

EMERALD COAST UTILITIES AUTHORITY
PENSACOLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

Prepared by:

Department of Finance
Debra Buckley
Director of Finance

INTRODUCTORY SECTION

EMERALD COAST UTILITIES AUTHORITY
PENSACOLA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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March 9, 2015

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, 2014. The financial statements are audited in conformity with Chapter 166.241(1), Florida Statutes, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

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

Government Profile

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

The Authority provides reliable high-quality potable water to 90,569 customers. The wastewater system serves 68,871 customers conveying wastewater to three treatment plants with a total capacity of 33.1 million gallons. The Authority began providing sanitation service in 1992 through an acquisition of the system previously operated by Escambia County. Since that time, mandatory garbage collection, automated pick-up and recycling have been implemented throughout the service area. The Authority also purchased two additional residential systems in 1994. The Authority provides sanitation service to 81,675 customers.

Financial Information

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

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

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

The average price of a single-family dwelling in Escambia County has risen over the last three years as have sales of single-family homes. As of the third quarter of 2014, the average sales price of a single family home was \$134,338 and sales of single family homes had increased over 14% since the same period in 2013. Low mortgage rates and increased optimism about the economy contributed to the increased sales.

Long-term financial planning. Capital construction planning involves an evaluation and ranking process that begins in advance of the operating budget process. Input is received from the Board and Committee members, Authority staff and the public, culminating in a plan that clearly expresses the capital needs of the Authority. It is the Authority's philosophy that new projects are only undertaken if current and future operating revenues are sufficient to fund the associated operating costs. The fiscal year 2015 capital improvement budget provides an aggressive approach targeting system repairs and the Sanitary Sewer Overflow/Inflow and Infiltration program, information technology upgrades, additional equipment to serve additional customers, and funding to convert a large portion of the fleet to compressed natural gas fuel. Funding for the 2015 capital improvements plan is anticipated to come from existing balances, operating revenues, and bonds. The current capital improvement plan, funded annually, totals \$238 million over the next five year planning period.

Rates and charges. The Authority remains financially sound through conservative budgeting and continuously monitoring costs compared to the budget. In order to provide adequate service to its customers, the Authority must receive sufficient revenue to cover operating and maintenance expenses, planned cash outlays, debt service payments and required cash reserves. Rates are reviewed annually during the budget process based on a cost of service analysis. The Authority Board approved a 3% increase for water and wastewater rates and a 3.5% increase for sanitation rates for the 2015 fiscal year. Rate increases of 1.93% for water and wastewater customers and 1.2% for sanitation customers were approved for the 2014 fiscal year.

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

Awards and Acknowledgements

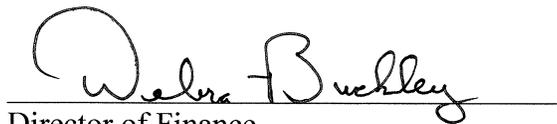
For the twenty-sixth consecutive year, the Authority has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") for its CAFR for the fiscal year ended September 30, 2013. This prestigious national award recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. Preparation of this CAFR would not have been possible without the dedicated effort of the entire Finance Department staff. We would also like to thank the Board for their leadership and support for maintaining the highest standards of professionalism in the management of the Authority's finances.

Respectfully submitted,

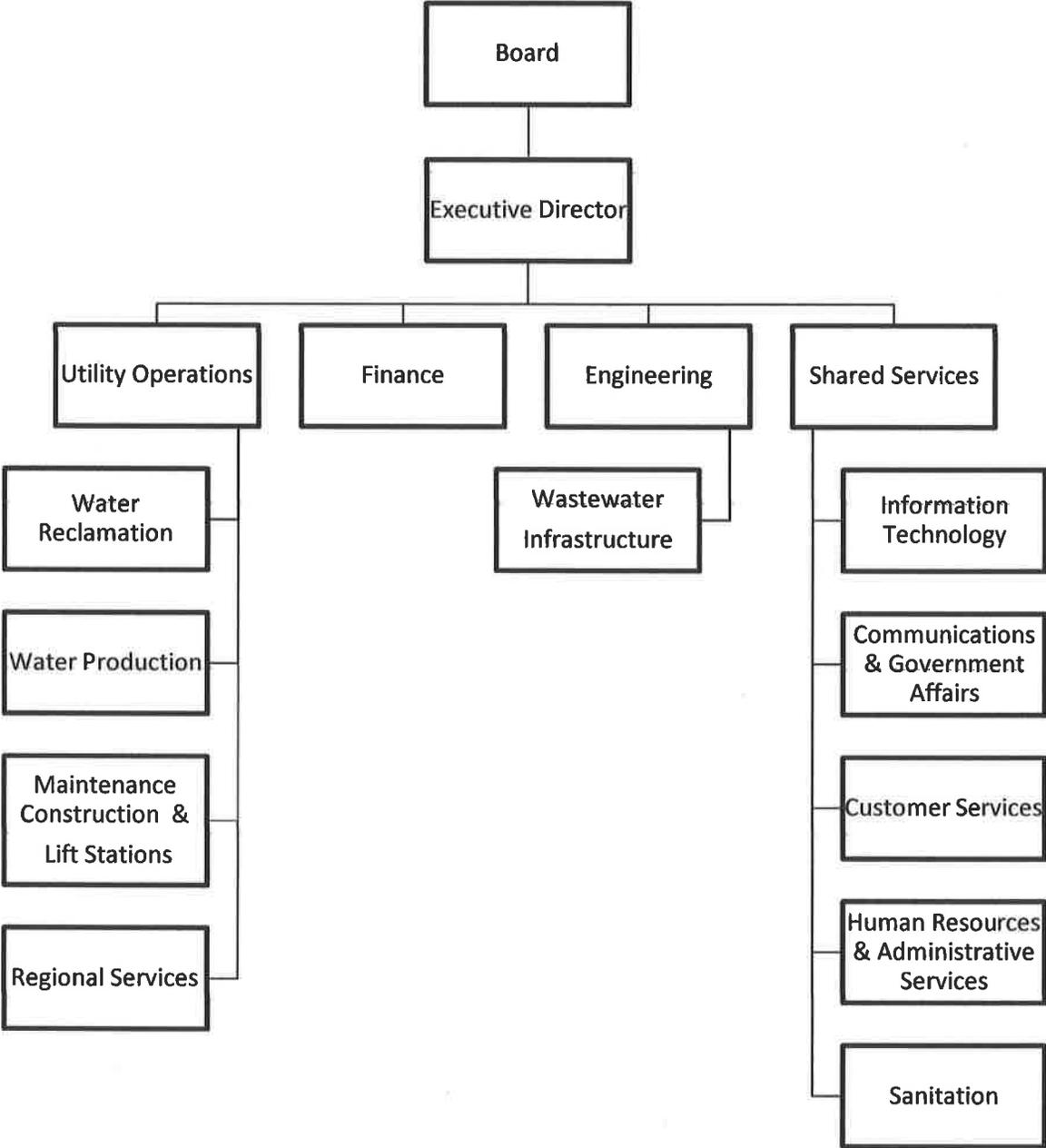


Executive Director



Director of Finance

EMERALD COAST UTILITIES AUTHORITY





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PRINCIPAL OFFICIALS

Board Members

Larry Walker

Vicki Campbell

Dale Perkins

Lois Benson

Elvin McCorvey

Authority Officials

Stephen E. Sorrell

Executive Director



Government Finance Officers Association

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

Presented to

**Emerald Coast Utilities Authority
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Emerald Coast Utilities Authority as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Emerald Coast Utilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the Emerald Coast Utilities Authority, as of September 30, 2014 and 2013, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 10 through 17 and the Schedule of Funding Progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Members of the Board
Emerald Coast Utilities Authority

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015 on our consideration of the Emerald Coast Utilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emerald Coast Utilities Authority's internal control over financial reporting and compliance.



Pensacola, Florida
March 9, 2015

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, 2014. Please read it in conjunction with the letter of transmittal, and the financial statements with accompanying notes.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities on September 30, 2014 by \$507 million (net position), a \$7.8 million increase over the previous fiscal year. Of this amount, \$128 million (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining \$379 million, approximately \$333 million is the net investment in capital assets while the remainder is restricted for utility plant expansion (\$2.5 million) and debt service and other bond requirements (\$43.5 million).
- During the year ended September 30, 2014 the Authority issued an \$11.2 million Utility System Refunding Revenue Note to advance refund the Utility System Revenue Bonds, Series 2004. Debt service coverage for 2014 was 162%, which exceeded the debt service covenants requirement of 125%.
- Operating revenue increased by \$4.5 million, or 4%, from 2013 to 2014 while operating expenses before depreciation and amortization increased by \$6.4 million, or 10%.
- The volume of potable water sold in 2014 increased from 2013 by 379 million gallons. The Authority processed over 8.2 billion gallons of wastewater at its three water reclamation facilities during the past year. Approximately 80% 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 four sections: Introductory, Financial, Statistical, and Other Reports. The Introductory section includes a letter of transmittal, the Authority's Organization Chart, and a list of Principal Officials. The Financial section includes Management's Discussion and Analysis, Financial Statements with accompanying notes, and the Supplementary Information schedules. The Statistical section includes selected financial, operational, and demographic information generally presented on a multi-year basis. Other reports by the auditor regarding internal accounting controls and compliance with laws and regulations are included in the final section of this report, along with the auditor's management letter.

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

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

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

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

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

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

Financial Position

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

Condensed Balance Sheets

	September 30,			2014 to 2013		2013 to 2012	
	2014	2013	2012	Dollars	%	Dollars	%
Capital Assets:							
Producing assets	\$ 688,039,261	\$ 673,573,047	\$ 686,562,829	\$ 14,466,214	2.1%	\$ (12,989,782)	-1.9%
Construction in progress	23,128,999	32,455,131	20,004,358	(9,326,132)	-28.7%	12,450,773	62.2%
Current assets	62,736,200	45,633,411	59,332,504	17,102,789	37.5%	(13,699,093)	-23.1%
Other assets and deferred outflows	141,346,832	171,430,217	171,669,908	(30,083,385)	-17.5%	(239,691)	-0.1%
Total assets and deferred outflows	<u>\$ 915,251,292</u>	<u>\$ 923,091,806</u>	<u>\$ 937,569,599</u>	<u>\$ (7,840,514)</u>	<u>-0.8%</u>	<u>\$ (14,477,793)</u>	<u>-1.5%</u>
Long-term liabilities	\$ 346,711,618	\$ 385,710,554	\$ 402,910,118	\$ (38,998,936)	-10.1%	(17,199,564)	-4.3%
Current liabilities	61,350,088	37,978,801	39,828,308	23,371,287	61.5%	(1,849,507)	-4.6%
Total liabilities	<u>408,061,706</u>	<u>423,689,355</u>	<u>442,738,426</u>	<u>(15,627,649)</u>	<u>-3.7%</u>	<u>(19,049,071)</u>	<u>-4.3%</u>
Net position:							
Net investment in capital assets	333,049,166	314,995,864	340,956,323	18,053,302	5.7%	(25,960,459)	-7.6%
Restricted	46,140,850	50,420,099	48,228,364	(4,279,249)	-8.5%	2,191,735	4.5%
Unrestricted	127,999,570	133,986,488	105,646,486	(5,986,918)	-4.5%	28,340,002	26.8%
Total net position	<u>507,189,586</u>	<u>499,402,451</u>	<u>494,831,173</u>	<u>7,787,135</u>	<u>1.6%</u>	<u>4,571,278</u>	<u>0.9%</u>
Total liabilities and net position	<u>\$ 915,251,292</u>	<u>\$ 923,091,806</u>	<u>\$ 937,569,599</u>	<u>\$ (7,840,514)</u>	<u>-0.8%</u>	<u>\$ (14,477,793)</u>	<u>-1.5%</u>

Total net position as of September 30, 2014 was approximately \$507 million. As a result of the investment made in sewer expansion infrastructure during fiscal year 2013, the growth in the number of customers who were brought on-line resulted in a 5% increase in wastewater revenue. Additionally, normal growth, combined with the modest rate increases allowed for a 4.5% growth in water revenue and a 2.5% growth in sanitation revenue. When combined with reductions in interest expense due to debt refunding and reductions in depreciation expense, the net position grew by 1.6%. Total net position increased \$4.6 million (1%) from 2012 to 2013 primarily due to a \$4 million reduction in accounts payable for capital improvements.

Producing assets increased \$14 million (2%) over 2013 while construction in progress decreased by \$9 million (29%), as the Authority focused on the completion of several wastewater infrastructure projects. Producing assets decreased \$13 million (2%) from 2012 to 2013 mainly due to the increase in depreciation expense generated by the new Central Water Reclamation Facility (“CWRP”) and related lift stations and transmission lines. In 2013, construction in progress increased \$12.5 million (62%) as a result of increased spending on wastewater infrastructure.

Current assets increased \$17 million (37.5%) in 2014 mainly because the Forward Supply Agreement became current with the maturity in January 2015. The decrease in other assets and deferred outflows from 2013 of \$30 million (17.5%) reflects this change as well as decreases of \$7 million in assets restricted for the construction fund and the capital improvement program. In 2013, current assets decreased \$13.7 million (23%) due to normal fluctuations in cash and investments. Other assets and deferred outflows remained constant from 2012 to 2013.

In 2014, long-term liabilities decreased by \$39 million (10%) while current liabilities increased by \$23 million (61.5%). This represents the reclassification of the current portion of debt service payments from long-term debt to short-term debt. The Utility System Revenue Bond, Series 1992B has a \$26 million final balloon payment due January 2015. During 2014, the Authority issued an \$11.2 million Utility System Refunding Revenue Note to advance refund the Utility System Revenue Bonds, Series 2004. Long-term liabilities decreased by \$17 million (4.3%) in 2013 due to normal debt service payments. The Authority issued \$25 million in revenue notes during 2013 to advance refund the Utility System Revenue Bonds, Series 2001 and 2003. The 4.6% decrease in current liabilities from 2012 to 2013 is primarily attributed to the decrease in accounts payable for capital improvements resulting from the completion of the new administration building and the major lift stations and transmission lines feeding the CWRP.

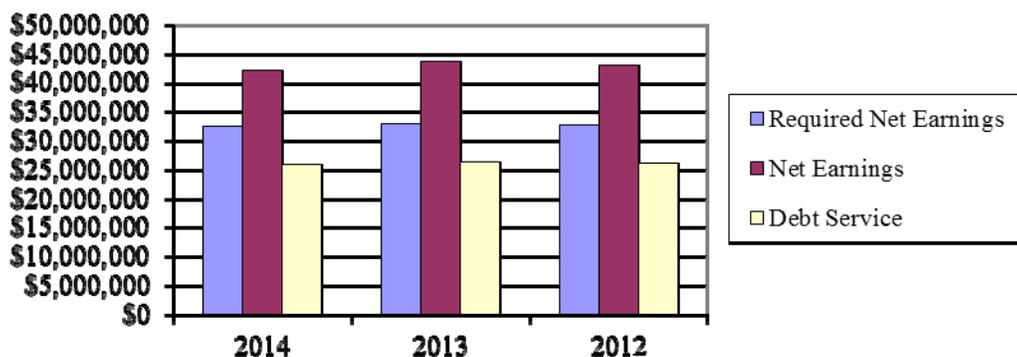
Debt and Debt Service Coverage

The Authority issued an \$11.2 million Utility System Refunding Revenue Note, Series 2014, to advance refund \$11 million of Utility System Revenue Bonds, Series 2004. The advance refunding reduced total debt service payments by approximately \$1 million and gave rise to an economic gain of approximately \$879,000, which is the difference between the present values of the old and new debt service payments. During 2013, the Authority issued a \$25 million Utility System Refunding Revenue Note, Series 2013, to advance refund \$6 million of Utility System Revenue Bonds, Series 2001 and \$18.6 million of Utility System Revenue Bonds, Series 2003. The advance refunding allowed the Authority to achieve debt service coverage savings by reducing total debt service payments by approximately \$9 million over the life of the replacement debt. In 2012, the Authority received an additional \$25 million from the State Revolving Loan Fund (“SRF”) for funding the Main Street Wastewater Treatment Plant (“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. Debt incurred under the SRF Loan program, outstanding at the end of fiscal year 2014 amounted to \$74.6 million and \$78.5 million at the end of fiscal year 2013. Additional information on the Authority’s long-term debt can be found in Note 5 in the Notes to the Financial Statements section and in the statistical section.

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

Debt service coverage for 2014 and 2013 was 162% and 167%, 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



Revenues

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

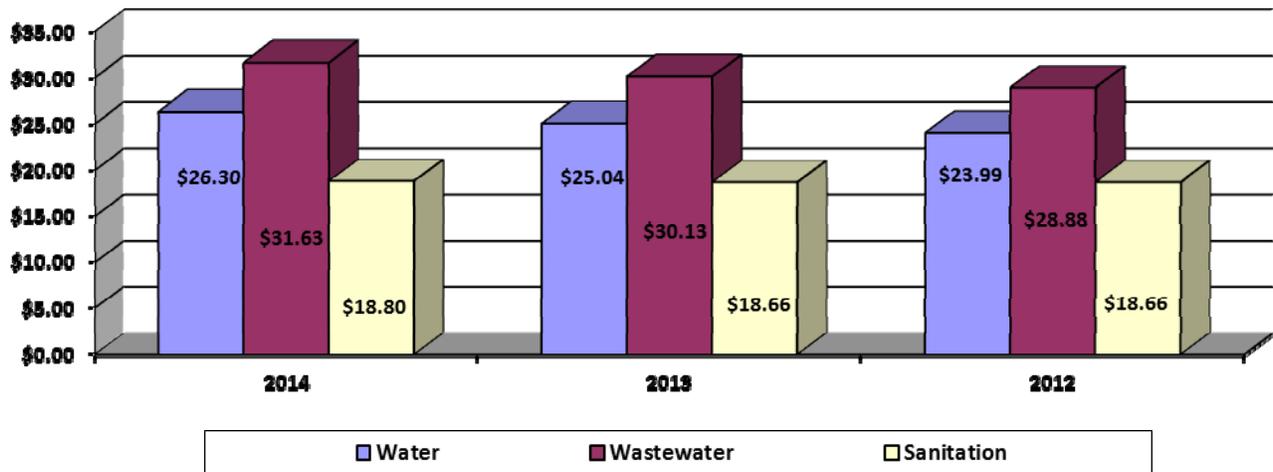
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Three-Year Comparison
Year Ended September 30,

	2014	2013	2012	2014 to 2013		2013 to 2012	
				Dollars	%	Dollars	%
Revenues:							
Customer charges:							
Wastewater	\$48,623,816	\$46,141,252	\$43,134,578	\$2,482,564	5.4%	\$3,006,674	7.0%
Water	36,862,307	35,273,626	34,392,211	1,588,681	4.5%	881,415	2.6%
Sanitation	18,538,089	18,079,257	19,287,846	458,832	2.5%	(1,208,589)	-6.3%
Total customer charges	104,024,212	99,494,135	96,814,635	4,530,077	4.6%	2,679,500	2.8%
Connection charges	324,196	355,584	310,407	(31,388)	-8.8%	45,177	14.6%
Sewer improvement fee	5,901,267	5,878,031	5,894,574	23,236	0.4%	(16,543)	-0.3%
Other	2,126,168	2,188,270	2,602,988	(62,102)	-2.8%	(414,718)	-15.9%
Total operating revenues	112,375,843	107,916,020	105,622,604	4,459,823	4.1%	2,293,416	2.2%
Expenses:							
Operating expenses:							
Water & Wastewater	76,754,751	72,763,475	72,798,897	3,991,276	5.5%	(35,422)	0.0%
Sanitation	20,618,057	19,359,455	18,886,301	1,258,602	6.5%	473,154	2.5%
Total operating expenses	97,372,808	92,122,930	91,685,198	5,249,878	5.7%	437,732	0.5%
Operating income	15,003,035	15,793,090	13,937,406	(790,055)	-5.0%	1,855,684	13.3%
Non-operating revenue (expenses):							
Investment income	628,780	455,766	574,772	173,014	38.0%	(119,006)	-20.7%
Settlement income	0	0	112	0	0.0%	(112)	-100.0%
Insurance proceeds	91,372	0	0	91,372	0.0%	0	0.0%
Interest expense	(13,821,350)	(15,786,745)	(15,791,340)	1,965,395	-12.4%	4,595	0.0%
Loss on disposal of assets	(487,609)	(168,100)	(585,515)	(319,509)	190.1%	417,415	-71.3%
Income (loss) before capital contributions	1,414,228	294,011	(1,864,565)	1,120,217	381.0%	2,158,576	-115.8%
Capital contributions:							
Cash	5,304,328	3,134,994	25,615,644	2,169,334	69.2%	(22,480,650)	-87.8%
Non-cash	1,068,579	1,142,273	1,257,545	(73,694)	-6.5%	(115,272)	-9.2%
Total capital contributions	6,372,907	4,277,267	26,873,189	2,095,640	49.0%	(22,595,922)	-84.1%
Change in net position	7,787,135	4,571,278	25,008,624	3,215,857	70.3%	(20,437,346)	-81.7%
Net position at beginning of year	499,402,451	494,831,173	469,822,549	4,571,278	0.9%	25,008,624	5.3%
Net position at end of year	\$507,189,586	\$499,402,451	\$494,831,173	\$7,787,135	1.6%	\$4,571,278	0.9%

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

The 4.25% rate increase effective for fiscal year 2013 included funding for five new full-time positions, the replacement of a significant number of large water meters, increased costs associated with additional lift stations, and maintenance of specialized equipment. This rate increase coupled with a 1% growth in water and wastewater customers resulted in increases in wastewater and water revenue during fiscal year 2013 of 7% and 2.6% respectively. Three sewer expansion programs were completed during 2013 providing 264 sewer connections to homes previously served by septic tanks. The number of water customers grew by 879 and 450 customers in 2014 and 2013 respectively. The table below shows the monthly residential customer bill for the last three fiscal years. The charges are calculated using the typical residential consumption of 6,800 gallons of water and 4,800 gallons of wastewater.

Monthly Residential Customer Bill



Increased disposal costs at the County owned landfill required a 1.2% rate increase for all sanitation customers effective October 1, 2013. The rate increase along with a moderate 1% growth in customers resulted in a 2.5% growth in sanitation revenue.

During 2013 and 2012, the Authority was able to expand sanitation services with no increase in rates. Fiscal year 2013 was the first full year of operation for the new compressed natural gas (“CNG”) sanitation collection vehicles. Due to the lower cost of CNG fuel the Authority did not have to implement the fuel recovery fee on sanitation customer’s bills. This accounts for the 6% decrease in sanitation revenue in 2013.

Water and Wastewater system connection charges decreased approximately 9% in 2014 after increasing 14.6% during 2013 reflecting the ebb and flow of residential construction. Other income decreased by 3% in 2014 compared with 16% in 2013. The 16% decrease in other income from fiscal year 2012 to 2013 reflects the decrease in scrap metal sales and the decrease in County-sponsored neighborhood clean-up projects.

The 69% increase in cash contributions in 2014 is attributed to recognizing \$2.6 million in Federal Emergency Management Agency (“FEMA”) contributions for the severe storm, tornadoes, and flooding on April 28, 2014. This event, which was declared a major disaster on May 6, 2014, caused extensive flooding and erosion of roadways exposing broken water and sewer lines in Escambia County. Permanent repairs are still under construction.

Cash contributions in 2013 reflect the typical income. The Authority received \$2.3 million from water and wastewater impact fees and \$800 thousand from federal, state and local governments. The untypically high cash contributions shown in fiscal year 2012 were the reflection of an agreement the Authority entered into with the City of Pensacola (“City”) in 2009 that the City would 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. 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. The decrease in non-cash utility system contributions of 6% in 2014 and 9% in 2013 is a reflection of the decrease in construction starts in Escambia County. The utility system contributions are primarily residential and have been completed in accordance with plans and specifications approved by the Authority. These contributions are not budgeted, as they are generally non-cash, of limited relevance to rate setting, and the timing is not subject to the Authority control.

Expenses

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

In 2014 Sanitation expenses increased 6.5% due to increased personnel costs, the increase in disposal costs imposed by Escambia County at the Perdido Landfill, and \$400 thousand of costs associated with debris cleanup following the April 2014 Flood. Sanitation expenses increased 2.5% during 2013. The decreases in fuel and maintenance expenses due to the conversion of the collection vehicles to CNG fuel were offset by increases in contractual services and insurance premiums.

Capital Assets

Construction spending for fiscal year 2014 totaled \$26.7 million dollars, which included \$5 million for Inflow and Infiltration projects, \$5 million to upgrade or replace water and wastewater lines, \$3.5 million to upgrade lift stations, \$3 million on the Bayou Marcus Water Treatment Facility rehabilitation, and \$2.7 million on replacing and expanding the fleet.

The Authority spent \$22 million on construction projects in 2013. Major capital investments include \$6 million to expand and upgrade water reclamation plants and lift stations, \$6 million to expand and upgrade the gravity sewer system, and \$5 million to expand and upgrade the water facilities and transmission lines.

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 approved water and wastewater budget for 2015 includes a 3% rate increase that will provide funding for managing the Inflow & Infiltration reparations mandated by the Florida Department of Environmental Protection's ("FDEP") sanitary sewer overflows Consent Order and for an additional FDEP mandate requiring additional flushing for valve and fire hydrant installations. Funding is also included for new employees and vehicles, replacement of automated meter readers, security maintenance, information technology upgrades and a \$35 million bond issue to support the Capital Improvement Program. The increased disposal costs imposed by Escambia County are the primary reason the Authority Board approved a 3.5% increase in sanitation rates for the 2015 budget year.

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.

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BASIC FINANCIAL STATEMENTS

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**EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2014 AND 2013**

ASSETS AND DEFERRED OUTFLOWS

	2014	2013
Current Assets:		
Unrestricted assets -		
Cash and investments (<i>note 2</i>)	\$ 3,219,696	\$ 2,779,421
Accounts receivable less allowance for doubtful accounts of \$1,092,700 and \$1,017,700 in 2014 and 2013, respectively	14,953,433	15,099,531
Grants receivable	2,487,217	373,483
Due from other governments	1,300,000	1,300,000
Materials and supplies (<i>note 1</i>)	5,339,627	5,161,355
Prepaid expenses	265,917	289,832
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	11,036,320	16,406,280
Forward supply agreement	19,733,033	-
Customer deposits	4,400,957	4,223,509
 Total current assets	 62,736,200	 45,633,411
 Noncurrent Assets:		
Due from other governments	15,600,000	16,900,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,071,427	7,014,998
Operating and maintenance fund	6,260,779	5,777,933
Construction fund	161	4,888,065
Forward supply agreement	-	19,701,063
Debt service reserve	3,076,285	3,070,139
Impact fees	2,597,454	2,331,649
Capital improvement program	87,738,547	90,097,606
Sewer improvement fees	8,061,981	10,093,396
Self-insurance funds (<i>note 12</i>)	4,997,116	4,997,116
Total noncurrent restricted assets	119,803,750	147,971,965
Capital assets -		
Utility plant in service	925,066,338	888,275,448
Construction work in progress	23,128,999	32,455,131
Intangible assets	14,996,954	14,996,954
	963,192,291	935,727,533
Less accumulated depreciation and amortization	252,024,031	229,699,355
Total capital assets (<i>notes 1 and 3</i>)	711,168,260	706,028,178
Unamortized debt issuance costs (net of accumulated amortization of \$2,908,080 and \$2,501,592 in 2014 and 2013, respectively) (<i>note 1</i>)	2,478,001	2,833,257
 Total noncurrent assets	 849,050,011	 873,733,400
 Deferred Outflow of Resources:		
Deferred loss on bond refunding	3,465,081	3,724,995
 Total Assets and Deferred Outflows	 \$ 915,251,292	 \$ 923,091,806

LIABILITIES AND NET POSITION

	2014	2013
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 3,607,494	\$ 3,149,760
Due to other governments	384,101	354,196
Payroll and compensated absences payable (<i>note 1</i>)	2,174,754	1,975,375
Other current liabilities	15,961	29,139
Total current liabilities (payable from current assets)	6,182,310	5,508,470
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt (<i>notes 1 and 5</i>)	40,900,311	20,066,460
Accrued interest payable	3,634,448	3,881,963
Accounts payable - capital improvements	5,314,690	3,479,687
Customer deposits	4,400,957	4,223,509
Claims liabilities (<i>note 12</i>)	917,372	818,712
Total current liabilities (payable from restricted assets)	55,167,778	32,470,331
Total current liabilities	61,350,088	37,978,801
Long-Term Liabilities:		
Claims liabilities (<i>note 12</i>)	406,150	892,330
Long-term debt (<i>notes 1 and 5</i>)	340,684,025	379,578,914
Long-term compensated absences payable (<i>notes 1 and 5</i>)	1,383,491	1,371,269
Other postemployment benefits (<i>note 11</i>)	4,237,952	3,868,041
Total long-term liabilities	346,711,618	385,710,554
Total liabilities	408,061,706	423,689,355
Net Position:		
Net investment in capital assets	333,049,166	314,995,864
Restricted for debt service and other bond requirements (<i>note 1</i>)	43,543,396	48,088,450
Restricted for expansion of utility plant (<i>note 1</i>)	2,597,454	2,331,649
Unrestricted	127,999,570	133,986,488
Total net position	507,189,586	499,402,451
Commitments and Contingencies (<i>note 13</i>)	--	--
Total Liabilities and Net Position	\$ 915,251,292	\$ 923,091,806

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

EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Operating Revenues:		
Customer charges -		
Wastewater	\$ 48,623,816	\$ 46,141,252
Water	36,862,307	35,273,626
Sanitation	18,538,089	18,079,257
Connection charges	324,196	355,584
Sewer improvement fees	5,901,267	5,878,031
Other	2,126,168	2,188,270
Total operating revenues	112,375,843	107,916,020
Operating Expenses Before Depreciation and Amortization:		
Personal services	36,188,995	34,998,531
Contractual services	4,492,375	2,635,284
Professional services	1,241,802	726,256
Supplies	7,325,713	7,215,322
Repairs and maintenance	6,329,853	4,822,427
Heat, light and power	7,006,549	6,398,824
Tipping fees	4,845,952	4,378,222
Other	3,601,099	3,458,658
Total operating expenses before depreciation and amortization	71,032,338	64,633,524
Operating Income Before Depreciation and Amortization	41,343,505	43,282,496
Depreciation and Amortization	26,340,470	27,489,406
Operating income	15,003,035	15,793,090
Nonoperating Revenues (Expenses):		
Investment income	628,780	455,766
Insurance proceeds	91,372	-
Interest expense	(13,821,350)	(15,786,745)
Loss on disposal of assets	(487,609)	(168,100)
Total nonoperating revenues (expenses)	(13,588,807)	(15,499,079)
Income Before Capital Contributions	1,414,228	294,011
Capital contributions - cash (note 8)	5,304,328	3,134,994
Capital contributions - noncash (note 8)	1,068,579	1,142,273
Change in Net Position	7,787,135	4,571,278
Net Position at Beginning of Year	499,402,451	494,831,173
Net Position at End of Year	\$ 507,189,586	\$ 499,402,451

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**EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 115,447,759	\$ 111,900,385
Cash paid to suppliers for goods and services	(48,544,162)	(43,298,707)
Cash paid to employees for services	(25,444,812)	(23,919,096)
Net cash provided by operating activities	41,458,785	44,682,582
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(28,172,748)	(27,980,156)
Proceeds from issuance of long-term debt	11,200,000	25,010,000
Debt issuance costs	(45,617)	(58,339)
Principal paid on long-term debt	(19,947,245)	(17,277,385)
Interest paid on long-term debt	(12,579,551)	(14,542,976)
Payments to defease long-term debt	(11,202,587)	(25,096,313)
Payment of loan service fees	-	(1,500,000)
Proceeds from sale of assets	168,436	322,455
Contributions from developers, customers and other governments	5,304,328	3,134,994
Net cash used for capital and related financing activities	(55,274,984)	(57,987,720)
Cash Flows From Investing Activities:		
Investment income	657,984	380,970
Proceeds from maturities of investments and notes receivable	16,355,712	335,914
Purchases of investments	(68,128,137)	-
Net cash provided by (used for) investing activities	(51,114,441)	716,884
Net Decrease in Cash and Cash Equivalents	(64,930,640)	(12,588,254)
Cash and Cash Equivalents, Beginning of Year	151,391,919	163,980,173
Cash and Cash Equivalents, End of Year	\$ 86,461,279	\$ 151,391,919

**EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Continued)**

	2014	2013
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating income	\$ 15,003,035	\$ 15,793,090
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	26,340,470	27,489,406
Insurance proceeds	91,372	-
Changes in -		
Accounts receivable, net	1,446,098	(198,042)
Grants receivable	(2,113,734)	683,664
Materials and supplies	(178,272)	(406,443)
Prepaid expenses	23,915	93,713
Accounts payable	457,734	(24,416)
Due to other governments	29,905	1,917
Payroll and compensated absences payable	199,379	307,360
Other current liabilities	(13,178)	2,455
Long-term compensated absences payable	12,222	11,576
Other postemployment benefits	369,911	329,704
Customer deposits	177,448	179,368
Claims liabilities	(387,520)	419,230
Net cash provided by operating activities	\$ 41,458,785	\$ 44,682,582
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and investments	\$ 3,219,696	\$ 2,779,421
Restricted assets	154,974,060	168,601,754
	158,193,756	171,381,175
Less notes receivable and investments	(71,732,477)	(19,989,256)
Cash and cash equivalents	\$ 86,461,279	\$ 151,391,919
 Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Property contributed by developers and others <i>(note 8)</i>	\$ 1,068,579	\$ 1,142,273
Unrealized appreciation (depreciation) in fair value of investments	\$ (23,809)	\$ 74,796
Equipment and improvements acquired under capital lease	\$ 1,060,267	\$ 1,898,743

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NOTES TO FINANCIAL STATEMENTS

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Defining the Reporting Entity:

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

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

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

Fund Accounting:

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

Basis of Accounting:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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 position and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Estimates:

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

General Budget Policies:

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

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

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, 2014 AND 2013**

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, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources:

For the fiscal year ended September, 30, 2013, the Authority implemented the provisions of GASB Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of the four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement 65 provides that guidance.

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of the statements of net position. The only deferred outflow of resources reported in the financial statements is a deferred amount arising from the refunding of bonds. This deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense.

Debt Issuance Costs:

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

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.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position:

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

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

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

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

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

Restricted and Unrestricted Resources:

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

Operating Revenues and Expenses:

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

Revenue and Unearned Revenue:

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

Capital Contributions:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications:

Certain reclassifications were made to the 2013 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.

Deposits:

The Authority's deposits at September 30, 2014 and 2013 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, 2014 and 2013, the carrying amount of the deposits was \$25,718,001 and \$51,800,448, respectively, and the bank balance was \$26,411,306 and \$58,796,728, respectively.

Investments:

As of September 30, 2014 and 2013, the Authority had the following investments:

	Weighted Average Maturity (Years)	2014	2013
Local Government Surplus Funds Trust Fund	0.107	\$ 58,498,477	\$ 85,713,849
Fund B Surplus Funds Trust Fund	N/A	-	284,057
Money Market Mutual Funds	0.120	2,083,024	13,715,844
U.S. Treasury Securities	0.914	37,107,099	19,701,063
Federal Instrumentalities	1.279	16,988,742	-
Corporate Notes	3.688	9,732,954	-
State and Local Government Debt	3.315	7,745,295	-
Total investments		\$ <u>132,155,591</u>	\$ <u>119,414,813</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk:

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

The Authority utilizes “weighted average duration” as a measurement of interest rate risk and as of September 30, 2014, the investments had a weighted average duration of 0.94 years.

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

CUSIP	Description	Maturity Date	Market Value	Call Schedule	Call Date
194738V56	Collin County Texas Municipal Bond	2/15/2018	\$ 1,185,581	one time	2/15/2017
76720AAE6	Rio Tinto Finance USA PLC Corporate Notes	8/21/2017	1,005,377	one time	7/21/2017
855244AF6	Starbucks Corp. Corporate Notes	12/5/2018	<u>1,996,646</u>	one time	11/5/2018
			<u>\$ 4,187,604</u>		

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

Credit Risk:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk (Continued):

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

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

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Credit Risk (Continued):

At September 30, 2014, the Authority's investments had the following credit quality:

Security Type	Standard & Poor's Credit Rating	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	AAAm	44.26%
Money Market Mutual Funds	AAAm	1.58%
U.S. Treasury Securities	AA+	28.08%
Federal Instrumentalities	AA+	12.86%
Corporate Notes	A+	3.39%
Corporate Notes	AA	1.70%
Corporate Notes	A-	2.27%
State and Local Government Debt	AAA	2.41%
State and Local Government Debt	AA	1.12%
State and Local Government Debt	AA-	2.33%

Custodial Credit Risk:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk:

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

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

* Treasury Strips are limited to 10% of available funds

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued):

As of September 30, 2014, the Authority had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	\$ 58,498,477	44.26%
Money Market Mutual Funds	2,083,024	1.58%
U.S. Treasury Securities:		
U.S. Treasury Notes	17,374,066	13.15%
U.S Treasury Strips	19,733,033	14.93%
Federal Instrumentalities:		
Federal Farm Credit Bank Notes	2,000,812	1.51%
Federal National Mortgage Association	5,953,768	4.51%
Federal Home Loan Mortgage Corporation	3,506,342	2.65%
Federal Home Loan Bank Notes	5,527,820	4.18%
Corporate Notes:		
Bank of Nova Scotia	2,493,005	1.89%
Berkshire Hathaway	2,244,406	1.70%
Intel Corp.	1,993,520	1.51%
Rio Tinto Finance USA PLC	1,005,377	0.76%
Starbucks Corp.	1,996,646	1.51%
State and Local Government Debt:		
Collin County Texas Municipal Bond	1,185,581	0.90%
Connecticut State Municipal Bond	1,482,152	1.12%
Florida Hurricane Catastrophe Fund Finance Corp. Revenue Bonds	2,074,912	1.57%
JEA Florida District Energy System Revenue Bonds	1,002,490	0.76%
New York State Urban Development Corp. Revenue Bonds	2,000,160	1.51%
	<u>\$ 132,155,591</u>	<u>100.00%</u>

Bond covenants require the Authority to hold U.S. Treasury Strips to meet the debt service requirement for the Utility System Revenue Bonds, Series 1992B. The Authority's investment policy stipulates that any investment held that does not meet the guidelines of the policy upon its adoption shall be exempted from the requirements of the policy. The U.S. Treasury Strips were purchased before the adoption of the investment policy and mature in November 2014.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 3 - CAPITAL ASSETS

Capital assets activity during the years ended September 30, 2014 and 2013 was as follows:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 3 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<u>Cost</u>					
Depreciable:					
Buildings and building improvements	\$ 30,170,208				\$ 30,170,208
Improvements other than buildings	743,799,715	6,412,620	(467,491)	4,086,703	753,831,547
Improvements under capital lease	15,537,673	1,898,743			17,436,416
Equipment	47,453,104	2,133,526	(4,777,428)		44,809,202
Equipment under capital lease	13,657,474				13,657,474
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	27,912,014	458,587			28,370,601
Construction in progress	20,004,358	16,537,476		(4,086,703)	32,455,131
	<u>913,531,500</u>	<u>27,440,952</u>	<u>(5,244,919)</u>	<u>-</u>	<u>935,727,533</u>
<u>Less Accumulated Depreciation and Amortization</u>					
Buildings and building improvements	3,229,958	652,396			3,882,354
Improvements other than buildings	156,807,822	19,526,516	(352,544)		175,981,794
Improvements under capital lease	4,500,132	1,563,335			6,063,467
Equipment	31,455,095	3,326,954	(4,401,820)		30,380,229
Equipment under capital lease	1,005,883	1,917,052			2,922,935
Intangible assets	9,965,423	503,153			10,468,576
	<u>206,964,313</u>	<u>27,489,406</u>	<u>(4,754,364)</u>	<u>-</u>	<u>229,699,355</u>
Total capital assets, September 30, 2013	<u>\$ 706,567,187</u>	<u>\$ (48,454)</u>	<u>\$ (490,555)</u>	<u>\$ -</u>	<u>\$ 706,028,178</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 4 - CAPITALIZED INTEREST

Total interest costs incurred for the years ended September 30, 2014 and 2013 amounted to \$16,045,381 and \$17,209,376, respectively. Of these amounts, \$2,224,031 and \$1,422,631 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:

	2014	2013
\$26,306,513 Utility System Revenue Bonds, Series 1992B, including \$11,635,000 of current interest bonds and \$14,671,513 of capital appreciation bonds, interest from 3.4% to 6.25%, maturing in annual installments through January 2015, secured by net revenue	\$ 26,306,513	\$ 31,604,103
\$86,384,803 State of Florida Department of Environmental Protection Revolving Loans, interest from 2.04% to 3.27%, maturing through October 2032, secured by net revenue	74,638,815	78,522,252
\$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, refunded in 2014	-	11,795,000
\$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	15,530,000	15,920,000
\$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	21,680,000	23,020,000
\$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	129,005,000	129,290,000

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>2014</u>	<u>2013</u>
\$42,399,000 Utility System Revenue Note, Series 2010, interest at 6%, maturing in annual installments through January 2031, secured by net revenue	37,945,000	39,488,000
\$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	10,853,000	11,931,000
\$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	7,128,000	7,910,000
\$25,010,000 Utility System Refunding Revenue Note, Series 2013, interest at 2.3%, maturing in annual installments through January 2028, secured by net revenue	23,690,000	25,010,000
\$11,200,000 Utility System Refunding Revenue Note, Series 2014, interest at 3.12%, maturing in annual installments through January 2027, secured by net revenue	11,200,000	-
\$11,973,722 capital lease, interest at 2.12%, payments due annually through February 2019	8,730,133	10,368,938
\$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	11,322,459	11,957,728
\$1,993,355 capital lease, interest at 2.09%, payments due monthly through September 2022	1,658,584	1,726,210
\$965,655 capital lease, interest at 2.09%, payments due monthly through February 2024	951,159	-
Less: Unamortized bond premiums (discounts), net	945,673	1,102,143
	381,584,336	399,645,374
Less current maturities	40,900,311	20,066,460
	\$ 340,684,025	\$ 379,578,914

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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 2014 and 2013 was 162% and 167%, respectively.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes	\$ 375,592,498	\$ 11,200,000	\$ (27,870,497)	\$ 358,922,001	\$ 38,284,723
Capital leases	24,052,876	1,060,267	(2,450,808)	22,662,335	2,615,588
Compensated absences payable	2,377,964	888,233	(914,178)	2,352,019	968,528
Other postemployment benefits	3,868,041	687,455	(317,544)	4,237,952	-
	<u>\$ 405,891,379</u>	<u>\$ 13,835,955</u>	<u>\$ (31,553,027)</u>	<u>\$ 388,174,307</u>	<u>\$ 41,868,839</u>

The annual requirements to amortize bonds and notes outstanding at September 30, 2014 are as follows:

Year Ending September 30	Principal	Interest	Total
2015	\$ 38,284,723	\$ 12,506,019	\$ 50,790,742
2016	18,557,493	12,133,932	30,691,425
2017	19,207,787	11,441,751	30,649,538
2018	19,895,134	10,722,611	30,617,745
2019	20,604,583	9,975,665	30,580,248
2020-2024	112,523,637	37,661,202	150,184,839
2025-2029	110,047,078	14,490,786	124,537,864
2030-2034	16,645,893	1,598,347	18,244,240
2035-2037	2,210,000	117,600	2,327,600
	<u>\$ 357,976,328</u>	<u>\$ 110,647,913</u>	<u>\$ 468,624,241</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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
2015	\$ 2,615,588	\$ 736,669	\$ 3,352,257
2016	2,686,244	666,013	3,352,257
2017	2,759,068	593,189	3,352,257
2018	2,834,138	518,120	3,352,258
2019	2,911,530	440,724	3,352,254
2020-2024	5,652,690	1,366,769	7,019,459
2025-2027	3,203,077	286,987	3,490,064
Present value of net minimum lease payments	<u>\$ 22,662,335</u>	<u>\$ 4,608,471</u>	<u>\$ 27,270,806</u>

NOTE 6 - ADVANCE REFUNDINGS OF DEBT

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

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

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 6 - ADVANCE REFUNDINGS OF DEBT (Continued)

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

During the year ended September 30, 2013, the Authority issued a \$25,010,000 Utility System Refunding Revenue Note, Series 2013, to advance refund \$6,390,000 of Utility System Revenue Bonds, Series 2001 and \$18,590,000 of Utility System Revenue Bonds, Series 2003. The advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$25,751. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2033 using the straight-line amortization method.

The advance refunding reduced total debt service payments by approximately \$9,237,000 and gave rise to an economic gain of approximately \$6,251,000 (difference between the present values of the old and new debt service payments).

At September 30, 2014, the Authority has \$102,795,000 of bonds outstanding that are considered to be defeased.

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

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>2014</u>		<u>2013</u>	
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Water and Wastewater</u>	<u>Sanitation</u>
Condensed Statement of Net Position				
Assets:				
Current assets	\$ 59,876,506	\$ 5,384,270	\$ 41,032,049	\$ 4,601,362
Noncurrent assets	<u>821,004,572</u>	<u>28,045,439</u>	843,028,377	30,705,023
Total assets	<u>880,881,078</u>	<u>33,429,709</u>	884,060,426	35,306,385
Deferred outflow of resources	<u>2,664,203</u>	<u>800,878</u>	2,814,906	910,089
Total assets and deferred outflows	<u>\$ 883,545,281</u>	<u>\$ 34,230,587</u>	<u>\$ 886,875,332</u>	<u>\$ 36,216,474</u>
Liabilities:				
Current liabilities	\$ 56,827,243	\$ 7,047,421	\$ 33,885,915	\$ 4,092,886
Long-term liabilities	<u>330,359,139</u>	<u>16,352,479</u>	366,828,339	18,882,215
Total liabilities	<u>387,186,382</u>	<u>23,399,900</u>	400,714,254	22,975,101
Net Position:				
Net investment in capital assets	324,272,461	8,776,705	306,274,175	8,721,689
Restricted	42,823,299	3,317,551	47,123,846	3,296,253
Unrestricted	<u>129,263,139</u>	<u>(1,263,569)</u>	132,763,057	1,223,431
Total net position	<u>496,358,899</u>	<u>10,830,687</u>	486,161,078	13,241,373
Total liabilities and net position	<u>\$ 883,545,281</u>	<u>\$ 34,230,587</u>	<u>\$ 886,875,332</u>	<u>\$ 36,216,474</u>

EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 7 - SEGMENT INFORMATION (Continued)

	2014		2013	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
Condensed Statement of Revenues, Expenses, and Changes in Net Position				
Operating revenues:				
Customer charges	\$ 85,486,123	\$ 18,538,089	\$ 81,414,878	\$ 18,079,257
Other operating revenue (1)	11,831,844	167,967	11,690,394	230,234
Total operating revenue	<u>97,317,967</u>	<u>18,706,056</u>	<u>93,105,272</u>	<u>18,309,491</u>
Operating expenses:				
Depreciation and amortization	22,345,095	3,995,375	23,121,399	4,368,007
Other operating expenses (1)	54,409,656	20,270,862	49,642,076	18,490,191
Total operating expenses	<u>76,754,751</u>	<u>24,266,237</u>	<u>72,763,475</u>	<u>22,858,198</u>
Operating income (loss)	<u>20,563,216</u>	<u>(5,560,181)</u>	<u>20,341,797</u>	<u>(4,548,707)</u>
Nonoperating revenues (expenses):				
Investment income	622,899	5,881	444,413	11,353
Interest expense	(13,285,094)	(536,256)	(15,013,163)	(773,582)
Other nonoperating revenues (expenses)	(339,833)	(56,404)	(63,095)	(105,005)
Total nonoperating revenues (expenses)	<u>(13,002,028)</u>	<u>(586,779)</u>	<u>(14,631,845)</u>	<u>(867,234)</u>
Income (loss) before capital contributions and transfers	7,561,188	(6,146,960)	5,709,952	(5,415,941)
Capital contributions	5,830,493	542,414	4,277,267	-
Transfers	(3,193,860)	3,193,860	(3,044,423)	3,044,423
Change in net position	<u>10,197,821</u>	<u>(2,410,686)</u>	<u>6,942,796</u>	<u>(2,371,518)</u>
Net position at beginning of year	<u>486,161,078</u>	<u>13,241,373</u>	<u>479,218,282</u>	<u>15,612,891</u>
Net position at end of year	<u>\$ 496,358,899</u>	<u>\$ 10,830,687</u>	<u>\$ 486,161,078</u>	<u>\$ 13,241,373</u>

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

	2014		2013	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
Condensed Statement of Cash Flows				
Net cash provided by (used for)				
Operating activities	\$ 37,909,762	\$ 3,549,023	\$ 41,889,052	\$ 2,793,530
Capital and related financing activities	(51,281,118)	(3,993,866)	(54,703,172)	(3,284,548)
Investing activities	(51,120,322)	5,881	705,531	11,353
Net decrease	<u>(64,491,678)</u>	<u>(438,962)</u>	<u>(12,108,589)</u>	<u>(479,665)</u>
Cash and cash equivalents, beginning of year	146,546,301	4,845,618	158,654,890	5,325,283
Cash and cash equivalents, end of year	<u>\$ 82,054,623</u>	<u>\$ 4,406,656</u>	<u>\$ 146,546,301</u>	<u>\$ 4,845,618</u>

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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, 2014 and 2013 are as follows:

	2014	2013
Capital contributions - cash -		
Impact fees	\$ 2,597,455	\$ 2,331,648
Other	2,706,873	803,346
	\$ 5,304,328	\$ 3,134,994
Capital contributions - noncash -		
Property contributed by developers and others	\$ 1,068,579	\$ 1,142,273

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, 2014 were 7.37% for regular participants, 21.14% for senior management, 43.24% for elected officials, and 12.28% for DROP participants. The employee contribution rate was 3% for all categories, excluding DROP. Employer contributions for the years ended September 30, 2014, 2013, and 2012 were \$2,198,296, \$1,414,734, and \$1,204,332, respectively, equal to the required contribution for each year.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

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 \$39,882 and \$42,301 for the years ended September 30, 2014 and 2013, 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, 2014 AND 2013**

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, 2014 AND 2013**

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>2014</u>	<u>2013</u>	<u>2012</u>
Normal cost (service cost for one year)	\$ 323,086	\$ 305,098	\$ 671,557
Amortization of unfunded actuarial accrued liability	<u>215,063</u>	<u>207,070</u>	<u>401,036</u>
Annual required contribution (ARC)	<u>\$ 538,149</u>	<u>\$ 512,168</u>	<u>\$ 1,072,593</u>
Net OPEB obligation at beginning of year	<u>\$ 3,868,041</u>	<u>\$ 3,538,337</u>	<u>\$ 2,681,866</u>
Annual required contribution (ARC)	538,149	512,168	1,072,593
Interest on net OPEB obligation	149,306	136,580	97,456
Adjustment to ARC	<u>(148,771)</u>	<u>(136,090)</u>	<u>(94,432)</u>
Annual OPEB cost (expense)	<u>538,684</u>	<u>512,658</u>	<u>1,075,617</u>
Employer contributions made	<u>(168,773)</u>	<u>(182,954)</u>	<u>(219,146)</u>
Increase in net OPEB obligation	<u>369,911</u>	<u>329,704</u>	<u>856,471</u>
Net OPEB obligation at end of year	<u>\$ 4,237,952</u>	<u>\$ 3,868,041</u>	<u>\$ 3,538,337</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2014, 2013 and 2012 was as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB Cost	\$ 538,684	\$ 512,658	\$ 1,075,617
Amount Contributed	\$ 168,773	\$ 182,954	\$ 219,146
Percentage of OPEB Cost Contributed	31.3%	35.7%	20.4%
Net OPEB Obligation	\$ 4,237,952	\$ 3,868,041	\$ 3,538,337

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status:

As of October 1, 2012, the most recent actuarial valuation date, the OPEB funding progress was as follows:

Actuarial Accrued Liability (AAL) - Entry Age	\$ 5,282,823
Actuarial Value of Assets	-
Unfunded AAL (UAAL)	\$ 5,282,823
Funded Ratio	0%
Covered Payroll	\$ 22,889,336
UAAL as a Percentage of Covered Payroll	23.08%

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

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

Actuarial Methods and Assumptions:

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

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued):

The following actuarial information was used:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contribution rate	0.8%	0.8%	1.0%
Annual OPEB cost	\$ 538,684	\$ 512,658	\$ 1,075,617
Contributions made	\$ 168,773	\$ 182,954	\$ 219,146
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent, closed	Level percent, closed	Level percent, closed
Remaining amortization period	25 years	26 years	27 years
Asset valuation method	Unfunded	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	3.86%	3.86%	3.6%
Projected salary increases *	4.0% - 8.375%	4.0% - 8.375%	4.5% - 9.75%
Payroll growth assumptions	3.86%	3.86%	4%
Healthcare cost initial trend rate	0%	0%	12%
Healthcare cost ultimate trend rate	5.47%	5.47%	5%
* Includes general price inflation at	3%	3%	3%

NOTE 12 - RISK MANAGEMENT

The Authority has established a self-insurance program to cover its risk of loss related to general liabilities and workers' compensation claims. The Authority purchases excess insurance coverage for workers' compensation claims with a \$300,000 deductible in order to protect itself against catastrophic losses. Settled claims have not exceeded this excess coverage in any of the last three fiscal years. 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, 2014 AND 2013**

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, 2014.

Changes in claims liabilities for the years ended September 30, 2014 and 2013 are shown below:

	2014	2013
Claims liabilities, beginning of year	\$ 1,711,042	\$ 1,291,812
Claims incurred and changes in estimates	766,705	1,196,351
Claims paid	(1,154,225)	(777,121)
Claims liabilities, end of year	\$ 1,323,522	\$ 1,711,042

At September 30, 2014, 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 \$19 million for construction projects at September 30, 2014.

**EMERALD COAST UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 14 - NEW ACCOUNTING STANDARD

The GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement also requires employers to present more extensive note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. The provisions in this statement are effective for financial statements for fiscal years beginning after June 15, 2014. The impact of this statement on the Authority's financial statements has not been determined.

NOTE 15 - SUBSEQUENT EVENT

At its November 2014 meeting, the Authority Board conceptually approved the sale of the Main Street property for a sale price of \$5.2 million. The property is under contract for sale. The buyer is in the inspection and due diligence process and has until May 2015 to complete the review. Therefore, the Authority anticipates a June 2015 closing date.

REQUIRED SUPPLEMENTARY INFORMATION

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
SEPTEMBER 30, 2014**

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, October 1, 2010 and October 1, 2012:

	October 1, 2012	October 1, 2010	July 1, 2008
Actuarial Accrued Liability (AAL) - Entry Age	\$ 5,282,823	\$ 11,179,754	\$ 12,854,310
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	<u>\$ 5,282,823</u>	<u>\$ 11,179,754</u>	<u>\$ 12,854,310</u>
Funded Ratio	0%	0%	0%
Covered Payroll	\$ 22,889,336	\$ 21,783,583	\$ 21,892,157
UAAL as a Percentage of Covered Payroll	23.08%	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 60 through 75 are not required by generally accepted accounting principles.

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2014**

Federal Agency, Pass-through Entity, Federal Program	Federal CFDA Number	Contract Grant Number	Expenditures
FEDERAL AWARDS			
Department of Homeland Security - Passed through State of Florida, Division of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	15-SP-8Z-01-27-09-51	\$ 2,155,934
Department of Housing and Urban Development - Passed through Escambia County Community Development Block Grants/ Entitlement Grants	14.218	B-12-UC-12-0012, B-13-UC-13-0012	<u>153,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,308,934</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, 2014

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	\$ 48,623,816	\$	\$ 48,623,816
Water	36,862,307		36,862,307
Sanitation	18,538,089		18,538,089
Connection charges	324,196		324,196
Sewer improvement fees	5,901,267		5,901,267
Other	2,126,168		2,126,168
Total operating revenues	<u>112,375,843</u>	<u>-</u>	<u>112,375,843</u>
Operating Expenses Before Depreciation and Amortization:			
Personal services	36,188,995	474,423	36,663,418
Contractual services	4,492,375		4,492,375
Professional services	1,241,802		1,241,802
Supplies	7,325,713		7,325,713
Repairs and maintenance	6,329,853		6,329,853
Heat, light and power	7,006,549		7,006,549
Tipping fees	4,845,952		4,845,952
Other	3,601,099		3,601,099
Total operating expenses before depreciation and amortization	<u>71,032,338</u>	<u>474,423</u>	<u>71,506,761</u>
Income Before Depreciation and Amortization	41,343,505	(474,423)	40,869,082
Depreciation and Amortization	<u>26,340,470</u>	<u>(26,340,470)</u>	<u>-</u>
Operating income	<u>15,003,035</u>	<u>25,866,047</u>	<u>40,869,082</u>
Nonoperating Revenues (Expenses):			
Investment income	628,780		628,780
Insurance proceeds	91,372		91,372
Interest expense	(13,821,350)	(2,224,031)	(16,045,381)
Loss on disposal of assets	(487,609)	487,609	-
Total nonoperating revenues (expenses)	<u>(13,588,807)</u>	<u>(1,736,422)</u>	<u>(15,325,229)</u>
Income Before Capital Contributions and Other Financing Sources (Uses)			
	1,414,228	24,129,625	25,543,853
Capital contributions - impact fees and other	5,304,328	-	5,304,328
Capital contributions - noncash	1,068,579	(1,068,579)	-
Principal sinking fund requirements	-	(19,947,245)	(19,947,245)
Change in Net Position	<u>\$ 7,787,135</u>	<u>\$ 3,113,801</u>	<u>\$ 10,900,936</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 48,080,350	\$ 543,466
36,862,232	75
18,587,205	(49,116)
324,195	1
5,910,000	(8,733)
2,117,827	8,341
<u>111,881,809</u>	<u>494,034</u>
38,279,320	1,615,902
4,853,692	361,317
1,326,329	84,527
8,227,432	901,719
6,427,949	98,096
7,027,164	20,615
4,845,952	-
<u>4,141,513</u>	<u>540,414</u>
<u>75,129,351</u>	<u>3,622,590</u>
36,752,458	4,116,624
-	-
<u>36,752,458</u>	<u>4,116,624</u>
630,084	(1,304)
65,885	25,487
(23,424,015)	7,378,634
-	-
<u>(22,728,046)</u>	<u>7,402,817</u>
14,024,412	11,519,441
4,363,298	941,030
-	-
<u>(12,691,411)</u>	<u>(7,255,834)</u>
<u>\$ 5,696,299</u>	<u>\$ 5,204,637</u>

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2014 AND 2013**

ASSETS AND DEFERRED OUTFLOWS

	2014	2013
Current Assets:		
Unrestricted assets -		
Cash and investments	\$ 3,219,646	\$ 2,779,371
Accounts receivable less allowance for doubtful accounts of \$1,026,400 and \$957,800	13,347,755	13,751,965
Grants receivable	1,950,903	373,483
Due from Sanitation System	2,524,576	-
Due from other governments	1,300,000	1,300,000
Materials and supplies	3,986,238	3,904,875
Prepaid expenses	265,917	289,832
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	9,147,481	14,409,014
Forward supply agreement	19,733,033	-
Customer deposits	4,400,957	4,223,509
	59,876,506	41,032,049
Noncurrent Assets:		
Due from other governments	15,600,000	16,900,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	6,856,757	6,782,114
Operating and maintenance fund	4,871,457	4,510,901
Construction fund	161	4,888,065
Forward supply agreement	-	19,701,063
Debt service reserve	3,076,285	3,070,139
Impact fees	2,597,454	2,331,649
Capital improvement program	86,824,772	88,749,220
Sewer improvement fees	8,061,981	10,093,396
Self-insurance funds	4,997,116	4,997,116
Total noncurrent restricted assets	117,285,983	145,123,663
Capital assets -		
Utility plant in service	881,913,261	844,732,882
Construction work in progress	22,707,877	32,331,635
	904,621,138	877,064,517
Less accumulated depreciation	218,945,422	198,853,087
Total capital assets	685,675,716	678,211,430
Unamortized debt issuance costs (net of accumulated amortization of \$2,895,563 and \$2,493,920)	2,442,873	2,793,284
	821,004,572	843,028,377
Deferred Outflow of Resources:		
Deferred loss on bond refunding	2,664,203	2,814,906
Total Assets and Deferred Outflows	\$ 883,545,281	\$ 886,875,332

LIABILITIES AND NET POSITION

	2014	2013
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 2,872,064	\$ 2,491,629
Due to other governments	371,954	338,378
Payroll and compensated absences payable	1,811,890	1,676,666
Other current liabilities	15,961	29,139
Total current liabilities (payable from current assets)	5,071,869	4,535,812
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	38,235,092	17,469,481
Accrued interest payable	3,459,168	3,681,034
Accounts payable - capital improvements	5,108,098	3,401,571
Customer deposits	4,400,957	4,223,509
Claims liabilities	552,059	574,508
Total current liabilities (payable from restricted assets)	51,755,374	29,350,103
Total current liabilities	56,827,243	33,885,915
Long-Term Liabilities:		
Claims liabilities	92,934	512,927
Long-term debt	325,832,527	362,170,745
Long-term compensated absences payable	1,124,352	1,128,187
Other postemployment benefits	3,309,326	3,016,480
Total long-term liabilities	330,359,139	366,828,339
Total liabilities	387,186,382	400,714,254
Net Position:		
Net investment in capital assets	324,272,461	306,274,175
Restricted for debt service and other bond requirements	40,225,845	44,792,197
Restricted for expansion of utility plant	2,597,454	2,331,649
Unrestricted	129,263,139	132,763,057
Total net position	496,358,899	486,161,078
Total Liabilities and Net Position	\$ 883,545,281	\$ 886,875,332

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**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Customer charges -		
Wastewater	\$ 48,623,816	\$ 46,141,252
Water	36,862,307	35,273,626
Connection charges	324,196	355,584
Sewer improvement fees	5,901,267	5,878,031
Charges for overhead	3,648,180	3,498,743
Other	1,958,201	1,958,036
	<u>97,317,967</u>	<u>93,105,272</u>
Operating Expenses Before Depreciation:		
Personal services	28,755,996	28,281,296
Contractual services	3,580,184	1,832,268
Professional services	1,053,393	662,156
Supplies	6,022,744	5,676,972
Repairs and maintenance	4,939,863	3,817,101
Heat, light and power	6,932,628	6,326,885
Other	3,124,848	3,045,398
	<u>54,409,656</u>	<u>49,642,076</u>
	42,908,311	43,463,196
Operating Income Before Depreciation		
Depreciation	<u>22,345,095</u>	<u>23,121,399</u>
	20,563,216	20,341,797
Operating income	<u>20,563,216</u>	<u>20,341,797</u>
Nonoperating Revenues (Expenses):		
Investment income	622,899	444,413
Insurance proceeds	90,471	-
Interest expense	(13,285,094)	(15,013,163)
Loss on disposal of assets	(430,304)	(63,095)
	<u>(13,002,028)</u>	<u>(14,631,845)</u>
Total nonoperating revenues (expenses)	<u>(13,002,028)</u>	<u>(14,631,845)</u>
Income Before Capital Contributions and Transfers	7,561,188	5,709,952
Capital contributions - impact fees and other	4,761,914	3,134,994
Capital contributions - noncash	1,068,579	1,142,273
Transfers to Sanitation System	(3,193,860)	(3,044,423)
Change in Net Position	10,197,821	6,942,796
Net Position at Beginning of Year	<u>486,161,078</u>	<u>479,218,282</u>
Net Position at End of Year	<u>\$ 496,358,899</u>	<u>\$ 486,161,078</u>

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 97,535,228	\$ 93,512,689
Cash paid to suppliers for goods and services	(39,381,555)	(32,252,146)
Cash paid to employees for services	(20,243,911)	(19,371,491)
Net cash provided by operating activities	37,909,762	41,889,052
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(26,552,007)	(27,356,514)
Proceeds from issuance of long-term debt	11,200,000	25,010,000
Debt issuance costs	(45,617)	(58,339)
Principal paid on long-term debt	(17,364,203)	(14,866,069)
Interest paid on long-term debt	(12,131,701)	(14,025,638)
Payments to defease long-term debt	(11,202,587)	(25,096,313)
Payment of loan service fees	-	(1,500,000)
Proceeds from sale of assets	53,083	54,707
Contributions from developers, customers, and other governments	4,761,914	3,134,994
Net cash used for capital and related financing activities	(51,281,118)	(54,703,172)
Cash Flows From Investing Activities:		
Investment income	652,103	369,617
Proceeds from maturities of investments and notes receivable	16,355,712	335,914
Purchases of investments	(68,128,137)	-
Net cash provided by (used for) investing activities	(51,120,322)	705,531
Net Decrease in Cash and Cash Equivalents	(64,491,678)	(12,108,589)
Cash and Cash Equivalents, Beginning of Year	146,546,301	158,654,890
Cash and Cash Equivalents, End of Year	\$ 82,054,623	\$ 146,546,301

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Continued)**

	2014	2013
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating income	\$ 20,563,216	\$ 20,341,797
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	22,345,095	23,121,399
Insurance proceeds	90,471	-
Transfers to Sanitation System	(3,193,860)	(3,044,423)
Changes in -		
Accounts receivable	1,704,210	(276,247)
Grants receivable	(1,577,420)	683,664
Materials and supplies	(81,363)	(361,790)
Prepaid expenses	23,915	93,713
Accounts payable	380,435	251,482
Due from Sanitation System	(2,524,576)	-
Due to other governments	33,576	(2,847)
Payroll and compensated absences payable	135,224	273,403
Other current liabilities	(13,178)	2,455
Long-term compensated absences payable	(3,835)	(7,725)
Other postemployment benefits	292,846	261,016
Customer deposits	177,448	179,368
Claims liabilities	(442,442)	373,787
Net cash provided by operating activities	\$ 37,909,762	\$ 41,889,052

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

Cash and investments	\$ 3,219,646	\$ 2,779,371
Restricted assets	150,567,454	163,756,186
	153,787,100	166,535,557
Less notes receivable and investments	(71,732,477)	(19,989,256)
Cash and cash equivalents	\$ 82,054,623	\$ 146,546,301

Supplemental Schedule of Noncash Investing, Capital and Financing Activities:

Property contributed by developers and others	\$ 1,068,579	\$ 1,142,273
Unrealized appreciation (depreciation) in fair value of investments	\$ (23,809)	\$ 74,796
Equipment and improvements acquired under capital lease	\$ 965,655	\$ -

**EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2014**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	\$ 48,623,816	\$	\$ 48,623,816
Water	36,862,307		36,862,307
Connection charges	324,196		324,196
Sewer improvement fees	5,901,267		5,901,267
Charges for overhead	3,648,180	(3,193,860)	454,320
Other	1,958,201		1,958,201
Total operating revenues	<u>97,317,967</u>	<u>(3,193,860)</u>	<u>94,124,107</u>
Operating Expenses Before Depreciation:			
Personal services	28,755,996	540,950	29,296,946
Contractual services	3,580,184		3,580,184
Professional services	1,053,393		1,053,393
Supplies	6,022,744		6,022,744
Repairs and maintenance	4,939,863		4,939,863
Heat, light and power	6,932,628		6,932,628
Other	3,124,848		3,124,848
Total operating expenses before depreciation	<u>54,409,656</u>	<u>540,950</u>	<u>54,950,606</u>
Operating Income Before Depreciation	42,908,311	(3,734,810)	39,173,501
Depreciation	<u>22,345,095</u>	<u>(22,345,095)</u>	<u>-</u>
Operating income	<u>20,563,216</u>	<u>18,610,285</u>	<u>39,173,501</u>
Nonoperating Revenues (Expenses):			
Investment income	622,899		622,899
Insurance proceeds	90,471		90,471
Interest expense	(13,285,094)	(2,213,446)	(15,498,540)
Loss on disposal of assets	(430,304)	430,304	-
Total nonoperating revenues (expenses)	<u>(13,002,028)</u>	<u>(1,783,142)</u>	<u>(14,785,170)</u>
Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)			
	7,561,188	16,827,143	24,388,331
Capital contributions - impact fees and other	4,761,914	-	4,761,914
Capital contributions - noncash	1,068,579	(1,068,579)	-
Transfers to Sanitation System	(3,193,860)	3,193,860	-
Principal sinking fund requirements	-	(17,364,203)	(17,364,203)
Change in Net Position	<u>\$ 10,197,821</u>	<u>\$ 1,588,221</u>	<u>\$ 11,786,042</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 48,080,350	\$ 543,466
36,862,232	75
324,195	1
5,910,000	(8,733)
454,320	-
1,951,954	6,247
<u>93,583,051</u>	<u>541,056</u>
30,846,297	1,549,351
3,941,500	361,316
1,137,919	84,526
6,924,449	901,705
5,037,954	98,091
6,953,242	20,614
3,616,124	491,276
<u>58,457,485</u>	<u>3,506,879</u>
35,125,566	4,047,935
-	-
<u>35,125,566</u>	<u>4,047,935</u>
624,204	(1,305)
65,885	24,586
(22,877,170)	7,378,630
-	-
<u>(22,187,081)</u>	<u>7,401,911</u>
12,938,485	11,449,846
3,826,985	934,929
-	-
-	-
<u>(10,257,345)</u>	<u>(7,106,858)</u>
<u>\$ 6,508,125</u>	<u>\$ 5,277,917</u>

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2014 AND 2013**

ASSETS AND DEFERRED OUTFLOWS

	2014	2013
Current Assets:		
Unrestricted assets -		
Cash and investments	\$ 50	\$ 50
Accounts receivable less allowance for doubtful accounts of \$66,300 and \$59,900	1,605,678	1,347,566
Grants receivable	536,314	-
Materials and supplies	1,353,389	1,256,480
Restricted assets -		
Restricted by debt agreements - Sinking fund	1,888,839	1,997,266
 Total current assets	 5,384,270	 4,601,362
Noncurrent Assets:		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	214,670.00	232,884
Operating and maintenance fund	1,389,322	1,267,032
Capital improvement program	913,775.00	1,348,386
Total noncurrent restricted assets	2,517,767	2,848,302
Capital assets -		
Utility plant in service	43,153,077	43,542,566
Construction work in progress	421,122	123,496
Intangible assets	14,996,954	14,996,954
	58,571,153	58,663,016
Less accumulated depreciation and amortization	33,078,609	30,846,268
Total capital assets	25,492,544	27,816,748
Unamortized debt issuance costs (net of accumulated amortization \$12,517 and \$7,672)	35,128	39,973
 Total noncurrent assets	 28,045,439	 30,705,023
Deferred Outflow of Resources:		
Deferred loss on bond refunding	800,878	910,089
 Total Assets and Deferred Outflows	 \$ 34,230,587	 \$ 36,216,474

LIABILITIES AND NET POSITION

	2014	2013
Current Liabilities (Payable From Current Assets):		
Accounts payable	\$ 735,430	\$ 658,131
Due to Water and Wastewater System	2,524,576	-
Due to other governments	12,147	15,818
Payroll and compensated absences payable	362,864	298,709
	3,635,017	972,658
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	2,665,219	2,596,979
Accrued interest payable	175,280	200,929
Accounts payable - capital improvements	206,592	78,116
Claims liabilities	365,313	244,204
	3,412,404	3,120,228
Total current liabilities (payable from restricted assets)	3,412,404	3,120,228
Total current liabilities	7,047,421	4,092,886
Long-Term Liabilities:		
Claims liabilities	313,216	379,403
Long-term debt	14,851,498	17,408,169
Long-term compensated absences payable	259,139	243,082
Other postemployment benefits	928,626	851,561
	16,352,479	18,882,215
Total long-term liabilities	16,352,479	18,882,215
Total liabilities	23,399,900	22,975,101
Net Position:		
Net investment in capital assets	8,776,705	8,721,689
Restricted for debt service and other bond requirements	3,317,551	3,296,253
Unrestricted	(1,263,569)	1,223,431
	10,830,687	13,241,373
Total net position	10,830,687	13,241,373
Total Liabilities and Net Position	\$ 34,230,587	\$ 36,216,474

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>Residential</u>	<u>Commercial</u>	<u>Total 2014</u>	<u>Total 2013</u>
Operating Revenues:				
Customer charges -				
Sanitation	\$ 16,946,019	\$ 1,592,070	\$ 18,538,089	\$ 18,079,257
Other	90,270	77,697	167,967	230,234
	<u>17,036,289</u>	<u>1,669,767</u>	<u>18,706,056</u>	<u>18,309,491</u>
Operating Expenses Before Depreciation and Amortization:				
Personal services	6,923,419	509,580	7,432,999	6,717,235
Contractual services	902,599	9,592	912,191	803,016
Professional services	185,199	3,210	188,409	64,100
Supplies	1,241,515	61,454	1,302,969	1,538,350
Repairs and maintenance	1,297,370	92,620	1,389,990	1,005,326
Heat, light and power	72,282	1,639	73,921	71,939
Tipping fees	4,459,579	386,373	4,845,952	4,378,222
Overhead allocation	3,548,930	99,250	3,648,180	3,498,743
Other	468,551	7,700	476,251	413,260
	<u>19,099,444</u>	<u>1,171,418</u>	<u>20,270,862</u>	<u>18,490,191</u>
Operating Income (Loss) Before Depreciation and Amortization				
	(2,063,155)	498,349	(1,564,806)	(180,700)
Depreciation and Amortization	<u>3,464,504</u>	<u>530,871</u>	<u>3,995,375</u>	<u>4,368,007</u>
	<u>(5,527,659)</u>	<u>(32,522)</u>	<u>(5,560,181)</u>	<u>(4,548,707)</u>
Nonoperating Revenues (Expenses):				
Investment income	5,881	-	5,881	11,353
Insurance proceeds	901	-	901	-
Interest expense	(534,122)	(2,134)	(536,256)	(773,582)
Gain (loss) on disposal of assets	(57,305)	-	(57,305)	(105,005)
	<u>(584,645)</u>	<u>(2,134)</u>	<u>(586,779)</u>	<u>(867,234)</u>
Loss Before Capital Contributions and Transfers				
	(6,112,304)	(34,656)	(6,146,960)	(5,415,941)
Capital contributions - other	542,414	-	542,414	-
Transfers from Water and Wastewater System	3,193,860	-	3,193,860	3,044,423
	<u>(2,376,030)</u>	<u>(34,656)</u>	<u>(2,410,686)</u>	<u>(2,371,518)</u>
Change in Net Position	<u>\$ (2,376,030)</u>	<u>\$ (34,656)</u>	<u>(2,410,686)</u>	<u>(2,371,518)</u>
Net Position at Beginning of Year			<u>13,241,373</u>	<u>15,612,891</u>
Net Position at End of Year			<u>\$ 10,830,687</u>	<u>\$ 13,241,373</u>

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**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash received from customers and others	\$ 17,912,531	\$ 18,387,696
Cash paid to suppliers for goods and services	(9,162,607)	(11,046,561)
Cash paid to employees for services	(5,200,901)	(4,547,605)
Net cash provided by operating activities	<u>3,549,023</u>	<u>2,793,530</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,620,741)	(623,642)
Principal paid on long-term debt	(2,583,042)	(2,411,316)
Interest paid on long-term debt	(447,850)	(517,338)
Proceeds from sale of assets	115,353	267,748
Contributions from other governments	542,414	-
Net cash used for capital and related financing activities	<u>(3,993,866)</u>	<u>(3,284,548)</u>
Cash Flows From Investing Activities:		
Investment income	5,881	11,353
Net cash provided by investing activities	<u>5,881</u>	<u>11,353</u>
Net Decrease in Cash and Cash Equivalents	(438,962)	(479,665)
Cash and Cash Equivalents, Beginning of Year	<u>4,845,618</u>	<u>5,325,283</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,406,656</u>	<u>\$ 4,845,618</u>

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Continued)**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Operating loss	\$ (5,560,181)	\$ (4,548,707)
Adjustments to reconcile net operating loss to cash provided by operating activities -		
Depreciation and amortization	3,995,375	4,368,007
Insurance proceeds	901	-
Transfers from Water and Wastewater System	3,193,860	3,044,423
Changes in -		
Accounts receivable	(258,112)	78,205
Grants receivable	(536,314)	-
Materials and supplies	(96,909)	(44,653)
Accounts payable	77,299	(275,898)
Due to Water and Wastewater System	2,524,576	-
Due to other governments	(3,671)	4,764
Payroll and compensated absences payable	64,155	33,957
Long-term compensated absences payable	16,057	19,301
Other postemployment benefits	77,065	68,688
Claims liabilities	54,922	45,443
Net cash provided by operating activities	<u>\$ 3,549,023</u>	<u>\$ 2,793,530</u>
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and investments	\$ 50	\$ 50
Restricted assets	4,406,606	4,845,568
Cash and cash equivalents	<u>\$ 4,406,656</u>	<u>\$ 4,845,618</u>
 Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Equipment and improvements acquired under capital lease	<u>\$ 94,612</u>	<u>\$ 1,898,743</u>

**EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2014**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Sanitation	\$ 18,538,089	\$	\$ 18,538,089
Other	167,967		167,967
Total operating revenues	<u>18,706,056</u>	<u>-</u>	<u>18,706,056</u>
Operating Expenses Before Depreciation and Amortization:			
Personal services	7,432,999	(66,527)	7,366,472
Contractual services	912,191		912,191
Professional services	188,409		188,409
Supplies	1,302,969		1,302,969
Repairs and maintenance	1,389,990		1,389,990
Heat, light and power	73,921		73,921
Tipping	4,845,952		4,845,952
Overhead allocation	3,648,180	(3,193,860)	454,320
Other	476,251		476,251
Total operating expenses before depreciation	<u>20,270,862</u>	<u>(3,260,387)</u>	<u>17,010,475</u>
Operating Income (Loss) Before Depreciation and Amortization	(1,564,806)	3,260,387	1,695,581
Depreciation and Amortization	<u>3,995,375</u>	<u>(3,995,375)</u>	<u>-</u>
Operating income (loss)	<u>(5,560,181)</u>	<u>7,255,762</u>	<u>1,695,581</u>
Nonoperating Revenues (Expenses):			
Investment income	5,881		5,881
Insurance proceeds	901		901
Interest expense	(536,256)	(10,585)	(546,841)
Loss on disposal of assets	(57,305)	57,305	-
Total nonoperating revenues (expenses)	<u>(586,779)</u>	<u>46,720</u>	<u>(540,059)</u>
Income (Loss) Before Capital Contributions, Transfers And Other Financing Sources (Uses)	(6,146,960)	7,302,482	1,155,522
Capital contributions - other	542,414		542,414
Transfers from Water and Wastewater System	3,193,860	(3,193,860)	-
Principal sinking fund requirements	-	(2,583,042)	(2,583,042)
Changes in Net Position	<u>\$ (2,410,686)</u>	<u>\$ 1,525,580</u>	<u>\$ (885,106)</u>

<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 18,587,205	\$ (49,116)
165,873	2,094
<u>18,753,078</u>	<u>(47,022)</u>
7,433,023	66,551
912,192	1
188,410	1
1,302,983	14
1,389,995	5
73,922	1
4,845,952	-
454,320	-
525,389	49,138
<u>17,126,186</u>	<u>115,711</u>
1,626,892	68,689
-	-
<u>1,626,892</u>	<u>68,689</u>
5,880	1
-	901
(546,845)	4
-	-
<u>(540,965)</u>	<u>906</u>
1,085,927	69,595
536,313	6,101
-	-
<u>(2,434,066)</u>	<u>(148,976)</u>
<u>\$ (811,826)</u>	<u>\$ (73,280)</u>

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STATISTICAL SECTION - UNAUDITED

STATISTICAL SECTION - UNAUDITED

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net investment in										
capital assets	\$ 333,049	\$ 314,996	\$ 340,956	\$ 386,293	\$ 439,104	\$ 393,117	\$ 233,930	\$ 205,862	\$ 158,881	\$ 143,659
Restricted	46,141	50,420	48,228	45,881	40,971	38,376	36,204	35,307	31,273	33,056
Unrestricted	127,999	133,986	105,647	37,649	12,926	39,945	55,893	56,214	62,556	53,643
Total net assets	<u>\$ 507,189</u>	<u>\$ 499,402</u>	<u>\$ 494,831</u>	<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>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues:										
Customer charges	\$ 104,024	\$ 99,494	\$ 96,815	\$ 94,520	\$ 87,359	\$ 83,454	\$ 80,812	\$ 80,163	\$ 76,713	\$ 69,022
Connection charges	324	356	310	263	232	246	467	705	755	814
Sewer improvement fees	5,902	5,878	5,895	5,892	5,918	5,924	6,097	2,020	-	-
Other	2,126	2,188	2,603	4,963	2,266	2,578	2,870	1,447	1,992	1,129
Total operating revenues	<u>112,376</u>	<u>107,916</u>	<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>
Operating Expenses Before										
Depreciation and Amortization:										
Personal services	36,189	34,999	33,788	33,711	34,574	34,779	32,470	30,647	27,684	26,873
Contractual services	4,492	2,635	2,440	2,677	3,061	2,253	2,879	2,493	2,315	2,006
Professional services	1,242	726	826	677	740	845	482	605	516	808
Supplies	7,326	7,215	7,190	6,712	6,023	6,142	6,685	6,019	5,412	4,837
Repairs and maintenance	6,330	4,823	4,453	3,405	3,459	3,119	3,797	3,926	4,229	4,276
Heat, light and power	7,007	6,399	6,709	7,565	6,652	6,390	5,400	5,309	4,848	4,709
Tipping fees	4,846	4,378	4,243	4,130	3,774	3,651	3,516	3,285	3,317	3,286
Other	3,601	3,459	3,405	3,276	3,592	3,899	3,931	4,202	3,498	3,587
Total operating expenses before depreciation and amortization	<u>71,033</u>	<u>64,634</u>	<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>
Operating Income Before										
Depreciation and Amortization:	41,343	43,282	42,569	43,485	33,900	31,124	31,086	27,849	27,641	20,583
Depreciation and Amortization	<u>26,340</u>	<u>27,489</u>	<u>28,632</u>	<u>24,961</u>	<u>22,751</u>	<u>19,340</u>	<u>18,152</u>	<u>16,122</u>	<u>14,569</u>	<u>13,380</u>
Operating income	<u>15,003</u>	<u>15,793</u>	<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>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Nonoperating Revenues (Expenses):										
Investment income	629	456	575	816	2,297	4,054	5,132	5,427	4,215	2,699
Settlement income	-	-	-	413	813	10,047	-	-	-	-
Interest expense	(13,821)	(15,787)	(15,791)	(15,037)	(12,907)	(14,102)	(9,864)	(9,169)	(9,009)	(9,245)
Hurricane disaster assistance, net	-	-	-	-	-	-	(327)	(33)	(124)	1,303
Insurance recoveries, net	91	-	-	-	-	-	-	-	-	911
Loss on disposal of assets	(488)	(168)	(586)	(30,987)	(865)	(818)	(226)	(1,457)	(498)	(59)
Total nonoperating revenues (expenses)	<u>(13,589)</u>	<u>(15,499)</u>	<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>
Income (Loss) Before										
Capital Contributions	1,414	294	(1,865)	(26,271)	487	10,965	7,649	6,495	7,656	2,812
Capital contributions - cash	5,304	3,135	25,616	2,403	18,700	133,868	15,431	25,909	9,670	7,818
Capital contributions - noncash	1,069	1,142	1,258	689	2,376	578	5,564	12,269	5,026	3,296
Change in Net Position	<u>\$ 7,787</u>	<u>\$ 4,571</u>	<u>\$ 25,009</u>	<u>\$ (23,179)</u>	<u>\$ 21,563</u>	<u>\$ 145,411</u>	<u>\$ 28,644</u>	<u>\$ 44,673</u>	<u>\$ 22,352</u>	<u>\$ 13,926</u>

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

OUTSTANDING DEBT BY TYPE

Year	State Revolving Loans	Capital Leases	Water and Wastewater System Bonds	Sanitation System Note	Water and Wastewater System Notes	Total
2005	\$ 3,163,288	\$ 70,455	\$ 166,772,329	\$ 12,323,887	\$ -	\$ 182,329,959
2006	\$ 6,697,534	\$ 46,701	\$ 177,084,968	\$ 11,834,160	\$ -	\$ 195,663,363
2007	\$ 12,447,691	\$ 23,107	\$ 171,193,203	\$ 11,324,432	\$ -	\$ 194,988,433
2008	\$ 20,589,473	\$ 15,880,016	\$ 163,452,276	\$ 10,789,704	\$ 130,000,000	\$ 340,711,469
2009	\$ 20,080,754	\$ 14,815,860	\$ 155,259,786	\$ 10,224,976	\$ 130,000,000	\$ 330,381,376
2010	\$ 41,285,144	\$ 13,706,821	\$ 147,113,709	\$ 9,640,248	\$ 129,885,000	\$ 341,630,922
2011	\$ 57,960,646	\$ 13,148,796	\$ 138,761,341	\$ 9,025,521	\$ 172,084,000	\$ 390,980,304
2012	\$ 80,944,920	\$ 24,539,850	\$ 117,169,768	\$ 8,544,000	\$ 183,464,000	\$ 414,662,538
2013	\$ 78,522,250	\$ 24,052,878	\$ 83,441,246	\$ 7,910,000	\$ 205,719,000	\$ 399,645,374
2014	\$ 74,638,815	\$ 22,662,335	\$ 64,462,186	\$ 7,128,000	\$ 212,693,000	\$ 381,584,336

OUTSTANDING DEBT PER CUSTOMER TYPE

Year	Water and Wastewater System Debt	Water and Wastewater System Customers	Water and Wastewater System Debt Per Customer	Sanitation System Debt	Sanitation System Customers	Sanitation System Debt Per Customer
2005	\$ 170,006,072	88,727	\$ 1,916	\$ 12,323,887	63,342	\$ 195
2006	\$ 183,829,203	89,692	\$ 2,050	\$ 11,834,160	64,653	\$ 183
2007	\$ 183,664,001	90,337	\$ 2,033	\$ 11,324,432	65,298	\$ 173
2008	\$ 328,794,812	89,716	\$ 3,665	\$ 11,916,657	65,043	\$ 183
2009	\$ 319,581,784	88,470	\$ 3,612	\$ 10,799,592	78,205	\$ 138
2010	\$ 331,990,674	88,723	\$ 3,742	\$ 9,640,248	79,417	\$ 121
2011	\$ 381,954,783	88,653	\$ 4,308	\$ 9,025,521	78,995	\$ 114
2012	\$ 394,144,817	89,240	\$ 4,417	\$ 20,517,721	80,078	\$ 256
2013	\$ 379,640,225	89,690	\$ 4,233	\$ 20,005,149	80,812	\$ 248
2014	\$ 364,067,619	90,569	\$ 4,020	\$ 17,516,717	81,675	\$ 214

**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
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
2012	\$ 105,981,395	\$ 63,053,532	\$ 42,927,863	\$ 26,149,721	1.64	1.25
2013	\$ 108,296,990	\$ 64,633,524	\$ 43,663,466	\$ 26,216,817	1.67	1.25
2014	\$ 113,024,920	\$ 71,032,338	\$ 41,992,582	\$ 25,911,407	1.62	1.25

**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>
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%
2012	89,240	66,668	80,078	75%
2013	89,690	67,565	80,812	75%
2014	90,569	68,871	81,675	76%

**EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL CUSTOMERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2013 AND 2004
(UNAUDITED)**

Name	Water Sales in Millions of Gallons	2014 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
NAVFAC SE (NAS Pensacola)	-	\$ -	\$ 2,152,661	\$ 2,152,661	1.9
NAVFAC SE (Corry Station SW)	-	-	920,938	920,938	0.8
Baptist Hospital	71.0	178,574	438,295	616,869	0.5
Pall Gelman Sciences	71.3	157,914	395,139	553,053	0.5
Escambia County Jail	65.6	149,767	341,495	491,262	0.4
Portofino Island Resort	41.4	182,321	256,931	439,252	0.4
University of West Florida	-	406	350,903	351,309	0.3
Sacred Heart Hospital	38.7	104,324	238,522	342,846	0.3
Escambia Housing	34.9	89,332	227,025	316,357	0.3
Columbia West Florida Regional Medical Center	31.8	75,682	206,900	282,582	0.3
U.S. Navy - Saufley Field	26.3	55,404	199,326	254,730	0.2
Crown Health Care & Laundry	37.5	83,410	170,799	254,209	0.2
Pensacola Christian College	32.9	83,861	165,992	249,853	0.2
DM Oakwood Terrace	26.5	60,216	172,227	232,443	0.2
Azalea Trace Inc.	22.5	52,931	145,978	198,909	0.2
	<u>500.4</u>	<u>\$ 1,274,142</u>	<u>\$ 6,383,131</u>	<u>\$ 7,657,273</u>	<u>6.7</u>

Name	Water Sales in Millions of Gallons	2005 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
Pensacola Christian College	89.4	\$ 137,759	\$ 386,859	\$ 524,617	0.7
Escambia Housing	76.2	129,464	332,284	461,748	0.7
Baptist Hospital	65.9	111,238	272,661	383,899	0.5
Escambia County Jail	67.6	103,671	258,306	361,977	0.5
Sacred Heart Hospital	49.8	83,904	211,091	294,995	0.4
Columbia West Florida Regional Medical Center	45.6	70,708	196,927	267,635	0.4
Pall Gelman Sciences	49.9	73,907	175,965	249,872	0.4
Perdido Housing	40.8	64,166	177,576	241,742	0.3
Portofino Island Resort	19.9	84,168	125,363	209,530	0.3
University of West Florida	0.1	520	204,914	205,434	0.3
U.S. Navy - Saufley Field	44.1	59,672	125,408	185,080	0.3
Crown Health Care & Laundry	33.1	49,629	115,391	165,020	0.2
Pensacola Village Apartments	26.6	40,195	116,076	156,271	0.2
Area Housing	23.9	39,280	103,969	143,249	0.2
Clerk of the Court MC Blanchard Building	22.3	33,710	97,011	130,721	0.2
	<u>655.2</u>	<u>\$ 1,081,989</u>	<u>\$ 2,899,801</u>	<u>\$ 3,981,790</u>	<u>5.6</u>

**EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL EMPLOYERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2013 AND 2004
(UNAUDITED)**

2014

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Sacred Heart Health System	4,494	2.20%
Baptist Health Care	3,845	1.88%
Navy Federal Credit Union	3,483	1.71%
Gulf Power Company	1,774	0.87%
West Florida Healthcare	1,300	0.64%
Ascend Performance Materials	800	0.39%
West Corporation	800	0.39%
West Florida Regional Medical	500	0.24%
International Paper	450	0.22%
Cox Communications	400	0.20%
CHCS Services/igate	380	0.19%
	<u>18,226</u>	<u>8.93%</u>

2005

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Sacred Heart Health System	3,500	2.64%
Baptist Health Care	3,470	2.62%
University of West Florida	2,267	1.71%
Solutia, Inc.	1,800	1.36%
Lakeview Center	1,500	1.13%
Gulf Power Company	1,400	1.06%
West Florida Regional Medical	1,200	0.90%
Pensacola Christian College	1,078	0.81%
International Paper	900	0.68%
Pensacola Junior College	770	0.58%
West Corporation	750	0.57%
	<u>18,635</u>	<u>14.06%</u>

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

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

Pensacola, Florida
October 2013 - September 2014

Month	Monthly Rainfall (inches)
October	1.89
November	5.30
December	3.76
January	3.45
February	7.88
March	9.78
April	29.53
May	5.84
June	3.26
July	7.64
August	1.37
September	5.28
	84.98

Pensacola, Florida
Last Ten Fiscal Years

Year	Annual Rainfall (inches)
2005	95.03
2006	45.53
2007	41.42
2008	71.00
2009	72.40
2010	83.65
2011	48.15
2012	70.49
2013	69.52
2014	84.98

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>
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%
2012	11,435	10,636	799	6.99%
2013	11,041	9,838	1,203	10.90%
2014	11,382	10,217	1,165	10.24%
	<u>122,286</u>	<u>109,771</u>	<u>12,515</u>	<u>10.23%</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>
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
2012	5,227		1,944	330	7,501
2013	5,186		2,252	287	7,725
2014	5,575		2,345	287	8,207
	<u>19,724</u>	<u>36,933</u>	<u>20,408</u>	<u>3,011</u>	<u>80,076</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Water:										
New connections	588	666	524	438	424	437	659	1,192	1,232	1,978
Average daily consumption (MGD)	31,142	30.227	31.180	34.816	33.560	32.914	34.473	33.617	36.430	31.781
Maximum daily flow (MGD)	53,280	50.697	50.180	54.033	45.590	58.426	55.466	60.092	65.375	53.745
Minimum daily flow (MGD)	22,328	22.109	22.460	22.436	24.680	24.242	25.105	25.747	26.200	26.526
Raw water pumped and treated (MG)	11,382	11,041	11,435	12,725	12,253	11,583	12,159	13,357	13,808	12,543
Wastewater:										
New connections	885	1,024	629	494	556	569	560	1,460	1,333	1,846
Treatment capacity (MGD)	33,100	33.100	33.100	33.100	30.600	30.600	30.600	30.600	30.600	30.600
Average daily treated flow (MGD)	22,116	21.158	20.506	20.583	23.776	21.598	22.800	20.931	21.574	24.069
Percent of capacity utilized	66.8	62.8	47.6	72.5	75.5	71.2	72.6	68.8	76.3	72.1
Percent of unused capacity	33.2	37.2	52.4	27.5	24.5	28.8	27.4	31.2	23.7	27.9
Sanitation System:										
Residential (tons/year)	74,779	74,949	71,931	70,239	73,555	75,094	79,877	80,639	82,216	90,222
Yard waste (tons/year)	25,122	22,626	17,990	17,711	14,479	13,069	12,332	11,279	11,481	9,465
Bulk waste (tons/year)	7,064	5,538	3,590	2,602	3,015	2,958	2,726	3,729	4,698	2,519
Total residential tons	<u>106,965</u>	<u>103,113</u>	<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>
Average number of customers/month	74,822	74,500	73,600	73,300	73,300	73,100	62,131	62,445	62,205	62,407
Refuse collected (tons/customer/year)	1.430	1.384	1.271	1.235	1.242	1.247	1.528	1.532	1.582	1.638
Commercial (tons/year)	11,217	10,418	10,179	10,388	6,678	9,308	18,314	15,558	15,131	14,407
Roll-off (tons/year)	3,461	3,212	1,333	1,128	1,627	3,603	6,567	9,802	8,543	3,331
Total commercial tons	<u>14,678</u>	<u>13,630</u>	<u>11,512</u>	<u>11,516</u>	<u>8,305</u>	<u>12,911</u>	<u>24,881</u>	<u>25,360</u>	<u>23,674</u>	<u>17,738</u>
Average number of customers/month	1,257	1,213	1,291	1,338	1,395	837	2,912	2,853	2,448	935
Refuse collected (tons/customer/year)	11.677	11.237	8.917	8.607	5.953	15.425	8.544	8.889	9.671	18.971

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

HOME SALES

Year	Single Family		Townhouse/Condominium	
	Number	Average Price	Number	Average Price
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
2012	2,984	121,471	576	222,141
2013	3,613	131,126	658	229,816
2014	4,142	134,338	697	219,194

Source: Metro Market Trends

CONSTRUCTION STARTS

	Residential	
	Number of Units	Value (\$000)
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
2012	606	116,814
2013	758	152,433
2014	703	142,982

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>
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%
2012	299,261	(8,151)	-2.65%
2013	301,120	1,859	0.62%
2014	305,817	4,697	1.56%

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

Note: (1) Reflects results of 2010 Census.

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

ESCAMBIA COUNTY STATISTICS

<u>Year</u>	<u>Estimated Personal Income (\$000)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
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%
2012	\$ 10,782,146	\$ 36,047	8.6%
2013	\$ 11,406,889	\$ 37,682	6.1%
2014	\$ 11,740,067	\$ 38,389	5.8%

Source: Personal income data provided by the U.S. Bureau of Economic Analysis.
Estimates for 2004-2011 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>
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
2012	416	117	533
2013	435	116	551
2014	435	116	551

Source: Authority's annual budget

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

CAPITAL ASSET STATISTICS BY ACTIVITY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Water:										
Wells	32	32	32	32	32	32	34	34	33	32
Water mains (miles)	1,685	1,746	1,684	1,680	1,678	1,713	1,591	1,762	1,762	1,762
Storage capacity (MGD)	16	14	14	14	14	14	14	14	14	14
Wastewater:										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	1,237	1,222	1,209	1,202	1,198	1,294	1,079	1,089	1,089	1,089
Treatment capacity (MGD)	33	33	33	33	31	31	31	31	31	31
Sanitation:										
Collection vehicles	104	104	95	94	94	98	98	77	80	81

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**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2014
(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 Indemnity Insurance Company (Fisher-Brown – Agent)	Property Schedules	Conditions: Coverage including flood for flood in zones A through E
Automobiles	Florida Municipal Insurance Trust Policy #0162	All scheduled vehicles \$25,000 deductible on collision \$25,000 deductible on liability	\$1,000,000 Liability Limits
Boiler & Machinery (Equipment Breakdown)	Florida Municipal Insurance Trust (as part of property coverage) Policy #0162	Comprehensive Coverage Pays loss from an accident to a covered object while in use or connected ready for use (as part of property coverage)	1) \$50,000,000 per accident 2) The limit of liability is paid on a repair or replacement basis Deductibles: \$100,000 each claim except equipment over 100HP
Environmental Pollution	Arch Insurance (Fisher-Brown – Agent) Policy #POL003008501	Covers Fuel Storage Tanks Environmental impairment liability	\$1,000,000 \$10,000 SIR per Claim

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2014
(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) Policy #0162	Covers actual loss of earnings sustained by ECUA resulting from necessary interruption of business	\$6,000,000
Business Interruption Coverage/Extra Expense	Florida Municipal Insurance Trust (as part of property coverage) Policy #0162	Covers necessary extra expense incurred by ECUA to continue as nearly as practicable the normal operation of business following damage to or destruction of real and personal property	\$5,000,000
Crime Coverage/Money & Securities	Hartford Insurance Group (Fisher-Brown – Agent) Bond/Policy #21BPEGC4309	1) Losses inside and outside of premises 2) Depository Forgery	1) \$75,000 2) \$50,000
Crime Coverage/Honesty	Hartford Insurance Group (Fisher-Brown – Agent) Bond/Policy #21BSBAG2849	Bond covering losses through fraudulent or dishonest act; includes Finance Director	\$250,000
Comprehensive General Liability	ECUA Self Insured	Bodily injury and property damage	State of Florida (sovereign immunity)
Road Restoration	PRIA/Western Bond/Policy #929323580	Damages to Department of Transportation Roads	State of Florida Requirements \$10,000 Road Restoration Bond
Fertilizer Dealers Bond	Florida Municipal Insurance Trust/Travelers Bond/Policy #105874270	Fertilizer Dealers Bond	\$1,000

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2014
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Cyber Liability Insurance	PRIA/Illinois Union Insurance Company	Cyber Liability/Data Breach	1) Privacy limit \$1,000,000 2) Data Breach Fund \$100,000 3) Network Security Liability \$1,000,000 4) Regulatory proceeding \$500,000 5) Policy Aggregate \$1,000,000
Directors & Officers Liability - Public Officials E & O - (Public Entity Liability Policy)	PRIA/ACEW Insurance Company Policy # EON M00613393 001	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	\$1,000,000 each loss and aggregate for each policy year \$25,000 Each Wrongful Act other than an Employment Practices Violation; \$75,000 - Each Employment Practices Violation
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, 2014
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance	Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.	<p>All plans cover annual exams, preventive care, mental health services, substance use services, and eligible inpatient and outpatient services in participating facilities. Maximum out-of-pocket per calendar year includes annual deductible.</p> <p>Plan 4 - FMIT Choice Plus \$500/1,000 deductible per calendar year \$3,000/6,000 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 \$125 fee for emergency health services \$10/30/50 pharmacy copayment for 31-day supply In-network & Out-of-network benefits</p> <p>Plan 9 - FMIT Choice Plus \$750/1,500 deductible per calendar year \$3,000/6,000 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 \$150 fee for emergency health services \$10/30/50 pharmacy copayment for 31-day supply In-network & Out-of-network benefits</p>	<p>Plan 4 - FMIT Choice Plus Maximum Policy Benefit: No Maximum Policy Benefit Mental Health & Substance Use Services, Outpatient: \$20 per visit, In-network. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible, In-network.</p> <p>Plan 9 - FMIT Choice Plus Maximum Policy Benefit: No Maximum Policy Benefit Mental Health & Substance Use Services, Outpatient: \$20 per visit, In-network. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible, In-network.</p>

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2014
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance (Continued)	Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.	Plan 8 - FMIT Health Savings Account Choice Plus \$2,000/4,000 deductible per calendar year; \$4,500/9,000 out-of-pocket maximum per calendar year 80/20% coinsurance for medical services 100% coverage for preventive care Discounted fees paid for illness/injury office visits; deductible + coinsurance Discounted fees paid for emergency health services; deductible + coinsurance \$10/30/50 pharmacy copayment for 31-day supply, after deductible has been met In-network & Out-of-network benefits Employer contribution into Health Savings Account: \$1,000/Employee only; \$1,500/Employee + Family	Plan 8 - FMIT Health Savings Account Choice Plus Maximum Policy Benefit: No Maximum Policy Benefit FMIT contracted fees are paid for covered medical services until annual deductible has been met. Coinsurance of 20% is required for eligible in-network expenses after deductible is satisfied. Mental Health & Substance Use Services, Outpatient: 20% of eligible expenses after deductible. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible.
Life Insurance	Unum	Basic Life, includes Accidental Death & Dismemberment Additional Life – optional	Basic Coverage: \$50,000 or 1x salary, whichever is greater; doubled if death is caused by accident. Additional Life: 1x, 2x, 3x or 4x salary.
Dental Insurance	United Concordia	Diagnostic/Preventive Services – plan pays 100%; Basic Services – plan pays 80% ; Major Services – plan pays 50% Orthodontics (Adult & Child) – plan pays 50%; \$50/100 calendar year deductible for Basic and Major services	Calendar year maximum per covered person is \$1,000 or \$1,500 for Diagnostic/Preventative, Basic, and Major Services. Lifetime Orthodontic Maximum per covered person is \$1,000 or \$1,500.
Long Term Disability Insurance	Unum	60% of gross monthly income, pre-disability earnings 6-month elimination period 3-month elimination period is optional	\$5,000 maximum monthly benefit

OTHER REPORTS

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

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Emerald Coast Utilities Authority (the “Authority”) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated March 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

Members of the Board
Emerald Coast Utilities Authority

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated March 9, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pensacola, Florida
March 9, 2015

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

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on Compliance for Each Federal Program

We have audited Emerald Coast Utilities Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal program for the year ended September 30, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Report on Internal Control over Compliance

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

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

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

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



Pensacola, Florida
March 9, 2015

**EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS
YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF AUDITOR’S RESULTS

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

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

B. FINANCIAL STATEMENT FINDINGS

None.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

None.

**EMERALD COAST UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2014**

There were no prior year audit findings.

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

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

We have examined the Emerald Coast Utilities Authority's (the "Authority") compliance with the types of compliance requirements described in Section 218.415, Florida Statutes, during the year ended September 30, 2014. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.



Pensacola, Florida
March 9, 2015

MANAGEMENT LETTER

Members of the Board
Emerald Coast Utilities Authority
Pensacola, Florida

Report on the Financial Statements

We have audited the financial statements of the Emerald Coast Utilities Authority (the “Authority”), Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 9, 2015.

Auditor’s Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs, and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 9, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except for the following recommendation, which was adapted from a finding included in the 2013 and 2012 report.

2013-1: Information Technology - Documentation and Controls

As we have noted in previous years, the small size of the Information Technology (“I.T.”) 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. During the year ended September 30, 2014, the Authority continued to address several concerns that had been noted in previous years; however, areas remain where improvements can be made to information technology controls. The Authority’s risk assessment of the I.T. department 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 I.T. Master plan study kicked off January 20, 2015. The study will review all systems and securities with recommendations to follow. I.T. staff continue to assess critical systems and follow vendor recommended best practices.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in the notes to the financial statements. There are no component units.

Financial Condition

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

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

Members of the Board
Emerald Coast Utilities Authority

Annual Financial Report

Section 10.554(1)(i)5.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, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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 noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charges with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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



Pensacola, Florida
March 9, 2015