

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

Prepared by:

Department of Finance  
Patricia Sheldon  
Director of Finance

## **INTRODUCTORY SECTION**

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**TABLE OF CONTENTS**

	PAGE
<i>I. INTRODUCTORY SECTION</i>	
Letter of Transmittal .....	1 - 3
Organizational Chart.....	4
List of Principal Officials .....	5
Certificate of Achievement for Excellence in Financial Reporting.....	6
<i>II. FINANCIAL SECTION</i>	
Independent Auditor's Report .....	7 - 9
Management's Discussion and Analysis .....	10 - 18
Basic Financial Statements:	
Comparative Balance Sheets .....	20 - 21
Comparative Statements of Revenues, Expenses and Changes in Net Position.....	22
Comparative Statements of Cash Flows .....	24 - 25
Notes to Financial Statements.....	27 - 60
Required Supplementary Information:	
Schedule of Funding Progress .....	61
Schedule of Proportionate Share of Net Pension Liability-Florida Retirement System.....	62
Schedule of Proportionate Share of Net Pension Liability-Health Insurance Subsidy Program.....	63
Schedule of Contributions-Florida Retirement System .....	64
Schedule of Contributions-Health Insurance Subsidy Program .....	65

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

	PAGE
<i>II. FINANCIAL SECTION (Continued)</i>	
Supplementary Information:	
Schedule of Expenditures of Federal Award .....	67
Schedule of Revenues and Expenses Compared to Budget.....	68- 69
Water and Wastewater System -	
Comparative Schedules of Assets, Liabilities and Net Position.....	70 - 71
Comparative Schedules of Revenues, Expenses and Changes in Net Position .....	73
Comparative Schedules of Cash Flows.....	74 - 75
Schedule of Revenues and Expenses Compared to Budget.....	76 - 77
Sanitation System -	
Comparative Schedules of Assets, Liabilities and Net Position.....	78 - 79
Comparative Schedules of Revenues, Expenses and Changes in Net Position .....	80
Comparative Schedules of Cash Flows.....	82 - 83
Schedule of Revenues and Expenses Compared to Budget.....	84 - 85
<i>III. STATISTICAL SECTION - UNAUDITED</i>	
Net Position by Component - Last Ten Fiscal Years.....	89
Schedules of Revenues and Expenses - Last Ten Fiscal Years .....	90 - 91
Outstanding Debt by Type and Per Customer - Last Ten Fiscal Years .....	92
Parity Debt Service Coverage - Last Ten Fiscal Years .....	93

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

	PAGE
<i>III. STATISTICAL SECTION - UNAUDITED (Continued)</i>	
Number of Active Customers at Fiscal Year End - Last Ten Fiscal Years .....	94
Principal Customers .....	95
Principal Employers .....	96
Recorded Rainfall .....	97
Water Consumption - Last Ten Fiscal Years .....	98
Sewage Plant Flows - Last Ten Fiscal Years .....	99
Operating Indicators - Last Ten Fiscal Years .....	100
Miscellaneous Statistics - Last Ten Fiscal Years .....	101 - 104
Schedule of Insurance .....	106 - 110
<i>IV. OTHER REPORTS</i>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed with <i>Government Auditing Standards</i> .....	111 - 112
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	113 - 114
Schedule of Findings and Questioned Costs .....	115
Summary Schedule of Prior Audit Findings .....	116
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes .....	117
Management Letter .....	118 - 120

This page intentionally left blank.



P.O. Box 15311 • 9255 Sturdevant Street  
Pensacola, Florida 32514-0311  
ph: 850 476-5110 • fax: 850-969-3308

February 22, 2017

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, 2016. 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”) Uniform Guidance. 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 and state financial assistance. These reports have 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 91,878 customers. The wastewater system serves 70,609 customers conveying wastewater to three treatment plants with a total capacity of 33.1 million gallons. The Authority began providing sanitation service in 1992 through an acquisition of the system previously operated by Escambia County. Since that time, mandatory garbage collection has been implemented in Escambia County and automated pick-up and recycling have been implemented throughout the service area. The Authority also purchased two additional residential systems in 1994. In January 2015, the Authority began providing solid waste and recycling collection services to residential customers in the northern half of neighboring Santa Rosa County. The Authority serves 106,686 sanitation customers in Escambia and Santa Rosa Counties.

## **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 Escambia County's diverse economic base that includes military, industry, shipping, tourism and recreation, agriculture, services, and retail sales trade, the county's unemployment rate has been steadily decreasing since the height of the recession in 2010. As of September 2016 the county's unemployment rate declined slightly to 5.1% according to data from Labor Market Statistics (State of Florida).

Residential construction starts as well as the average price of a single-family dwelling in Escambia County have risen for the fourth straight year. Single-family housing construction jumped 13% over the previous year while sales of single family homes increased 4%. The increase in home sales and construction can be attributed to low mortgage rates and increased population.



**Long-term financial planning.** Capital construction planning involves an evaluation and ranking process that begins in advance of the operating budget process. The Board and Committee members, Authority staff, and the public give input 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 2017 capital improvement budget targets funding for system repairs, the Sanitary Sewer Overflow/Inflow and Infiltration program, replacement of antiquated water lines, new equipment to serve additional sanitation customers, replacement of a portion of the fleet, and replacement of certain equipment for the composting activity. Funding for the 2017 capital improvement budget will come from operating revenues, the 2016 project contingency rollover and a \$15 million bank loan. The current capital improvement plan ("CIP"), funded annually, totals \$279 million over the next five year planning period. Details about the fiscal year 2017-2021 CIP budget can be found in the separately issued CIP Budget document found online at [www.ecua.fl.gov/news/reports](http://www.ecua.fl.gov/news/reports).

**Rates and charges.** The Authority remains financially sound through conservative budgeting and continuously monitoring costs compared to the budget. Authority staff continues to make a concerted effort to be frugal with expenditures, which helps to keep annual rate increases minimal. 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 in fiscal year 2017 for water and wastewater rates. Sanitation rates for the Santa Rosa County customers will increase by 1.39% January 1, 2017 based on the CPI as of October 31 for the preceding twelve months as established in the contract. Sanitation rates for Escambia County customers will remain the same for the 2017 fiscal year. Rate increases of 2.26% for water and wastewater customers and 9.5% for sanitation customers were approved for the 2016 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-eighth 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, 2015. 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,



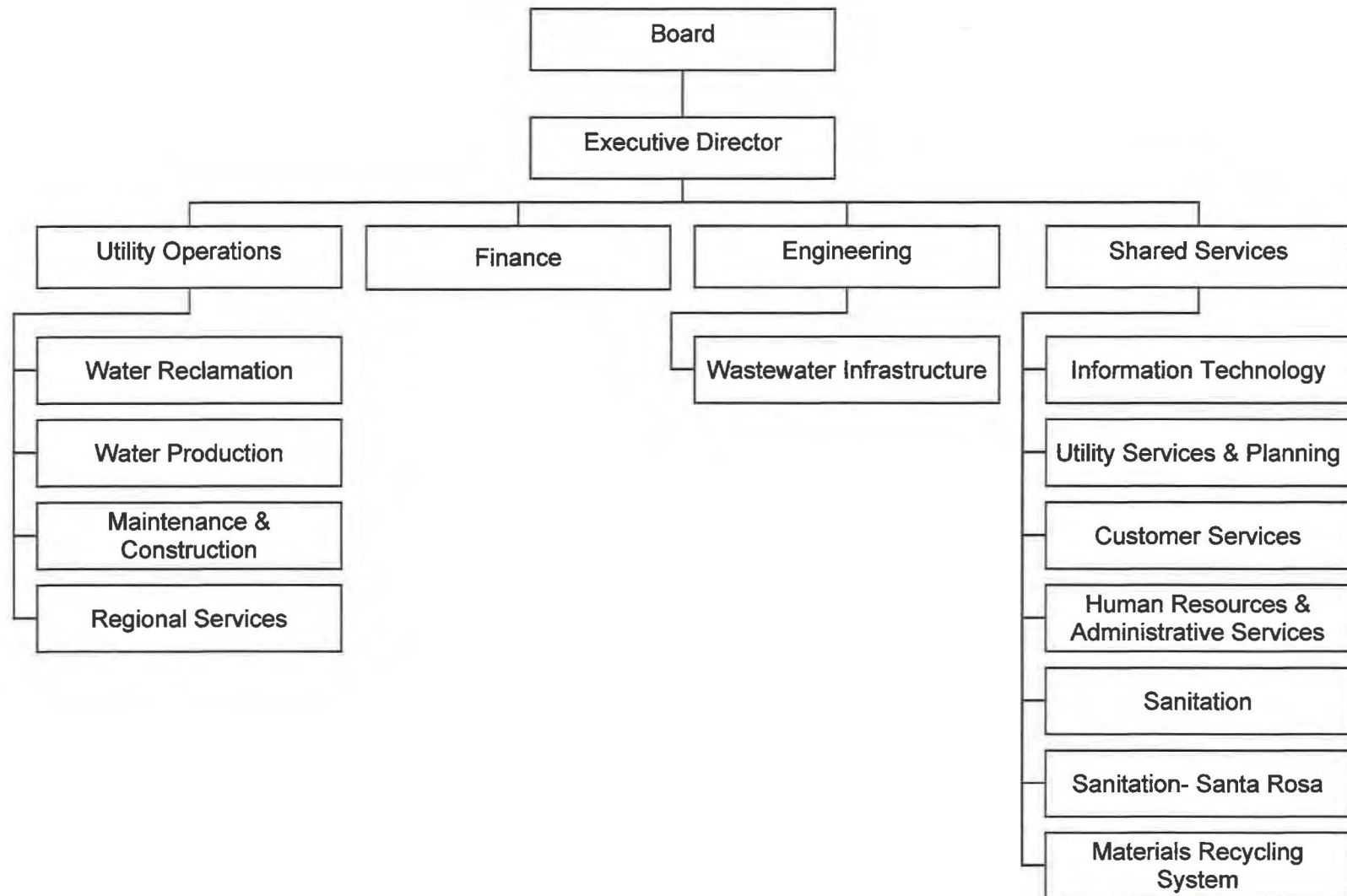
Executive Director



Director of Finance



# EMERALD COAST UTILITIES AUTHORITY



10-01-2016



P.O. Box 15311 • 9255 Sturdevant Street  
Pensacola, Florida 32514-0311  
ph: 850 476-5110 • fax: 850-969-3308

## 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, 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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, the Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability-Florida Retirement System, the Schedule of Proportionate Share of Net Pension Liability-Health Insurance Subsidy Program, the Schedule of Contributions-Florida Retirement System, and the Schedule of Contributions-Health Insurance Subsidy Program be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Emerald Coast Utilities Authority's basic financial statements. The introductory section, supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal award is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Members of the Board  
Emerald Coast Utilities Authority

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017 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  
February 22, 2017



## 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, 2016. Please read it in conjunction with the letter of transmittal, and the financial statements with accompanying notes.

### Financial Highlights

- The Authority's financial position continues to be strong. Assets and deferred outflows exceeded its liabilities and deferred inflows on September 30, 2016 by \$510 million (net position), a \$6.6 million increase over the previous fiscal year. Of this amount, \$82 million (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining \$428 million, approximately \$399 million is the net investment in capital assets while the remainder is restricted for utility plant expansion (\$3 million) and debt service and other bond requirements (\$26 million).
- Operating revenue increased by \$4.4 million, or 4% over fiscal year 2015 primarily due to the 4% increase in the number of sanitation customers. The growth in sanitation customers is attributed to the contract secured in fiscal year 2015 to provide residential garbage and recycling collection service in neighboring Santa Rosa County.
- Operating expenses for fiscal year 2016 totaled \$110 million, an increase of \$6 million, or 6%. Of this, \$4.5 million is due to the increase in water and wastewater expenses resulting from increases in personnel and repairs and maintenance costs, while most of the \$1.5 million increase in sanitation operating expenses is attributed to the expansion of the residential sanitation collection system.
- Debt service coverage increased from 168% to 171% at the end of fiscal year 2016. During 2016, the Authority issued \$52,285,000 in Utility System Refunding Revenue Bonds to advance refund \$14,695,000 of Utility System Revenue Bonds, Series 2006 and fund capital projects, reducing total debt service payments by approximately \$2,512,000.
- The Authority reported a 1% increase in water customers and a 2% increase in wastewater customers. The Authority sold 10.686 million gallons of potable water and processed 8 billion gallons of wastewater at its three water reclamation facilities during fiscal year 2016. Authority collection trucks picked up over 115 thousand tons of residential, yard and recycling waste in the two county area.

### Overview of the Annual Financial Report

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

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

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

The **statement of revenues, expenses, and changes in net position** presents the results of the business activities during the reporting period and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 the 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 additional financial data, 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,			2016 to 2015		2015 to 2014	
	2016	2015	2014 (Restated)	Dollars	%	Dollars	%
Capital Assets:							
Producing assets	\$ 718,401,883	\$ 701,564,845	\$ 688,039,261	\$ 16,837,038	2.4%	\$ 13,525,584	2.0%
Construction in progress	46,975,025	40,012,678	23,128,999	6,962,347	17.4%	16,883,679	73.0%
Current assets	44,482,816	43,031,988	62,736,200	1,450,828	3.4%	(19,704,212)	-31.4%
Other assets	114,907,582	113,406,214	137,881,751	1,501,368	1.3%	(24,475,537)	-17.8%
Total assets	924,767,306	898,015,725	911,786,211	26,751,581	3.0%	(13,770,486)	-1.5%
Total deferred outflows of resources	14,871,970	8,190,493	7,144,237	6,681,477	81.6%	1,046,256	14.6%
Total assets and deferred outflows	\$939,639,276	\$906,206,218	\$918,930,448	\$33,433,058		(\$12,724,230)	
Long-term liabilities	\$ 381,539,155	\$ 354,048,616	\$ 359,675,094	\$ 27,490,539	7.8%	(5,626,478)	-1.6%
Current liabilities	47,184,173	45,591,105	61,350,088	1,593,068	3.5%	(15,758,983)	-25.7%
Total liabilities	428,723,328	399,639,721	421,025,182	29,083,607	7.3%	(21,385,461)	-5.1%
Deferred inflows of resources	442,731	2,738,234	8,454,781	(2,295,503)	-83.8%	(5,716,547)	
Net position:							
Net investment in capital assets	399,285,473	393,658,192	333,049,166	5,627,281	1.4%	60,609,026	18.2%
Restricted	28,972,189	25,871,497	46,140,850	3,100,692	12.0%	(20,269,353)	-43.9%
Unrestricted	82,215,555	84,298,574	110,260,469	(2,083,019)	-2.5%	(25,961,895)	-23.5%
Total net position	510,473,217	503,828,263	489,450,485	6,644,954	1.3%	14,377,778	2.9%
Total liabilities, deferred inflows and net position	\$ 939,639,276	\$ 906,206,218	\$ 918,930,448	\$ 33,433,058	3.7%	\$ (12,724,230)	-1.4%

The Authority's net position increased to \$510 million as of September 30, 2016, a 1.3% increase over the previous fiscal year primarily due to customer growth and rate increases. A 2% growth in wastewater customers coupled with a 2.26% rate increase effective October 1, 2015 resulted in a 3.4% increase in wastewater revenue. Also, Sanitation revenue reflects the first full year of operating revenue from residential service in Santa Rosa County.

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

Beginning net position for fiscal year 2014 was restated to reflect a \$17.7 million decrease, which is the cumulative effect of implementing Governmental Accounting Standard Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Producing assets increased \$17 million (2.4%), reflecting additions of \$26 million in capitalized construction projects, \$17 million in capital purchases, as well as a decrease from depreciation of \$26 million. Significant completed capital construction projects include the Odor Control Building at the Central Water Reclamation Facility ("CWRP"), the Materials Recycling Facility ("MRF"), Bayou Marcus Water Treatment Facility ("WTF") Headworks, fleet replacement and the Warrington Storage Tank. The \$7 million increase in Construction in Progress, representing a 17% increase over fiscal year 2015, reflects \$28 million in capital project spending while \$21 million in construction projects were completed and moved to Producing Assets.

The \$13.5 million (2%) increase in producing assets in fiscal year 2015 is due to the completion of several large construction projects: a new water treatment facility in the Beulah area, the replacement of the Broad Street WTF, ongoing construction to eliminate inflow and infiltration problems in the sewer basin and the purchase of new collection vehicles and garbage containers to begin service in Santa Rosa County. Construction in Progress jumped \$17 million (73%) as the Authority ramped up construction on several projects at the CWRP and Bayou Marcus WTF, began construction of a Materials Recycling Facility, and continued the rehabilitation of sewer lines.

The \$3 million (4.7%) combined increase in the value of the Authority’s current and other assets over the previous year reflect normal fluctuations in funds restricted by the Authority Board and bond covenants for payment of the Authority’s obligations. The \$19.7 million (31.4%) decrease in current assets in fiscal year 2015 is due to the maturity of the Forward Supply Agreement in January 2015. The decrease in restricted assets for the capital improvement program of \$24.5 million is reflected in the difference between other assets from 2014 to 2015. Implementation of GASB 68 accounts for the increases in total deferred outflows of resources during fiscal years 2016 and 2015 of 81.6% and 14.6% respectively.

Long-term liabilities increased \$27 million (7.8%) in 2016 due to the issue of \$52 million in refunding revenue bonds used in part to defease \$14 million of outstanding bonds, regular debt payments of \$22 million, and an \$11 million (57%) increase in the net pension liability created from implementing GASB 68.

The decrease in long-term liabilities of \$5.6 million (1.6%) during 2015 was due to normal debt service payments offset by a \$7 million increase in the net pension liability and an \$11 million capital lease to purchase sanitation containers and collection vehicles to expand waste collection service into Santa Rosa County. Current liabilities decreased \$15.7 million (25.7%) due to the maturity of the Utility System Revenue Bond, Series 1992B.

A comparison of current unrestricted assets as compared to current unrestricted liabilities for business-type activities can be a good indication of the Authority’s ability to meet its current and existing operation responsibilities. The comparison ratios are as follows:

Comparison of Current Unrestricted Assets and Liabilities (in thousands):

Fiscal year ending September 30:	2016	2015
Current unrestricted assets	\$28,250	\$28,895
Current unrestricted liabilities	\$6,721	\$6,563
Ratio of current assets to current liabilities	4.2	4.4

The ratio of current assets to current liabilities is a commonly used balance sheet indicator of cash solvency. A ratio greater than 1.0 is generally viewed as an acceptable indicator of an entity’s ability to pay its current obligations. The Authority’s current year ratios indicate adequate operating cash flows.

## Debt and Debt Service Coverage

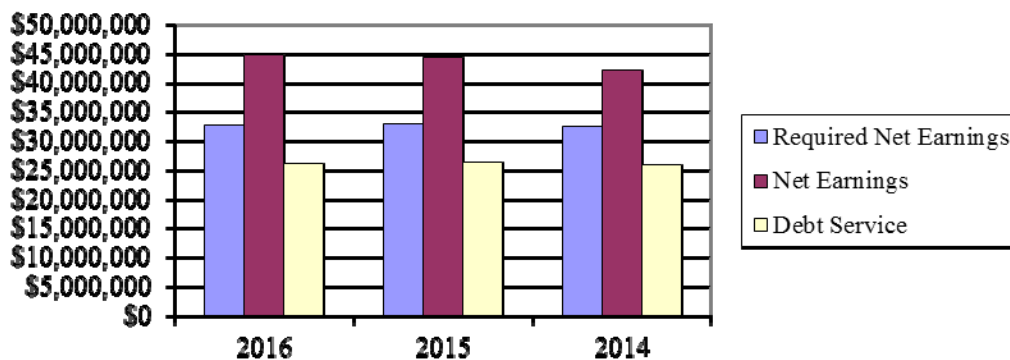
The Authority issued a \$52 million Utility System Refunding Revenue Bonds, Series 2015 to advance refund \$15 million of Utility System Revenue Bonds, Series 2006 and fund capital projects. The advance refunding reduced total debt service payments by approximately \$2.5 million and gave rise to an economic gain of approximately \$1.8 million, which is the difference between the present values of the old and new debt service payments.

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.

In fiscal year 2015 the Authority initiated an \$11 million capital lease to purchase 34 new collection vehicles and 43,900 garbage containers to expand waste collection service into north Santa Rosa County. 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.

Debt service coverage for 2016 and 2015 was 171% and 168%, 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:

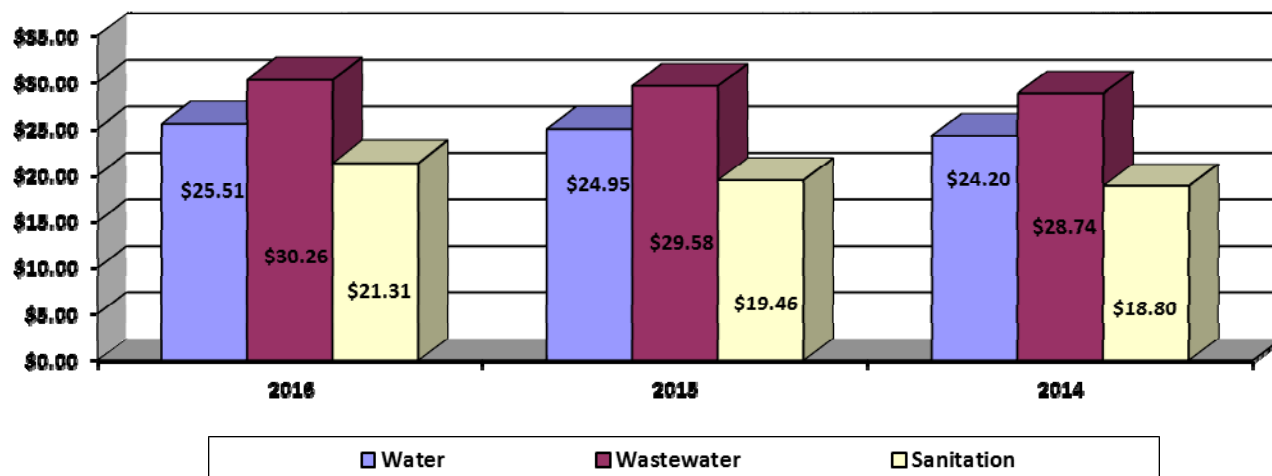
**Condensed Statements of Revenues, Expenses, and Changes in Net Position**  
**Three-Year Comparison**  
**Year Ended September 30,**

	2016	2015	2014 (Restated)	2016 to 2015		2015 to 2014	
				Dollars	%	Dollars	%
Revenues:							
Customer charges:							
Wastewater	\$50,410,216	\$48,755,616	\$48,623,816	\$1,654,600	3.4%	\$131,800	0.3%
Water	37,971,317	38,095,464	36,862,307	(124,147)	-0.3%	1,233,157	3.3%
Sanitation	25,976,078	23,208,826	18,538,089	2,767,252	11.9%	4,670,737	25.2%
Total customer charges	114,357,611	110,059,906	104,024,212	4,297,705	3.9%	6,035,694	5.8%
Connection charges	384,901	370,567	324,196	14,334	3.9%	46,371	14.3%
Sewer improvement fee	5,858,768	5,876,999	5,901,267	(18,231)	-0.3%	(24,268)	-0.4%
Other	2,269,462	2,156,869	2,126,168	112,593	5.2%	30,701	1.4%
Total operating revenues	122,870,742	118,464,341	112,375,843	4,406,401	3.7%	6,088,498	5.4%
Expenses:							
Operating expenses:							
Water & Wastewater	82,981,245	78,468,873	76,754,751	4,512,372	5.8%	1,714,122	2.2%
Sanitation	26,772,981	25,143,540	20,618,057	1,629,441	6.5%	4,525,483	21.9%
Total operating expenses	109,754,226	103,612,413	97,372,808	6,141,813	5.9%	6,239,605	6.4%
Operating income	13,116,516	14,851,928	15,003,035	(1,735,412)	-11.7%	(151,107)	-1.0%
Non-operating revenue (expenses):							
Investment income	1,169,767	1,194,926	628,780	(25,159)	-2.1%	566,146	90.0%
Insurance proceeds	120,000	209,995	91,372	(89,995)	-42.9%	118,623	0.0%
Interest expense	(13,369,405)	(13,342,792)	(13,821,350)	(26,613)	0.2%	478,558	-3.5%
Loss on disposal of assets	(875,024)	4,752,431	(487,609)	(5,627,455)	-118.4%	5,240,040	-1074.6%
Income before capital contributions	161,854	7,666,488	1,414,228	(7,504,634)	-97.9%	6,252,260	442.1%
Capital contributions:							
Cash	4,925,968	4,355,793	5,304,328	570,175	13.1%	(948,535)	-17.9%
Non-cash	1,557,132	2,355,497	1,068,579	(798,365)	-33.9%	1,286,918	120.4%
Total capital contributions	6,483,100	6,711,290	6,372,907	(228,190)	-3.4%	338,383	5.3%
Change in net position	6,644,954	14,377,778	7,787,135	(7,732,824)	-53.8%	6,590,643	84.6%
Net position at beginning of year, as previously reported	503,828,263	489,450,485	499,402,451	14,377,778	2.9%	(9,951,966)	-2.0%
Restatement	-	-	(17,739,101)	-		17,739,101	-100.0%
Net position at beginning of year, as restated	503,828,263	489,450,485	481,663,350	14,377,778	2.9%	7,787,135	54.2%
Net position at end of year	\$510,473,217	\$503,828,263	\$489,450,485	\$6,644,954	1.3%	\$14,377,778	2.9%

The Authority Board approved a 2.26% rate increase for all water and wastewater customers effective October 1, 2015. The rate increase plus 2% growth in wastewater customers resulted in a 3.4% increase in wastewater revenue. Water revenue remained lower than expected due to higher than average rainfall during the peak watering months. Water revenues increased in fiscal year 2015 due to a 3% rate increase that went into effect at the beginning of the fiscal year for water and wastewater customers. Despite the rate increase wastewater revenues remained constant from 2014 to 2015. Static population growth and a wet spring also kept revenue growth from exceeding the level expected.

The table below shows the average monthly residential customer's bill for the last three fiscal years. The charges are calculated using the typical residential consumption of 6,200 gallons of water and 4,500 gallons of wastewater.

### Monthly Residential Customer Bill



The 12% increase in sanitation revenue over fiscal year 2015 reflects the first full year of operations in Santa Rosa County and an 11% growth in the customer base in that area. Increased disposal costs at the County owned landfill were the basis for a 9.5% rate increase in fiscal year 2015 for all Escambia County sanitation customers. The expansion of collection service into north Santa Rosa County began January 2, 2015 serving approximately 20,500 residential customers. The additional customers accounted for 22% growth in revenue of \$4.1 million. The customer base in Escambia County grew by 600 accounting for 3.2% or \$600 thousand increase in revenue.

Water and wastewater system connection charges increased 4% and 14% in 2016 and 2015, respectfully, reflecting an increase in residential construction in Escambia County. The 5% increase in other income during the 2016 fiscal year is attributed to revenue related to the compost facility. During the first full year of operation, the compost facility sold 1,525.5 tons of compost and provided the Escambia County Perdido Landfill with 12,528 tons of mulch for landfill cover. Fiscal year 2015 other income increased 1.4% over the previous year due to the additional wastewater discharge fines assessed to certain customers through the enforcement of a Department of Environmental Protection Agency (“DEP”) consent order. Increased impact fee collections resulting from increased construction in Escambia County accounts for the 13% increase in cash contributions in 2016. Cash contributions decreased 18% in 2015 mainly due to decreased contributions from the Federal Emergency Management Agency (“FEMA”) as construction mitigation resulting from the April 2014 Flood Event wound down. Mitigation repairs are continuing on the main transmission line and are expected to be completed in fiscal year 2017.

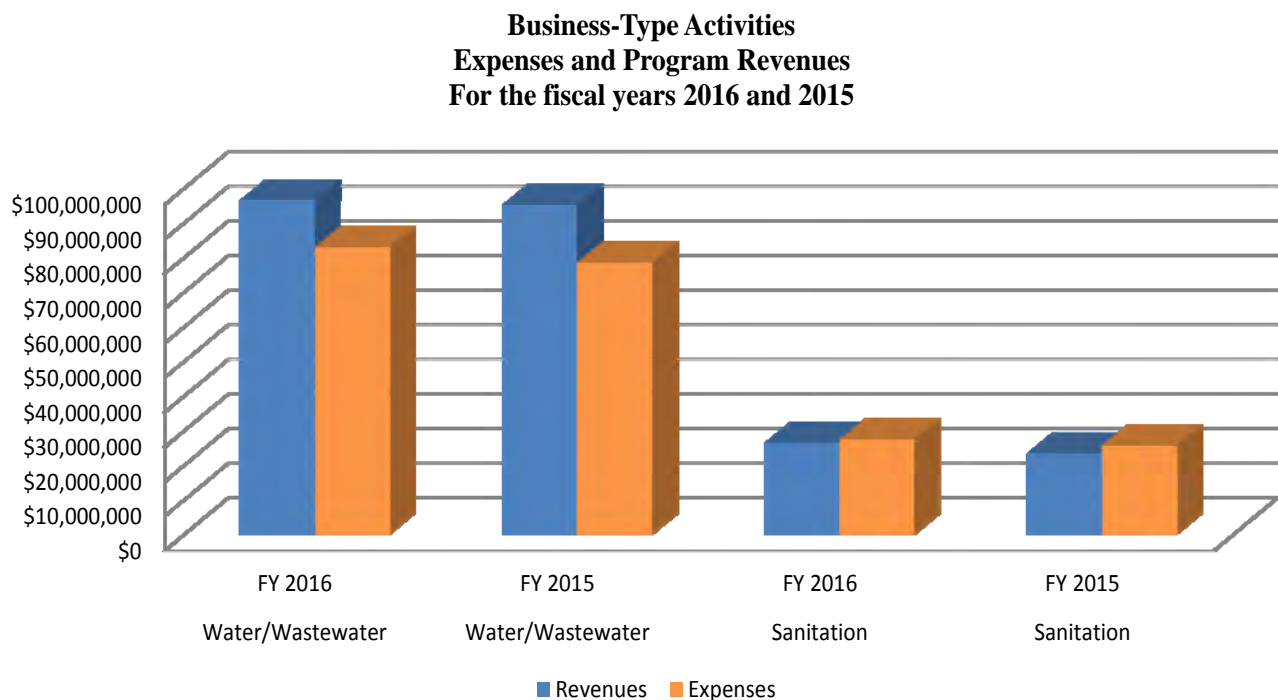
Non-cash contributions reflect the utility system contributions by builders and developers. The increase and decrease over the years shown in the condensed statement of revenues, expenses, and changes in net position are a reflection of the variances in construction starts in Escambia County. The utility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

## Expenses

Water and Wastewater operating expenses in 2016 include four new full time positions, and increases in health insurance and repair and maintenance costs, accounting for the 6% increase over the 2015 fiscal year. The 2.2% increase in water and wastewater operating expenses for 2015 reflect normal increases in operating costs of materials and supplies, utilities and other personal service related expenses. The increase includes expenses for six new positions: four Water Service Representatives to conduct turn-off and turn-on of delinquent accounts and two part-time Customer Service Specialists to assist with “after-hours” customer service calls.

Increased costs associated with the expansion of garbage service into north Santa Rosa County are the main contributor to the increase in Sanitation operating expenses during both fiscal year 2016 and 2015 of 6.5% and 22%, respectively. Additionally, the Authority experienced higher disposal costs in 2016 due to the loss of the contract for single stream recyclables with Infinitus Material Recovery Facility. Cost savings have been achieved from the reduced fuel costs and lower maintenance costs on the compressed natural gas vehicles.

The graph below compares the expenses to the program revenues supporting the operations.





## **Capital Assets**

During 2016, the Authority spent \$50 million for construction and equipment, consisting of \$9 million to relocate or upgrade lift stations, \$8 million to construct the MRF, \$7 million on well maintenance and construction, \$5.5 million to upgrade or replace sewer lines, \$4 million for inflow and infiltration projects, and \$3 million to complete the composting facility. 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 2017 budget approved by the Board establishes funding at a level that maintains current programs and provides for enhancements to our existing level of service as well as funding \$20 million for capital improvements. The budget, which includes a 3% rate increase for water and wastewater customers, continues to support costs associated with compliance for inflow and infiltration and lab tests mandated by the Florida Department of Environmental Protection, the community awareness campaign, and management of the land and timber around the CWRF, as well as normal increases in operating costs. The Authority anticipates revenue in future years from the sale of the timber to offset the land management costs. The capital improvement program will be funded with fiscal year 2016 project contingency rollover funds, current year revenues and a \$15 million bank loan.

No rate increase was proposed for sanitation customers in Escambia County as additional revenue from customer growth is expected to be sufficient to offset increases in operating costs associated with that growth. The sanitation rates for Santa Rosa County are established by a contract that allows for rate increases on January 1 of each year by the consumer price index as of October 31 for the preceding twelve months. Santa Rosa County sanitation customers will see a 1.39% rate increase plus a \$1.96 increase in the monthly tipping fee effective January 1, 2017. The sanitation budget contains funding for six new positions and increased operating expenses mainly due to the addition of the composting activity. Disposal costs are expected to decrease because recyclables no longer have to be taken to the landfill now that the MRF is operational. The composting facility which opened in May 2016 has already won gold awards from the Solid Waste Association of North America and the National Solid Waste and Recycling Association for the composting activity and the public education campaign. This facility will further reduce disposal costs by using yard waste and bio-solid sludge from the CWRF in the production of the compost material.

After the abrupt closing of the third party recyclables processor in October 2014, the Authority began searching for other processors, but none were available within a reasonable hauling distance. The Authority chose to construct a Materials Recycling Facility at the Perdido Landfill. The facility was permitted, designed and constructed in less than nine months. Full sorting operations began September 27, 2016. The MRF is a regional recycling facility. Interlocal agreements have already been negotiated with three counties and one city in the Florida panhandle to bring recyclables for processing. The Authority contracted with Zero Waste Energy to operate the facility. The 2017 operating budget established funding for operating expenses including two equipment operators to assist in the operations.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

This page intentionally left blank.

**EMERALD COAST UTILITIES AUTHORITY  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2016 AND 2015**

**ASSETS AND DEFERRED OUTFLOWS**

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments ( <i>note 2</i> )	\$ 2,996,958	\$ 3,508,718
Accounts receivable less allowance for doubtful accounts of \$1,095,900 and \$1,077,000 in 2016 and 2015, respectively	15,425,927	15,073,235
Grants receivable	726,977	1,941,744
Due from other governments	1,300,000	1,300,000
Materials and supplies ( <i>note 1</i> )	7,761,101	6,700,095
Prepaid expenses	40,295	371,640
Restricted assets -		
Restricted by debt agreements - Sinking fund	11,564,502	9,538,893
Customer deposits	4,667,056	4,597,663
Total current assets	<u>44,482,816</u>	<u>43,031,988</u>
<b>Noncurrent Assets:</b>		
Due from other governments	<u>13,000,000</u>	<u>14,300,000</u>
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,704,852	7,380,555
Operating and maintenance fund	6,704,010	6,642,707
Debt service reserve	3,089,243	3,082,604
Impact fees	3,430,737	2,591,698
Capital improvement program	66,887,871	63,190,404
Sewer improvement fees	9,719,649	8,899,931
Self-insurance funds ( <i>note 12</i> )	1,712,930	4,997,116
Total noncurrent restricted assets	<u>99,249,292</u>	<u>96,785,015</u>
Capital assets -		
Utility plant in service	1,010,452,441	964,960,022
Construction work in progress	46,975,025	40,012,678
Intangible assets	14,996,954	14,996,954
	<u>1,072,424,420</u>	<u>1,019,969,654</u>
Less accumulated depreciation and amortization	307,047,512	278,392,131
Total capital assets ( <i>notes 1 and 3</i> )	<u>765,376,908</u>	<u>741,577,523</u>
Unamortized debt issuance costs (net of accumulated amortization of \$3,272,140 and \$3,083,780 in 2016 and 2015, respectively) ( <i>note 1</i> )	<u>2,658,290</u>	<u>2,321,199</u>
Total noncurrent assets	<u>880,284,490</u>	<u>854,983,737</u>
Total assets	<u>924,767,306</u>	<u>898,015,725</u>
<b>Deferred Outflows of Resources:</b>		
Loss on bond refunding	2,861,499	3,100,698
Pensions ( <i>note 9</i> )	12,010,471	5,089,795
Total deferred outflows of resources	<u>14,871,970</u>	<u>8,190,493</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 939,639,276</u>	<u>\$ 906,206,218</u>

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2016	2015
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 3,517,828	\$ 3,611,667
Due to other governments	349,227	347,051
Payroll and compensated absences payable ( <i>note 1</i> )	<u>2,854,042</u>	<u>2,604,154</u>
Total current liabilities (payable from current assets)	<u>6,721,097</u>	<u>6,562,872</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt ( <i>note 5</i> )	24,648,777	22,524,214
Accrued interest payable	3,521,155	3,364,960
Accounts payable - capital improvements	6,539,756	7,557,485
Customer deposits	4,666,811	4,597,663
Claims liabilities ( <i>note 12</i> )	<u>1,086,577</u>	<u>983,911</u>
Total current liabilities (payable from restricted assets)	<u>40,463,076</u>	<u>39,028,233</u>
Total current liabilities	<u>47,184,173</u>	<u>45,591,105</u>
<b>Long-Term Liabilities:</b>		
Claims liabilities ( <i>note 12</i> )	664,858	213,924
Long-term debt ( <i>note 5</i> )	344,304,157	328,495,815
Long-term compensated absences payable ( <i>notes 1 and 5</i> )	1,399,440	1,394,978
Net pension liability ( <i>note 9</i> )	30,697,748	19,590,947
Other postemployment benefits ( <i>note 11</i> )	<u>4,472,952</u>	<u>4,352,952</u>
Total long-term liabilities	<u>381,539,155</u>	<u>354,048,616</u>
Total liabilities	<u>428,723,328</u>	<u>399,639,721</u>
<b>Deferred Inflows of Resources:</b>		
Pensions ( <i>note 9</i> )	<u>442,731</u>	<u>2,738,234</u>
<b>Net Position:</b>		
Net investment in capital assets	399,285,473	393,658,192
Restricted for debt service and other bond requirements ( <i>note 1</i> )	25,541,452	23,279,799
Restricted for expansion of utility plant ( <i>note 1</i> )	3,430,737	2,591,698
Unrestricted	<u>82,215,555</u>	<u>84,298,574</u>
Total net position	<u>510,473,217</u>	<u>503,828,263</u>
<b>Commitments and Contingencies</b> ( <i>note 13</i> )	--	--
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u><u>\$ 939,639,276</u></u>	<u><u>\$ 906,206,218</u></u>

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Customer charges -		
Wastewater	\$ 50,410,216	\$ 48,755,616
Water	37,971,317	38,095,464
Sanitation	25,976,078	23,208,826
Connection charges	384,901	370,567
Sewer improvement fees	5,858,768	5,876,999
Other	2,269,462	2,156,869
	<u>122,870,742</u>	<u>118,464,341</u>
Total operating revenues		
<b>Operating Expenses Before Depreciation and Amortization:</b>		
Personal services	44,134,165	38,887,843
Contractual services	2,858,055	4,605,517
Professional services	966,768	1,329,249
Supplies	7,815,930	8,351,007
Repairs and maintenance	6,603,661	5,922,259
Heat, light and power	6,898,770	7,024,657
Tipping fees	5,687,753	4,975,174
Other	4,306,659	4,050,666
	<u>79,271,761</u>	<u>75,146,372</u>
Total operating expenses before depreciation and amortization		
<b>Operating Income Before Depreciation and Amortization</b>	<b>43,598,981</b>	<b>43,317,969</b>
<b>Depreciation and Amortization</b>	<b>30,482,465</b>	<b>28,466,041</b>
	<u>13,116,516</u>	<u>14,851,928</u>
Operating income		
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	1,169,767	1,194,926
Insurance proceeds	120,000	209,995
Interest expense	(13,369,405)	(13,342,792)
Gain (loss) on disposal of assets	(875,024)	4,752,431
	<u>(12,954,662)</u>	<u>(7,185,440)</u>
Total nonoperating revenues (expenses)		
<b>Income Before Capital Contributions</b>	<b>161,854</b>	<b>7,666,488</b>
Capital contributions - cash (note 8)	4,925,968	4,355,793
Capital contributions - noncash (note 8)	1,557,132	2,355,497
	<u>6,644,954</u>	<u>14,377,778</u>
<b>Change in Net Position</b>		
<b>Net Position at Beginning of Year</b>	<b>503,828,263</b>	<b>489,450,485</b>
<b>Net Position at End of Year</b>	<b><u>\$ 510,473,217</u></b>	<b><u>\$ 503,828,263</u></b>

This page intentionally left blank.

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 129,185,613	\$ 124,630,689
Cash paid to suppliers for goods and services	(53,162,305)	(53,727,382)
Cash paid to employees for services	(28,075,856)	(27,037,510)
Net cash provided by operating activities	<u>47,947,452</u>	<u>43,865,797</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(54,671,903)	(43,616,925)
Proceeds from issuance of long-term debt	55,418,422	-
Debt issuance costs	(525,451)	(18,900)
Principal paid on long-term debt	(22,515,253)	(41,817,262)
Interest paid on long-term debt	(12,874,394)	(12,887,356)
Payments to defease long-term debt	(14,881,521)	-
Proceeds from sale of assets	54,432	5,160,460
Contributions from developers, customers and other governments	4,925,968	4,355,793
Net cash used for capital and related financing activities	<u>(45,069,700)</u>	<u>(88,824,190)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	1,233,865	1,042,596
Proceeds from maturities of investments and notes receivable	21,075,309	43,194,264
Purchases of investments	(24,199,238)	(22,197,521)
Net cash provided by (used for) investing activities	<u>(1,890,064)</u>	<u>22,039,339</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>987,688</b>	<b>(22,919,054)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u><b>63,542,225</b></u>	<u><b>86,461,279</b></u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u><b>\$ 64,529,913</b></u></u>	<u><u><b>\$ 63,542,225</b></u></u>



**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**  
**(Continued)**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operations:</b>		
Operating income	\$ 13,116,516	\$ 14,851,928
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	30,482,465	28,466,041
Insurance proceeds	120,000	209,995
Changes in -		
Accounts receivable, net	947,308	1,180,198
Grants receivable	1,214,767	545,473
Materials and supplies	(1,061,006)	(1,360,468)
Prepaid expenses	331,345	(105,723)
Deferred outflows of resources - pensions	(6,920,676)	(1,410,639)
Accounts payable	(93,839)	(11,788)
Due to other governments	2,176	(37,050)
Payroll and compensated absences payable	249,888	429,400
Customer deposits	69,148	196,706
Claims liabilities	553,600	(125,687)
Long-term compensated absences payable	4,462	11,487
Net pension liability	11,106,801	6,627,471
Other postemployment benefits	120,000	115,000
Deferred inflows of resources - pensions	(2,295,503)	(5,716,547)
Net cash provided by operating activities	<u>\$ 47,947,452</u>	<u>\$ 43,865,797</u>

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

Cash and investments	\$ 2,996,958	\$ 3,508,718
Restricted assets	115,480,850	110,921,571
	<u>118,477,808</u>	<u>114,430,289</u>
Less notes receivable and investments	(53,947,895)	(50,888,064)
Cash and cash equivalents	<u>\$ 64,529,913</u>	<u>\$ 63,542,225</u>

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

Property contributed by developers and others	\$ 1,557,132	\$ 2,355,497
Unrealized appreciation (depreciation) in fair value of investments	\$ (56,878)	\$ 288,849
Equipment and improvements acquired under capital lease	<u>\$ -</u>	<u>\$ 11,068,116</u>

This page intentionally left blank.

## **NOTES TO FINANCIAL STATEMENTS**

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**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, 2016 AND 2015**

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

*Financial Statement Presentation:*

The Authority has adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Statement No. 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, 2016 AND 2015**

**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 recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

*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.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*Intangible Assets:*

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

*Debt Issuance Costs:*

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

*Deferred Outflows and Inflows of Resources:*

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

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

*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, 2016 AND 2015**

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

*Pensions:*

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

*Net Position:*

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

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

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

*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.



**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*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.

*Reclassification:*

Certain reclassifications were made to the 2015 financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported change in net position.

*New Accounting Pronouncement:*

The Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance regarding fair value measurement and application, and requires disclosures to be made about fair value measurements, the level of the fair value hierarchy, and valuation techniques.

**NOTE 2 - CASH AND INVESTMENTS**

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

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

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*Deposits:*

The Authority's deposits at September 30, 2016 and 2015 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, 2016 and 2015, the carrying amount of the deposits was \$26,188,544 and \$24,358,482, respectively, and the bank balance was \$26,700,936 and \$24,573,745, respectively.

*Investments:*

As of September 30, 2016 and 2015, the Authority had the following investments and maturities:

	Weighted Average Maturity (Years)	<b>2016</b>	2015
Local Government Surplus Funds Trust Fund	0.137	\$ <b>37,042,462</b>	\$ 34,747,254
Money Market Mutual Funds	0.234	<b>1,094,779</b>	4,124,761
U.S. Treasury Securities	3.147	<b>22,781,583</b>	9,742,451
Federal Instrumentalities	2.229	<b>12,398,405</b>	20,469,086
Corporate Notes	2.632	<b>8,941,103</b>	9,768,523
State and Local Government Debt	1.881	<b>9,612,395</b>	10,714,379
Total investments		<b>\$ 91,870,727</b>	<b>\$ 89,566,454</b>

*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, 2016, the investments had a weighted average duration of 2.6 years.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Interest Rate Risk (Continued):*

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
194740JW7	Collin County Texas Municipal Bond	2/15/2018	\$ 287,500	one time	2/15/2017
740189AL9	Precision Castparts Corp. Corporate Notes	6/15/2020	2,034,810	one time	5/15/2020
30231GAD4	Exxon Mobil Corporation	3/15/2019	1,011,832	one time	2/15/2019
037833BS8	Apple, Inc.	2/23/2021	767,569	one time	1/23/2021
			<u>\$ 4,101,711</u>		

*Credit Risk:*

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.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Credit Risk (Continued):*

- 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.

At September 30, 2016, 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	40.32%
Money Market Mutual Funds	AAAm	1.19%
U.S. Treasury Securities	AA+	24.80%
Federal Instrumentalities	AA+	13.50%
Corporate Notes	AAA	0.19%
Corporate Notes	AA	2.28%
Corporate Notes	AA+	1.94%
Corporate Notes	AA-	2.21%
Corporate Notes	A+	3.11%
State and Local Government Debt	AAA	2.51%
State and Local Government Debt	AA+	2.20%
State and Local Government Debt	AA	2.28%
State and Local Government Debt	AA-	2.60%
State and Local Government Debt	N/A	0.87%

*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, 2016 AND 2015**

**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, 2016 AND 2015**

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

*Concentration of Credit Risk (Continued):*

As of September 30, 2016, the Authority had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	\$ 37,042,462	40.32%
Money Market Mutual Funds	1,094,779	1.19%
U.S. Treasury Notes	22,781,583	24.80%
Federal Instrumentalities:		
Federal Home Loan Bank	3,055,038	3.33%
Federal National Mortgage Association	5,850,142	6.37%
Federal Home Loan Mortgage Corporation	3,493,225	3.80%
Corporate Notes:		
Bank of Nova Scotia	2,508,278	2.73%
Berkshire Hathaway Finance Corporation	2,093,520	2.28%
Precision Castparts Corporation	2,034,810	2.21%
JP Morgan Chase Bank NA	345,960	0.38%
Exxon Mobil Corporation	1,011,832	1.10%
Microsoft Corporation	179,134	0.19%
Apple, Inc.	767,569	0.84%
State and Local Government Debt:		
Collin County Texas Municipal Bond	802,077	0.87%
Collin County Texas Municipal Bond	287,500	0.31%
Connecticut State Municipal Bond	1,417,931	1.54%
Florida Hurricane Catastrophe Fund Finance Corp. Revenue Bonds	2,092,779	2.28%
New York State Urban Development Corp. Revenue Bonds	2,018,813	2.20%
Indiana Bond Bank Revenue Refunding Bonds	2,021,864	2.20%
Port Authority New York & New Jersey Consolidated Bonds	971,431	1.06%
	<u>\$ 91,870,727</u>	<u>100.00%</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*Fair Value of Investments:*

The Authority categorizes its fair value measurements within the fair value hierarchy established generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 input are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables present assets carried at fair value at September 30, 2016 and 2015:

	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	\$	\$ 1,094,779	\$	\$ 1,094,779
U.S. Treasury Securities		22,781,583		22,781,583
Federal Instrumentalities		12,398,405		12,398,405
Corporate Notes		8,941,103		8,941,103
State and Local Government Debt		9,612,395		9,612,395
Total investments, September 30, 2016	\$ -	\$ 54,828,265	\$ -	\$ 54,828,265
	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	\$	\$ 4,124,761	\$	\$ 4,124,761
U.S. Treasury Securities		9,742,451		9,742,451
Federal Instrumentalities		20,469,086		20,469,086
Corporate Notes		9,768,523		9,768,523
State and Local Government Debt		10,714,379		10,714,379
Total investments, September 30, 2015	\$ -	\$ 54,819,200	\$ -	\$ 54,819,200

Securities classified in Level 2 are valued using the following approaches:

- Money Market Mutual Funds: published fair value per share (unit) for each fund;
- U.S. Treasury Securities and Federal Instrumentalities: quoted prices for identical securities in markets that are not active;
- Corporate Notes and State and Local Government Debt: quoted prices for similar securities in active markets.

The Local Government Surplus Funds Trust Fund is measured at cost and excluded from the fair value hierarchy disclosure.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity during the years ended September 30, 2016 and 2015 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b><u>Cost</u></b>					
Depreciable:					
Buildings and building improvements	\$ 37,243,881	\$ 996,267	\$	\$ 2,559,978	\$ 40,800,126
Improvements other than buildings	807,383,831	16,080,324	(1,786,725)	18,437,119	840,114,549
Improvements under capital lease	18,496,683				18,496,683
Equipment	48,655,915	9,479,449	(969,815)		57,165,549
Equipment under capital lease	24,725,589				24,725,589
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	28,454,123	695,822			29,149,945
Construction in progress	40,012,678	27,959,444		(20,997,097)	46,975,025
	<u>1,019,969,654</u>	<u>55,211,306</u>	<u>(2,756,540)</u>	<u>-</u>	<u>1,072,424,420</u>
<b><u>Less Accumulated Depreciation and Amortization</u></b>					
Buildings and building improvements	5,075,556	820,992			5,896,548
Improvements other than buildings	213,517,489	21,156,127	(869,447)		233,804,169
Improvements under capital lease	9,227,565	1,598,931			10,826,496
Equipment	31,200,549	3,608,334	(957,637)		33,851,246
Equipment under capital lease	7,896,090	2,794,928			10,691,018
Intangible assets	11,474,882	503,153			11,978,035
	<u>278,392,131</u>	<u>30,482,465</u>	<u>(1,827,084)</u>	<u>-</u>	<u>307,047,512</u>
<b>Total capital assets, September 30, 2016</b>	<u>\$ 741,577,523</u>	<u>\$ 24,728,841</u>	<u>\$ (929,456)</u>	<u>\$ -</u>	<u>\$ 765,376,908</u>



**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**NOTE 3 - CAPITAL ASSETS (Continued)**

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

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**NOTE 4 - CAPITALIZED INTEREST**

Total interest costs incurred for the years ended September 30, 2016 and 2015 amounted to \$14,667,627 and \$14,262,604, respectively. Of these amounts, \$1,298,222 and \$919,812 were capitalized in the respective years as part of the cost of the utility plant.

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consisted of the following:

	<u>2016</u>	<u>2015</u>
\$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	<b>\$ 66,489,111</b>	\$ 70,608,605
\$17,335,000 Utility System Revenue Bonds, Series 2006, interest from 4% to 5.25%, maturing in annual installments through January 2036, secured by net revenue	-	15,120,000
\$28,660,000 Utility System Refunding Revenue Bonds, Series 2006B, interest from 4% to 5%, maturing in annual installments through January 2029, secured by net revenue	<b>18,955,000</b>	20,325,000
\$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	<b>122,000,000</b>	128,660,000
\$42,399,000 Utility System Revenue Note, Series 2010, interest at 6%, maturing in annual installments through January 2031, secured by net revenue	<b>34,673,000</b>	36,341,000
\$13,151,000 Utility System Refunding Revenue Note, Series 2011, interest at 3.03%, maturing in annual installments through January 2023, secured by net revenue	<b>8,599,000</b>	9,740,000
\$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	<b>5,498,000</b>	6,327,000

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

	<u>2016</u>	<u>2015</u>
\$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	<b>20,480,000</b>	22,095,000
\$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	<b>9,745,000</b>	10,475,000
\$52,285,000 Utility System Refunding Revenue Bonds, Series 2015, interest ranging from 2% to 5%, maturing in annual installments through January 2036, secured by net revenue	<b>52,270,000</b>	-
\$11,973,722 capital lease, interest at 2.12%, payments due annually through February 2019	<b>5,347,559</b>	7,056,586
\$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	<b>9,966,516</b>	10,659,135
\$1,993,355 capital lease, interest at 2.09%, payments due monthly through September 2022	<b>1,273,889</b>	1,452,203
\$965,655 capital lease, interest at 2.09%, payments due monthly through February 2024	<b>773,211</b>	855,694
\$11,068,116 capital lease, interest at 2.48%, payments due semi-annually through February 2023	<b>9,137,463</b>	10,417,781
Unamortized bond premiums, net	<b>3,745,185</b>	887,025
	<b>368,952,934</b>	351,020,029
Less current maturities	<b>24,648,777</b>	22,524,214
	<b>\$ 344,304,157</b>	<b>\$ 328,495,815</b>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

There are a number of covenants in the debt agreements. One such covenant requires that the Authority's net revenue each year be equal to at least 125% of annual bond debt service requirements. Debt service coverage for 2016 and 2015 was 171% and 168%, respectively.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes	\$ 320,578,630	\$ 52,285,000	\$ (30,409,334)	\$ 342,454,296	\$ 20,577,787
Capital leases	30,441,399		(3,942,761)	26,498,638	4,070,990
Compensated absences payable	2,552,445	853,960	(932,959)	2,473,446	1,074,006
	<u>\$ 353,572,474</u>	<u>\$ 53,138,960</u>	<u>\$ (35,285,054)</u>	<u>\$ 371,426,380</u>	<u>\$ 25,722,783</u>

The annual requirements to amortize bonds and notes outstanding at September 30, 2016 are as follows:

Year Ending September 30	Principal	Interest	Total
2017	\$ 20,577,787	\$ 12,895,783	\$ 33,473,570
2018	21,320,135	12,729,465	34,049,600
2019	22,084,583	11,877,342	33,961,925
2020	22,900,182	10,447,618	33,347,800
2021	23,752,979	9,556,600	33,309,579
2022-2026	127,726,150	33,598,079	161,324,229
2027-2031	84,169,729	9,883,413	94,053,142
2032-2036	16,177,566	1,491,572	17,669,138
	<u>\$ 338,709,111</u>	<u>\$ 102,479,872</u>	<u>\$ 441,188,983</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**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
2017	\$ 4,070,990	\$ 811,554	\$ 4,882,544
2018	4,179,314	703,734	4,883,048
2019	4,290,275	592,772	4,883,047
2020	2,545,853	478,567	3,024,420
2021	2,624,004	400,416	3,024,420
2022-2026	7,674,051	980,869	8,654,920
2027	1,114,151	49,204	1,163,355
	<u>\$ 26,498,638</u>	<u>\$ 4,017,116</u>	<u>\$ 30,515,754</u>
Present value of net minimum lease payments	<u>\$ 26,498,638</u>	<u>\$ 4,017,116</u>	<u>\$ 30,515,754</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, 2016, the Authority issued a \$52,285,000 Utility System Refunding Revenue Bonds, Series 2015, to advance refund \$14,695,000 of Utility System Revenue Bonds, Series 2006 and fund capital projects. The bond issuance resulted in a premium of \$3,133,422. This amount is being charged to operations through the year 2036 using the straight-line amortization method.

The advance refunding reduced total debt service payments by approximately \$2,512,000 and gave rise to an economic gain of approximately \$1,814,000 (difference between the present values of the old and new debt service payments).

At September 30, 2016, the Authority has \$103,170,000 of bonds outstanding that are considered to be defeased.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**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:

	<b>2016</b>		<b>2015</b>	
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Water and Wastewater</u>	<u>Sanitation</u>
<b>Condensed Statement of Net Position</b>				
Assets:				
Current assets	\$ 56,749,893	\$ 6,050,914	\$ 50,596,674	\$ 5,542,330
Noncurrent assets	<u>835,506,652</u>	<u>44,777,838</u>	<u>810,439,133</u>	<u>44,544,604</u>
Total assets	<u>892,256,545</u>	<u>50,828,752</u>	<u>861,035,807</u>	<u>50,086,934</u>
Deferred outflows of resources	<u>11,311,876</u>	<u>3,560,094</u>	<u>6,294,977</u>	<u>1,895,516</u>
Total assets and deferred outflows	<u>\$ 903,568,421</u>	<u>\$ 54,388,846</u>	<u>\$ 867,330,784</u>	<u>\$ 51,982,450</u>
Liabilities:				
Current liabilities	\$ 39,654,638	\$ 25,847,526	\$ 38,324,002	\$ 20,374,119
Long-term liabilities	<u>355,318,306</u>	<u>26,220,849</u>	<u>326,758,290</u>	<u>27,290,326</u>
Total liabilities	<u>394,972,944</u>	<u>52,068,375</u>	<u>365,082,292</u>	<u>47,664,445</u>
Deferred inflows of resources	<u>332,969</u>	<u>109,762</u>	<u>2,090,583</u>	<u>647,651</u>
Net Position:				
Net investment in capital assets	378,799,047	20,486,426	382,008,060	11,650,132
Restricted	24,765,427	4,206,762	21,813,049	4,058,448
Unrestricted	<u>104,698,034</u>	<u>(22,482,479)</u>	<u>96,336,800</u>	<u>(12,038,226)</u>
Total net position	<u>508,262,508</u>	<u>2,210,709</u>	<u>500,157,909</u>	<u>3,670,354</u>
Total liabilities, deferred inflows and net position	<u>\$ 903,568,421</u>	<u>\$ 54,388,846</u>	<u>\$ 867,330,784</u>	<u>\$ 51,982,450</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

	2016		2015	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>				
Operating revenues:				
Customer charges	\$ 88,381,533	\$ 25,976,078	\$ 86,851,080	\$ 23,208,826
Other operating revenue (1)	12,127,772	418,155	12,543,847	91,270
Total operating revenue	<u>100,509,305</u>	<u>26,394,233</u>	<u>99,394,927</u>	<u>23,300,096</u>
Operating expenses:				
Depreciation and amortization	25,577,112	4,905,353	24,233,609	4,232,432
Other operating expenses (1)	57,404,133	25,900,424	54,235,264	25,141,790
Total operating expenses	<u>82,981,245</u>	<u>30,805,777</u>	<u>78,468,873</u>	<u>29,374,222</u>
Operating income (loss)	<u>17,528,060</u>	<u>(4,411,544)</u>	<u>20,926,054</u>	<u>(6,074,126)</u>
Nonoperating revenues (expenses):				
Investment income	1,166,379	3,388	1,191,376	3,550
Interest expense	(12,871,464)	(497,941)	(12,717,909)	(624,883)
Other nonoperating revenues (expenses)	(753,980)	(1,044)	4,997,004	(34,578)
Total nonoperating revenues (expenses)	<u>(12,459,065)</u>	<u>(495,597)</u>	<u>(6,529,529)</u>	<u>(655,911)</u>
Income (loss) before capital contributions and transfers	5,068,995	(4,907,141)	14,396,525	(6,730,037)
Capital contributions	6,483,100	-	6,670,270	41,020
Transfers	<u>(3,447,496)</u>	<u>3,447,496</u>	<u>(3,724,365)</u>	<u>3,724,365</u>
Change in net position	8,104,599	(1,459,645)	17,342,430	(2,964,652)
Net position at beginning of year	500,157,909	3,670,354	482,815,479	6,635,006
Net position at end of year	<u>\$ 508,262,508</u>	<u>\$ 2,210,709</u>	<u>\$ 500,157,909</u>	<u>\$ 3,670,354</u>

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

	2016		2015	
	Water and Wastewater	Sanitation	Water and Wastewater	Sanitation
<b>Condensed Statement of Cash Flows</b>				
Net cash provided by (used for)				
Operating activities	\$ 38,768,377	\$ 9,179,075	\$ 31,053,970	\$ 12,811,827
Capital and related financing activities	(31,187,271)	(13,882,429)	(82,063,908)	(6,760,282)
Investing activities	<u>(1,893,452)</u>	<u>3,388</u>	<u>22,035,789</u>	<u>3,550</u>
Net increase (decrease)	5,687,654	(4,699,966)	(28,974,149)	6,055,095
Cash and cash equivalents, beginning of year	53,080,474	10,461,751	82,054,623	4,406,656
Cash and cash equivalents, end of year	<u>\$ 58,768,128</u>	<u>\$ 5,761,785</u>	<u>\$ 53,080,474</u>	<u>\$ 10,461,751</u>

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

**NOTE 8 - CAPITAL CONTRIBUTIONS**

Capital contributions include contributions from other governments and grant funds awarded to the Authority. Capital contributions for the years ended September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Capital contributions - cash -		
Impact fees	\$ 3,430,737	\$ 2,591,698
Other	1,495,231	1,764,095
	<u>\$ 4,925,968</u>	<u>\$ 4,355,793</u>
Capital contributions - noncash -		
Property contributed by developers and others	<u>\$ 1,557,132</u>	<u>\$ 2,355,497</u>

**NOTE 9 - RETIREMENT PLANS**

*Florida Retirement System:*

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

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

*Pension Plan:*

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

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



**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*Pension Plan (Continued):*

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

Contributions - The Authority is required by State statute to make contributions to the Pension Plan equal to a certain percent of covered employees' salaries. The employer contribution rates at September 30, 2016 were 7.52% for regular participants, 21.77% for senior management, 42.47% for elected officials, and 12.99% for DROP participants. The employee contribution rate was 3% for all categories, excluding DROP.

The Authority's contributions to the Pension Plan totaled \$2,048,599, \$1,970,003 and \$1,828,049 for the years ended September 30, 2016, 2015, and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, the Authority reported a net pension liability of \$19,897,459 and \$10,431,360, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2016 and 2015, the Authority's proportionate share was 0.078801572% and 0.080760945%, respectively.

For the years ended September 30, 2016 and 2015, the Authority recognized pension expense of \$3,320,297 and \$1,075,262, respectively, related to the Pension Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the years ended September 30, 2016 and 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2016:		
Differences between expected and actual experience	\$ 1,523,502	\$ 185,259
Change in assumptions	1,203,737	-
Net difference between projected and actual earnings on Pension Plan investments	5,143,252	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	1,102,848	232,873
Authority Pension Plan contributions subsequent to measurement date	553,466	-
	<u>\$ 9,526,805</u>	<u>\$ 418,132</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*Pension Plan (Continued):*

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

The deferred outflows of resources related to the Pension Plan totaling \$553,466 resulting from Authority contributions to the Pension Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	
2017	\$ 1,344,958
2018	1,344,958
2019	3,350,117
2020	2,163,428
2021	269,958
Thereafter	<u>81,788</u>
	<u>\$ 8,555,207</u>

Actuarial Assumptions - The total pension liability in the July 1, 2016 and 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Pension Plan (Continued):*

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based in a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major class are summarized in the following table:

	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed income	18.00%	4.70%	4.60%	4.60%
Global equity	53.00%	8.10%	6.80%	17.20%
Real estate (property)	10.00%	6.40%	5.80%	12.00%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	11.10%
	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		1.90%

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

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Pension Plan (Continued):*

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 7.60% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (6.60%) or 1%-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Authority's proportionate share of the net pension liability	\$ 36,632,569	\$ 19,897,459	\$ 5,967,690

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

Payables to the Pension Plan - At September 30, 2016 and 2015 the Authority reported payables of \$154,404 and \$143,243, respectively, for the outstanding amount of contributions to the Pension Plan required for the years ended September 30, 2016 and 2015.

*HIS Plan:*

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided - For the years ended September 30, 2016 and 2015 eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum payment of \$30 and a maximum payment of \$150 per month pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which includes Medicare.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*HIS Plan (Continued):*

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At September 30, 2016 and 2015 the contribution rate was 1.66%. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Authority's contributions to the HIS Plan totaled \$469,401, \$451,157, and \$380,263 for the years ended September 30, 2016, 2015, and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016 and 2015, the Authority reported a net pension liability of \$10,800,289 and \$9,159,587, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Authority's proportionate share of net pension liability was based on the Authority's fiscal year contributions relative to the fiscal year contributions of all participating members. At June 30, 2016 and 2015, the Authority's proportionate share was 0.092669862% and 0.089813731%, respectively.

For the years ended September 30, 2016 and 2015, the Authority recognized pension expense of \$1,025,125 and \$772,899, respectively, related to the HIS Plan. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the years ended September 30, 2016 and 2015:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2016:		
Differences between expected and actual experience	\$ -	\$ 24,599
Change in assumptions	1,694,840	-
Net difference between projected and actual earnings on HIS Plan investments	5,461	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of HIS Plan contributions	654,423	-
Authority contributions subsequent to measurement date	128,942	-
	<u>\$ 2,483,666</u>	<u>\$ 24,599</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

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

*HIS Plan (Continued):*

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2015:		
Change in assumptions	\$ 720,620	\$ -
Net difference between projected and actual earnings on HIS Plan investments	4,958	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of HIS Plan contributions	513,979	-
Authority contributions subsequent to measurement date	124,456	-
	<u>\$ 1,364,013</u>	<u>\$ -</u>

The deferred outflows of resources related to pensions totaling \$128,942 resulting from Authority contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ending September 30	
2017	\$ 427,823
2018	427,823
2019	426,783
2020	426,284
2021	348,277
Thereafter	<u>273,135</u>
	<u>\$ 2,330,125</u>

Actuarial Assumptions - The total pension liability in the July 1, 2016 and 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	2.85%

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*HIS Plan (Continued):*

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 2.85% as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1%-point lower (1.85%) or 1%-point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Authority's proportionate share of the net pension liability	\$ 12,390,385	\$ 10,800,289	\$ 9,480,596

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

Payables to the Pension Plan - At September 30, 2016 and 2015 the Authority reported payables of \$43,739 and \$42,461, respectively, for the outstanding amount of contributions to the HIS Plan required for the years ended September 30, 2016 and 2015.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*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 \$31,025 and \$36,167 for the years ended September 30, 2016 and 2015, 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 GASB Statement No. 45, the costs of the Authority OPEB have been reflected in the financial statements on a pay-as-you-go basis of accounting where the subsidy provided by the Authority, as described below, has been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. GASB Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the Authority during an employee's working life, rather than waiting until the employee's service has been completed and he or she has retired.



**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

**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 purpose. 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, 2016 AND 2015**

**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>2016</u>	<u>2015</u>	<u>2014</u>
Normal cost (service cost for one year)	\$ 140,000	\$ 134,000	\$ 323,086
Amortization of unfunded actuarial accrued liability	<u>152,000</u>	<u>140,000</u>	<u>215,063</u>
Annual required contribution (ARC)	<u>\$ 292,000</u>	<u>\$ 274,000</u>	<u>\$ 538,149</u>
Net OPEB obligation at beginning of year	<u>\$ 4,352,952</u>	<u>\$ 4,237,952</u>	<u>\$ 3,868,041</u>
Annual required contribution (ARC)	292,000	274,000	538,149
Interest on net OPEB obligation	172,000	168,000	149,306
Adjustment to ARC	(217,000)	(204,000)	(148,771)
Annual OPEB cost (expense)	<u>247,000</u>	<u>238,000</u>	<u>538,684</u>
Employer contributions made	<u>(127,000)</u>	<u>(123,000)</u>	<u>(168,773)</u>
Increase in net OPEB obligation	<u>120,000</u>	<u>115,000</u>	<u>369,911</u>
Net OPEB obligation at end of year	<u>\$ 4,472,952</u>	<u>\$ 4,352,952</u>	<u>\$ 4,237,952</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2016, 2015 and 2014 was as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual OPEB Cost	\$ 247,000	\$ 238,000	\$ 538,684
Amount Contributed	\$ 127,000	\$ 123,000	\$ 168,773
Percentage of OPEB Cost Contributed	51.4%	51.7%	31.3%
Net OPEB Obligation	\$ 4,472,952	\$ 4,352,952	\$ 4,237,952

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Funded Status:*

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

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

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

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

*Actuarial Methods and Assumptions:*

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

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

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

*Actuarial Methods and Assumptions (Continued):*

The following actuarial information was used:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contribution rate	<b>1.0%</b>	1.0%	0.8%
Annual OPEB cost	\$ <b>247,000</b>	\$ 238,000	\$ 538,684
Contributions made	\$ <b>127,000</b>	\$ 123,000	\$ 168,773
Actuarial cost method	<b>Entry Age</b>	Entry Age	Entry Age
Amortization method	<b>Level percent, closed</b>	Level percent, closed	Level percent, closed
Remaining amortization period	<b>23 years</b>	24 years	25 years
Asset valuation method	<b>Unfunded</b>	Unfunded	Unfunded
Actuarial assumptions:			
Investment rate of return *	<b>3.96%</b>	3.96%	3.86%
Projected salary increases *	<b>4.0% - 7.8%</b>	4.0% - 7.8%	4.0% - 8.375%
Payroll growth assumptions	<b>3.96%</b>	3.96%	3.86%
Healthcare cost initial trend rate	<b>4.5%</b>	4.5%	0%
Healthcare cost ultimate trend rate	<b>4%</b>	4%	5.47%
* Includes general price inflation at	<b>2.4%</b>	2.4%	3%

**NOTE 12 - RISK MANAGEMENT**

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

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**

**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, 2016.

Changes in claims liabilities for the years ended September 30, 2016 and 2015 are shown below:

	<u>2016</u>	<u>2015</u>
Claims liabilities, beginning of year	\$ 1,197,835	\$ 1,323,522
Claims incurred and changes in estimates	1,638,718	894,701
Claims paid	<u>(1,085,118)</u>	<u>(1,020,388)</u>
Claims liabilities, end of year	<u>\$ 1,751,435</u>	<u>\$ 1,197,835</u>

At September 30, 2016, the Authority has restricted cash of \$1,712,930 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 \$18 million for construction projects at September 30, 2016.

**NOTE 14 - SUBSEQUENT EVENT**

In November 2016, the Authority issued a \$33,115,000 Utility System Refunding Revenue Note, Series 2016, to advance refund \$18,955,000 of Utility Revenue Bonds, Series 2006B and fund capital projects.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
SEPTEMBER 30, 2016**

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emerald Coast Utilities Authority's proportion of net pension liability	<b>0.078801572%</b>	0.080760945%	0.080132467%
Emerald Coast Utilities Authority's proportionate share of net pension liability	\$ <b>19,897,459</b>	\$ 10,431,360	\$ 4,889,259
Emerald Coast Utilities Authority's covered-employee payroll	\$ <b>28,870,691</b>	\$ 27,881,118	\$ 25,830,081
Emerald Coast Utilities Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	<b>68.92%</b>	37.41%	18.93%
Plan fiduciary net position as a percentage of the total pension liability	<b>84.88%</b>	92.00%	96.09%

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



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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emerald Coast Utilities Authority's proportion of net pension liability	<b>0.092669862%</b>	0.089813731%	0.086353010%
Emerald Coast Utilities Authority's proportionate share of net pension liability	\$ <b>10,800,289</b>	\$ 9,159,587	\$ 8,074,217
Emerald Coast Utilities Authority's covered-employee payroll	\$ <b>28,870,691</b>	\$ 27,881,118	\$ 25,830,081
Emerald Coast Utilities Authority's proportionate share of net pension liability as a percentage of its covered-employee payroll	<b>37.41%</b>	32.85%	31.26%
Plan fiduciary net position as a percentage of the total pension liability	<b>0.97%</b>	0.50%	0.99%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,048,599	\$ 1,970,003	\$ 1,828,049
Contributions in relation to the contractually required contribution	<u>(2,048,599)</u>	<u>(1,970,003)</u>	<u>(1,828,049)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Emerald Coast Utilities Authority's covered-employee payroll	28,870,691	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	7.10%	7.07%	7.08%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ <b>469,401</b>	\$ 451,157	\$ 380,263
Contributions in relation to the contractually required contribution	<u>(469,401)</u>	<u>(451,157)</u>	<u>(380,263)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Emerald Coast Utilities Authority's covered-employee payroll	<b>28,870,691</b>	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	<b>1.63%</b>	1.62%	1.47%

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

This page intentionally left blank.

## **SUPPLEMENTARY INFORMATION**

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

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
SEPTEMBER 30, 2016**

Federal Agency, Pass-through Entity, Federal Program	Federal CFDA Number	Contract Grant Number	Expenditures
<b>FEDERAL AWARD</b>			
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	\$ <u>1,169,388</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, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Wastewater	\$ 50,410,216	\$	\$ 50,410,216
Water	37,971,317		37,971,317
Sanitation	25,976,078		25,976,078
Connection charges	384,901		384,901
Sewer improvement fees	5,858,768		5,858,768
Other	2,269,462		2,269,462
Total operating revenues	<u>122,870,742</u>	<u>-</u>	<u>122,870,742</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	44,134,165	(724,328)	43,409,837
Contractual services	2,858,055		2,858,055
Professional services	966,768		966,768
Supplies	7,815,930		7,815,930
Repairs and maintenance	6,603,661		6,603,661
Heat, light and power	6,898,770		6,898,770
Tipping fees	5,687,753		5,687,753
Other	4,306,659		4,306,659
Total operating expenses before depreciation and amortization	<u>79,271,761</u>	<u>(724,328)</u>	<u>78,547,433</u>
<b>Operating Income Before Depreciation and Amortization</b>	43,598,981	724,328	44,323,309
<b>Depreciation and Amortization</b>	<u>30,482,465</u>	<u>(30,482,465)</u>	<u>-</u>
Operating income	<u>13,116,516</u>	<u>31,206,793</u>	<u>44,323,309</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	1,169,767	56,878	1,226,645
Insurance proceeds	120,000		120,000
Interest expense	(13,369,405)	(1,298,222)	(14,667,627)
Gain on disposal of assets	(875,024)	875,024	-
Total nonoperating revenues (expenses)	<u>(12,954,662)</u>	<u>(366,320)</u>	<u>(13,320,982)</u>
<b>Income Before Capital Contributions and Other Financing Sources (Uses)</b>	161,854	30,840,473	31,002,327
Capital contributions - impact fees and other	4,925,968		4,925,968
Capital contributions - noncash	1,557,132	(1,557,132)	-
Principal sinking fund requirements	<u>-</u>	<u>(22,515,253)</u>	<u>(22,515,253)</u>
<b>Change in Net Position</b>	<u>\$ 6,644,954</u>	<u>\$ 6,768,088</u>	<u>\$ 13,413,042</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 50,410,215	\$ 1
37,972,270	(953)
25,966,199	9,879
384,900	1
5,858,767	1
2,249,670	19,792
<u>122,842,021</u>	<u>28,721</u>
43,890,157	480,320
3,101,877	243,822
990,410	23,642
8,595,450	779,520
6,695,796	92,135
6,905,110	6,340
5,687,753	-
<u>4,581,567</u>	<u>274,908</u>
<u>80,448,120</u>	<u>1,900,687</u>
42,393,901	1,929,408
<u>-</u>	<u>-</u>
<u>42,393,901</u>	<u>1,929,408</u>
1,226,347	298
120,000	-
(16,383,609)	1,715,982
<u>-</u>	<u>-</u>
<u>(15,037,262)</u>	<u>1,716,280</u>
27,356,639	3,645,688
4,815,965	110,003
-	-
<u>(18,688,089)</u>	<u>(3,827,164)</u>
<u>\$ 13,484,515</u>	<u>\$ (71,473)</u>



**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION  
SEPTEMBER 30, 2016 AND 2015**

**ASSETS AND DEFERRED OUTFLOWS**

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments	\$ 2,996,958	\$ 3,508,718
Accounts receivable less allowance for doubtful accounts of \$968,200 and \$1,012,400	13,653,229	13,450,575
Grants receivable	725,541	1,940,308
Due from Sanitation System	18,317,991	13,107,016
Due from other governments	1,300,000	1,300,000
Materials and supplies	5,654,586	4,951,926
Prepaid expenses	40,295	361,039
Restricted assets -		
Restricted by debt agreements - Sinking fund	9,394,237	7,379,429
Customer deposits	4,667,056	4,597,663
Total current assets	<u>56,749,893</u>	<u>50,596,674</u>
<b>Noncurrent Assets:</b>		
Due from other governments	<u>13,000,000</u>	<u>14,300,000</u>
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	7,323,432	7,053,655
Operating and maintenance fund	4,895,568	4,884,332
Debt service reserve	3,089,243	3,082,604
Impact fees	3,430,737	2,591,698
Capital improvement program	65,486,213	56,973,392
Sewer improvement fees	9,719,649	8,899,931
Self-insurance funds	1,712,930	4,997,116
Total noncurrent restricted assets	<u>95,657,772</u>	<u>88,482,728</u>
Capital assets -		
Utility plant in service	948,512,929	909,033,024
Construction work in progress	40,691,649	37,528,440
	<u>989,204,578</u>	<u>946,561,464</u>
Less accumulated depreciation	264,988,550	241,195,975
Total capital assets	<u>724,216,028</u>	<u>705,365,489</u>
Unamortized debt issuance costs (net of accumulated amortization of \$3,249,933 and \$3,066,418)	<u>2,632,852</u>	<u>2,290,916</u>
Total noncurrent assets	<u>835,506,652</u>	<u>810,439,133</u>
<b>Deferred Outflows of Resources:</b>		
Loss on bond refunding	2,279,042	2,409,030
Pensions	9,032,834	3,885,947
Total deferred outflows of resources	<u>11,311,876</u>	<u>6,294,977</u>
<b>Total Assets and Deferred Outflows</b>	<u><u>\$ 903,568,421</u></u>	<u><u>\$ 867,330,784</u></u>

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2016	2015
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 2,710,935	\$ 2,613,592
Due to other governments	335,469	333,998
Payroll and compensated absences payable	2,322,916	2,094,075
	<u>5,369,320</u>	<u>5,041,665</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	20,541,793	18,511,173
Accrued interest payable	3,367,790	3,178,669
Accounts payable - capital improvements	4,998,718	6,402,731
Customer deposits	4,666,811	4,597,663
Claims liabilities	710,206	592,101
	<u>34,285,318</u>	<u>33,282,337</u>
Total current liabilities (payable from restricted assets)	<u>34,285,318</u>	<u>33,282,337</u>
	<u>39,654,638</u>	<u>38,324,002</u>
<b>Long-Term Liabilities:</b>		
Claims liabilities	261,181	32,285
Long-term debt	327,154,230	307,255,286
Long-term compensated absences payable	1,099,943	1,110,532
Net pension liability	23,310,462	14,957,261
Other postemployment benefits	3,492,490	3,402,926
	<u>355,318,306</u>	<u>326,758,290</u>
Total long-term liabilities	<u>355,318,306</u>	<u>326,758,290</u>
	<u>394,972,944</u>	<u>365,082,292</u>
<b>Deferred Inflows of Resources:</b>		
Pensions	332,969	2,090,583
<b>Net Position:</b>		
Net investment in capital assets	378,799,047	382,008,060
Restricted for debt service and other bond requirements	21,334,690	19,221,351
Restricted for expansion of utility plant	3,430,737	2,591,698
Unrestricted	104,698,034	96,336,800
	<u>508,262,508</u>	<u>500,157,909</u>
Total net position	<u>508,262,508</u>	<u>500,157,909</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 903,568,421</u>	<u>\$ 867,330,784</u>

This page intentionally left blank.

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Customer charges -		
Wastewater	\$ 50,410,216	\$ 48,755,616
Water	37,971,317	38,095,464
Connection charges	384,901	370,567
Sewer improvement fees	5,858,768	5,876,999
Charges for overhead	4,032,796	4,230,682
Other	1,851,307	2,065,599
	<u>100,509,305</u>	<u>99,394,927</u>
Total operating revenues		
<b>Operating Expenses Before Depreciation:</b>		
Personal services	33,804,106	29,265,961
Contractual services	1,680,915	3,217,153
Professional services	848,654	1,177,726
Supplies	6,614,244	6,711,893
Repairs and maintenance	4,247,760	3,811,244
Heat, light and power	6,824,393	6,941,806
Other	3,384,061	3,109,481
	<u>57,404,133</u>	<u>54,235,264</u>
Total operating expenses before depreciation		
<b>Operating Income Before Depreciation and Amortization</b>	<b>43,105,172</b>	<b>45,159,663</b>
<b>Depreciation</b>	<b>25,577,112</b>	<b>24,233,609</b>
	<u>17,528,060</u>	<u>20,926,054</u>
Operating income		
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	1,166,379	1,191,376
Insurance proceeds	120,000	209,995
Interest expense	(12,871,464)	(12,717,909)
Gain (loss) on disposal of assets	(873,980)	4,787,009
	<u>(12,459,065)</u>	<u>(6,529,529)</u>
Total nonoperating revenues (expenses)		
<b>Income Before Capital Contributions and Transfers</b>	<b>5,068,995</b>	<b>14,396,525</b>
Capital contributions - impact fees and other	4,925,968	4,314,773
Capital contributions - noncash	1,557,132	2,355,497
Transfers to Sanitation System	(3,447,496)	(3,724,365)
	<u>8,104,599</u>	<u>17,342,430</u>
<b>Change in Net Position</b>		
<b>Net Position at Beginning of Year</b>	<b>500,157,909</b>	<b>482,815,479</b>
<b>Net Position at End of Year</b>	<b>\$ 508,262,508</b>	<b>\$ 500,157,909</b>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 102,941,418	\$ 100,812,697
Cash paid to suppliers for goods and services	(42,594,064)	(49,330,201)
Cash paid to employees for services	(21,578,977)	(20,428,526)
Net cash provided by operating activities	<u>38,768,377</u>	<u>31,053,970</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(45,202,944)	(40,621,848)
Proceeds from issuance of long-term debt	55,418,422	-
Debt issuance costs	(525,451)	(18,900)
Principal paid on long-term debt	(18,518,595)	(38,485,999)
Interest paid on long-term debt	(12,457,582)	(12,387,539)
Payments to defease long-term debt	(14,881,521)	-
Proceeds from sale of assets	54,432	5,135,605
Contributions from developers, customers, and other governments	4,925,968	4,314,773
Net cash used for capital and related financing activities	<u>(31,187,271)</u>	<u>(82,063,908)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	1,230,477	1,039,046
Proceeds from maturities of investments and notes receivable	21,075,309	43,194,264
Purchases of investments	(24,199,238)	(22,197,521)
Net cash provided by (used for) investing activities	<u>(1,893,452)</u>	<u>22,035,789</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,687,654</b>	<b>(28,974,149)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>53,080,474</u></b>	<b><u>82,054,623</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 58,768,128</u></b>	<b><u>\$ 53,080,474</u></b>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015  
(Continued)**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operations:</b>		
Operating income	\$ 17,528,060	\$ 20,926,054
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	25,577,112	24,233,609
Insurance proceeds	120,000	209,995
Transfers to Sanitation System	(3,447,496)	(3,724,365)
Changes in -		
Accounts receivable	1,097,346	1,197,180
Grants receivable	1,214,767	10,595
Materials and supplies	(702,660)	(965,688)
Prepaid expenses	320,744	(95,122)
Deferred outflows of resources - pensions	(5,146,887)	(1,076,992)
Accounts payable	97,343	(274,433)
Due from Sanitation System	(5,210,975)	(10,582,440)
Due to other governments	1,471	(37,956)
Payroll and compensated absences payable	228,841	282,185
Customer deposits	69,148	196,706
Claims liabilities	347,001	(20,607)
Long-term compensated absences payable	(10,589)	(13,820)
Net pension liability	8,353,201	5,059,928
Other postemployment benefits	89,564	93,600
Deferred inflows of resources - pensions	(1,757,614)	(4,364,459)
Net cash provided by operating activities	<u>\$ 38,768,377</u>	<u>\$ 31,053,970</u>

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

Cash and investments	\$ 2,996,958	\$ 3,508,718
Restricted assets	109,719,065	100,459,820
	<u>112,716,023</u>	<u>103,968,538</u>
Less notes receivable and investments	(53,947,895)	(50,888,064)
Cash and cash equivalents	<u>\$ 58,768,128</u>	<u>\$ 53,080,474</u>

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

Property contributed by developers and others	\$ 1,557,132	\$ 2,355,497
Unrealized appreciation (depreciation) in fair value of investments	<u>\$ (56,878)</u>	<u>\$ 288,849</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**WATER AND WASTEWATER SYSTEM**  
**SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET**  
**YEAR ENDED SEPTEMBER 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Wastewater	\$ 50,410,216	\$	\$ 50,410,216
Water	37,971,317		37,971,317
Connection charges	384,901		384,901
Sewer improvement fees	5,858,768		5,858,768
Charges for overhead	4,032,796	(3,447,496)	585,300
Other	1,851,307		1,851,307
Total operating revenues	<u>100,509,305</u>	<u>(3,447,496)</u>	<u>97,061,809</u>
<b>Operating Expenses Before Depreciation:</b>			
Personal services	33,804,106	(275,551)	33,528,555
Contractual services	1,680,915		1,680,915
Professional services	848,654		848,654
Supplies	6,614,244		6,614,244
Repairs and maintenance	4,247,760		4,247,760
Heat, light and power	6,824,393		6,824,393
Other	3,384,061		3,384,061
Total operating expenses before depreciation	<u>57,404,133</u>	<u>(275,551)</u>	<u>57,128,582</u>
<b>Operating Income Before Depreciation and Amortization</b>	43,105,172	(3,171,945)	39,933,227
<b>Depreciation and Amortization</b>	25,577,112	(25,577,112)	-
Operating income	<u>17,528,060</u>	<u>22,405,167</u>	<u>39,933,227</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	1,166,379	56,878	1,223,257
Insurance proceeds	120,000		120,000
Interest expense	(12,871,464)	(1,125,923)	(13,997,387)
Gain on disposal of assets	(873,980)	873,980	-
Total nonoperating revenues (expenses)	<u>(12,459,065)</u>	<u>(195,065)</u>	<u>(12,654,130)</u>
<b>Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)</b>	5,068,995	22,210,102	27,279,097
Capital contributions - impact fees and other	4,925,968	-	4,925,968
Capital contributions - noncash	1,557,132	(1,557,132)	-
Transfers to Sanitation System	(3,447,496)	3,447,496	-
Principal sinking fund requirements	<u>-</u>	<u>(18,518,595)</u>	<u>(18,518,595)</u>
<b>Change in Net Position</b>	<u>\$ 8,104,599</u>	<u>\$ 5,581,871</u>	<u>\$ 13,686,470</u>

<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 50,410,215	\$ 1
37,972,270	(953)
384,900	1
5,858,767	1
585,300	-
1,833,701	17,606
<u>97,045,153</u>	<u>16,656</u>
33,803,746	275,191
1,924,732	243,817
872,295	23,641
7,396,669	782,425
4,339,885	92,125
6,830,732	6,339
3,578,755	194,694
<u>58,746,814</u>	<u>1,618,232</u>
38,298,339	1,634,888
-	-
<u>38,298,339</u>	<u>1,634,888</u>
1,222,960	297
120,000	-
(15,713,347)	1,715,960
-	-
<u>(14,370,387)</u>	<u>1,716,257</u>
23,927,952	3,351,145
4,815,965	110,003
-	-
-	-
<u>(17,167,265)</u>	<u>(1,351,330)</u>
<u>\$ 11,576,652</u>	<u>\$ 2,109,818</u>



**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION  
SEPTEMBER 30, 2016 AND 2015**

**ASSETS AND DEFERRED OUTFLOWS**

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Accounts receivable less allowance for doubtful accounts of \$127,700 and \$64,600	\$ 1,772,698	\$ 1,622,660
Grants receivable	1,436	1,436
Materials and supplies	2,106,515	1,748,169
Prepaid expenses	-	10,601
Restricted assets -		
Restricted by debt agreements - Sinking fund	<u>2,170,265</u>	<u>2,159,464</u>
 Total current assets	 <u>6,050,914</u>	 <u>5,542,330</u>
<b>Noncurrent Assets:</b>		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	381,420	326,900
Operating and maintenance fund	1,808,442	1,758,375
Capital improvement program	1,401,658	6,217,012
Total noncurrent restricted assets	<u>3,591,520</u>	<u>8,302,287</u>
Capital assets -		
Utility plant in service	61,939,512	55,926,998
Construction work in progress	6,283,376	2,484,238
Intangible assets	14,996,954	14,996,954
	<u>83,219,842</u>	<u>73,408,190</u>
Less accumulated depreciation and amortization	42,058,962	37,196,156
Total capital assets	<u>41,160,880</u>	<u>36,212,034</u>
Unamortized debt issuance costs (net of accumulated amortization \$22,207 and \$17,362)	<u>25,438</u>	<u>30,283</u>
 Total noncurrent assets	 <u>44,777,838</u>	 <u>44,544,604</u>
<b>Deferred Outflows of Resources:</b>		
Loss on bond refunding	582,457	691,668
Pensions	2,977,637	1,203,848
Total deferred outflows of resources	<u>3,560,094</u>	<u>1,895,516</u>
 <b>Total Assets and Deferred Outflows</b>	 <u><u>\$ 54,388,846</u></u>	 <u><u>\$ 51,982,450</u></u>

## LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2016	2015
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 806,893	\$ 998,075
Due to Water and Wastewater System	18,317,991	13,107,016
Due to other governments	13,758	13,053
Payroll and compensated absences payable	531,126	510,079
	<u>19,669,768</u>	<u>14,628,223</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	4,106,984	4,013,041
Accrued interest payable	153,365	186,291
Accounts payable - capital improvements	1,541,038	1,154,754
Claims liabilities	376,371	391,810
	<u>6,177,758</u>	<u>5,745,896</u>
Total current liabilities (payable from restricted assets)	<u>6,177,758</u>	<u>5,745,896</u>
Total current liabilities	<u>25,847,526</u>	<u>20,374,119</u>
<b>Long-Term Liabilities:</b>		
Claims liabilities	403,677	181,639
Long-term debt	17,149,927	21,240,529
Long-term compensated absences payable	299,497	284,446
Net pension liability	7,387,286	4,633,686
Other postemployment benefits	980,462	950,026
	<u>26,220,849</u>	<u>27,290,326</u>
Total long-term liabilities	<u>26,220,849</u>	<u>27,290,326</u>
Total liabilities	<u>52,068,375</u>	<u>47,664,445</u>
<b>Deferred Inflows of Resources:</b>		
Pensions	109,762	647,651
<b>Net Position:</b>		
Net investment in capital assets	20,486,426	11,650,132
Restricted for debt service and other bond requirements	4,206,762	4,058,448
Unrestricted	(22,482,479)	(12,038,226)
	<u>2,210,709</u>	<u>3,670,354</u>
Total net position	<u>2,210,709</u>	<u>3,670,354</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 54,388,846</u>	<u>\$ 51,982,450</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Customer charges -		
Sanitation	\$ 25,976,078	\$ 23,208,826
Other	<u>418,155</u>	<u>91,270</u>
Total operating revenues	<u>26,394,233</u>	<u>23,300,096</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>		
Personal services	10,330,059	9,621,882
Contractual services	1,177,140	1,388,364
Professional services	118,114	151,523
Supplies	1,201,686	1,639,114
Repairs and maintenance	2,355,901	2,111,015
Heat, light and power	74,377	82,851
Tipping fees	5,687,753	4,975,174
Overhead allocation	4,032,796	4,230,682
Other	<u>922,598</u>	<u>941,185</u>
Total operating expenses before depreciation and amortization	<u>25,900,424</u>	<u>25,141,790</u>
<b>Operating Income (Loss) Before Depreciation and Amortization</b>	<b>493,809</b>	<b>(1,841,694)</b>
<b>Depreciation</b>	<u><b>4,905,353</b></u>	<u>4,232,432</u>
Operating loss	<u>(4,411,544)</u>	<u>(6,074,126)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	3,388	3,550
Interest expense	(497,941)	(624,883)
Loss on disposal of assets	<u>(1,044)</u>	<u>(34,578)</u>
Total nonoperating revenues (expenses)	<u>(495,597)</u>	<u>(655,911)</u>
<b>Loss Before Capital Contributions and Transfers</b>	<b>(4,907,141)</b>	<b>(6,730,037)</b>
Capital contributions - other	-	41,020
Transfers from Water and Wastewater System	<u>3,447,496</u>	<u>3,724,365</u>
<b>Change in Net Position</b>	<b>(1,459,645)</b>	<b>(2,964,652)</b>
<b>Net Position at Beginning of Year</b>	<u><b>3,670,354</b></u>	<u>6,635,006</u>
<b>Net Position at End of Year</b>	<u><u><b>\$ 2,210,709</b></u></u>	<u><u><b>\$ 3,670,354</b></u></u>

This page intentionally left blank.

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 26,244,195	\$ 23,817,992
Cash paid to suppliers for goods and services	(10,568,241)	(4,397,181)
Cash paid to employees for services	(6,496,879)	(6,608,984)
Net cash provided by operating activities	<u>9,179,075</u>	<u>12,811,827</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(9,468,959)	(2,995,077)
Principal paid on long-term debt	(3,996,658)	(3,331,263)
Interest paid on long-term debt	(416,812)	(499,817)
Proceeds from sale of assets	-	24,855
Contributions from other governments	-	41,020
Net cash used for capital and related financing activities	<u>(13,882,429)</u>	<u>(6,760,282)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	<u>3,388</u>	<u>3,550</u>
Net cash provided by investing activities	<u>3,388</u>	<u>3,550</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,699,966)</b>	<b>6,055,095</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>10,461,751</u></b>	<b><u>4,406,656</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 5,761,785</u></b>	<b><u>\$ 10,461,751</u></b>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015  
(Continued)**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Operating loss	\$ (4,411,544)	\$ (6,074,126)
Adjustments to reconcile net operating loss to cash provided by operating activities -		
Depreciation and amortization	4,905,353	4,232,432
Transfers from Water and Wastewater System	3,447,496	3,724,365
Changes in -		
Accounts receivable	(150,038)	(16,982)
Grants receivable	-	534,878
Materials and supplies	(358,346)	(394,780)
Prepaid expenses	10,601	(10,601)
Deferred outflows of resources - pensions	(1,773,789)	(333,647)
Accounts payable	(191,182)	262,645
Due to Water and Wastewater System	5,210,975	10,582,440
Due to other governments	705	906
Payroll and compensated absences payable	21,047	147,215
Claims liabilities	206,599	(105,080)
Long-term compensated absences payable	15,051	25,307
Net pension liability	2,753,600	1,567,543
Other postemployment benefits	30,436	21,400
Deferred inflows of resources - pensions	(537,889)	(1,352,088)
Net cash provided by operating activities	<u>\$ 9,179,075</u>	<u>\$ 12,811,827</u>
 <b>Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:</b>		
Restricted cash and cash equivalents	<u>\$ 5,761,785</u>	<u>\$ 10,461,751</u>
 <b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Equipment and improvements acquired under capital lease	<u>\$ -</u>	<u>\$ 11,068,116</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET  
YEAR ENDED SEPTEMBER 30, 2016**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenues:</b>			
Customer charges -			
Sanitation	\$ 25,976,078	\$	\$ 25,976,078
Other	418,155		418,155
Total operating revenues	<u>26,394,233</u>	<u>-</u>	<u>26,394,233</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	10,330,059	(448,777)	9,881,282
Contractual services	1,177,140		1,177,140
Professional services	118,114		118,114
Supplies	1,201,686		1,201,686
Repairs and maintenance	2,355,901		2,355,901
Heat, light and power	74,377		74,377
Tipping	5,687,753		5,687,753
Overhead allocation	4,032,796	(3,447,496)	585,300
Other	922,598		922,598
Total operating expenses before depreciation	<u>25,900,424</u>	<u>(3,896,273)</u>	<u>22,004,151</u>
<b>Operating Income Before Depreciation and Amortization</b>	493,809	3,896,273	4,390,082
<b>Depreciation and Amortization</b>	<u>4,905,353</u>	<u>(4,905,353)</u>	<u>-</u>
Operating income (loss)	<u>(4,411,544)</u>	<u>8,801,626</u>	<u>4,390,082</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	3,388		3,388
Interest expense	(497,941)	(172,299)	(670,240)
Loss on disposal of assets	(1,044)	1,044	-
Total nonoperating revenues (expenses)	<u>(495,597)</u>	<u>(171,255)</u>	<u>(666,852)</u>
<b>Income (Loss) Before Capital Contributions, Transfers And Other Financing Sources (Uses)</b>	(4,907,141)	8,630,371	3,723,230
Transfers from Water and Wastewater System	3,447,496	(3,447,496)	-
Principal sinking fund requirements	<u>-</u>	<u>(3,996,658)</u>	<u>(3,996,658)</u>
<b>Changes in Net Position</b>	<u>\$ (1,459,645)</u>	<u>\$ 1,186,217</u>	<u>\$ (273,428)</u>

Budget	Variance - Favorable (Unfavorable)
\$ 25,966,199	\$ 9,879
415,969	2,186
<u>26,382,168</u>	<u>12,065</u>
10,086,411	205,129
1,177,145	5
118,115	1
1,198,781	(2,905)
2,355,911	10
74,378	1
5,687,753	-
585,300	-
1,002,812	80,214
<u>22,286,606</u>	<u>282,455</u>
4,095,562	294,520
<u>-</u>	<u>-</u>
<u>4,095,562</u>	<u>294,520</u>
3,387	1
(670,262)	22
<u>-</u>	<u>-</u>
<u>(666,875)</u>	<u>23</u>
3,428,687	294,543
-	-
<u>(1,520,824)</u>	<u>(2,475,834)</u>
<u>\$ 1,907,863</u>	<u>\$ (2,181,291)</u>



This page intentionally left blank.

**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.

This page intentionally left blank.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net investment in										
capital assets	\$ 399,285	\$ 393,658	\$ 333,049	\$ 314,996	\$ 340,956	\$ 386,293	\$ 439,104	\$ 393,117	\$ 233,930	\$ 205,862
Restricted	28,972	25,871	46,141	50,420	48,228	45,881	40,971	38,376	36,204	35,307
Unrestricted	82,216	84,299	* 110,260	133,986	105,647	37,649	12,926	39,945	55,893	56,214
<b>Total net position</b>	<u>\$ 510,473</u>	<u>\$ 503,828</u>	<u>\$ 489,450</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>

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

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

	<b>2016</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Operating Revenues:</b>										
Customer charges	<b>\$ 114,358</b>	\$ 110,060	\$ 104,024	\$ 99,494	\$ 96,815	\$ 94,520	\$ 87,359	\$ 83,454	\$ 80,812	\$ 80,163
Connection charges	<b>385</b>	370	324	356	310	263	232	246	467	705
Sewer improvement fees	<b>5,859</b>	5,877	5,902	5,878	5,895	5,892	5,918	5,924	6,097	2,020
Other	<b>2,269</b>	2,157	2,126	2,188	2,603	4,963	2,266	2,578	2,870	1,447
Total operating revenues	<b>122,871</b>	118,464	112,376	107,916	105,623	105,638	95,775	92,202	90,246	84,335
<b>Operating Expenses Before</b>										
<b>Depreciation and Amortization:</b>										
Personal services	<b>44,134</b>	38,888	36,189	34,999	33,788	33,711	34,574	34,779	32,470	30,647
Contractual services	<b>2,858</b>	4,605	4,492	2,635	2,440	2,677	3,061	2,253	2,879	2,493
Professional services	<b>967</b>	1,329	1,242	726	826	677	740	845	482	605
Supplies	<b>7,816</b>	8,351	7,326	7,215	7,190	6,712	6,023	6,142	6,685	6,017
Repairs and maintenance	<b>6,603</b>	5,922	6,330	4,823	4,453	3,405	3,459	3,119	3,797	3,926
Heat, light and power	<b>6,899</b>	7,025	7,007	6,399	6,709	7,565	6,652	6,390	5,400	5,309
Tipping fees	<b>5,688</b>	4,975	4,846	4,378	4,243	4,130	3,774	3,651	3,516	3,285
Other	<b>4,307</b>	4,051	3,601	3,459	3,405	3,276	3,592	3,899	3,931	4,203
Total operating expenses										
before depreciation										
and amortization	<b>79,272</b>	75,146	71,033	64,634	63,054	62,153	61,875	61,078	59,160	56,485
<b>Operating Income Before</b>										
<b>Depreciation and Amortization:</b>	<b>43,599</b>	43,318	41,343	43,282	42,569	43,485	33,900	31,124	31,086	27,850
<b>Depreciation and Amortization</b>	<b>30,482</b>	28,466	26,340	27,489	28,632	24,961	22,751	19,340	18,152	16,122
Operating income	<b>13,117</b>	14,852	15,003	15,793	13,937	18,524	11,149	11,784	12,934	11,728

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Nonoperating Revenues (Expenses):</b>										
Investment income	1,170	1,195	629	456	575	816	2,297	4,054	5,132	5,427
Settlement income	-	-	-	-	-	413	813	10,047	-	-
Interest expense	(13,370)	(13,342)	(13,821)	(15,787)	(15,791)	(15,037)	(12,907)	(14,102)	(9,864)	(9,169)
Hurricane disaster assistance, net	-	-	-	-	-	-	-	-	(327)	(33)
Insurance recoveries, net	120	210	91	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	(875)	4,752	(488)	(168)	(586)	(30,987)	(865)	(818)	(226)	(1,457)
Total nonoperating revenues (expenses)	(12,955)	(7,185)	(13,589)	(15,499)	(15,802)	(44,795)	(10,662)	(819)	(5,285)	(5,232)
<b>Income (Loss) Before Capital Contributions</b>	<b>162</b>	<b>7,667</b>	<b>1,414</b>	<b>294</b>	<b>(1,865)</b>	<b>(26,271)</b>	<b>487</b>	<b>10,965</b>	<b>7,649</b>	<b>6,496</b>
Capital contributions - cash	4,926	4,356	5,304	3,135	25,616	2,403	18,700	133,868	15,431	25,909
Capital contributions - noncash	1,557	2,355	1,069	1,142	1,258	689	2,376	578	5,564	12,269
<b>Change in Net Position</b>	<b>\$ 6,645</b>	<b>\$ 14,378</b>	<b>\$ 7,787</b>	<b>\$ 4,571</b>	<b>\$ 25,009</b>	<b>\$ (23,179)</b>	<b>\$ 21,563</b>	<b>\$ 145,411</b>	<b>\$ 28,644</b>	<b>\$ 44,674</b>

**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
2007	\$ 12,447,691	\$ 23,107	\$ 171,193,203	\$ 11,324,432	\$ -	\$ 194,988,433
2008	\$ 20,589,473	\$ 15,880,016	\$ 163,452,276	\$ 10,789,704	\$ 130,000,000	\$ 340,711,469
2009	\$ 20,080,754	\$ 14,815,860	\$ 155,259,786	\$ 10,224,976	\$ 130,000,000	\$ 330,381,376
2010	\$ 41,285,144	\$ 13,706,821	\$ 147,113,709	\$ 9,640,248	\$ 129,885,000	\$ 341,630,922
2011	\$ 57,960,646	\$ 13,148,796	\$ 138,761,341	\$ 9,025,521	\$ 172,084,000	\$ 390,980,304
2012	\$ 80,944,920	\$ 24,539,850	\$ 117,169,768	\$ 8,544,000	\$ 183,464,000	\$ 414,662,538
2013	\$ 78,522,250	\$ 24,052,878	\$ 83,441,246	\$ 7,910,000	\$ 205,719,000	\$ 399,645,374
2014	\$ 74,638,815	\$ 22,662,335	\$ 64,462,186	\$ 7,128,000	\$ 212,693,000	\$ 381,584,336
2015	\$ 70,608,605	\$ 30,441,399	\$ 36,332,025	\$ 6,327,000	\$ 207,311,000	\$ 351,020,029
<b>2016</b>	<b>\$ 66,489,111</b>	<b>\$ 26,498,638</b>	<b>\$ 74,970,185</b>	<b>\$ 5,498,000</b>	<b>\$ 195,497,000</b>	<b>\$ 368,952,934</b>

**OUTSTANDING DEBT PER CUSTOMER**

Year	Water and Wastewater System Debt	Water and Wastewater System Customers	Water and Wastewater System Debt Per Customer	Sanitation System Debt	Sanitation System Customers	Sanitation System Debt Per Customer
2007	\$ 183,664,001	90,337	\$ 2,033	\$ 11,324,432	65,298	\$ 173
2008	\$ 328,794,812	89,716	\$ 3,665	\$ 11,916,657	65,043	\$ 183
2009	\$ 319,581,784	88,470	\$ 3,612	\$ 10,799,592	78,205	\$ 138
2010	\$ 331,990,674	88,723	\$ 3,742	\$ 9,640,248	79,417	\$ 121
2011	\$ 381,954,783	88,653	\$ 4,308	\$ 9,025,521	78,995	\$ 114
2012	\$ 394,144,817	89,240	\$ 4,417	\$ 20,517,721	80,078	\$ 256
2013	\$ 379,640,225	89,690	\$ 4,233	\$ 20,005,149	80,812	\$ 248
2014	\$ 364,067,619	90,569	\$ 4,020	\$ 17,516,717	81,675	\$ 214
2015	\$ 325,766,459	91,801	\$ 3,549	\$ 25,253,570	102,851	\$ 246
<b>2016</b>	<b>\$ 347,696,023</b>	<b>91,878</b>	<b>\$ 3,784</b>	<b>\$ 21,256,911</b>	<b>106,686</b>	<b>\$ 199</b>



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

<u>Year</u>	<u>Operating Revenue and Interest Income</u>	<u>Operating Expenses Before Depreciation and Amortization</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service</u>	<u>Actual Coverage</u>	<u>Required Coverage</u>
2007	\$ 88,912,836	\$ 56,485,926	\$ 32,426,910	\$ 17,775,258	1.82	1.25
2008	\$ 93,658,613	\$ 59,159,846	\$ 34,498,767	\$ 19,573,227	1.76	1.25
2009	\$ 95,012,742	\$ 61,078,331	\$ 33,934,411	\$ 25,044,035	1.35	1.25
2010	\$ 96,531,362	\$ 61,875,496	\$ 34,655,866	\$ 23,897,498	1.45	1.25
2011	\$ 106,768,233	\$ 62,153,475	\$ 44,614,758	\$ 24,567,207	1.82	1.25
2012	\$ 105,981,395	\$ 63,053,532	\$ 42,927,863	\$ 26,149,721	1.64	1.25
2013	\$ 108,296,990	\$ 64,633,524	\$ 43,663,466	\$ 26,216,817	1.67	1.25
2014	\$ 113,024,920	\$ 71,032,338	\$ 41,992,582	\$ 25,911,407	1.62	1.25
2015	\$ 119,370,418	\$ 75,146,372	\$ 44,224,046	\$ 26,323,772	1.68	1.25
<b>2016</b>	<b>\$ 124,097,387</b>	<b>\$ 79,271,761</b>	<b>\$ 44,825,626</b>	<b>\$ 26,162,934</b>	<b>1.71</b>	<b>1.25</b>

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

<u>Year</u>	<u>Water</u>	<u>Percent Change</u>	<u>Sewer</u>	<u>Percent Change</u>	<u>Ratio of Sewer Customers To Water Customers</u>	<u>Sanitation</u>	<u>Percent Change</u>
2007	90,337	1%	65,101	2%	72%	65,298	1%
2008	89,716	-1%	65,216	0%	73%	65,043	0%
2009	88,470	-1%	64,741	-1%	73%	78,205	20%
2010	88,723	0%	65,268	1%	74%	79,417	2%
2011	88,653	0%	65,633	1%	74%	78,995	-1%
2012	89,240	1%	66,668	2%	75%	80,078	1%
2013	89,690	1%	67,565	1%	75%	80,812	1%
2014	90,569	1%	68,871	2%	76%	81,675	1%
2015	91,081	1%	69,526	1%	76%	102,851	26%
<b>2016</b>	<b>91,878</b>	<b>1%</b>	<b>70,609</b>	<b>2%</b>	<b>77%</b>	<b>106,686</b>	<b>4%</b>

**EMERALD COAST UTILITIES AUTHORITY**  
**PRINCIPAL CUSTOMERS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 2016 AND 2007**  
**(UNAUDITED)**

	2016				
	Water Sales	Annual Revenue			Percentage of
	in Millions				Total Operating
Name	of Gallons	Water	Sewer	Total	Revenue
NAVFAC SE (NAS PCOLA)	-	\$ -	\$ 2,198,978	\$ 2,198,978	1.8
NAVFAC SE (CORRYSTATION SW )	-	-	957,806	957,806	0.8
Pall Gelman Sciences	80.6	191,816	462,511	654,327	0.5
Baptist Hospital	68.3	184,685	446,661	631,346	0.5
Portofino Island Resort	55.4	242,694	332,847	575,541	0.5
Escambia County Jail	62.6	151,948	390,893	542,841	0.4
Sacred Heart Hospital	35.2	103,451	233,885	337,336	0.3
Escambia Housing	34.7	95,230	241,914	337,144	0.3
University of West Florida	0.0	567	303,731	304,298	0.2
Pensacola Christian College	31.9	85,843	188,990	274,833	0.2
DM Oakwood Terrace	29.0	70,409	202,298	272,707	0.2
Columbia West Florida					
Regional Medical Center	25.9	67,775	181,180	248,955	0.2
U.S. Navy - Saufley Field	30.3	68,143	179,018	247,161	0.2
Area Housing	22.3	63,456	155,501	218,957	0.2
Azalea Trace Inc.	21.4	53,730	149,792	203,522	0.2
	497.6	\$ 1,379,747	\$ 6,626,005	\$ 8,005,752	6.5

2007					
Name	Water Sales in Millions of Gallons	Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
Pensacola Christian College	81.0	\$ 137,894	\$ 385,413	\$ 523,307	0.6
Baptist Hospital	74.1	134,344	335,888	470,232	0.6
Escambia Housing	61.7	113,609	294,759	408,368	0.5
Escambia County Jail	69.3	116,206	291,477	407,683	0.5
Sacred Heart Hospital	52.7	97,992	194,483	292,475	0.4
Pall Gelman Sciences	49.2	79,708	199,770	279,478	0.3
U.S. Navy - Saufley Field	46.1	69,652	175,748	245,400	0.3
Perdido Housing	37.7	65,260	180,126	245,386	0.3
Portofino Island Resort	39.1	132,488	106,999	239,487	0.3
Crown Health Care & Laundry	36.7	60,128	140,592	200,720	0.2
University of West Florida	-	468	194,000	194,468	0.2
Columbia West Florida Regional Medical Center	25.8	46,366	123,511	169,877	0.2
Eden Owner Association	26.2	45,222	107,153	152,375	0.2
Pensacola Village Apartments	23.3	38,759	111,497	150,256	0.2
Royal Place Apartments	22.2	37,874	107,096	144,970	0.2
	645.1	\$ 1,175,970	\$ 2,948,512	\$ 4,124,482	5.0

**EMERALD COAST UTILITIES AUTHORITY  
PRINCIPAL EMPLOYERS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 2016 AND 2007  
(UNAUDITED)**

**2016**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Baptist Health Care	5,571	3.96%
Navy Federal Credit Union	5,325	3.78%
Sacred Heart Health System	4,820	3.42%
Gulf Power Company	1,774	1.26%
West Florida Healthcare	1,200	0.85%
Ascend Performance Materials	830	0.59%
West Corporation	800	0.57%
Medical Center Clinic	500	0.35%
International Paper	475	0.34%
CHCS Services/igate	409	0.29%
Hitachi Cable Florida, Inc	340	0.24%
	<u>22,044</u>	<u>15.65%</u>

**2007**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Sacred Heart Health System	4,100	2.39%
Baptist Health Care	3,500	2.04%
University of West Florida	2,400	1.40%
Lakeview Center	1,500	0.87%
Gulf Power Company	1,400	0.82%
Solutia, Inc.	1,300	0.76%
West Florida Regional Medical	1,300	0.76%
Navy Federal Credit Union	1,200	0.70%
Pensacola Christian College	1,078	0.63%
West Corporation	800	0.47%
Pensacola Junior College	770	0.45%
	<u>19,348</u>	<u>11.29%</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 2015 - September 2016

<u>Month</u>	<u>Monthly Rainfall (inches)</u>
October	8.07
November	7.21
December	8.33
January	3.94
February	4.71
March	7.65
April	6.00
May	1.96
June	7.65
July	6.83
August	12.04
September	3.36
	77.75

Pensacola, Florida  
Last Ten Fiscal Years

<u>Year</u>	<u>Annual Rainfall (inches)</u>
2007	41.42
2008	71.00
2009	72.40
2010	83.65
2011	48.15
2012	70.49
2013	69.52
2014	84.98
2015	61.21
<b>2016</b>	<b>77.75</b>

Source: National Oceanic and Atmospheric Administration  
[www.srh.noaa.gov](http://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>
2007	13,357	11,857	1,500	11.23%
2008	12,159	11,001	1,158	9.52%
2009	11,583	10,504	1,079	9.32%
2010	12,253	10,511	1,742	14.22%
2011	12,725	11,592	1,133	8.90%
2012	11,435	10,636	799	6.99%
2013	11,041	9,838	1,203	10.90%
2014	11,382	10,217	1,165	10.24%
2015	11,684	10,262	1,422	12.17%
<b>2016</b>	<b>11,472</b>	<b>10,686</b>	<b>786</b>	<b>6.85%</b>
	<u>119,091</u>	<u>107,104</u>	<u>11,987</u>	10.07%

**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>
2007		5,549	1,813	275	7,637
2008		6,060	1,931	322	8,313
2009		5,620	1,951	307	7,878
2010		6,002	2,374	329	8,705
2011	3,736	1,312	2,116	300	7,464
2012	5,227		1,944	330	7,501
2013	5,186		2,252	287	7,725
2014	5,575		2,345	287	8,207
2015	5,102		2,147	326	7,575
<b>2016</b>	<b>5,422</b>		<b>2,195</b>	<b>370</b>	<b>7,987</b>
	<u>30,248</u>	<u>24,543</u>	<u>21,068</u>	<u>3,133</u>	<u>78,992</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)**

	<b>2016</b>	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Water:</b>										
New connections	<b>669</b>	614	588	666	524	438	424	437	659	1,192
Average daily consumption (MGD)	<b>31.326</b>	31.972	31.142	30.227	31.180	34.816	33.560	32.914	34.473	33.617
Maximum daily flow (MGD)	<b>35.826</b>	36.956	53.280	50.697	50.180	54.033	45.590	58.426	55.466	60.092
Minimum daily flow (MGD)	<b>27.028</b>	27.569	22.328	22.109	22.460	22.436	24.680	24.242	25.105	25.747
Raw water pumped and treated (MG)	<b>956</b>	11,684	11,382	11,041	11,435	12,725	12,253	11,583	12,159	13,357
<b>Wastewater:</b>										
New connections	<b>754</b>	709	885	1,024	629	494	556	569	560	1,460
Treatment capacity (MGD)	<b>33.100</b>	33.100	33.100	33.100	33.100	33.100	30.600	30.600	30.600	30.600
Average daily treated flow (MGD)	<b>21.813</b>	21.603	22.116	21.158	20.506	20.583	23.776	21.598	22.800	20.931
Percent of capacity utilized	<b>65.0</b>	65.3	66.8	62.8	47.6	72.5	75.5	71.2	72.6	68.8
Percent of unused capacity	<b>35.0</b>	34.7	33.2	37.2	52.4	27.5	24.5	28.8	27.4	31.2
<b>Sanitation System:</b>										
Residential (tons/year)	<b>85,315</b>	67,826	74,779	74,949	71,931	70,239	73,555	75,094	79,877	80,639
Yard waste (tons/year)	<b>22,519</b>	21,644	25,122	22,626	17,990	17,711	14,479	13,069	12,332	11,279
Recycling waste (tons/year) <sup>(1)</sup>	-	13,490	12,064	11,132	10,357	9,148	7,864	3,682	-	-
Bulk waste (tons/year)	<b>6,985</b>	6,496	7,064	5,538	3,590	2,602	3,015	2,958	2,726	3,729
Total residential tons	<b>114,819</b>	109,456	119,029	114,245	103,868	99,700	98,913	94,803	94,935	95,647
Average number of customers/month	<b>91,022</b>	87,513	81,554	73,763	79,810	79,516	78,711	73,256	63,617	63,877
Refuse collected (tons/customer/year)	<b>1.261</b>	1.251	1.460	1.549	1.301	1.254	1.257	1.294	1.492	1.497
Commercial (tons/year)	<b>13,625</b>	12,529	11,217	10,418	10,179	10,388	6,678	9,308	18,314	15,558
Roll-off (tons/year)	<b>3,648</b>	4,929	3,461	3,212	1,333	1,128	1,627	3,603	6,567	9,802
Total commercial tons	<b>17,273</b>	17,458	14,678	13,630	11,512	11,516	8,305	12,911	24,881	25,360
Average number of customers/month	<b>1,434</b>	1,304	1,257	1,213	1,291	1,338	1,395	837	2,912	2,853
Refuse collected (tons/customer/year)	<b>12.045</b>	13.388	11.677	11.237	8.917	8.607	5.953	15.425	8.544	8.889

Note: <sup>(1)</sup> Fiscal Year 2009 was the first year of recycling and only collected for the last nine months of the year. Recycling material collected during FY 2016 was taken to the Perdido Landfill because the recycling vendor discontinued business October 1, 2015.



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

**HOME SALES**

Year	Single Family		Townhouse/Condominium	
	Number	Average Price	Number	Average Price
2007	4,338	\$ 149,173	734	\$ 490,411
2008	3,058	\$ 140,700	385	\$ 419,451
2009	2,589	\$ 132,352	434	\$ 328,628
2010	2,782	\$ 120,900	413	\$ 254,111
2011	2,708	\$ 123,040	509	\$ 257,420
2012	2,984	\$ 121,471	576	\$ 222,141
2013	3,613	\$ 131,126	658	\$ 229,816
2014	4,142	\$ 134,338	697	\$ 219,194
2015	4,728	\$ 137,986	733	\$ 252,688
<b>2016</b>	<b>4,913</b>	<b>\$ 153,169</b>	<b>703</b>	<b>\$ 248,667</b>

Source: Metro Market Trends

**CONSTRUCTION STARTS**

	Residential	
	Number of Units	Value (\$000)
2007	1,649	\$ 219,415
2008	965	\$ 140,431
2009	610	\$ 103,834
2010	927	\$ 134,364
2011	644	\$ 118,215
2012	606	\$ 116,817
2013	758	\$ 152,435
2014	883	\$ 157,605
2015	1,251	\$ 216,201
<b>2016</b>	<b>1,419</b>	<b>\$ 229,286</b>

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

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

**ESCAMBIA COUNTY POPULATION**

<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>
2007	311,775	2,128	0.69%
2008	313,480	1,705	0.55%
2009	312,980	(500)	-0.16%
2010 (1)	311,184	(1,796)	-0.57%
2011	307,412	(3,772)	-1.21%
2012	299,261	(8,151)	-2.65%
2013	301,120	1,859	0.62%
2014	305,817	4,697	1.56%
2015	305,872	55	0.02%
<b>2016</b>	<b>309,986</b>	<b>4,114</b>	<b>1.35%</b>

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

Note: (1) Reflects results of 2010 Census.

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

**ESCAMBIA COUNTY STATISTICS**

<u>Year</u>	<u>Estimated Personal Income (\$000)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	\$ 9,578,459	\$ 31,886	3.9%
2008	\$ 10,010,459	\$ 33,661	4.9%
2009	\$ 10,285,652	\$ 34,649	9.7%
2010	\$ 9,999,561	\$ 33,667	11.2%
2011	\$ 10,299,824	\$ 34,567	9.2%
2012	\$ 10,782,146	\$ 36,047	8.6%
2013	\$ 11,406,889	\$ 37,682	6.1%
2014	\$ 11,740,067	\$ 38,389	5.8%
2015	\$ 11,379,979	\$ 36,632	5.2%
<b>2016</b>	<b>\$ 11,945,028</b>	<b>\$ 38,408</b>	<b>5.1%</b>

Source: Personal income data provided by the U.S. Bureau of Economic Analysis.  
Estimates for 2007-2011 reflect county population estimates available as of April 2012.  
Unemployment data provided by Labor Market Statistics (State of Florida) and the Greater Pensacola Chamber.

**FULL-TIME EQUIVALENT  
EMPLOYEES BY ACTIVITY**

<u>Year</u>	<u>Water and Wastewater System</u>	<u>Sanitation System</u>	<u>Total</u>
2007	405	111	516
2008	422	115	537
2009	416	115	531
2010	415	115	530
2011	414	117	531
2012	416	117	533
2013	435	116	551
2014	435	116	551
2015	445	116	561
<b>2016</b>	<b>452</b>	<b>149</b>	<b>601</b>

Source: Authority's annual budget

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

**CAPITAL ASSET STATISTICS BY ACTIVITY**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Water:</b>										
Wells	<b>31</b>	32	32	32	32	32	32	32	34	34
Water mains (miles)	<b>1,689</b>	1,685	1,685	1,746	1,684	1,680	1,678	1,713	1,591	1,762
Storage capacity (MGD)	<b>15</b>	16	16	14	14	14	14	14	14	14
<b>Wastewater:</b>										
Treatment plants	<b>3</b>	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	<b>1,249</b>	1,243	1,237	1,222	1,209	1,202	1,198	1,294	1,079	1,089
Treatment capacity (MGD)	<b>33</b>	33	33	33	33	33	31	31	31	31
<b>Sanitation:</b>										
Collection vehicles	<b>125</b>	125	104	104	95	94	94	98	98	77

This page intentionally left blank.

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2016  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Property Coverage	Florida Municipal Insurance Trust Policy #0162 (Florida League of Cities)	1) All Risk Coverage for structures, equipment and contents on schedules  2) Covers structures, equipment, and contents  3) Property Schedules	(1) \$100,000,000 maximum blanket coverage. All risk for real property and contents per occurrence; \$100,000 deductible. Named storm deductible 5%.  (2) \$100,000,000 Total Coverage.
Flood Coverage	Wright National Flood Insurance Company (PRIA – Agent) Policy No.: 09 1150776890 04 Policy No.: 09 1150566401 06 Policy No.: 09 1150048479 07 Policy No.: 09 1150021831 07 Policy No.: 09 1150443043 06 Policy No.: 09 1150443042 06 Policy No.: 09 1150443051 06	\$1,250/\$1,250 \$1,250/\$1,250 \$1,250/\$1,250 \$1,250/\$1,250 \$2,000/\$2,000 \$2,000/\$2,000 \$2,000/\$2,000	Conditions: Coverage including flood in zones A through E \$500,000 Bldg/\$500,000 Contents \$500,000 Bldg/\$500,000 Contents \$250,000 Bldg/\$412,000 Contents \$363,000 Bldg/\$441,000 Contents \$292,800 Bldg/\$106,500 Contents \$39,900 Bldg/\$30,500 Contents \$22,000 Bldg/\$262,500 Contents
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 \$75,919 total stop loss
Boiler & Machinery (Equipment Breakdown)	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Comprehensive Coverage Pays loss from an accident to a covered object while in use or connected ready for use (as part of property coverage)	1) \$100,000,000 per accident  2) The limit of liability is paid on a repair or replacement basis  \$100,000 Deductible

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2016  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Environmental Pollution	XL/Indian Harbor Insurance Company Policy #PEC0046655	Covers Fuel Storage Tanks Environmental impairment liability	\$1,000,000 \$10,000 SIR per Claim
Business Interruption Coverage/Business Income	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Covers actual loss of earnings sustained by ECUA resulting from necessary interruption of business	\$6,000,000; \$2,000,000 limit at each: (1) Bayou Marcus WWTP, (2) Pensacola Beach WWTP, (3) CWRP
Business Interruption Coverage/Extra Expense	Florida Municipal Insurance Trust (included in property coverage) Policy #0162	Covers necessary extra expense incurred by ECUA to continue as nearly as practicable the normal operation of business following damage to or destruction of real and personal property	\$1,000,000
Crime – All Coverages	The Traveler Companies (PRIA – Agent) Policy #106380356	1) Losses inside and outside of premises 2) Employee Dishonesty	\$1,000,000
Road Restoration	Western Surety Company (PRIA Agent) Bond/Policy #929323580	Damages to Department of Transportation Roads	State of Florida Requirements \$10,000 Road Restoration Bond
Cyber Liability Insurance	Illinois Union Insurance Company (PRIA – Agent) Policy #EON G25663809 002	Cyber Liability/Data Breach	A. Limit of Liability 1) Privacy limit \$1,000,000 2) Data Breach Fund \$100,000 3) Network Security Liability \$1,000,000 B. Regulatory proceeding \$500,000 C. Policy Aggregate \$1,000,000

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2016  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Directors & Officers Liability - Public Officials E & O - (Public Entity Liability Policy)	AEC Insurance Company (PRIA – Agent) Policy #EON M00613393 002	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	Florida Municipal Insurance Trust Policy #0162	Statutory coverage: \$10,000 deductible per claim	1) \$1,000,000 each accident 2) \$1,000,000 by disease 3) \$1,000,000 aggregate by disease
Comprehensive General Liability	ECUA Self-insured	Bodily injury and property damage to others.	State of Florida (Sovereign Immunity) \$200,000 per person \$300,000 per occurrence



**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2016  
(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><b>Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus</b>            \$1,300/2,600 deductible per calendar year            \$3,750/7,500 out-of-pocket maximum per calendar year            90%/10% coinsurance for medical services            100% coverage for preventive care            Discounted fees paid for illness/injury office visits; deductible and coinsurance            Discounted fees paid for emergency health services; deductible and coinsurance            \$10/35/60 pharmacy copayment for 31-day supply, after deductible has been met            In-network &amp; Out-of-network benefits            Employer contribution into Health Savings Account: \$850/employee only; \$1,275/employee + family</p>	<p><b>Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus</b>            Maximum Policy Benefit: No Maximum Policy Benefit            FMIT contracted fees are paid for covered medical services until annual deductible has been met. Coinsurance of 10% is required for eligible in-network expenses after deductible is satisfied.            Mental Health &amp; Substance Use Services, Outpatient: 10% of eligible expenses after deductible.            Mental Health &amp; Substance Use Services, Inpatient &amp; Intermediate: 10% of eligible expenses after deductible.</p>

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2016  
(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.	<b>Plan 14 - FMIT Medical Plan ASO Choice Plus</b> \$1,000/2,000 deductible per calendar year \$4,000/8,000 out-of-pocket maximum per calendar year 80%/20% coinsurance for major services after deductible has been met 100% coverage for preventive care \$25/50 per office visit \$200 fee for emergency health services \$10/35/60 pharmacy copayment for 31-day supply In-network & Out-of-network benefits	<b>Plan 14 - FMIT Medical Plan ASO Choice Plus</b> Maximum Policy Benefit: No Maximum Policy Benefit Mental Health & Substance Use Services, Outpatient: \$25 per visit, In-network. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible, In-network.
Life Insurance	Unum	Basic Life, includes Accidental Death & Dismemberment Additional Life – optional	Basic Coverage: \$50,000 or 1x salary, whichever is greater; doubled if death is caused by accident. Additional Life: 1x, 2x, 3x or 4x salary.
Dental Insurance	United Concordia	Diagnostic/Preventive Services – plan pays 100%; Basic Services – plan pays 80% ; Major Services – plan pays 50% Orthodontics (Adult & Child) – plan pays 50%; \$50/100 calendar year deductible for Basic and Major services	Calendar year maximum per covered person is \$1,000 or \$1,500 for Diagnostic/Preventative, Basic, and Major Services. Lifetime Orthodontic Maximum per covered person is \$1,000 or \$1,500.
Long Term Disability Insurance	Unum	60% of gross monthly income, pre-disability earnings 6-month elimination period	\$5,000 maximum monthly benefit

## **OTHER REPORTS**

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

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Emerald Coast Utilities Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 22, 2017.

**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.

### **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*.

### **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.

A handwritten signature in black ink, reading "Saltmarsh Clauleland & Gund". The signature is written in a cursive, flowing style.

Pensacola, Florida  
February 22, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Pensacola, Florida  
February 22, 2017

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAM  
YEAR ENDED SEPTEMBER 30, 2016**

**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 the Uniform Guidance.
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 2 CFR 200.516(a).
7. The program tested as a major program was:

<b>Federal Program</b>	<b>CFDA No.</b>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold for distinguishing Types A and B programs was \$750,000 for major federal programs.
9. The Authority qualified as a low-risk auditee.

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAM**

None.



**EMERALD COAST UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2016**

There were no prior year audit findings.

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

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have examined the Emerald Coast Utilities Authority's (the "Authority") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. 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, 2016.

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



Pensacola, Florida  
February 22, 2017

## MANAGEMENT LETTER

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

### Report on the Financial Statements

We have audited the financial statements of the Emerald Coast Utilities Authority (the “Authority”), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 22, 2017.

### 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance; 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 February 22, 2017, 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. No findings and recommendations were made in the preceding annual financial audit report.

### **Official Title and Legal Authority**

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

### **Financial Condition**

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

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Members of the Board  
Emerald Coast Utilities Authority

### **Other Matters**

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

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

### **Purpose of this Letter**

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

A handwritten signature in black ink, reading "Saltmarsh Cleveland & Lund". The signature is written in a cursive, flowing style.

Pensacola, Florida  
February 22, 2017