fiscal year 2012 amounted to \$81 million and \$58 million at the end of fiscal year 2011. Additional information on the Authority's long-term debt can be found in Note 5 in the Notes to the Financial Statements 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 2012 and 2011 was 164% and 182%, 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 equity. 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



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

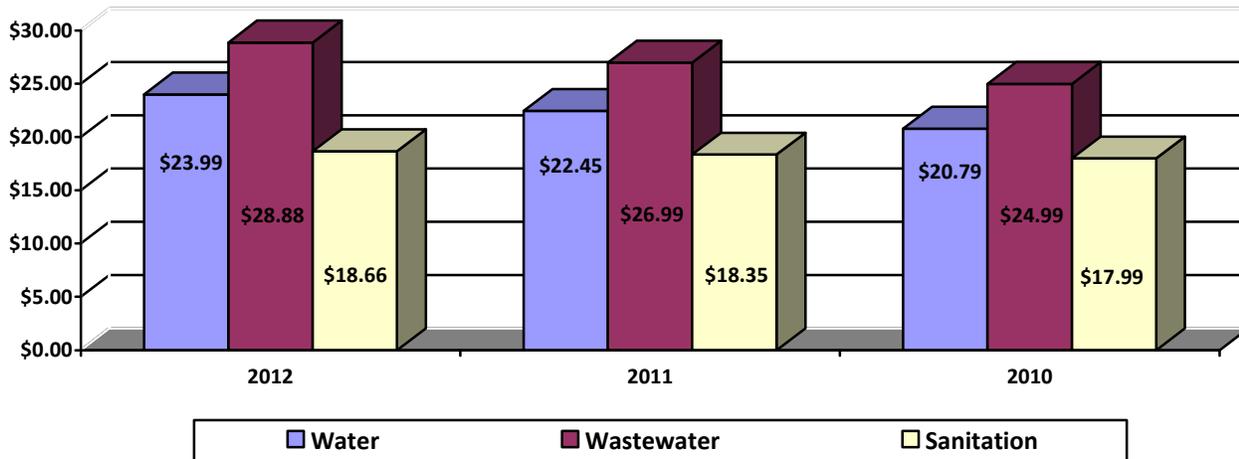
**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**  
**Three-Year Comparison**  
**Year Ended September 30,**

	2012	2011	2010	2012 to 2011		2011 to 2010	
				Dollars	%	Dollars	%
Revenues:							
Customer charges:							
Wastewater	\$43,134,578	\$41,334,031	\$39,211,690	\$1,800,547	4.4%	\$2,122,341	5.4%
Water	34,392,211	34,458,119	30,199,110	(65,908)	-0.2%	4,259,009	14.1%
Sanitation	19,287,846	18,728,379	17,947,986	559,467	3.0%	780,393	4.3%
Total customer charges	96,814,635	94,520,529	87,358,786	2,294,106	2.4%	7,161,743	8.2%
Connection charges	310,407	262,858	232,556	47,549	18.1%	30,302	13.0%
Sewer improvement fee	5,894,574	5,891,646	5,917,989	2,928	0.0%	(26,343)	-0.4%
Other	2,602,988	4,963,165	2,265,915	(2,360,177)	-47.6%	2,697,250	119.0%
Total operating revenues	105,622,604	105,638,198	95,775,246	(15,594)	0.0%	9,862,952	10.3%
Expenses:							
Operating expenses:							
Water & Wastewater	72,798,897	68,883,304	67,245,872	3,915,593	5.7%	1,637,432	2.4%
Sanitation	18,886,301	18,230,988	17,380,513	655,313	3.6%	850,475	4.9%
Total operating expenses	91,685,198	87,114,292	84,626,385	4,570,906	5.2%	2,487,907	2.9%
Operating income	13,937,406	18,523,906	11,148,861	(4,586,500)	-24.8%	7,375,045	66.2%
Non-operating revenues (expenses):							
Investment income	574,772	815,698	2,297,025	(240,926)	-29.5%	(1,481,327)	-64.5%
Settlement income	112	412,746	812,795	(412,634)	-100.0%	(400,049)	-49.2%
Interest expense	(15,791,340)	(15,036,880)	(12,906,621)	(754,460)	5.0%	(2,130,259)	16.5%
Loss on disposal of assets	(585,515)	(30,986,812)	(865,485)	30,401,297	-98.1%	(30,121,327)	3480.3%
Increase in net assets, before contribution	(1,864,565)	(26,271,342)	486,575	24,406,777	-92.9%	(26,757,917)	-5499.2%
Capital contributions:							
Cash	25,615,644	2,403,330	18,700,643	23,212,314	965.8%	(16,297,313)	-87.1%
Non-cash	1,257,545	689,157	2,375,861	568,388	82.5%	(1,686,704)	-71.0%
Total capital contributions	26,873,189	3,092,487	21,076,504	23,780,702	769.0%	(17,984,017)	-85.3%
Change in net assets	25,008,624	(23,178,855)	21,563,079	48,187,479	-207.9%	(44,741,934)	-207.5%
Net assets at beginning of year	469,822,549	493,001,404	471,438,325	(23,178,855)	-4.7%	21,563,079	4.6%
Total net assets	\$494,831,173	\$469,822,549	\$493,001,404	\$25,008,624	5.3%	(\$23,178,855)	-4.7%

A rate increase of 4.5% was implemented for fiscal year 2012 for water and wastewater services. This rate increase and the 1.5% growth in wastewater customers account for the growth in wastewater revenues. The rate increase for water service was impacted by the increased rainfall resulting in a .2% decrease in water revenue. The Pensacola area received 70.5 inches in 2012 compared with 48 inches in 2011. The rainfall is also attributed to the fluctuation in billed water consumption which decreased by 1 million gallons from 2011 to 2012 compared with an increase of 1 million gallons from 2010 to 2011. The number of wastewater customers increased by 1,035 from 2011 to 2012 and by 365 from 2010 to 2011. The completion of six sewer expansion programs provided sewer connections to 1,037 homes previously served by septic tanks. The number of water customers grew by 587 customers in 2012 after dropping slightly the previous year.

Water and Wastewater revenues for the 2011 and 2010 fiscal years increased primarily due to rate increases of 7% and 5.93%, respectively. 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 6800 gallons of water and 4800 gallons of wastewater.

### Monthly Residential Customer Bill



The Authority was able to expand sanitation services with no increase in rates during 2012. The 3% increase in revenue is attributed to a 1.4% increase in the number of customers. A 1.7% rate increase implemented October 1, 2010 accounts for the 4.3% increase in sanitation revenue in 2011.

Other income decreased in 2012 by \$2.3 million, or 48%, after increasing \$2.7 million, or 119%, from 2010 to 2011. Several things contributed to the abnormally high increase in 2011 including receipt of State and Tribal Assistance Grant (“STAG”) funds of approximately \$1.7 million, an additional \$273 thousand from the sale of recyclable commodities and scrap metals, the recognition of \$319 thousand from the write-off of prepaid water and wastewater connection fees. While preparing to close the MSWWTP, a number of spare parts were identified that would be useful at various lift stations and water plants. An adjustment of \$537 thousand was recorded as other income to increase inventory for the value of these spare parts which had been expensed in previous years.

In 2009 the City of Pensacola (“City”) entered into an agreement with the Authority to contribute \$19.5 million toward the costs of replacing and demolishing the MSWWTP, which was located in a prime development area in downtown Pensacola. Upon the City’s acceptance of the Authority’s accounting of the project costs, the Authority has recognized a receivable and corresponding contribution for the full amount. The \$19.5 million will be paid in 15 annual installments of \$1.3 million with the first installment due January 15, 2013. The Authority also received a \$3.8 million Community Development Block Grant (“CDBG”) grant and \$2.3 million in water and wastewater impact fees in 2012. During 2011 the Authority received \$625 thousand in cash contributions from Escambia County for sewer expansion projects and \$1.7 million in water and wastewater impact fees. In 2010, \$15.4 million in FEMA grants was recorded. No funds were received from FEMA during 2011 or 2012. Non-cash contributions from developers increased \$568 thousand from 2011 to 2012 as a result of an increase in residential building. Non-cash contributions decreased \$1.6 million in 2011 after rising \$1.8 million in 2010. 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 control.

The \$31 million loss on disposal of assets in 2011 is due to the removal of the cost and corresponding accumulated depreciation of the MSWWTP. The plant was taken off line April 28, 2011 and demolition of the plant began September 2011.

## **Expenses**

Water and wastewater operating expenses increased 5.7%, or \$4 million, from fiscal year 2011 to 2012. Several things contributed to the increased costs, among them postage, maintenance of new lift stations, expanded training for new equipment, and depreciation. Fiscal year 2011 water and wastewater operating expenses increased 2.4%, or \$1.6 million. Increases in utilities and depreciation expense were offset by decreases in contractual services and repairs and maintenance expenses.

Sanitation expenses increased 3.6%, or \$600 thousand due to increases in tipping fees, gasoline consumption, insurance, and funding of a waste-to-energy study. Increases in tipping fees, supplies, and depreciation expense account for the 4.9% (\$850 thousand) increase in sanitation operating expenses in 2011.

## **Capital Assets**

The Authority spent \$48 million on construction projects in 2012 compared with \$42 million in 2011. An additional \$10.5 million was spent on the CWRF, \$15 million to expand and upgrade the gravity sewer system, \$12 million on compressed natural gas fueled vehicles, and \$2 million to upgrade lift stations.

Significant capital investments in 2011 include \$17 million on the CWRF, \$6 million to expand and upgrade the gravity sewer system, \$6 million on the International Paper wetlands disposal project, \$2.7 million on replacement vehicles, \$2.3 million to upgrade lift stations, \$2 million on the Pensacola Beach Wastewater Treatment Plant, and \$1.8 million to upgrade water lines and maintain wells and water tanks.

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 projected revenue for the fiscal year 2013 water and wastewater budget includes a 4.5% rate increase. The total increase in operation expenses from the 2012 fiscal year is 6.44% for water and wastewater primarily due to the increased cost of electricity, fuel, chemicals, and health care. Sanitation rates will not increase in 2013 and expenses are projected to decrease 5.14% due the conversion to CNG fuel. The savings realized through the reduced fuel and repair and maintenance expenditures in the sanitation system will allow the Authority to pay the debt service on the CNG vehicles, offset the increased disposal costs, and provide expanded services to sanitation customers. The fiscal year 2013 budget includes \$33 million for capital improvements, including \$7 million for the Sanitary Sewer Overflow/Infiltration and Inflow program in response to the Florida Department of Environmental Protection consent order. This will be the first year of a 16-year program that the Authority established to make the system reparations required in the consent order. The Authority has included cash funding of approximately \$12 million and anticipates the issuance of \$21 million in debt either through the SRF, bank loans, or bonds.

## **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 [debra.buckley@ecua.fl.gov](mailto:debra.buckley@ecua.fl.gov).

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## **BASIC FINANCIAL STATEMENTS**

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**EMERALD COAST UTILITIES AUTHORITY  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2012 AND 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments ( <i>note 2</i> )	\$ 19,524,382	\$ 15,714,815
Accounts receivable less allowance for doubtful accounts of \$1,128,000 and \$1,035,300 in 2012 and 2011, respectively	13,601,489	14,523,127
Grants receivable	1,057,147	373,483
Due from other governments	1,300,000	-
Materials and supplies ( <i>note 1</i> )	4,754,912	4,170,824
Prepaid expenses	383,545	280,015
Restricted assets -		
Restricted by debt agreements - Sinking fund	14,666,888	13,299,562
Customer deposits	4,044,141	4,020,794
	<b>59,332,504</b>	<b>52,382,620</b>
<b>Total current assets</b>	<b>59,332,504</b>	<b>52,382,620</b>
 <b>Noncurrent Assets:</b>		
Due from other governments	18,200,000	-
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,035,935	6,810,537
Operating and maintenance fund	5,601,296	5,776,986
Construction fund	44,995,431	89,813,469
Forward supply agreement	19,626,267	19,412,340
Debt service reserve	3,064,009	3,057,884
Impact fees	2,294,813	1,685,202
Capital improvement program	49,688,590	9,664,953
Sewer improvement fees	8,691,679	4,607,234
Self-insurance funds ( <i>note 12</i> )	4,997,116	4,997,116
Total noncurrent restricted assets	<b>145,995,136</b>	<b>145,825,721</b>
Capital assets -		
Utility plant in service	878,530,188	821,005,154
Construction work in progress	20,004,358	28,176,185
Intangible assets	14,996,954	14,996,954
	<b>913,531,500</b>	<b>864,178,293</b>
Less accumulated depreciation and amortization	206,964,313	180,253,585
Total capital assets ( <i>notes 1 and 3</i> )	<b>706,567,187</b>	<b>683,924,708</b>
Unamortized debt issuance costs (net of accumulated amortization of \$2,479,667 and \$2,671,082 in 2012 and 2011, respectively) ( <i>note 1</i> )	3,418,529	2,297,137
	<b>874,180,852</b>	<b>832,047,566</b>
<b>Total noncurrent assets</b>	<b>874,180,852</b>	<b>832,047,566</b>
 <b>Total Assets</b>	<b>\$ 933,513,356</b>	<b>\$ 884,430,186</b>

## LIABILITIES AND NET ASSETS

	2012	2011
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 3,174,176	\$ 2,965,479
Due to other governments	352,279	1,183,288
Payroll and compensated absences payable ( <i>note 1</i> )	1,668,015	1,754,627
Loan service fees payable	1,500,000	-
Other current liabilities	26,684	25,208
Total current liabilities (payable from current assets)	6,721,154	5,928,602
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt ( <i>notes 1 and 5</i> )	17,104,853	13,854,656
Accrued interest payable	4,060,844	4,162,366
Accounts payable - capital improvements	7,059,907	8,004,650
Customer deposits	4,044,141	4,020,794
Claims liabilities ( <i>note 12</i> )	1,291,812	1,053,791
Total current liabilities (payable from restricted assets)	33,561,557	31,096,257
Total current liabilities	40,282,711	37,024,859
<b>Long-Term Liabilities:</b>		
Long-term debt ( <i>notes 1 and 5</i> )	393,501,442	373,590,133
Long-term compensated absences payable ( <i>notes 1 and 5</i> )	1,359,693	1,310,779
Other postemployment benefits ( <i>note 11</i> )	3,538,337	2,681,866
Total long-term liabilities	398,399,472	377,582,778
Total liabilities	438,682,183	414,607,637
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	336,895,479	382,131,022
Restricted for debt service and other bond requirements ( <i>note 1</i> )	49,994,395	48,357,309
Restricted for expansion of utility plant ( <i>note 1</i> )	2,294,813	1,685,202
Unrestricted	105,646,486	37,649,016
Total net assets	494,831,173	469,822,549
<b>Commitments and Contingencies</b> ( <i>note 13</i> )	--	--
<b>Total Liabilities and Net Assets</b>	<b>\$ 933,513,356</b>	<b>\$ 884,430,186</b>

The accompanying notes are an integral  
part of these financial statements.

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	2012	2011
<b>Operating Revenues:</b>		
Customer charges -		
Wastewater	\$ 43,134,578	\$ 41,334,031
Water	34,392,211	34,458,119
Sanitation	19,287,846	18,728,379
Connection charges	310,407	262,858
Sewer improvement fees	5,894,574	5,891,646
Other	2,602,988	4,963,165
 Total operating revenues	 105,622,604	 105,638,198
<b>Operating Expenses Before Depreciation and Amortization:</b>		
Personal services	33,788,211	33,711,026
Contractual services	2,439,550	2,676,946
Professional services	826,045	677,373
Supplies	7,189,590	6,712,469
Repairs and maintenance	4,452,693	3,404,606
Heat, light and power	6,708,980	7,564,477
Tipping fees	4,243,247	4,130,202
Other	3,405,216	3,276,376
 Total operating expenses before depreciation and amortization	 63,053,532	 62,153,475
<b>Operating Income Before Depreciation and Amortization</b>	42,569,072	43,484,723
<b>Depreciation and Amortization</b>	28,631,666	24,960,817
 Operating income	 13,937,406	 18,523,906
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	574,772	815,698
Settlement income	112	412,746
Interest expense	(15,791,340)	(15,036,880)
Loss on disposal of assets	(585,515)	(30,986,812)
 Total nonoperating revenues (expenses)	 (15,801,971)	 (44,795,248)
<b>Loss Before Capital Contributions</b>	(1,864,565)	(26,271,342)
Capital contributions - cash ( <i>note 8</i> )	25,615,644	2,403,330
Capital contributions - noncash ( <i>note 8</i> )	1,257,545	689,157
 <b>Change in Net Assets</b>	 25,008,624	 (23,178,855)
<b>Net Assets at Beginning of Year</b>	469,822,549	493,001,404
<b>Net Assets at End of Year</b>	 \$ 494,831,173	 \$ 469,822,549

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**EMERALD COAST UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 109,388,150	\$ 108,871,529
Cash paid to suppliers for goods and services	(43,295,879)	(42,628,381)
Cash paid to employees for services	(23,513,426)	(24,296,427)
Net cash provided by operating activities	<u>42,578,845</u>	<u>41,946,721</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(39,793,828)	(56,508,019)
Proceeds from issuance of long-term debt	47,418,031	60,654,445
Debt issuance costs	(104,180)	(93,903)
Principal paid on long-term debt	(14,412,424)	(12,017,968)
Interest paid on long-term debt	(14,428,081)	(13,215,162)
Payments to defease long-term debt	(22,799,816)	-
Proceeds from sale of assets	220,692	130,276
Contributions from developers, customers and other governments	6,115,644	2,083,802
Net cash used for capital and related financing activities	<u>(37,783,962)</u>	<u>(18,966,529)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	360,845	306,337
Purchases of investments	-	(56,476,654)
Proceeds from maturities of investments and notes receivable	130,838	133,054,985
Net cash provided by investing activities	<u>491,683</u>	<u>76,884,668</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>5,286,566</b>	<b>99,864,860</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>158,693,607</u></b>	<b><u>58,828,747</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 163,980,173</u></b>	<b><u>\$ 158,693,607</u></b>

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2012 AND 2011**  
**(Continued)**

	2012	2011
<b>Reconciliation of Operating Income to Net Cash Provided by Operations:</b>		
Operating income	\$ 13,937,406	\$ 18,523,906
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	28,631,666	24,960,817
Settlement income	112	412,746
Changes in -		
Accounts receivable, net	237,974	(483,840)
Materials and supplies	(584,088)	(819,022)
Prepaid expenses	(103,530)	(187,332)
Accounts payable	208,697	(80,782)
Due to other governments	(831,009)	10,863
Payroll and compensated absences payable	(86,612)	(1,177,139)
Other current liabilities	1,476	7,226
Long-term compensated absences payable	48,914	(27,719)
Other postemployment benefits	856,471	854,785
Customer deposits	23,347	63,022
Claims liabilities	238,021	(110,810)
Net cash provided by operating activities	\$ 42,578,845	\$ 41,946,721
 <b>Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:</b>		
Cash and investments	\$ 19,524,382	\$ 15,714,815
Restricted assets	164,706,165	163,146,077
	184,230,547	178,860,892
Less notes receivable and investments	(20,250,374)	(20,167,285)
Cash and cash equivalents	\$ 163,980,173	\$ 158,693,607
 <b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Property contributed by developers and others <i>(note 8)</i>	\$ 1,257,545	\$ 689,157
Contributed capital included in amounts due from other governments	\$ 19,500,000	\$ -
Unrealized appreciation in fair value of investments	\$ 213,927	\$ 509,361
Equipment acquired under capital lease	\$ 11,973,722	\$ -

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## **NOTES TO FINANCIAL STATEMENTS**

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

**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. As allowed by the Governmental Accounting Standards Board ("GASB"), the Authority has elected not to adopt Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

*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, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 assets and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; 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.

*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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Debt Issuance Costs:*

Debt issuance costs are amortized over the estimated life of the issue using the straight-line method.

*Long-Term Debt/Capital Appreciation Bonds:*

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

*Accumulated 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.

*Net Assets:*

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

*Invested in capital assets, net of related debt* - 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 assets with constraints placed on their use by revenue bond resolution.

*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 assets 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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 Deferred 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 deferred revenue.

*Capital Contributions:*

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

*Reclassifications:*

Certain reclassifications were made to the 2011 financial statements to conform to the current year presentation.

**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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Deposits:*

The Authority's deposits at September 30, 2012 and 2011 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, 2012 and 2011, the carrying amount of the deposits was \$75,375,905 and \$75,371,646, respectively, and the bank balance was \$76,865,682 and \$76,048,256, respectively.

*Investments:*

As of September 30, 2012, the Authority had the following investments:

	<u>Maturities</u>	<u>2012</u>	<u>2011</u>
U.S. Treasury Securities	November 2014	\$ 19,626,267	\$ 19,412,340
Local Government Surplus Funds Trust Fund	Average of 39 days	59,107,695	35,363,753
Fund B Surplus Funds Trust Fund	Average of 4.08 years	620,485	753,960
Treasury Trust Fund	Average of 54 days	5,378,125	40,795,994
Money Market Mutual Funds	Average of 30 days	23,956,670	7,000,436
		<u>\$ 108,689,242</u>	<u>\$ 103,326,483</u>

*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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Credit Risk (Continued):*

The Authority's investment policy limits its investments in money market mutual funds to the highest credit quality rating from a nationally recognized rating agency. Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to the Florida PRIME as of September 30, 2012. The Florida PRIME is an external 2a7-like investment pool, in which the fair value of the Authority's position in the pool is the same as the value of the pool shares. Fund B is a fluctuating net asset value ("NAV") pool, and the fair value factor applied to the cost of investments in Fund B was .94896811 as of September 30, 2012. Fund B was not rated by a nationally recognized statistical rating agency as of September 30, 2012.

Participants cannot make additional deposits into, or any withdrawals from, Fund B. Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

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

*Interest Rate Risk:*

The Authority does not have a provision within its investment policy that sets forth specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity during the year was as follows:

<u>Cost</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Depreciable:</b>					
Buildings and building improvements	\$ 12,506,867	\$ 59,031	\$	\$ 17,604,310	\$ 30,170,208
Improvements other than buildings	720,669,022	12,703,814	(1,609,448)	12,036,327	743,799,715
Improvements under capital lease	15,537,673				15,537,673
Equipment	45,263,963	3,306,839	(1,117,698)		47,453,104
Equipment under capital lease	1,683,752	11,973,722			13,657,474
Intangible assets	14,996,954				14,996,954
<b>Nondepreciable:</b>					
Land	25,343,877	1,218,773		1,349,364	27,912,014
Construction in progress	28,176,185	22,818,174		(30,990,001)	20,004,358
	<u>864,178,293</u>	<u>52,080,353</u>	<u>(2,727,146)</u>	<u>-</u>	<u>913,531,500</u>
<b><u>Less Accumulated Depreciation and Amortization</u></b>					
Buildings and building improvements	2,928,271	303,295	(1,608)		3,229,958
Improvements other than buildings	135,374,943	22,250,118	(817,239)		156,807,822
Improvements under capital lease	3,000,088	1,500,044			4,500,132
Equipment	28,692,300	3,864,886	(1,102,091)		31,455,095
Equipment under capital lease	795,714	210,169			1,005,883
Intangible assets	9,462,269	503,154			9,965,423
	<u>180,253,585</u>	<u>28,631,666</u>	<u>(1,920,938)</u>	<u>-</u>	<u>206,964,313</u>
	<u>\$ 683,924,708</u>	<u>\$ 23,448,687</u>	<u>\$ (806,208)</u>	<u>\$ -</u>	<u>\$ 706,567,187</u>

Of the above amount classified as improvements other than buildings, approximately \$7,900,000 is the cost of the Warrington and Perdido Bay Wastewater Treatment Plants, which have been closed and are operating as lift stations. Certain components of these plants have been transferred to other sections of capital assets.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 4 - CAPITALIZED INTEREST**

Total interest costs incurred for the years ended September 30, 2012 and 2011 amounted to \$17,800,165 and \$17,177,931, respectively. Of these amounts, \$2,008,825 and \$2,141,051 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:

	<b>2012</b>	2011
\$36,582,227 Utility System Revenue Bonds, Series 1992B, including \$23,735,000 of current interest bonds and \$12,847,227 of capital appreciation bonds, interest from 3.4% to 6.25%, maturing in annual installments through January 2015, secured by net revenue	<b>\$ 36,582,227</b>	\$ 41,241,998
\$30,790,000 Utility System Revenue Bonds, Series 1998A-C, interest from 3.6% to 5.1%, maturing in annual installments through January 2023, secured by net revenue, refunded in 2012	-	9,955,000
\$18,200,000 Sanitation System Improvement and Refunding Revenue Bonds, Series 1998, interest form 3.6% to 4.6%, maturing in annual installments through January 2022, secured by net revenue, refunded in 2012	-	9,235,000
\$10,340,000 Utility System Revenue Bonds, Series 2001, interest from 3.75% to 5.28%, maturing in annual installments through January 2031, secured by net revenue	<b>6,745,000</b>	7,100,000
\$86,897,499 State of Florida Department of Environmental Protection Revolving Loans, interest from 2.04% to 3.27%, maturing through October 2032, secured by net revenue	<b>80,944,920</b>	57,960,646
\$5,845,000 Utility System Refunding Revenue Bonds, Series 2001B, interest from 3% to 5%, maturing in annual installments through January 2022, secured by net revenue	-	3,825,000
\$23,150,000 Utility System Revenue Bonds, Series 2003, interest from 2% to 5.25%, maturing in annual installments through January 2033, secured by net revenue	<b>19,145,000</b>	19,685,000

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 5 - LONG-TERM DEBT (Continued)**

	2012	2011
\$15,800,000 Utility System Refunding Revenue Bonds, Series 2004, interest from 2% to 4.5%, maturing in annual installments through July 2027, secured by net revenue	<b>12,400,000</b>	12,990,000
\$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	<b>16,295,000</b>	16,655,000
\$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	<b>24,350,000</b>	25,675,000
\$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	<b>129,515,000</b>	129,685,000
\$42,399,000 Utility System Revenue Note, Series 2010, interest at 6%, maturing in annual installments through January 2031, secured by net revenue	<b>40,972,000</b>	42,399,000
\$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	<b>12,977,000</b>	-
\$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	<b>8,544,000</b>	-
\$11,973,722 capital lease, interest at 2.12%, payments due annually through February 2019	<b>11,973,722</b>	-
\$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	<b>12,566,128</b>	13,148,796
Less: Unamortized bond premiums (discounts), net	<b>1,652,541</b>	1,424,864
Deferred loss on refunding	<b>(4,056,243)</b>	(3,535,515)
	<b>410,606,295</b>	387,444,789
Less current maturities	<b>17,104,853</b>	13,854,656
	<b>\$ 393,501,442</b>	\$ 373,590,133

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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 debt service requirements. Debt service coverage for 2012 and 2011 was 164% and 182%, respectively.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes	\$ 374,295,993	\$ 47,418,030	\$ (35,647,578)	\$ 386,066,445	\$ 14,891,670
Capital leases	13,148,796	11,973,722	(582,668)	24,539,850	2,213,183
Compensated absences payable	2,247,343	919,978	(873,854)	2,293,467	933,774
Other postemployment benefits	2,681,866	1,170,049	(313,578)	3,538,337	-
	<u>\$ 392,373,998</u>	<u>\$ 61,481,779</u>	<u>\$ (37,417,678)</u>	<u>\$ 416,438,099</u>	<u>\$ 18,038,627</u>

The annual requirements to amortize bonds and notes outstanding at September 30, 2012 are as follows:

Year Ending September 30	Principal	Interest	Total
2013	\$ 14,891,670	\$ 14,524,857	\$ 29,416,527
2014	17,226,212	13,848,062	31,074,274
2015	26,383,189	12,600,622	38,983,811
2016	17,925,578	13,038,290	30,963,868
2017	18,592,298	11,587,817	30,180,115
2018-2022	104,155,412	46,748,057	150,903,469
2023-2027	118,375,855	25,381,146	143,757,001
2028-2032	55,880,997	5,108,954	60,989,951
2033-2036	5,615,000	602,832	6,217,832
	<u>\$ 379,046,211</u>	<u>\$ 143,440,637</u>	<u>\$ 522,486,848</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

**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
2013	\$ 2,213,183	\$ 808,798	\$ 3,021,981
2014	2,274,074	747,907	3,021,981
2015	2,336,872	685,109	3,021,981
2016	2,401,646	620,335	3,021,981
2017	2,468,465	553,516	3,021,981
2018-2022	7,726,572	1,807,450	9,534,022
2023-2027	5,119,038	697,735	5,816,773
Present value of net minimum lease payments	<u>\$ 24,539,850</u>	<u>\$ 5,920,850</u>	<u>\$ 30,460,700</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, 2012, the Authority issued a \$13,151,000 Utility System Refunding Revenue Note, Series 2011 ("2011 Note"), to advance refund \$9,955,000 of Utility System Revenue Bonds, Series 1998B and \$3,825,000 of Utility System Revenue Bonds, Series 2001B. The Authority also issued an \$8,544,000 Sanitation System Refunding Revenue Bond, Series 2012 ("2012 Bond"), to advance refund \$8,570,000 of Sanitation System Revenue Bonds, Series 1998. The advance refundings resulted in differences between the acquisition price and the net carrying amount of the old debt of \$1,244,053 and \$1,083,006 for the 2011 Note and the 2012 Bond, respectively. These differences, reported in the accompanying financial statements as deductions from long-term debt, are being charged to operations through the year 2022 using the straight-line amortization method.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

**NOTE 6 - ADVANCE REFUNDINGS OF DEBT (Continued)**

The advance refundings reduced total debt service payments by approximately \$1,558,000 and \$789,000 and gave rise to economic gains of approximately \$1,314,000 and \$684,000 (difference between the present values of the old and new debt service payments) for the 2011 Note and the 2012 Bond, respectively.

At September 30, 2012, the Authority has \$56,290,000 of bonds outstanding that are considered to be defeased.

**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>2012</u>		<u>2011</u>	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current assets	\$ 53,603,755	\$ 5,728,749	\$ 49,371,157	\$ 3,011,463
Noncurrent assets	<u>841,919,202</u>	<u>32,261,650</u>	808,686,745	23,360,821
Total assets	<u>\$ 895,522,957</u>	<u>\$ 37,990,399</u>	<u>\$ 858,057,902</u>	<u>\$ 26,372,284</u>
Liabilities:				
Current liabilities	\$ 36,171,496	\$ 4,111,215	\$ 34,681,797	\$ 2,343,062
Long-term liabilities	<u>380,133,179</u>	<u>18,266,293</u>	369,132,361	8,450,417
Total liabilities	<u>416,304,675</u>	<u>22,377,508</u>	403,814,158	10,793,479
Net Assets:				
Invested in capital assets, net of related debt	326,469,941	10,425,538	370,115,890	12,015,132
Restricted	50,098,011	2,191,197	47,992,206	2,050,305
Unrestricted	<u>102,650,330</u>	<u>2,996,156</u>	36,135,648	1,513,368
Total net assets	<u>479,218,282</u>	<u>15,612,891</u>	454,243,744	15,578,805
Total liabilities and net assets	<u>\$ 895,522,957</u>	<u>\$ 37,990,399</u>	<u>\$ 858,057,902</u>	<u>\$ 26,372,284</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012 AND 2011**

**NOTE 7 - SEGMENT INFORMATION (Continued)**

	2012		2011	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenue:				
Customer charges	\$ 77,526,789	\$ 19,287,846	\$ 75,792,150	\$ 18,728,379
Other operating revenue (1)	11,911,171	424,258	13,820,664	601,430
Total operating revenue	<u>89,437,960</u>	<u>19,712,104</u>	<u>89,612,814</u>	<u>19,329,809</u>
Operating expenses:				
Depreciation and amortization	25,381,963	3,249,703	21,965,284	2,995,533
Other operating expenses (1)	47,416,934	19,164,058	46,918,020	18,539,880
Total operating expenses	<u>72,798,897</u>	<u>22,413,761</u>	<u>68,883,304</u>	<u>21,535,413</u>
Operating income (loss)	<u>16,639,063</u>	<u>(2,701,657)</u>	<u>20,729,510</u>	<u>(2,205,604)</u>
Nonoperating revenue (expenses):				
Investment income	562,073	12,699	807,371	8,327
Interest expense	(15,375,101)	(416,239)	(14,512,004)	(524,876)
Other nonoperating revenue (expenses)	(640,479)	55,076	(30,619,300)	45,234
Total nonoperating revenue (expenses)	<u>(15,453,507)</u>	<u>(348,464)</u>	<u>(44,323,933)</u>	<u>(471,315)</u>
Income before capital contributions and transfers	1,185,556	(3,050,121)	(23,594,423)	(2,676,919)
Capital contributions	26,873,189	-	3,092,487	-
Transfers	(3,084,207)	3,084,207	(3,031,341)	3,031,341
Change in net assets	<u>24,974,538</u>	<u>34,086</u>	<u>(23,533,277)</u>	<u>354,422</u>
Net assets at beginning of year	<u>454,243,744</u>	<u>15,578,805</u>	<u>477,777,021</u>	<u>15,224,383</u>
Net assets at end of year	<u>\$ 479,218,282</u>	<u>\$ 15,612,891</u>	<u>\$ 454,243,744</u>	<u>\$ 15,578,805</u>

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

	2012		2011	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
<b>Condensed Statement of Cash Flows</b>				
Net cash provided by (used for)				
Operating activities	\$ 38,662,729	\$ 3,916,116	\$ 38,527,613	\$ 3,419,108
Capital and related financing activities	(35,779,510)	(2,004,452)	(15,155,888)	(3,810,641)
Investing activities	478,984	12,699	76,876,341	8,327
Net increase (decrease)	<u>3,362,203</u>	<u>1,924,363</u>	<u>100,248,066</u>	<u>(383,206)</u>
Cash and cash equivalents, beginning of year	<u>155,292,687</u>	<u>3,400,920</u>	<u>55,044,621</u>	<u>3,784,126</u>
Cash and cash equivalents, end of year	<u>\$ 158,654,890</u>	<u>\$ 5,325,283</u>	<u>\$ 155,292,687</u>	<u>\$ 3,400,920</u>

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 8 - CAPITAL CONTRIBUTIONS**

Capital contributions include contributions from other governments and grant funds awarded to the Authority to finance replacement of the Main Street Wastewater Treatment Plant. Capital contributions for the years ended September 30, 2012 and 2011 are as follows:

	2012	2011
Capital contributions - cash -		
Impact fees	\$ 2,294,813	\$ 1,685,201
Due from other governments	19,500,000	-
Other	3,820,831	718,129
	\$ 25,615,644	\$ 2,403,330
Capital contributions - noncash -		
Property contributed by developers and others	\$ 1,257,545	\$ 689,157

**NOTE 9 - PENSION PLANS**

*Florida Retirement System:*

Authority employees hired before January 1, 1996 and all employees hired after September 30, 2007 are covered by the Florida Retirement System (“System”), a non-contributory, multiple-employer, cost-sharing public employee retirement system. 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. Vested employees may retire before age 62 or 30 years of credited service and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes.

A Deferred Retired Option Program (“DROP”) has been established under Chapter 121, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with the Authority. 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.

The Authority is required by State statute to make contributions to the System equal to a certain percent of covered employees’ salaries. The employer contribution rates at September 30, 2012 were 5.18% for regular participants, 6.30% for senior management, 10.23% for elected officials, and 5.44% for DROP participants. The employee contribution rate was 3% for all categories, excluding DROP. Employer contributions for the years ended September 30, 2012, 2011, and 2010 were \$1,204,332, \$2,350,497, and \$2,383,945, respectively, equal to the required contribution for each year.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 9 - PENSION PLANS (Continued)**

*Florida Retirement System (Continued):*

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. 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.

*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 \$49,063 and \$51,756 for the years ended September 30, 2012 and 2011, 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.

**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 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. 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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*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.

*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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation (continued):*

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>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost (service cost for one year)	\$ 671,557	\$ 635,213	\$ 671,381
Amortization of unfunded actuarial accrued liability	401,036	385,612	428,678
Interest on normal cost and amortization	-	-	34,155
	<u>1,072,593</u>	<u>1,020,825</u>	<u>1,134,214</u>
Annual required contribution (ARC)	\$ 1,072,593	\$ 1,020,825	\$ 1,134,214
Net OPEB obligation at beginning of year	\$ 2,681,866	\$ 1,827,081	\$ 911,702
Annual required contribution (ARC)	1,072,593	1,020,825	1,134,214
Interest on net OPEB obligation	97,456	65,775	32,821
Adjustment to ARC	(94,432)	(61,915)	(28,723)
Annual OPEB cost (expense)	<u>1,075,617</u>	<u>1,024,685</u>	<u>1,138,312</u>
Employer contributions made	(219,146)	(169,900)	(222,933)
Increase in net OPEB obligation	<u>856,471</u>	<u>854,785</u>	<u>915,379</u>
Net OPEB obligation at end of year	\$ 3,538,337	\$ 2,681,866	\$ 1,827,081

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2012, 2011 and 2010 was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB Cost	\$ 1,075,617	\$ 1,024,685	\$ 1,138,312
Amount Contributed	\$ 219,146	\$ 169,900	\$ 222,933
Percentage of OPEB Cost Contributed	20.4%	16.6%	19.6%
Net OPEB Obligation	\$ 3,538,337	\$ 2,681,866	\$ 1,827,081

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Funded Status:*

As of October 1, 2010, the most recent actuarial valuation date, the OPEB funding progress was as follows:

Actuarial Accrued Liability (AAL) - Entry Age	\$ 11,179,754
Actuarial Value of Assets	-
	-
Unfunded AAL (UAAL)	\$ 11,179,754
Funded Ratio	0%
Covered Payroll	\$ 21,783,583
UAAL as a Percentage of Covered Payroll	51.32%

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 on page 49 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, 2012 AND 2011**

**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial Methods and Assumptions (continued):*

The following actuarial information was used:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contribution rate	<b>0.8%</b>	0.8%	1.0%
Annual OPEB cost	<b>\$ 1,075,617</b>	\$ 1,024,685	\$ 1,138,312
Contributions made	<b>\$ 219,146</b>	\$ 169,900	\$ 222,933
Actuarial cost method	<b>Entry Age</b>	Entry Age	Entry Age
Amortization method	<b>Level percent, closed</b>	Level percent, closed	Level percent, closed
Remaining amortization period	<b>27 years</b>	28 years	29 years
Asset valuation method	<b>Unfunded</b>	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	<b>3.6%</b>	3.6%	3.6%
Projected salary increases *	<b>4.5% - 9.75%</b>	4.5% - 9.75%	4.5% - 9.75%
Payroll growth assumptions	<b>4%</b>	4%	4%
Initial trend rate	<b>12%</b>	12%	9%
Ultimate trend rate	<b>5%</b>	5%	5%
* Includes general price inflation at	<b>3%</b>	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 \$100,000 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. 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 \$100,000 per person and \$200,000 per occurrence. General liabilities claims above \$100,000 would have to be approved by the State Legislature.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012 AND 2011**

**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, 2012.

Changes in claims liabilities for the years ended September 30, 2012 and 2011 are shown below:

	<b>2012</b>	2011
Claims liabilities, beginning of year	\$ <b>1,053,791</b>	\$ 1,164,601
Claims incurred and changes in estimates	<b>1,058,795</b>	743,234
Claims paid	<b>(820,774)</b>	(854,044)
Claims liabilities, end of year	<b>\$ 1,291,812</b>	\$ 1,053,791

At September 30, 2012, 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 \$12 million for construction projects at September 30, 2012.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
SEPTEMBER 30, 2012**

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 July 1, 2008 and October 1, 2010:

	October 1, 2010	July 1, 2008
Actuarial Accrued Liability (AAL) - Entry Age	\$ 11,179,754	\$ 12,854,310
Actuarial Value of Assets	-	-
Unfunded AAL (UAAL)	<u>\$ 11,179,754</u>	<u>\$ 12,854,310</u>
Funded Ratio	0%	0%
Covered Payroll	\$ 21,783,583	\$ 21,892,157
UAAL as a Percentage of Covered Payroll	51.32%	58.72%

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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 54 through 69 are not required by generally accepted accounting principles.

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2012**

Federal Agency, Pass-through Entity, Federal Program	Federal CFDA Number	Contract Grant Number	Expenditures
<b>FEDERAL AWARDS</b>			
Environmental Protection Agency -			
Clean Water State Revolving Fund Loan	66.458	N/A	<u>\$ 25,000,000</u>
Department of Housing and Urban Development -			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	10DB-D4-01-27-01-K08	3,576,134
Community Development Block Grants/ Entitlement Grants	14.218	B-10-UC-12-0012, B-11-UC-12-0012	<u>223,850</u>
Total Department of Housing and Urban Development			<u>3,799,984</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 28,799,984</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, 2012**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Wastewater	\$ 43,134,578	\$	\$ 43,134,578
Water	34,392,211		34,392,211
Sanitation	19,287,846		19,287,846
Connection charges	310,407		310,407
Sewer improvement fees	5,894,574		5,894,574
Other	2,602,988		2,602,988
Total operating revenues	<u>105,622,604</u>	<u>-</u>	<u>105,622,604</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	33,788,211	(96,630)	33,691,581
Contractual services	2,439,550		2,439,550
Professional services	826,045		826,045
Supplies	7,189,590		7,189,590
Repairs and maintenance	4,452,693		4,452,693
Heat, light and power	6,708,980		6,708,980
Tipping fees	4,243,247		4,243,247
Other	3,405,216		3,405,216
Total operating expenses before depreciation and amortization	<u>63,053,532</u>	<u>(96,630)</u>	<u>62,956,902</u>
<b>Income Before Depreciation and Amortization</b>	42,569,072	96,630	42,665,702
<b>Depreciation and Amortization</b>	<u>28,631,666</u>	<u>(28,631,666)</u>	<u>-</u>
Operating income	<u>13,937,406</u>	<u>28,728,296</u>	<u>42,665,702</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	574,772		574,772
Settlement income	112		112
Interest expense	(15,791,340)	(2,008,825)	(17,800,165)
Loss on disposal of assets	(585,515)	585,515	-
Total nonoperating revenues (expenses)	<u>(15,801,971)</u>	<u>(1,423,310)</u>	<u>(17,225,281)</u>
<b>Income (Loss) Before Capital Contributions and Other Financing Sources (Uses)</b>	(1,864,565)	27,304,986	25,440,421
Capital contributions - impact fees and other	25,615,644	(19,500,000)	6,115,644
Capital contributions - noncash	1,257,545	(1,257,545)	-
Principal sinking fund requirements	-	(14,412,424)	(14,412,424)
<b>Change in Net Assets</b>	<u>\$ 25,008,624</u>	<u>\$ (7,864,983)</u>	<u>\$ 17,143,641</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 43,134,576	\$ 2
34,392,210	1
19,278,265	9,581
268,905	41,502
5,894,574	-
2,578,500	24,488
<u>105,547,030</u>	<u>75,574</u>
35,659,107	1,967,526
2,753,021	313,471
953,350	127,305
7,996,188	806,598
4,755,780	303,087
6,941,675	232,695
4,243,247	-
<u>3,860,526</u>	<u>455,310</u>
<u>67,162,894</u>	<u>4,205,992</u>
38,384,136	4,281,566
-	-
<u>38,384,136</u>	<u>4,281,566</u>
374,179	200,593
-	112
(20,014,156)	2,213,991
-	-
<u>(19,639,977)</u>	<u>2,414,696</u>
18,744,159	6,696,262
1,735,202	4,380,442
-	-
<u>(12,786,052)</u>	<u>(1,626,372)</u>
<u>\$ 7,693,309</u>	<u>\$ 9,450,332</u>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS  
SEPTEMBER 30, 2012 AND 2011**

**ASSETS**

	2012	2011
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments	\$ 17,062,571	\$ 15,714,765
Accounts receivable less allowance for doubtful accounts of \$1,063,400 and \$977,700	12,175,718	13,199,946
Grants receivable	1,057,147	373,483
Due from other governments	1,300,000	-
Materials and supplies	3,543,085	3,087,676
Prepaid expenses	383,545	277,830
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	14,037,548	12,696,663
Customer deposits	4,044,141	4,020,794
	53,603,755	49,371,157
<b>Noncurrent Assets:</b>		
Due from other governments	18,200,000	-
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	6,786,423	6,661,767
Operating and maintenance fund	4,288,951	4,478,350
Construction fund	44,995,431	89,813,469
Forward supply agreement	19,626,267	19,412,340
Debt service reserve	3,064,009	3,057,884
Impact fees	2,294,813	1,685,202
Capital improvement program	49,016,315	8,314,388
Sewer improvement fees	8,691,679	4,607,234
Self-insurance funds	4,997,116	4,997,116
Total noncurrent restricted assets	143,761,004	143,027,750
Capital assets -		
Utility plant in service	833,445,570	788,913,953
Construction work in progress	20,004,358	27,959,208
	853,449,928	816,873,161
Less accumulated depreciation	176,865,441	153,360,096
Total capital assets	676,584,487	663,513,065
Unamortized debt issuance costs (net of accumulated amortization of \$2,476,840 and \$2,441,450)	3,373,711	2,145,930
	841,919,202	808,686,745
<b>Total Assets</b>	<b>\$ 895,522,957</b>	<b>\$ 858,057,902</b>

## LIABILITIES AND NET ASSETS

	2012	2011
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 2,240,147	\$ 2,192,637
Due to other governments	341,225	1,173,346
Payroll and compensated absences payable	1,403,263	1,487,143
Loan service fees payable	1,500,000	-
Other current liabilities	26,684	25,208
	<b>5,511,319</b>	4,878,334
 <b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	14,866,070	13,189,656
Accrued interest payable	4,002,104	4,058,217
Accounts payable - capital improvements	7,034,214	7,889,388
Customer deposits	4,044,141	4,020,794
Claims liabilities	713,648	645,408
	<b>30,660,177</b>	29,803,463
Total current liabilities (payable from restricted assets)		
	<b>36,171,496</b>	34,681,797
 <b>Long-Term Liabilities:</b>		
Long-term debt	376,241,803	365,962,771
Long-term compensated absences payable	1,135,912	1,090,199
Other postemployment benefits	2,755,464	2,079,391
	<b>380,133,179</b>	369,132,361
Total long-term liabilities		
	<b>416,304,675</b>	403,814,158
 <b>Net Assets:</b>		
Invested in capital assets, net of related debt	326,469,941	370,115,890
Restricted for debt service and other bond requirements	47,803,198	46,307,004
Restricted for expansion of utility plant	2,294,813	1,685,202
Unrestricted	102,650,330	36,135,648
	<b>479,218,282</b>	454,243,744
Total net assets		
	<b>479,218,282</b>	454,243,744
 <b>Total Liabilities and Net Assets</b>	<b>\$ 895,522,957</b>	<b>\$ 858,057,902</b>

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**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Customer charges -		
Wastewater	\$ 43,134,578	\$ 41,334,031
Water	34,392,211	34,458,119
Connection charges	310,407	262,858
Sewer improvement fees	5,894,574	5,891,646
Charges for overhead	3,527,460	3,304,425
Other	2,178,730	4,361,735
	<u>89,437,960</u>	<u>89,612,814</u>
<b>Operating Expenses Before Depreciation:</b>		
Personal services	26,772,593	26,722,992
Contractual services	1,776,603	2,087,941
Professional services	734,200	653,063
Supplies	5,136,861	4,764,781
Repairs and maintenance	3,245,159	2,149,949
Heat, light and power	6,634,237	7,484,610
Other	3,117,281	3,054,684
	<u>47,416,934</u>	<u>46,918,020</u>
<b>Operating Income Before Depreciation</b>	<b>42,021,026</b>	<b>42,694,794</b>
<b>Depreciation</b>	<b>25,381,963</b>	<b>21,965,284</b>
	<u>16,639,063</u>	<u>20,729,510</u>
<b>Operating income</b>	<b>16,639,063</b>	<b>20,729,510</b>
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	562,073	807,371
Settlement income	112	412,746
Interest expense	(15,375,101)	(14,512,004)
Loss on disposal of assets	(640,591)	(31,032,046)
	<u>(15,453,507)</u>	<u>(44,323,933)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>1,185,556</b>	<b>(23,594,423)</b>
Capital contributions - impact fees and other	25,615,644	2,403,330
Capital contributions - noncash	1,257,545	689,157
Transfers to Sanitation System	(3,084,207)	(3,031,341)
	<u>24,974,538</u>	<u>(23,533,277)</u>
<b>Change in Net Assets</b>	<b>24,974,538</b>	<b>(23,533,277)</b>
<b>Net Assets at Beginning of Year</b>	<b>454,243,744</b>	<b>477,777,021</b>
<b>Net Assets at End of Year</b>	<b>\$ 479,218,282</b>	<b>\$ 454,243,744</b>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 89,778,636	\$ 89,713,406
Cash paid to suppliers for goods and services	(32,324,906)	(31,841,294)
Cash paid to employees for services	(18,791,001)	(19,344,499)
Net cash provided by operating activities	<u>38,662,729</u>	<u>38,527,613</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(38,857,221)	(53,707,416)
Proceeds from issuance of long-term debt	38,874,031	60,654,445
Debt issuance costs	(56,535)	(93,903)
Principal paid on long-term debt	(13,747,424)	(11,382,968)
Interest paid on long-term debt	(14,269,658)	(12,788,999)
Payments to defease long-term debt	(14,003,963)	-
Proceeds from sale of assets	165,616	79,151
Contributions from developers, customers, and other governments	6,115,644	2,083,802
Net cash used for capital and related financing activities	<u>(35,779,510)</u>	<u>(15,155,888)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	348,146	298,010
Purchases of investments	-	(56,476,654)
Proceeds from maturities of investments and notes receivable	130,838	133,054,985
Net cash provided by investing activities	<u>478,984</u>	<u>76,876,341</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,362,203</b>	<b>100,248,066</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u><b>155,292,687</b></u>	<u><b>55,044,621</b></u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u><b>\$ 158,654,890</b></u></u>	<u><u><b>\$ 155,292,687</b></u></u>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011  
(Continued)**

	2012	2011
<b>Reconciliation of Operating Income to Net Cash Provided by Operations:</b>		
Operating income	\$ 16,639,063	\$ 20,729,510
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	25,381,963	21,965,284
Settlement income	112	412,746
Transfers to Sanitation System	(3,084,207)	(3,031,341)
Changes in -		
Accounts receivable	340,564	(312,154)
Materials and supplies	(455,409)	(749,388)
Prepaid expenses	(105,715)	(185,147)
Accounts payable	47,510	(5,421)
Due to other governments	(832,121)	11,043
Payroll and compensated absences payable	(83,880)	(964,345)
Other current liabilities	1,476	7,226
Long-term compensated absences payable	45,713	(20,576)
Other postemployment benefits	676,073	659,213
Customer deposits	23,347	63,022
Claims liabilities	68,240	(52,059)
Net cash provided by operating activities	\$ 38,662,729	\$ 38,527,613

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

Cash and investments	\$ 17,062,571	\$ 15,714,765
Restricted assets	161,842,693	159,745,207
	178,905,264	175,459,972
Less notes receivable and investments	(20,250,374)	(20,167,285)
Cash and cash equivalents	\$ 158,654,890	\$ 155,292,687

**Supplemental Schedule of Noncash Investing, Capital and Financing Activities:**

Property contributed by developers and others	\$ 1,257,545	\$ 689,157
Contributed capital included in amounts due from other governments	\$ 19,500,000	\$ -
Unrealized appreciation in fair value of investments	\$ 213,927	\$ 509,361

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
YEAR ENDED SEPTEMBER 30, 2012**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Wastewater	\$ 43,134,578	\$	\$ 43,134,578
Water	34,392,211		34,392,211
Connection charges	310,407		310,407
Sewer improvement fees	5,894,574		5,894,574
Charges for overhead	3,527,460	(3,084,207)	443,253
Other	2,178,730		2,178,730
Total operating revenues	<u>89,437,960</u>	<u>(3,084,207)</u>	<u>86,353,753</u>
<b>Operating Expenses Before Depreciation:</b>			
Personal services	26,772,593	(72,804)	26,699,789
Contractual services	1,776,603		1,776,603
Professional services	734,200		734,200
Supplies	5,136,861		5,136,861
Repairs and maintenance	3,245,159		3,245,159
Heat, light and power	6,634,237		6,634,237
Other	3,117,281		3,117,281
Total operating expenses before depreciation	<u>47,416,934</u>	<u>(72,804)</u>	<u>47,344,130</u>
<b>Operating Income Before Depreciation</b>	42,021,026	(3,011,403)	39,009,623
<b>Depreciation</b>	<u>25,381,963</u>	<u>(25,381,963)</u>	<u>-</u>
Operating income	<u>16,639,063</u>	<u>22,370,560</u>	<u>39,009,623</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	562,073		562,073
Settlement income	112		112
Interest expense	(15,375,101)	(2,008,825)	(17,383,926)
Loss on disposal of assets	(640,591)	640,591	-
Total nonoperating revenues (expenses)	<u>(15,453,507)</u>	<u>(1,368,234)</u>	<u>(16,821,741)</u>
<b>Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)</b>			
	1,185,556	21,002,326	22,187,882
Capital contributions - impact fees and other	25,615,644	(19,500,000)	6,115,644
Capital contributions - noncash	1,257,545	(1,257,545)	-
Transfers to Sanitation System	(3,084,207)	3,084,207	-
Principal sinking fund requirements	-	(13,747,424)	(13,747,424)
<b>Change in Net Assets</b>	<u>\$ 24,974,538</u>	<u>\$ (10,418,436)</u>	<u>\$ 14,556,102</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 43,134,576	\$ 2
34,392,210	1
268,905	41,502
5,894,574	-
443,253	-
2,188,772	(10,042)
<u>86,322,290</u>	<u>31,463</u>
28,638,028	1,938,239
2,090,073	313,470
861,504	127,304
5,943,446	806,585
3,548,243	303,084
6,866,931	232,694
3,519,181	401,900
<u>51,467,406</u>	<u>4,123,276</u>
34,854,884	4,154,739
-	-
<u>34,854,884</u>	<u>4,154,739</u>
361,679	200,394
-	112
(19,560,482)	2,176,556
-	-
<u>(19,198,803)</u>	<u>2,377,062</u>
15,656,081	6,531,801
1,735,202	4,380,442
-	-
-	-
<u>(12,121,052)</u>	<u>(1,626,372)</u>
<u>\$ 5,270,231</u>	<u>\$ 9,285,871</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS  
SEPTEMBER 30, 2012 AND 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments	\$ 2,461,811	\$ 50
Accounts receivable less allowance for doubtful accounts of \$64,600 and \$57,600	1,425,771	1,323,181
Materials and supplies	1,211,827	1,083,148
Prepaid expenses	-	2,185
Restricted assets -		
Restricted by debt agreements - Sinking fund	629,340	602,899
 Total current assets	 5,728,749	 3,011,463
<b>Noncurrent Assets:</b>		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	249,512	148,770
Operating and maintenance fund	1,312,345	1,298,636
Capital improvement program	672,275	1,350,565
Total noncurrent restricted assets	2,234,132	2,797,971
Capital assets -		
Utility plant in service	45,084,618	32,091,201
Construction work in progress	-	216,977
Intangible assets	14,996,954	14,996,954
	60,081,572	47,305,132
Less accumulated depreciation and amortization	30,098,872	26,893,489
Total capital assets	29,982,700	20,411,643
Unamortized debt issuance costs (net of accumulated amortization \$2,827 and \$229,632)	44,818	151,207
 Total noncurrent assets	 32,261,650	 23,360,821
 <b>Total Assets</b>	 <b>\$ 37,990,399</b>	 <b>\$ 26,372,284</b>

## LIABILITIES AND NET ASSETS

	2012	2011
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 934,029	\$ 772,842
Due to other governments	11,054	9,942
Payroll and compensated absences payable	264,752	267,484
Total current liabilities (payable from current assets)	1,209,835	1,050,268
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	2,238,783	665,000
Accrued interest payable	58,740	104,149
Accounts payable - capital improvements	25,693	115,262
Claims liabilities	578,164	408,383
Total current liabilities (payable from restricted assets)	2,901,380	1,292,794
Total current liabilities	4,111,215	2,343,062
<b>Long-Term Liabilities:</b>		
Long-term debt	17,259,639	7,627,362
Long-term compensated absences payable	223,781	220,580
Other postemployment benefits	782,873	602,475
Total long-term liabilities	18,266,293	8,450,417
Total liabilities	22,377,508	10,793,479
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	10,425,538	12,015,132
Restricted for debt service and other bond requirements	2,191,197	2,050,305
Unrestricted	2,996,156	1,513,368
Total net assets	15,612,891	15,578,805
<b>Total Liabilities and Net Assets</b>	\$ 37,990,399	\$ 26,372,284

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>Residential</u>	<u>Commercial</u>	<u>Total 2012</u>	<u>Total 2011</u>
<b>Operating Revenues:</b>				
Customer charges -				
Sanitation	\$ 17,903,973	\$ 1,383,873	\$ 19,287,846	\$ 18,728,379
Other	253,144	171,114	424,258	601,430
	<u>18,157,117</u>	<u>1,554,987</u>	<u>19,712,104</u>	<u>19,329,809</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>				
Personal services	6,542,526	473,092	7,015,618	6,988,034
Contractual services	652,639	10,308	662,947	589,005
Professional services	86,372	5,473	91,845	24,310
Supplies	1,917,085	135,644	2,052,729	1,947,688
Repairs and maintenance	1,130,087	77,447	1,207,534	1,254,657
Heat, light and power	72,871	1,872	74,743	79,867
Tipping fees	3,937,017	306,230	4,243,247	4,130,202
Overhead allocation	3,443,170	84,290	3,527,460	3,304,425
Other	278,034	9,901	287,935	221,692
	<u>18,059,801</u>	<u>1,104,257</u>	<u>19,164,058</u>	<u>18,539,880</u>
<b>Operating Income Before Depreciation and Amortization</b>				
	97,316	450,730	548,046	789,929
<b>Depreciation and Amortization</b>	<u>2,832,810</u>	<u>416,893</u>	<u>3,249,703</u>	<u>2,995,533</u>
	<u>(2,735,494)</u>	<u>33,837</u>	<u>(2,701,657)</u>	<u>(2,205,604)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	12,699	-	12,699	8,327
Interest expense	(413,326)	(2,913)	(416,239)	(524,876)
Gain on disposal of assets	55,076	-	55,076	45,234
	<u>(345,551)</u>	<u>(2,913)</u>	<u>(348,464)</u>	<u>(471,315)</u>
<b>Loss Before Transfers</b>				
	(3,081,045)	30,924	(3,050,121)	(2,676,919)
Transfers from Water and Wastewater System	3,084,207	-	3,084,207	3,031,341
	<u>\$ 3,162</u>	<u>\$ 30,924</u>	<u>34,086</u>	354,422
<b>Change in Net Assets</b>				
<b>Net Assets at Beginning of Year</b>			<u>15,578,805</u>	<u>15,224,383</u>
<b>Net Assets at End of Year</b>			<u>\$ 15,612,891</u>	<u>\$ 15,578,805</u>

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**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 19,609,514	\$ 19,158,123
Cash paid to suppliers for goods and services	(10,970,973)	(10,787,087)
Cash paid to employees for services	(4,722,425)	(4,951,928)
Net cash provided by operating activities	<u>3,916,116</u>	<u>3,419,108</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(936,607)	(2,800,603)
Proceeds from issuance of long-term debt	8,544,000	-
Debt issuance costs	(47,645)	-
Principal paid on long-term debt	(665,000)	(635,000)
Interest paid on long-term debt	(158,423)	(426,163)
Payments to defease long-term debt	(8,795,853)	-
Proceeds from sale of assets	55,076	51,125
Net cash used for capital and related financing activities	<u>(2,004,452)</u>	<u>(3,810,641)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	12,699	8,327
Net cash provided by investing activities	<u>12,699</u>	<u>8,327</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>1,924,363</b>	<b>(383,206)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u><b>3,400,920</b></u>	<u>3,784,126</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u><b>\$ 5,325,283</b></u></u>	<u><u><b>\$ 3,400,920</b></u></u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2012 AND 2011  
(Continued)**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Operating loss	\$ (2,701,657)	\$ (2,205,604)
Adjustments to reconcile net operating loss to cash provided by operating activities -		
Depreciation and amortization	3,249,703	2,995,533
Transfers from Water and Wastewater System	3,084,207	3,031,341
Changes in -		
Accounts receivable	(102,590)	(171,686)
Materials and supplies	(128,679)	(69,634)
Prepaid expenses	2,185	(2,185)
Accounts payable	161,187	(75,361)
Due to other governments	1,112	(180)
Payroll and compensated absences payable	(2,732)	(212,794)
Long-term compensated absences payable	3,201	(7,143)
Other postemployment benefits	180,398	195,572
Claims liabilities	169,781	(58,751)
Net cash provided by operating activities	<u>\$ 3,916,116</u>	<u>\$ 3,419,108</u>
 <b>Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:</b>		
Cash and investments	\$ 2,461,811	\$ 50
Restricted assets	2,863,472	3,400,870
Cash and cash equivalents	<u>\$ 5,325,283</u>	<u>\$ 3,400,920</u>
 <b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Equipment acquired under capital lease	<u>\$ 11,973,722</u>	<u>\$ -</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
YEAR ENDED SEPTEMBER 30, 2012**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Sanitation	\$ 19,287,846	\$	\$ 19,287,846
Other	424,258		424,258
Total operating revenues	<u>19,712,104</u>	<u>-</u>	<u>19,712,104</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	7,015,618	(23,826)	6,991,792
Contractual services	662,947		662,947
Professional services	91,845		91,845
Supplies	2,052,729		2,052,729
Repairs and maintenance	1,207,534		1,207,534
Heat, light and power	74,743		74,743
Tipping	4,243,247		4,243,247
Overhead allocation	3,527,460	(3,084,207)	443,253
Other	287,935		287,935
Total operating expenses before depreciation	<u>19,164,058</u>	<u>(3,108,033)</u>	<u>16,056,025</u>
<b>Operating Income Before Depreciation and Amortization</b>	548,046	3,108,033	3,656,079
<b>Depreciation and Amortization</b>	<u>3,249,703</u>	<u>(3,249,703)</u>	<u>-</u>
Operating income (loss)	<u>(2,701,657)</u>	<u>6,357,736</u>	<u>3,656,079</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	12,699		12,699
Interest expense	(416,239)		(416,239)
Gain on disposal of assets	55,076	(55,076)	-
Total nonoperating revenues (expenses)	<u>(348,464)</u>	<u>(55,076)</u>	<u>(403,540)</u>
<b>Income (Loss) Before Transfers and Other Financing Sources (Uses)</b>	(3,050,121)	6,302,660	3,252,539
Transfers from Water and Wastewater System	3,084,207	(3,084,207)	-
Principal sinking fund requirements	<u>-</u>	<u>(665,000)</u>	<u>(665,000)</u>
<b>Changes in Net Assets</b>	<u>\$ 34,086</u>	<u>\$ 2,553,453</u>	<u>\$ 2,587,539</u>

<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 19,278,265	\$ 9,581
389,728	34,530
<u>19,667,993</u>	<u>44,111</u>
7,021,079	29,287
662,948	1
91,846	1
2,052,742	13
1,207,537	3
74,744	1
4,243,247	-
443,253	-
341,345	53,410
<u>16,138,741</u>	<u>82,716</u>
3,529,252	126,827
<u>-</u>	<u>-</u>
<u>3,529,252</u>	<u>126,827</u>
12,500	199
(453,674)	37,435
<u>-</u>	<u>-</u>
<u>(441,174)</u>	<u>37,634</u>
3,088,078	164,461
-	-
<u>(665,000)</u>	<u>-</u>
<u>\$ 2,423,078</u>	<u>\$ 164,461</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 ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
(THOUSANDS OMITTED)  
(UNAUDITED)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Invested in capital assets, net of related debt	<b>\$ 336,895</b>	\$ 382,131	\$ 435,474	\$ 389,252	\$ 231,048	\$ 203,550	\$ 156,525	\$ 141,404	\$ 127,737	\$ 118,793
Restricted	<b>52,289</b>	50,043	44,601	42,241	39,086	37,619	33,629	35,311	32,538	31,332
Unrestricted	<b>105,647</b>	37,649	12,926	39,945	55,893	56,214	62,556	53,643	56,157	58,340
<b>Total net assets</b>	<b><u>\$ 494,831</u></b>	<u>\$ 469,823</u>	<u>\$ 493,001</u>	<u>\$ 471,438</u>	<u>\$ 326,027</u>	<u>\$ 297,383</u>	<u>\$ 252,710</u>	<u>\$ 230,358</u>	<u>\$ 216,432</u>	<u>\$ 208,465</u>

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Operating Revenues:</b>										
Customer charges	\$ 96,815	\$ 94,520	\$ 87,359	\$ 83,454	\$ 80,812	\$ 80,163	\$ 76,713	\$ 69,022	\$ 67,767	\$ 64,569
Connection charges	310	263	232	246	467	705	755	814	565	488
Sewer improvement fees	5,895	5,892	5,918	5,924	6,097	2,020	-	-	-	-
Other	2,603	4,963	2,266	2,578	2,870	1,447	1,992	1,129	918	795
Total operating revenues	<u>105,623</u>	<u>105,638</u>	<u>95,775</u>	<u>92,202</u>	<u>90,246</u>	<u>84,335</u>	<u>79,460</u>	<u>70,965</u>	<u>69,250</u>	<u>65,852</u>
<b>Operating Expenses Before</b>										
<b>Depreciation and Amortization:</b>										
Personal services	33,788	33,711	34,574	34,779	32,470	30,647	27,684	26,873	25,442	23,680
Contractual services	2,440	2,677	3,061	2,253	2,879	2,493	2,315	2,006	1,512	1,721
Professional services	826	677	740	845	482	605	516	808	793	584
Supplies	7,190	6,712	6,023	6,142	6,685	6,019	5,412	4,837	4,573	4,778
Repairs and maintenance	4,453	3,405	3,459	3,119	3,797	3,926	4,229	4,276	3,664	3,722
Heat, light and power	6,709	7,565	6,652	6,390	5,400	5,309	4,848	4,709	3,978	3,653
Tipping fees	4,243	4,130	3,774	3,651	3,516	3,285	3,317	3,286	3,090	3,044
Other	3,405	3,276	3,592	3,899	3,931	4,202	3,498	3,587	3,061	3,539
Total operating expenses before depreciation and amortization	<u>63,054</u>	<u>62,153</u>	<u>61,875</u>	<u>61,078</u>	<u>59,160</u>	<u>56,486</u>	<u>51,819</u>	<u>50,382</u>	<u>46,113</u>	<u>44,721</u>
<b>Operating Income Before</b>										
<b>Depreciation and Amortization:</b>	<b>42,569</b>	43,485	33,900	31,124	31,086	27,849	27,641	20,583	23,137	21,131
<b>Depreciation and Amortization</b>	<b>28,632</b>	24,961	22,751	19,340	18,152	16,122	14,569	13,380	12,727	11,729
Operating income	<u>13,937</u>	<u>18,524</u>	<u>11,149</u>	<u>11,784</u>	<u>12,934</u>	<u>11,727</u>	<u>13,072</u>	<u>7,203</u>	<u>10,410</u>	<u>9,402</u>

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Nonoperating Revenues (Expenses):</b>										
Investment income	575	816	2,297	4,054	5,132	5,427	4,215	2,699	1,753	1,778
Settlement income	-	413	813	10,047	-	-	-	-	-	-
Interest expense	(15,791)	(15,037)	(12,907)	(14,102)	(9,864)	(9,169)	(9,009)	(9,245)	(9,796)	(9,305)
Main Street WWTP repairs	-	-	-	-	-	-	-	-	(626)	(1,138)
Hurricane disaster assistance, net	-	-	-	-	(327)	(33)	(124)	1,303	(36)	60
Insurance recoveries, net	-	-	-	-	-	-	-	911	44	-
Gain (loss) on disposal of assets	(586)	(30,987)	(865)	(818)	(226)	(1,457)	(498)	(59)	(792)	(1,080)
Total nonoperating revenues (expenses)	<u>(15,802)</u>	<u>(44,795)</u>	<u>(10,662)</u>	<u>(819)</u>	<u>(5,285)</u>	<u>(5,232)</u>	<u>(5,416)</u>	<u>(4,391)</u>	<u>(9,453)</u>	<u>(9,685)</u>
<b>Income (Loss) Before Capital Contributions</b>	<b>(1,865)</b>	<b>(26,271)</b>	<b>487</b>	<b>10,965</b>	<b>7,649</b>	<b>6,495</b>	<b>7,656</b>	<b>2,812</b>	<b>957</b>	<b>(283)</b>
Capital contributions - cash	<b>25,616</b>	2,403	18,700	133,868	15,431	25,909	9,670	7,818	5,384	6,717
Capital contributions - noncash	<b>1,258</b>	689	2,376	578	5,564	12,269	5,026	3,296	1,625	1,878
<b>Change in Net Assets</b>	<b><u>\$ 25,009</u></b>	<b><u>\$ (23,179)</u></b>	<b><u>\$ 21,563</u></b>	<b><u>\$ 145,411</u></b>	<b><u>\$ 28,644</u></b>	<b><u>\$ 44,673</u></b>	<b><u>\$ 22,352</u></b>	<b><u>\$ 13,926</u></b>	<b><u>\$ 7,966</u></b>	<b><u>\$ 8,312</u></b>

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

**OUTSTANDING DEBT BY TYPE**

Year	State Revolving Loans	Capital Leases	Water and Wastewater System Bonds	Sanitation System Bonds	Water and Wastewater System Notes	Total
2003	\$ 567,643	\$ -	\$ 173,652,303	\$ 12,207,578	\$ -	\$ 186,427,524
2004	\$ 567,643	\$ -	\$ 168,147,176	\$ 11,698,800	\$ -	\$ 180,413,619
2005	\$ 3,163,288	\$ 70,455	\$ 162,082,871	\$ 11,165,023	\$ -	\$ 176,481,637
2006	\$ 6,697,534	\$ 46,701	\$ 172,971,792	\$ 10,746,247	\$ -	\$ 190,462,274
2007	\$ 12,447,691	\$ 23,107	\$ 166,138,867	\$ 10,307,470	\$ -	\$ 188,917,135
2008	\$ 20,589,473	\$ 15,880,016	\$ 159,045,915	\$ 9,843,693	\$ 130,000,000	\$ 335,359,097
2009	\$ 20,080,754	\$ 14,815,860	\$ 151,501,398	\$ 9,349,916	\$ 130,000,000	\$ 325,747,928
2010	\$ 41,285,144	\$ 13,706,821	\$ 144,003,294	\$ 8,836,138	\$ 129,885,000	\$ 337,716,397
2011	\$ 57,960,646	\$ 13,148,796	\$ 135,958,985	\$ 8,292,362	\$ 172,084,000	\$ 387,444,789
<b>2012</b>	<b>\$ 80,944,920</b>	<b>\$ 24,539,850</b>	<b>\$ 114,132,825</b>	<b>\$ 7,524,700</b>	<b>\$ 183,464,000</b>	<b>\$ 410,606,295</b>

**OUTSTANDING DEBT PER WATER CUSTOMER**

Year	Total Debt	Total Customers	Debt Per Customer
2003	\$ 186,427,524	87,736	\$ 2,125
2004	\$ 180,413,619	88,024	\$ 2,050
2005	\$ 176,481,637	88,727	\$ 1,989
2006	\$ 190,462,274	89,692	\$ 2,124
2007	\$ 188,917,135	90,337	\$ 2,091
2008	\$ 335,359,097	89,716	\$ 3,738
2009	\$ 325,747,928	88,470	\$ 3,682
2010	\$ 337,716,397	88,723	\$ 3,806
2011	\$ 387,444,789	88,653	\$ 4,370
<b>2012</b>	<b>\$ 410,606,295</b>	<b>89,240</b>	<b>\$ 4,601</b>

**EMERALD COAST UTILITIES AUTHORITY  
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
2003	\$ 67,183,089	\$ 44,720,787	\$ 22,462,302	\$ 16,563,987	1.36	1.25
2004	\$ 70,314,029	\$ 46,111,568	\$ 24,202,461	\$ 17,041,375	1.42	1.25
2005	\$ 73,067,161	\$ 50,382,004	\$ 22,685,157	\$ 16,278,953	1.39	1.25
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
<b>2012</b>	<b>\$ 105,981,395</b>	<b>\$ 63,053,532</b>	<b>\$ 42,927,863</b>	<b>\$ 26,149,721</b>	<b>1.64</b>	<b>1.25</b>

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

<u>Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Ratio of Sewer Customers To Water Customers</u>
2003	87,736	59,528	62,319	68%
2004	88,024	60,863	63,496	69%
2005	88,727	62,048	63,342	70%
2006	89,692	63,527	64,653	71%
2007	90,337	65,101	65,298	72%
2008	89,716	65,216	65,043	73%
2009	88,470	64,741	78,205	73%
2010	88,723	65,268	79,417	74%
2011	88,653	65,633	78,995	74%
<b>2012</b>	<b>89,240</b>	<b>66,668</b>	<b>80,078</b>	<b>75%</b>

**EMERALD COAST UTILITIES AUTHORITY**  
**PRINCIPAL CUSTOMERS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 2012 AND 2003**  
**(UNAUDITED)**

Name	Water Sales in Millions of Gallons	2012 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
NAVFAC SE (NAS Pensacola )	-	\$ -	\$ 1,935,515	\$ 1,935,515	1.8
Baptist Hospital	67.0	161,888	393,705	555,593	0.5
NAVFAC SE (Corry Station SW )	-	-	548,423	548,423	0.5
Escambia County Jail	67.4	146,420	356,557	502,977	0.5
Pall Gelman Sciences	68.3	144,479	348,711	493,190	0.5
Portofino Island Resort	40.5	168,638	240,394	409,032	0.4
Sacred Heart Hospital	48.3	115,993	288,394	404,387	0.4
Escambia Housing	43.7	105,836	270,341	376,177	0.4
University of West Florida	-	501	319,448	319,949	0.3
U.S. Navy--Saufley Field	34.1	67,374	201,512	268,886	0.3
Columbia West Florida Regional Medical Center	29.9	68,029	185,262	253,291	0.2
Crown Health Care & Laundry	34.5	73,400	163,793	237,193	0.2
DM Oakwood Terrace	25.5	55,383	158,062	213,445	0.2
Pensacola Christian College	31.5	77,146	127,613	204,759	0.2
Perdido Housing	21.4	51,258	132,222	183,480	0.2
	<u>512.1</u>	<u>\$ 1,236,345</u>	<u>\$ 5,669,952</u>	<u>\$ 6,906,297</u>	<u>6.6</u>

Name	Water Sales in Millions of Gallons	2003 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
Pensacola Christian College	93.9	\$ 134,061	\$ 360,579	\$ 494,640	0.8
City of Gulf Breeze	427.7	406,312		406,312	0.6
Baptist Hospital	73.8	113,939	289,103	403,042	0.6
Escambia Housing	70.8	110,998	283,908	394,906	0.6
Escambia County Jail	59.0	85,071	203,062	288,133	0.4
Sacred Heart Hospital	50.8	79,772	195,116	274,888	0.4
U.S. Navy--Saufley Field	81.6	100,155	147,283	247,438	0.4
Columbia West Florida Regional Medical Center	41.3	59,952	167,218	227,170	0.3
University of West Florida	0.1	492	208,525	209,017	0.3
Perdido Housing	35.2	52,278	142,645	194,923	0.3
Pall Gelman Sciences	32.8	45,882	124,817	170,699	0.3
Crown Health Care & Laundry	34.1	47,561	110,470	158,031	0.2
Area Housing	26.2	39,662	105,993	145,655	0.2
Clerk of the Court- M.C. Blanchard Building	24.0	33,651	97,018	130,669	0.2
Portofino Island Resort	18.4	46,501	69,274	115,775	0.2
	<u>1,069.7</u>	<u>\$ 1,356,287</u>	<u>\$ 2,505,011</u>	<u>\$ 3,861,298</u>	<u>5.8</u>

**EMERALD COAST UTILITIES AUTHORITY  
PRINCIPAL EMPLOYERS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 2012 AND 2003  
(UNAUDITED)**

**2012**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Escambia County School Board	6,000	3.39%
Baptist Healthcare	5,200	2.94%
Navy Federal Credit Union	2,353	1.33%
Sacred Hearth Health System, Inc	2,310	1.30%
University of West Florida	1,922	1.09%
Lakeview Center	1,900	1.07%
County of Escambia	1,898	1.07%
Baptist Hospital, Inc	1,652	0.93%
West Florida Regional Medical	1,600	0.90%
Gulf Power Company	1,365	0.77%
Pensacola Christian College	1,204	0.68%
	<u>27,404</u>	<u>15.47%</u>

**2003**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
State of Florida	5,970	4.74%
Escambia County School Board	5,316	4.22%
Sacred Heart Health System	3,500	2.78%
Baptist Health Care	3,470	2.76%
University of West Florida	2,267	1.80%
Solutia, Inc. (formerly Monsanto Co.)	1,800	1.43%
Lakeview	1,500	1.19%
Gulf Power Company	1,400	1.11%
West Florida Hospital	1,200	0.95%
Pensacola Christian College	1,078	0.86%
International Paper	1,000	0.79%
	<u>28,501</u>	<u>22.63%</u>

Source: Pensacola Chamber of Commerce

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

Pensacola, Florida  
October 2011 - September 2012

<u>Month</u>	<u>Monthly Rainfall (inches)</u>
October	0.24
November	1.78
December	7.70
January	2.49
February	5.75
March	3.95
April	1.86
May	4.15
June	18.23
July	8.99
August	11.97
September	3.38
	<u>70.49</u>

Pensacola, Florida  
Last Ten Fiscal Years

<u>Year</u>	<u>Annual Rainfall (inches)</u>
2003	71.19
2004	58.44
2005	95.03
2006	45.53
2007	41.42
2008	71.00
2009	72.40
2010	83.65
2011	48.15
<b>2012</b>	<b>70.49</b>

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>
2003	12,149	10,995	1,154	9.50%
2004	12,585	11,527	1,058	8.41%
2005	12,543	10,955	1,588	12.66%
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%
<b>2012</b>	<b>11,435</b>	<b>10,636</b>	<b>799</b>	<b>6.99%</b>
	<u>124,597</u>	<u>112,238</u>	<u>12,359</u>	<u>9.92%</u>

**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>
2003		5,315	1,584	303	7,202
2004		5,636	1,648	293	7,577
2005		6,605	1,880	291	8,776
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
<b>2012</b>	<b>5,227</b>	<b>0</b>	<b>1,944</b>	<b>330</b>	<b>7,501</b>
	<u>8,963</u>	<u>47,884</u>	<u>19,043</u>	<u>3,033</u>	<u>78,923</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Water:</b>										
New connections	524	438	424	437	659	1,192	1,232	1,978	1,764	1,592
Average daily consumption (MGD)	31.180	34.816	33.560	32.914	34.473	33.617	36.430	31.781	29.005	33.248
Maximum daily flow (MGD)	50.180	54.033	45.590	58.426	55.466	60.092	65.375	53.745	56.770	49.384
Minimum daily flow (MGD)	22.460	22.436	24.680	24.242	25.105	25.747	26.200	26.526	24.883	25.772
Raw water pumped and treated (MG)	11,435	12,725	12,253	11,583	12,159	13,357	13,808	12,543	12,585	12,149
<b>Wastewater:</b>										
New connections	629	494	556	569	560	1,460	1,333	1,846	2,107	2,031
Treatment capacity (MGD)	33.100	33.100	30.600	30.600	30.600	30.600	30.600	30.600	30.600	30.600
Average daily treated flow (MGD)	20.506	20.583	23.776	21.598	22.800	20.931	21.574	24.069	18.249	20.097
Percent of capacity utilized	47.6	72.5	75.5	71.2	72.6	68.8	76.3	72.1	59.0	61.4
Percent of unused capacity	52.4	27.5	24.5	28.8	27.4	31.2	23.7	27.9	41.0	38.6
<b>Sanitation System:</b>										
Residential (tons/year)	71,931	70,239	73,555	75,094	79,877	80,639	82,216	90,222	81,389	79,176
Yard waste (tons/year)	17,990	17,711	14,479	13,069	12,332	11,279	11,481	9,465	15,300	17,369
Bulk waste (tons/year)	3,590	2,602	3,015	2,958	2,726	3,729	4,698	2,519	3,559	2,837
Total residential tons	<u>93,511</u>	<u>90,552</u>	<u>91,049</u>	<u>91,121</u>	<u>94,935</u>	<u>95,647</u>	<u>98,395</u>	<u>102,206</u>	<u>100,248</u>	<u>99,382</u>
Average number of customers/month	73,600	73,300	73,300	73,100	62,131	62,445	62,205	62,407	62,407	61,217
Refuse collected (tons/customer/year)	1.271	1.235	1.242	1.247	1.528	1.532	1.582	1.638	1.606	1.623
Commercial (tons/year)	10,179	10,388	6,678	9,308	18,314	15,558	15,131	14,407	14,591	15,233
Roll-off (tons/year)	1,333	1,128	1,627	3,603	6,567	9,802	8,543	3,331	2,182	1,564
Total commercial tons	<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>	<u>17,738</u>	<u>16,773</u>	<u>16,797</u>
Average number of customers/month	1,291	1,338	1,395	837	2,912	2,853	2,448	935	1,089	1,102
Refuse collected (tons/customer/year)	8.917	8.607	5.953	15.425	8.544	8.889	9.671	18.971	15.402	15.242

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

**HOME SALES**

Year	Single Family		Townhouse/Condominium	
	Number	Average Price	Number	Average Price
2003	6,991	114,259	1,336	261,557
2004	7,755	131,703	1,337	349,723
2005	7,974	150,639	1,008	361,299
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
<b>2012</b>	<b>2,984</b>	<b>121,471</b>	<b>576</b>	<b>222,141</b>

Source: Metro Market Trends

**CONSTRUCTION STARTS**

	Residential	
	Number of Units	Value (\$000)
2003	1,605	173,803
2004	1,674	188,765
2005	1,834	265,200
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
<b>2012</b>	<b>606</b>	<b>116,814</b>

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>
2003	303,310	3,825	1.28%
2004	307,226	3,916	1.29%
2005	303,623	(3,603)	-1.17%
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%
<b>2012</b>	<b>299,261</b>	<b>(8,151)</b>	<b>-2.65%</b>

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</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	\$ 7,582,732	\$ 25,482	4.0%
2004	\$ 7,851,860	\$ 26,473	3.5%
2005	\$ 8,351,507	\$ 28,004	3.6%
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%
<b>2012</b>	<b>\$ 10,782,146</b>	<b>\$ 36,047</b>	<b>8.6%</b>

Source: Personal income data provided by the U.S. Bureau of Economic Analysis.  
Estimates for 2003-2011 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>
2003	418	95	513
2004	415	101	516
2005	404	100	504
2006	405	111	516
2007	405	111	516
2008	422	115	537
2009	416	115	531
2010	415	115	530
2011	414	117	531
<b>2012</b>	<b>416</b>	<b>117</b>	<b>533</b>

Source: Authority's annual budget

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

**CAPITAL ASSET STATISTICS BY ACTIVITY**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Water:</b>										
Wells	<b>32</b>	32	32	32	34	34	33	32	31	31
Water mains (miles)	<b>1,684</b>	1,680	1,678	1,713	1,591	1,762	1,762	1,762	1,762	1,762
Storage capacity (MGD)	<b>14</b>	14	14	14	14	14	14	14	14	14
<b>Wastewater:</b>										
Treatment plants	<b>3</b>	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	<b>1,209</b>	1,202	1,198	1,294	1,079	1,089	1,089	1,089	1,089	1,089
Treatment capacity (MGD)	<b>33</b>	33	31	31	31	31	31	31	31	31
<b>Sanitation:</b>										
Collection vehicles	<b>95</b>	94	94	98	98	77	80	81	81	82

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**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2012  
(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	(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	Fidelity National Property and Casualty (Fisher-Brown – Agent)	Property Schedules	Conditions: Coverage including flood for flood in zones A and X  \$1,000,000 Liability Limits
Automobiles	Florida Municipal Insurance Trust	All scheduled vehicles \$25,000 deductible on collision	1) \$10,000,000 per accident 2) The limit of liability is paid on a repair or replacement basis
Boiler & Machinery	Florida Municipal Insurance Trust (as part of property coverage)	Comprehensive Coverage Pays loss from an accident to a covered object while in use or connected ready for use (as part of property coverage)	Deductibles:  \$100,000 each claim except equipment over 100HP
Environmental Pollution	Arch Insurance (Fisher-Brown – Agent)	Covers Fuel Storage Tanks Environmental impairment Liability	\$1,000,000 \$10,000 SIR per Claim

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2012  
(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 (as part of property coverage)	Covers actual loss of earnings sustained by ECUA resulting from necessary interruption of business	\$32,844,000
Business Interruption Coverage/Extra Expense	Florida Municipal Insurance Trust (as part of property coverage)	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 (Fisher-Brown – Agent)	1) Losses inside and outside of premises 2) Depositor’s Forgery	1) \$75,000 2) \$50,000
Crime Coverage/Honesty	Hartford Insurance Group (Fisher-Brown – Agent)	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)
Road Restoration	Western (Fisher-Brown – Agent)	Damages to DOT Roads	State of Florida Requirements

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2012  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Public Officials Liability & E&O	RSUI Indemnity Company (Fisher- Brown – Agent)	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  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	\$2,000,000 each loss and aggregate for each policy year  \$25,000 retention each loss for Public Officials Liability
Workers’ Compensation	ECUA Self Insured	Employment related injury or accident to ECUA employees; TPA, Broadspire	Unlimited medical expense and prescribed loss of earnings of employee, as required by workers’ compensation law
Excess Workers’ Compensation Insurance	Florida Municipal Insurance Trust	Excess claim coverage	\$300,000 Stop Loss

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2012  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance	Blue Cross and Blue Shield of Florida	<p>All plans cover annual exams, preventive care, mental health services, and eligible inpatient and outpatient charges in participating facilities. Maximum out-of-pocket includes annual deductible.</p> <p><b>Plan 1 - BlueOptions 05772</b>            \$1,250/2,500 deductible per calendar year            \$5,000/10,000 out-of-pocket maximum per calendar year            80/20% coinsurance for major services after deductible has been met            100% coverage for preventive care            \$35/50 per office visit            \$200 fee for emergency health services            \$10/35/70 pharmacy copayment for 31-day supply            In-network &amp; Out-of-network benefits</p> <p><b>Plan 2 - BlueOptions 03559</b>            \$1,000/2,000 deductible per calendar year            \$3,500/7,000 out-of-pocket maximum per calendar year            80/20% coinsurance for major services after deductible has been met            100% coverage for preventive care            \$20/40 per office visit            \$200 fee for emergency health services            \$10/35/70 pharmacy copayment for 31-day supply            In-network &amp; Out-of-network benefits</p>	<p><b>Plan 1 - BlueOptions 05772</b>            Maximum Policy Benefit: Unlimited            Mental Health &amp; Substance Use Services, Outpatient: \$0 per visit, In-network.            Mental Health &amp; Substance Use Services, Inpatient: \$0, In-network.</p> <p><b>Plan 2 - BlueOptions 03559</b>            Maximum Policy Benefit: Unlimited            Mental Health &amp; Substance Use Services, Outpatient: \$0 per visit, In-network.            Mental Health &amp; Substance Use Services, Inpatient: \$0, In-network.</p>

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2012  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance (Continued)	Blue Cross and Blue Shield of Florida	<p><b>Plan 3 - Health Savings Account 05190/05191</b>            \$2,000/4,000 deductible per calendar year;            \$5,000/10,000 out-of-pocket maximum per calendar year            80/20% coinsurance for medical services            100% coverage for preventive services            Discounted fees paid for illness/injury office visits; deductible + coinsurance            Discounted fees paid for emergency health services; deductible + coinsurance            \$10/35/60 pharmacy copayment for 31-day supply, after deductible has been met            Network and non-network benefits            In-network &amp; Out-of-network benefits            \$750 employer contribution into Health Savings Account</p>	<p><b>Plan 3 - Health Savings Account 05190/05191</b>            Maximum Policy Benefit: Unlimited            Discounted fees are paid for medical and pharmacy services until annual deductible has been met. After deductible has been met, 20% coinsurance is required for these services, in-network.            Mental Health &amp; Substance Use Services, Outpatient: 20% coinsurance after deductible has been met.            Mental Health &amp; Substance Use Services, Inpatient: 20% coinsurance after deductible has been met.</p>
Life Insurance	Unum	<p>Basic Life, includes Accidental Death &amp; Dismemberment            Additional Life – optional</p>	<p>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.</p>
Dental Insurance	United Concordia	<p>Diagnostic/Preventative Services – plan pays 100%; Basic Services – plan pays 80% ; Major Services – plan pays 50%            Orthodontics (Adult &amp; Child) – plan pays 50%; \$50/100 calendar year deductible for Basic and Major services</p>	<p>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.</p>
Long Term Disability Insurance	Unum	<p>60% of gross monthly income, pre-disability earnings            6-month elimination period            3-month elimination period is optional</p>	<p>\$5,000 maximum monthly benefit</p>

## **OTHER REPORTS**

**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 the basic financial statements of the Emerald Coast Utilities Authority (the “Authority”) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 March 21, 2013.

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



Pensacola, Florida  
March 21, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

**Compliance**

We have audited the compliance of Emerald Coast Utilities Authority (the “Authority”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2012. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

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. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

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 each of its major federal programs for the year ended September 30, 2012.

### **Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Pensacola, Florida  
March 21, 2013

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
YEAR ENDED SEPTEMBER 30, 2012**

**A. SUMMARY OF AUDITOR’S RESULTS**

1. The independent auditor’s report expresses an unqualified 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 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 programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor’s report on compliance for the major federal programs for the Authority expresses an unqualified opinion.
6. There are no audit findings relative to the major federal programs for the Authority which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<b>Federal Programs</b>	<b>CFDA No.</b>
Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	14.228
Clean Water State Revolving Fund Loan	66.458

8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal programs.
9. The Authority qualified 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, 2012**

There were no prior year audit findings.

## MANAGEMENT LETTER

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited the financial statements of the Emerald Coast Utilities Authority (the “Authority”), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 21, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters, our Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 21, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports or schedule:

- 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, except for the following recommendation, which was included in both the 2011 and 2010 report.

### **Information Technology - Documentation and Controls**

The small size of the Information Technology (“IT”) Department places limitations on internal controls that are applicable to the Authority’s information technology, such as segregation of duties, systems documentation, and some computer security procedures. While it may not be economically feasible to hire additional staff simply to achieve better controls, we recommend the Authority develop a long-term plan for the IT Department. During the year ended September 30, 2010, the Authority engaged a consultant to develop a written risk assessment, which included the IT department. This risk assessment should be utilized to support the Authority’s long-term goals and incorporate planning for risk based changes and improvements to be made that will resolve, or mitigate to the extent feasible, the existing control weaknesses. In addition, the Authority should periodically reevaluate the controls to ensure that material weaknesses do not develop.

### **Management Response**

The Authority will make a risk assessment of our system and develop a long-term plan to incorporate improvements that will address existing control weaknesses.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., 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)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Members of the Board  
Emerald Coast Utilities Authority

- Section 10.554(1)(i)6., 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. There are no component units.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity 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.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), 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.

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  
March 21, 2013