EMERALD COAST UTILITIES AUTHORITY

PENSACOLA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Prepared by:

Department of Finance
Patricia Sheldon
Director of Finance

INTRODUCTORY SECTION

EMERALD COAST UTILITIES AUTHORITY

PENSACOLA, FLORIDA

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Pensacola, Florida 32522-7089
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February 27, 2018

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, 2017. 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.

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 93,296 customers. The wastewater system serves 71,955 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 109,544 sanitation customers in Escambia and Santa Rosa Counties. In September 2016, the Authority opened a Material Recycling Facility in an effort to keep recyclable materials out of the County landfill.

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, the sanitation system, and for the materials recycling system, as well as for the Authority as a whole. Although these systems do not meet the definition of separate "funds", the Authority has established a policy that each system be self-supporting in accordance with sound accounting policy.

Local economy. Escambia County's unemployment rate dropped to 3.4% in 2017, the lowest rate in 10 years. This is due to the County's diverse economic base that includes military, industry, shipping, tourism and recreation, agriculture, services, and retail sales trade.

Although Escambia County saw a drop in residential construction starts, home sales increased 37% over the previous year and the average home price continued to climb for the 5th straight year. The increase in home sales 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 2018 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 2018 capital improvement budget will come from operating revenues, a newly established Capital Improvement Fee, and a $40 million bank loan. The current capital improvement plan ("CIP"), funded annually, totals $317.6 million over the next five year planning period. Details about the fiscal year 2018-2022 CIP budget can be found in the separately issued CIP Budget document found online at 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 2018 for water and wastewater rates. The Board also established a Capital Improvement Fee on water and wastewater services to pay for capital infrastructure improvements. Sanitation rates for Escambia County customers increased 5% effective October 1, 2017 and sanitation rates for the Santa Rosa County customers will increase 2.02% effective January 1, 2018 based on the CPI as of October 31 for the preceding twelve months as established in the contract. Water and wastewater rates increased 3% in 2017. Escambia County sanitation customers saw no increase in rates in 2017 while Santa Rosa County sanitation rates increased 1.39%.

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

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, 2016. This is the twenty-ninth consecutive year the Authority has received this prestigious national award. The certificate recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to receive this award, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

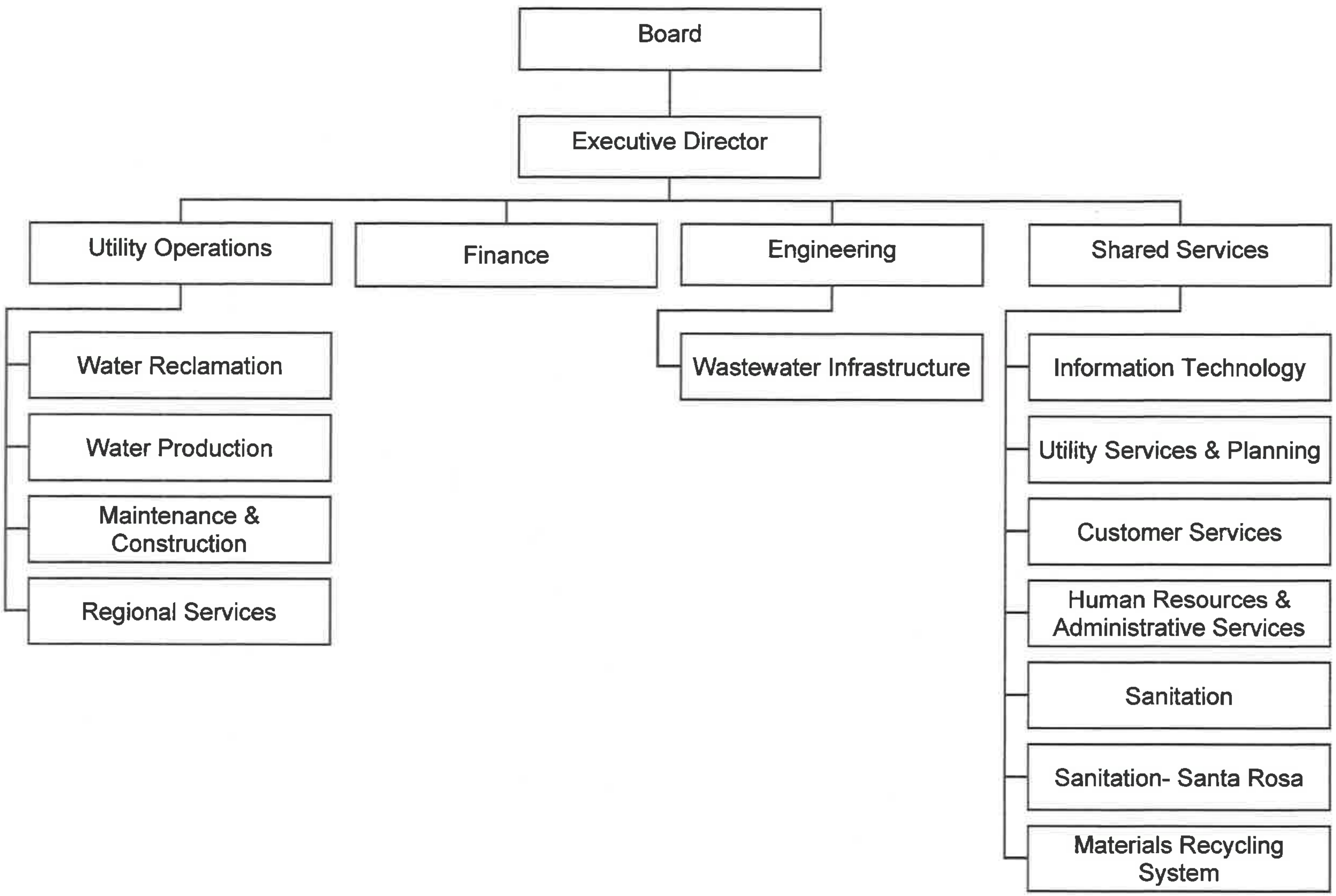
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. Preparation of this CAFR would not 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,

Stephen E. Sorrell — Executive Director

Patricia L. Sheldon — Director of Finance

EMERALD COAST UTILITIES AUTHORITY



10-01-2017

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PRINCIPAL OFFICIALS

Board Members

Larry Walker

Vicki Campbell

Dale Perkins

Lois Benson

Elvin McCorvey

Authority Officials

Stephen E. Sorrell Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Emerald Coast Utilities Authority

Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

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, 2017 and 2016, 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.

Members of the Board
Emerald Coast Utilities Authority

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, 2017 and 2016, 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 Changes in the Total OPEB Liability and Related Ratios, 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 supplementary information listed in the table of contents 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 is 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.

Members of the Board
Emerald Coast Utilities Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2018 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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 27, 2018

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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, 2017. 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 with adequate cash and debt service coverage. Assets and deferred outflows exceeded its liabilities and deferred inflows on September 30, 2017 by $522 million (net position), a $10 million increase over the previous fiscal year. Of this amount, $80 million (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining $442 million, approximately $408 million is the net investment in capital assets while the remainder is restricted for utility plant expansion ($4 million) and debt service and other bond requirements ($30 million).

- Operating revenue increased by $7 million, or 6% over fiscal year 2016 due to the expansion of residential garbage and recycling collection service in neighboring Santa Rosa County, rate increases and the opening of the Material Recycling Facility.

- Operating expenses for fiscal year 2017 increased by $7.6 million, or 7%, primarily due to increased personal service costs, contractual services, supplies, depreciation, and repairs and maintenance costs.

- Debt service coverage increased from 171% to 177% at the end of fiscal year 2017. During 2017, the Authority issued $33 million in Utility System Refunding Revenue Notes to advance refund $19 million of Utility System Revenue Bonds, Series 2006B and fund capital projects, reducing total debt service payments by approximately $2 million.

- The Authority reported a 2% increase in both water and wastewater customers and a 3% increase in sanitation customers. The Authority sold 10.5 billion gallons of potable water and processed 8 billion gallons of wastewater at its three water reclamation facilities during fiscal year 2017. Authority collection trucks picked up over 132 thousand tons of residential, yard and recycling waste in the two-county area.

- Capital contributions increased $2.8 million, or 44% over the previous fiscal year, indicating that developer activity is on the rise in Escambia County.

- The Authority implemented a capital improvement fee for funding capital improvements within the Water and Wastewater system. With one month remaining in fiscal year 2017 when the fee was implemented, the fee generated approximately $900,000.

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, liabilities, and deferred inflows and outflows, 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, the Sanitation System, and the Recycling 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 each 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

	2017	September 30, 2016 (restated)	2015	2017 to 2016 Dollars	2017 to 2016 %	2016 to 2015 Dollars	2016 to 2015 %
Capital Assets:							
Producing assets	$ 724,161,369	$ 718,401,883	$ 701,564,845	$ 5,759,486	0.8%	$ 16,837,038	2.4%
Construction in progress	43,612,928	46,975,025	40,012,678	(3,362,097)	-7.2%	6,962,347	17.4%
Current assets	47,237,283	44,482,816	43,031,988	2,754,467	6.2%	1,450,828	3.4%
Other assets	117,729,170	114,907,582	113,406,214	2,821,588	2.5%	1,501,368	1.3%
Total assets	932,740,750	924,767,306	898,015,725	7,973,444	0.9%	26,751,581	3.0%
Total deferred outflows of resources	17,076,779	14,871,970	8,190,493	2,204,809	14.8%	6,681,477	81.6%
Total assets and deferred outflows	$949,817,529	$939,639,276	$906,206,218	$10,178,253		$33,433,058	
Long-term liabilities	$ 376,151,680	$ 379,938,203	$ 354,048,616	$ (3,786,523)	-1.0%	25,889,587	7.3%
Current liabilities	49,470,114	47,184,173	45,591,105	2,285,941	4.8%	1,593,068	3.5%
Total liabilities	425,621,794	427,122,376	399,639,721	(1,500,582)	-0.4%	27,482,655	6.9%
Deferred inflows of resources	1,843,976	442,731	2,738,234	1,401,245	316.5%	(2,295,503)	-83.8%
Net position:							
Net investment in capital assets	407,912,196	399,285,473	393,658,192	8,626,723	2.2%	5,627,281	1.4%
Restricted	33,896,212	32,459,599	25,871,497	1,436,613	4.4%	6,588,102	25.5%
Unrestricted	80,543,351	80,329,097	84,298,574	214,254	0.3%	(3,969,477)	-4.7%
Total net position	522,351,759	512,074,169	503,828,263	10,277,590	2.0%	8,245,906	1.6%
Total liabilities and net position	$ 949,817,529	$ 939,639,276	$ 906,206,218	$ 10,178,253	1.1%	$ 33,433,058	3.7%

The Authority's net position increased by 2% to $522 million as of September 30, 2017 primarily due to customer growth and rate increases. The 2% growth in water and wastewater customers coupled with a 3% rate increase effective October 1, 2016 resulted in a 5% increase in water revenue and a 3% increase in wastewater revenue. A 5% rate increase and a 3% growth in sanitation customers generated a 4% increase in sanitation revenue. The Recycling system contributed $782,000 to the increase in the Authority's net position during its first full year of operations.

The Authority's net position increased to $512 million as of September 30, 2016, a 1.6% increase over fiscal year 2015 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 in fiscal year 2016 reflects the first full year of operating revenue from residential service in Santa Rosa County.

Producing assets increased $6 million (0.8%) in fiscal year 2017 reflecting additions of $29 million from capitalized construction projects, $6 million in capital purchases, $4 million from developer non-cash contributions, and a decrease of $33 million from depreciation. Significant completed capital construction projects include Phase 3 of the Navy Point Sewer Expansion, Penhaven/Myrtle Grove Inflow and Infiltration, improvements to the water grid in downtown Pensacola, and rehabilitation of the Cervantes, Corrydale, and Scenic/Langley lift stations. In 2016, 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.

The decrease in total liabilities of $1.5 million (0.4%) was due to normal debt service payments, a $4 million increase in the net pension liability, the issuance of $33 million in Utility System Refunding Notes, and the $19 million defeasance of the Utility System Revenue Bonds Series 2006B. Total liabilities increased $27 million (7.8%) in 2016 due to the issue of $52 million in refunding revenue bonds used in part to defease $15 million of outstanding bonds and an $11 million (57%) increase in the net pension liability created from implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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:	2017	2016 (restated)
Current unrestricted assets	$29,405	$28,211
Current unrestricted liabilities	$7,602	$6,721
Ratio of current assets to current liabilities	3.9	4.2

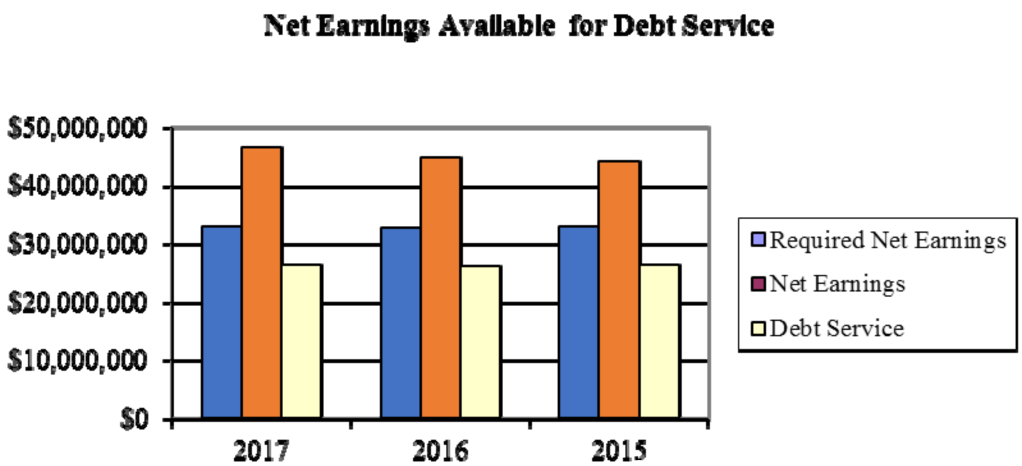
The ratio of current assets to current liabilities is a commonly used balance sheet indicator of cash solvency. A ratio greater than 1.0 is generally viewed as an acceptable indicator of an entity's ability to pay its current obligations. The Authority's current year ratios indicate adequate operating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

Debt and Debt Service Coverage

The Authority issued a $33,115,000 Utility System Refunding Revenue Note, Series 2016 to advance refund $18,955,000 of Utility System Revenue Bonds, Series 2006B and fund new or ongoing capital projects. The advance refunding reduced total debt service payments by approximately $2.6 million and gave rise to an economic gain of approximately $2.4 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.

Debt service coverage for 2017 and 2016 was 177% and 171%, 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.



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:

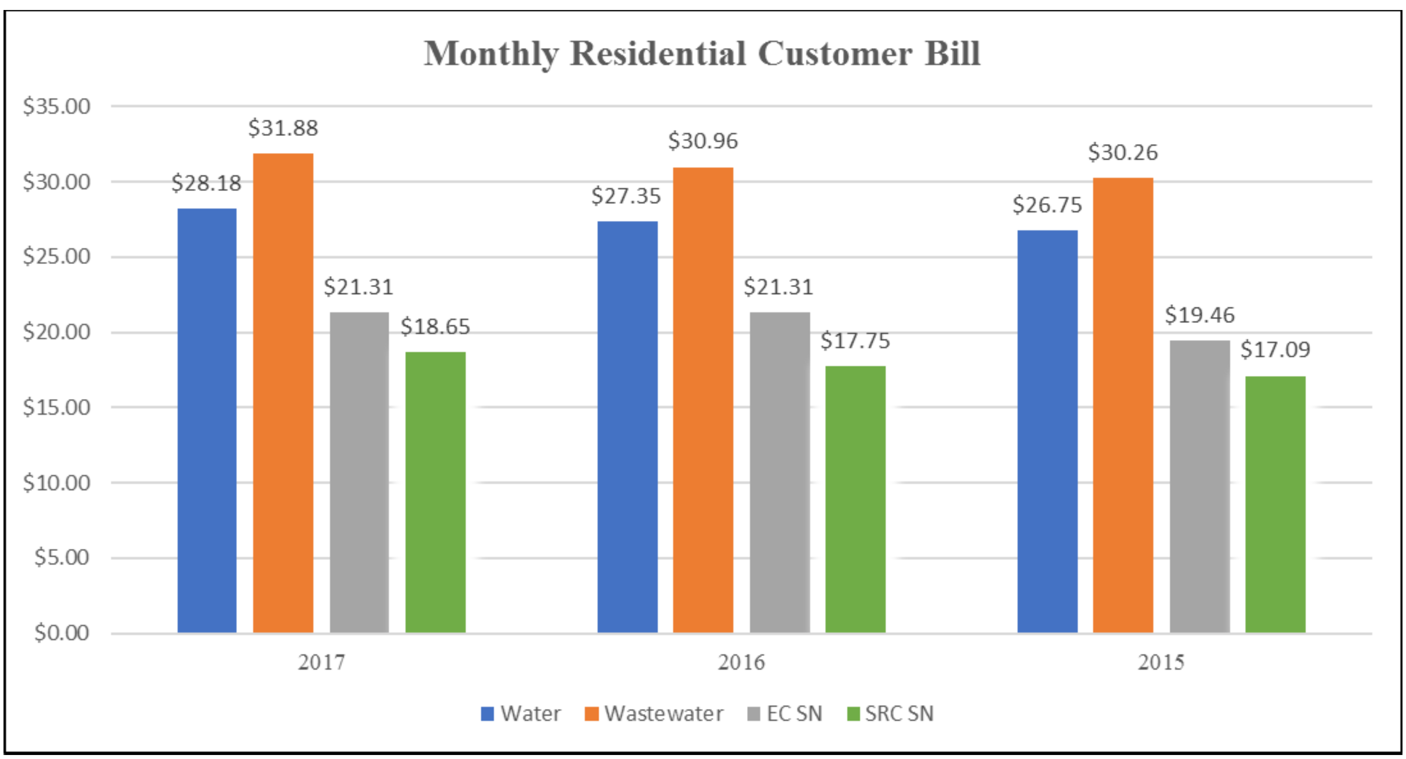
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Three-Year Comparison
Year Ended September 30,

	2017	2016 (restated)	2015	2017 to 2016 Dollars	2017 to 2016 %	2016 to 2015 Dollars	2016 to 2015 %
Revenues:							
Customer charges:							
Wastewater	$51,959,787	$50,410,216	$48,755,616	$1,549,571	3.1%	$1,654,600	3.4%
Water	39,899,298	37,971,317	38,095,464	1,927,981	5.1%	(124,147)	-0.3%
Sanitation	26,994,033	25,976,078	23,208,826	1,017,955	3.9%	2,767,252	11.9%
Recyclable commodities	1,650,632	-	-	1,650,632		-	
Total customer charges	120,503,750	114,357,611	110,059,906	6,146,139	5.4%	4,297,705	3.9%
Connection charges	408,185	384,901	370,567	23,284	6.0%	14,334	3.9%
Sewer improvement fee	5,980,699	5,858,768	5,876,999	121,931	2.1%	(18,231)	-0.3%
Capital improvement fee	896,734	-	-	896,734		-	
Other	2,162,692	2,269,462	2,156,869	(106,770)	-4.7%	112,593	5.2%
Total operating revenues	129,952,060	122,870,742	118,464,341	7,081,318	5.8%	4,406,401	3.7%
Expenses:							
Operating expenses:							
Water & Wastewater	88,363,341	82,981,245	78,468,873	5,382,096	6.5%	4,512,372	5.8%
Sanitation	27,874,263	26,772,981	25,143,540	1,101,282	4.1%	1,629,441	6.5%
Materials Recycling Facility	1,147,904	-	-	1,147,904		-	
Total operating expenses	117,385,508	109,754,226	103,612,413	7,631,282	7.0%	6,141,813	5.9%
Operating income	12,566,552	13,116,516	14,851,928	(549,964)	-4.2%	(1,735,412)	-11.7%
Non-operating revenue (expenses):							
Investment income	1,059,896	1,169,767	1,194,926	(109,871)	-9.4%	(25,159)	-2.1%
Insurance proceeds	196,492	120,000	209,995	76,492	63.7%	(89,995)	0.0%
Interest expense	(12,745,871)	(13,369,405)	(13,342,792)	623,534	-4.7%	(26,613)	0.2%
Loss on disposal of assets	(99,495)	(875,024)	4,752,431	775,529	-88.6%	(5,627,455)	-118.4%
Income (loss) before capital contributions	977,574	161,854	7,666,488	815,720	504.0%	(7,504,634)	-97.9%
Capital contributions:							
Cash	5,601,731	4,925,968	4,355,793	675,763	13.7%	570,175	13.1%
Non-cash	3,698,285	1,557,132	2,355,497	2,141,153	137.5%	(798,365)	-33.9%
Total capital contributions	9,300,016	6,483,100	6,711,290	2,816,916	43.5%	(228,190)	-3.4%
Change in net position	10,277,590	6,644,954	14,377,778	3,632,636	54.7%	(7,732,824)	-53.8%
Net position at beginning of year, as previously reported	512,074,169	503,828,263	489,450,485	8,245,906	1.6%	14,377,778	2.9%
Restatement	-	1,600,952	-	(1,600,952)	-100.0%	1,600,952	100.0%
Net position at beginning of year, as restated	512,074,169	505,429,215	489,450,485	6,644,954	1.3%	15,978,730	3.3%
Net position at end of year	$522,351,759	$512,074,169	$503,828,263	$10,277,590	2.0%	$8,245,906	1.6%

Total operating revenues increased $7 million (6%) over the previous fiscal year due to rate increases combined with customer growth. From 2016 to 2017, the number of water customers increased by 1,418 (2%) while wastewater customers grew by 1,346 (2%). A 3% rate increase for all water and wastewater customers was approved by the Authority Board effective October 1, 2016. The number of sanitation customers increased by 2,858 (3%) as the service area in Santa Rosa County expanded northward. A 1.39% rate increase was approved for sanitation customers in Santa Rosa County effective 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 did not increase in 2017. The Authority Board established a capital improvement fee on all water and wastewater services to fund capital infrastructure improvements.

In 2016, operating revenues increased $4 million (4%) over 2015. 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. 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.

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 7,000 gallons of water and 4,600 gallons of wastewater.



Water and wastewater system connection charges increased 6% and 4% in 2017 and 2016, respectively, reflecting an increase in residential construction in Escambia County. The 44% rise in contributions in 2017 reflect increased participation by State and local governments in funding utility relocations affected by road construction and non-cash developer contributions resulting from increased construction in Escambia County.

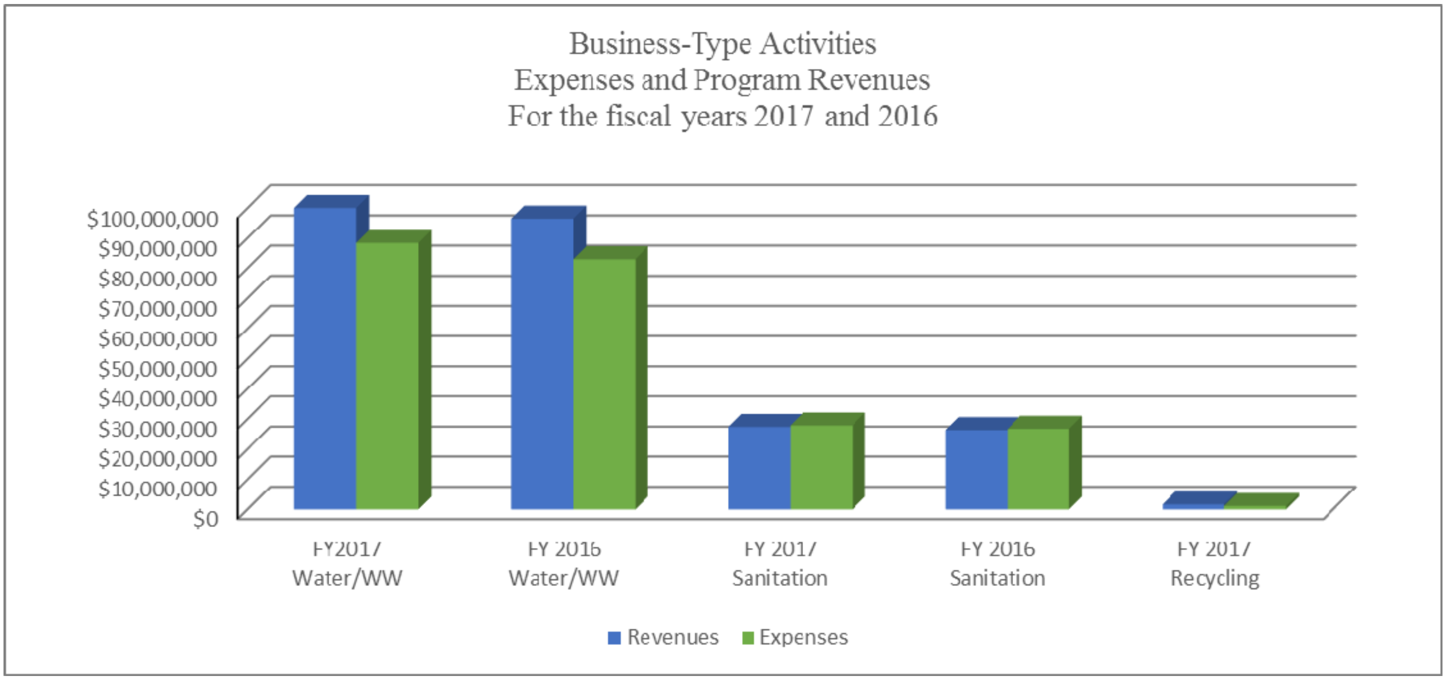
Non-cash contributions reflect the utility system contributions by builders and developers. The increase and decrease over the years are a reflection of the variances in construction starts in Escambia County. The utility system contributions are primarily residential and have been completed in accordance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

Expenses

Operational expenses are broken down into three categories: water and wastewater service, sanitation service and recycling service. Total operating expenses were $117 million, a 7% increase over the previous fiscal year. Water and wastewater operating expenses increased $5 million (6.5%) mainly due to supply cost increases, depreciation, and personal service related expenses. Utility expenses decreased 1.6% due to a reduction in natural gas usage. A portion of the sludge previously dried in the sludge dryers is now used in the production of the compost material thus reducing costs of operating the dryer equipment. Sanitation operating expenses increased $1 million (4%) due to the addition of the composting activity, increased personal service and repair and maintenance costs. These increases were offset by a 2% decrease in disposal costs. Yard waste previously disposed of at the landfill is now used in the production of the compost material and recyclable materials are removed from the waste stream prior to disposal at the landfill. During its first full year of operations the Material Recycling Facility accounted for less than 1% of the Authority's total operating expenses.

Water and Wastewater operating expenses in 2016 included 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. Increased costs associated with the expansion of garbage service into north Santa Rosa County are the main contributor to the 6.5% increase in Sanitation operating expenses during 2016. 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 2017, the Authority spent $30 million for construction and equipment, including $11 million to upgrade or replace sewer lines, $5 million to relocate or upgrade lift stations, $4 million on well maintenance and construction, $3 million to relocate utility lines in conjunction with Federal and State road projects, and $2 million to upgrade or replace water distribution lines. See Note 3 in the Notes to the Financial Statements section for additional information on the Authority's capital assets.

Economic Factors and Next Year's Budget and Rates

The 2018 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 $46.5 million for capital improvements. The capital improvement program will be funded with fiscal year 2017 project contingency rollover funds, current year revenues, a $40 million bank loan and a newly established Capital Improvement Fee. The operating 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 budget also includes funding for two new customer service positions to address inquiries generated by the growth within the service areas, and equipment to assist field personnel locate and identify water lines and testing equipment for the lab.

Escambia County sanitation customers will see a 5% increase in rates. 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 2.02% rate increase plus a $0.43 increase in the monthly tipping fee effective January 1, 2018. The sanitation budget contains funding for two new positions to service vehicles and equipment, and increased operating expenses mainly due to increases in personnel costs, electricity and repairs and maintenance.

No rate setting is involved with the Recycling Facility. The Authority has contracted with a third party to run the operation. The Authority has an interlocal agreement with several nearby cities and counties to accept their recyclable materials. Revenues from the sale of the recovered materials pay for the entire operation, including debt service, repair and maintenance, and operator costs.

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 17089, Pensacola, FL 32522-7089, or e-mail patricia.sheldon@ecua.fl.gov.

BASIC FINANCIAL STATEMENTS

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EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS

	2017	2016 (Restated)
Current Assets:		
Unrestricted assets -		
Cash and investments *(note 2)*	**$ 2,687,696**	$ 2,996,958
Accounts receivable less allowance for doubtful accounts of $1,159,300 and $1,095,900 in 2017 and 2016, respectively	**17,061,662**	15,425,927
Grants receivable	**249,604**	726,977
Due from other governments	**1,300,000**	1,300,000
Materials and supplies *(note 1)*	**7,979,253**	7,761,101
Prepaid expenses	**127,411**	40,295
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	**13,060,504**	11,564,502
Customer deposits	**4,771,153**	4,667,056
Total current assets	**47,237,283**	44,482,816
Noncurrent Assets:		
Due from other governments	**11,700,000**	13,000,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	**7,548,426**	7,704,852
Operating and maintenance fund	**7,078,510**	6,704,010
Debt service reserve	**3,101,525**	3,089,243
Impact fees	**3,876,997**	3,430,737
Capital improvement program	**76,869,501**	66,887,871
Capital improvement fees	**896,734**	-
Sewer improvement fees	**2,493,885**	9,719,649
Self-insurance funds *(note 12)*	**2,089,170**	1,712,930
Total noncurrent restricted assets	**103,954,748**	99,249,292
Capital assets -		
Utility plant in service	**1,046,133,168**	1,010,452,441
Construction work in progress	**43,612,928**	46,975,025
Intangible assets	**14,996,954**	14,996,954
	1,104,743,050	1,072,424,420
Less accumulated depreciation and amortization	**336,968,753**	307,047,512
Total capital assets *(notes 1 and 3)*	**767,774,297**	765,376,908
Unamortized debt issuance costs (net of accumulated amortization of $3,075,433 and $3,272,140 in 2017 and 2016, respectively) *(note 1)*	**2,074,422**	2,658,290
Total noncurrent assets	**885,503,467**	880,284,490
Total assets	**932,740,750**	924,767,306
Deferred Outflows of Resources:		
Loss on bond refunding	**2,400,302**	2,861,499
Other postemployment benefits *(note 11)*	**174,600**	-
Pensions *(note 9)*	**14,501,877**	12,010,471
Total deferred outflows of resources	**17,076,779**	14,871,970
Total Assets and Deferred Outflows	**$ 949,817,529**	$ 939,639,276

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2017	2016 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	**$ 3,796,031**	$ 3,517,828
Current portion of long-term debt *(note 5)*	**333,333**	-
Due to other governments	**399,884**	349,227
Payroll and compensated absences payable *(note 1)*	**3,072,440**	2,854,042
Total current liabilities (payable from current assets)	**7,601,688**	6,721,097
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt *(note 5)*	**26,075,616**	24,648,777
Accrued interest payable	**3,263,635**	3,521,155
Accounts payable - capital improvements	**6,774,458**	6,539,756
Customer deposits	**4,762,541**	4,666,811
Claims liabilities *(note 12)*	**992,176**	1,086,577
Total current liabilities (payable from restricted assets)	**41,868,426**	40,463,076
Total current liabilities	**49,470,114**	47,184,173
Long-Term Liabilities:		
Claims liabilities *(note 12)*	**1,096,994**	664,858
Long-term debt *(note 5)*	**335,853,454**	344,304,157
Long-term compensated absences payable *(notes 1 and 5)*	**1,371,661**	1,399,440
Net pension liability *(note 9)*	**34,561,571**	30,697,748
Other postemployment benefits *(note 11)*	**3,268,000**	2,872,000
Total long-term liabilities	**376,151,680**	379,938,203
Total liabilities	**425,621,794**	427,122,376
Deferred Inflows of Resources:		
Pensions *(note 9)*	**1,843,976**	442,731
Net Position:		
Net investment in capital assets	**407,912,196**	399,285,473
Restricted for debt service and other bond requirements *(note 1)*	**30,019,215**	29,028,862
Restricted for expansion of utility plant *(note 1)*	**3,876,997**	3,430,737
Unrestricted	**80,543,351**	80,329,097
Total net position	**522,351,759**	512,074,169
Commitments and Contingencies *(note 13)*	--	--
Total Liabilities, Deferred Inflows and Net Position	**$ 949,817,529**	$ 939,639,276

EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016 (Restated)
Operating Revenues:		
Customer charges -		
Wastewater	**$ 51,959,787**	$ 50,410,216
Water	**39,899,298**	37,971,317
Sanitation	**26,994,033**	25,976,078
Connection charges	**408,185**	384,901
Sewer improvement fees	**5,980,699**	5,858,768
Capital improvement fees	**896,734**	-
Recycling	**1,650,632**	-
Other	**2,162,692**	2,269,462
Total operating revenues	**129,952,060**	122,870,742
Operating Expenses Before Depreciation and Amortization:		
Personal services	**45,720,753**	44,134,165
Contractual services	**3,200,292**	2,858,055
Professional services	**891,115**	966,768
Supplies	**8,808,484**	7,815,930
Repairs and maintenance	**7,661,425**	6,603,661
Heat, light and power	**6,858,423**	6,898,770
Tipping fees	**5,576,448**	5,687,753
Other	**5,066,909**	4,306,659
Total operating expenses before depreciation and amortization	**83,783,849**	79,271,761
Operating Income Before Depreciation and Amortization	**46,168,211**	43,598,981
Depreciation and Amortization	**33,601,659**	30,482,465
Operating income	**12,566,552**	13,116,516
Nonoperating Revenues (Expenses):		
Investment income	**1,059,896**	1,169,767
Insurance proceeds	**196,492**	120,000
Interest expense	**(12,745,871)**	(13,369,405)
Loss on disposal of assets	**(99,495)**	(875,024)
Total nonoperating expenses, net	**(11,588,978)**	(12,954,662)
Income Before Capital Contributions	**977,574**	161,854
Capital contributions - cash *(note 8)*	**5,601,731**	4,925,968
Capital contributions - noncash *(note 8)*	**3,698,285**	1,557,132
Change in Net Position	**10,277,590**	6,644,954
Net Position at Beginning of Year, as previously reported	**512,074,169**	503,828,263
Restatement for other postemployment benefits *(note 1)*	**-**	1,600,952
Net Position at Beginning of Year, as restated	**512,074,169**	505,429,215
Net Position at End of Year	**$ 522,351,759**	$ 512,074,169

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

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EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Cash received from customers and others	**$ 130,290,190**	$ 125,152,817
Cash paid to suppliers for goods and services	**(50,595,775)**	(49,129,509)
Cash paid to employees for services	**(29,545,336)**	(28,075,856)
Net cash provided by operating activities	**50,149,079**	47,947,452
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(31,788,459)**	(54,671,903)
Proceeds from issuance of long-term debt	**36,032,213**	55,418,422
Debt issuance costs	**(78,254)**	(525,451)
Principal paid on long-term debt	**(23,508,778)**	(22,515,253)
Interest paid on long-term debt	**(12,650,956)**	(12,874,394)
Payments to defease long-term debt	**(19,104,245)**	(14,881,521)
Proceeds from sale of assets	**284,066**	54,432
Contributions from developers, customers and other governments	**5,601,731**	4,925,968
Net cash used for capital and related financing activities	**(45,212,682)**	(45,069,700)
Cash Flows From Investing Activities:		
Investment income	**1,680,700**	1,233,865
Proceeds from maturities of investments and notes receivable	**22,810,628**	21,075,309
Purchases of investments	**(23,828,181)**	(24,199,238)
Net cash provided by (used for) investing activities	**663,147**	(1,890,064)
Net Increase in Cash and Cash Equivalents	**5,599,544**	987,688
Cash and Cash Equivalents, Beginning of Year	**64,529,913**	63,542,225
Cash and Cash Equivalents, End of Year	**$ 70,129,457**	$ 64,529,913

EMERALD COAST UTILITIES AUTHORITY
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(Continued)

	2017	2016
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating income	**$ 12,566,552**	$ 13,116,516
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	**33,601,659**	30,482,465
Insurance proceeds	**196,492**	120,000
Changes in -		
Accounts receivable, net	**(335,735)**	947,308
Grants receivable	**477,373**	1,214,767
Materials and supplies	**(218,152)**	(1,061,006)
Prepaid expenses	**(87,116)**	331,345
Deferred outflows of resources - other postemployment benefits	**(174,600)**	-
Deferred outflows of resources - pensions	**(2,491,406)**	(6,920,676)
Accounts payable	**278,203**	(93,839)
Due to other governments	**50,657**	2,176
Payroll and compensated absences payable	**218,398**	249,888
Customer deposits	**95,730**	69,148
Claims liabilities	**337,735**	553,600
Long-term compensated absences payable	**(27,779)**	4,462
Net pension liability	**3,863,823**	11,106,801
Other postemployment benefits	**396,000**	120,000
Deferred inflows of resources - pensions	**1,401,245**	(2,295,503)
Net cash provided by operating activities	**$ 50,149,079**	$ 47,947,452
Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and investments	**$ 2,687,696**	$ 2,996,958
Restricted assets	**121,786,405**	115,480,850
	124,474,101	118,477,808
Less notes receivable and investments	**(54,344,644)**	(53,947,895)
Cash and cash equivalents	**$ 70,129,457**	$ 64,529,913
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Property contributed by developers and others	**$ 3,698,285**	$ 1,557,132
Unrealized depreciation in fair value of investments	**$ (481,952)**	$ (56,878)
Equipment acquired under capital lease	**$ 661,163**	$ -

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NOTES TO FINANCIAL STATEMENTS

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 and a material recycling facility to handle recyclable material. The Authority has established policies that both the sanitation system and the recycling facility 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.

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. It also does not include adjustments for pension and other post-employment benefits related expenses.

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.

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,* except for the Authority's position in the Local Government Surplus Funds Trust Fund. 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.

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 and other postemployment benefits are further discussed in Notes 9 and 11.

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses:

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority's Water, Wastewater, and Sanitation Systems are customer charges for water, wastewater and sanitation services. The Recycling System derives revenue from the sale of processed recyclable materials. While the Authority contracts with a third-party vendor to process and sell the recyclables, the risk and responsibility for delivery of the service remains with the Authority. No assets or rights to assets have transferred to the third-party vendor; therefore, the arrangement does not meet the criteria outlined in GASB Statement No. 60 for a service concession arrangement. Operating expenses include the cost of providing utility and recycling services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Reclassifications:

Certain reclassifications were made to the 2016 financial statements to conform to the current year presentation.

New Accounting Pronouncement:

The Authority early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The liability for other postemployment benefits decreased and the fiscal year 2016 beginning net position of the Authority increased by $1,600,952 due to the adoption of Statement No. 75. The early implementation of Statement No. 75 had no impact on expenses reported in 2016.

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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Deposits:

The Authority's deposits at September 30, 2017 and 2016 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, 2017 and 2016, the carrying amount of the deposits was $25,014,412 and $26,188,544, respectively, and the bank balance was $25,019,082 and $26,700,936, respectively. Escrow balances and other cash items totaling $257,271 and $418,537 at September 2017 and 2016, respectively, are included in cash on the comparative balance sheets.

Investments:

As of September 30, 2017 and 2016, the Authority had the following investments and maturities:

	Weighted Average Maturity (Years)	**2017**	2016
Local Government Surplus Funds Trust Fund	0.140	$ **43,852,573**	$ 37,042,462
Money Market Mutual Funds	0.095	**1,058,344**	1,094,779
U.S. Treasury Securities	3.204	**30,578,705**	22,781,583
Federal Instrumentalities	2.248	**9,703,466**	12,398,405
Corporate Notes	2.045	**9,646,428**	8,941,103
State and Local Government Debt	1.454	**4,362,902**	9,612,395
Total investments		$ **99,202,418**	$ 91,870,727

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, 2017, the investments had a weighted average duration of 1.53 years.

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	Fair Value	Call Schedule	Call Date
30231GAD4	Exxon Mobil Corporation	3/15/2019	$ 1,006,408	one time	2/15/2019
48125LRG9	JPMorgan Chase Bank NA	9/23/2019	343,860	one time	8/23/2019
740189AL9	Precision Castparts Corp.	6/15/2020	2,030,230	one time	5/15/2020
037833BS8	Apple, Inc.	2/23/2021	757,819	one time	1/23/2021
			$ 4,138,317		

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.

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.

The Local Government Surplus Funds Trust Fund is an external 2a7-like investment pool, in which the fair value of the Authority's position in the pool is the same as the value of the pool shares. There are no restrictions on redemptions. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

At September 30, 2017, the Authority's investments had the following credit quality:

Security Type	Standard & Poor's Credit Rating	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	AAAm	44.22%
Money Market Mutual Funds	AAA	0.04%
Money Market Mutual Funds	AAAm	1.03%
U.S. Treasury Securities	AAA	30.82%
Federal Instrumentalities	AAA	9.78%
Corporate Notes	AAA	1.44%
Corporate Notes	AA	0.37%
Corporate Notes	AA+	1.80%
Corporate Notes	AA-	2.40%
Corporate Notes	A	0.29%
Corporate Notes	A+	3.42%
State and Local Government Debt	AA+	2.03%
State and Local Government Debt	AA-	0.98%
State and Local Government Debt	A+	1.38%

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.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued):

As of September 30, 2017, the Authority had the following issuer concentrations based on fair value:

	Fair Value	Portfolio Asset Allocation
Local Government Surplus Funds Trust Fund	$ 43,852,573	44.22%
Money Market Mutual Funds	1,058,344	1.07%
U.S. Treasury Notes	30,578,705	30.82%
Federal Instrumentalities:		
Federal Home Loan Bank	4,246,285	4.28%
Federal National Mortgage Association	4,547,972	4.58%
Federal Home Loan Mortgage Corporation	909,209	0.92%
Corporate Notes:		
Bank of Nova Scotia	2,531,747	2.55%
Intel Corporation	353,257	0.36%
Wells Fargo	367,683	0.37%
International Business Machines Corporation	502,329	0.51%
Gilead Sciences	290,378	0.29%
Precision Castparts Corporation	2,030,230	2.05%
JP Morgan Chase Bank NA	343,860	0.35%
Exxon Mobil Corporation	1,006,408	1.01%
Microsoft Corporation	430,423	0.43%
Apple, Inc.	1,790,113	1.80%
State and Local Government Debt:		
Connecticut State Municipal Bond	1,372,196	1.38%
Indiana Bond Bank Revenue Refunding Bonds	2,014,936	2.03%
Port Authority New York & New Jersey Consolidated Bonds	975,770	0.98%
	$ 99,202,418	100.00%

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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Fair Value of Investments (Continued):

The following tables present assets carried at fair value at September 30, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	$	$ 1,058,344	$	$ 1,058,344
U.S. Treasury Securities		30,578,705		30,578,705
Federal Instrumentalities		9,703,466		9,703,466
Corporate Notes		9,646,428		9,646,428
State and Local Government Debt		4,362,902		4,362,902
Total investments, September 30, 2017	$ -	$ 55,349,845	$ -	$ 55,349,845
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

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.

NOTE 3 - CAPITAL ASSETS

Capital assets activity during the years ended September 30, 2017 and 2016 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Cost					
Depreciable:					
Buildings and building improvements	$ 40,800,126	$ 161,534	$	$ 3,944,360	$ 44,906,020
Improvements other than buildings	840,114,549	9,239,640	(342,031)	19,816,742	868,828,900
Improvements under capital lease	18,496,683				18,496,683
Equipment	57,165,549	3,339,827	(3,646,949)	2,339,016	59,197,443
Equipment under capital lease	24,725,589	661,163			25,386,752
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	29,149,945	242,425	(75,000)		29,317,370
Construction in progress	46,975,025	22,738,021		(26,100,118)	43,612,928
	1,072,424,420	36,382,610	(4,063,980)	-	1,104,743,050
Less Accumulated Depreciation and Amortization					
Buildings and building improvements	5,896,548	1,133,408			7,029,956
Improvements other than buildings	233,804,169	23,451,299	(303,947)		256,951,521
Improvements under capital lease	10,826,496	1,598,932			12,425,428
Equipment	33,851,246	4,156,281	(3,376,471)		34,631,056
Equipment under capital lease	10,691,018	2,758,585			13,449,603
Intangible assets	11,978,035	503,154			12,481,189
	307,047,512	33,601,659	(3,680,418)	-	336,968,753
Total capital assets, September 30, 2017	$ 765,376,908	$ 2,780,951	$ (383,562)	$ -	$ 767,774,297

NOTE 3 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Cost					
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
	1,019,969,654	55,211,306	(2,756,540)	-	1,072,424,420
Less Accumulated Depreciation and Amortization					
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
	278,392,131	30,482,465	(1,827,084)	-	307,047,512
Total capital assets, September 30, 2016	$ 741,577,523	$ 24,728,841	$ (929,456)	$ -	$ 765,376,908

NOTE 4 - CAPITALIZED INTEREST

Total interest costs incurred for the years ended September 30, 2017 and 2016 amounted to $13,732,311 and $14,667,627, respectively. Of these amounts, $986,440 and $1,298,222 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:

	2017	2016
$86,384,803 State of Florida Department of Environmental Protection Revolving Loans, interest from 2.04% to 3.27%, maturing through October 2032, secured by net revenue	**$ 62,278,321**	$ 66,489,111
$28,660,000 Utility System Refunding Revenue Bonds, Series 2006B, interest from 4% to 5%, defeased in 2017	**-**	18,955,000
$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	**114,985,000**	122,000,000
$42,399,000 Utility System Revenue Note, Series 2010, interest at 6%, maturing in annual installments through January 2031, secured by net revenue	**32,939,000**	34,673,000
$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	**7,427,000**	8,599,000
$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	**4,647,000**	5,498,000
$25,010,000 Utility System Refunding Revenue Note, Series 2013, interest at 2.3%, maturing in annual installments through January 2028, secured by net revenue	**18,845,000**	20,480,000

NOTE 5 - LONG-TERM DEBT (Continued)

	2017	2016
$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	**8,990,000**	9,745,000
$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	**50,455,000**	52,270,000
$33,115,000 Utility System Refunding Revenue Note, Series 2016, interest at 2.11%, maturing in annual installments through July 2032, secured by net revenue	**33,115,000**	-
$3,000,000 loan, interest at 0%, payments due quarterly through December 2025, secured by equipment	**2,750,000**	-
$11,973,722 capital lease, interest at 2.12%, payments due annually through February 2019	**3,602,300**	5,347,559
$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	**9,243,310**	9,966,516
$1,993,355 capital lease, interest at 2.09%, payments due monthly through September 2022	**1,075,430**	1,273,889
$965,655 capital lease, interest at 2.09%, payments due monthly through February 2024	**681,411**	773,211
$11,068,116 capital lease, interest at 2.48%, payments due semi-annually through February 2023	**7,825,197**	9,137,463
$661,164 capital lease, interest at 2.59%, payments due semi-annually through April 2024	**661,164**	-
Unamortized bond premiums, net	**2,742,270**	3,745,185
	362,262,403	368,952,934
Less current maturities	**26,408,949**	24,648,777
	$ 335,853,454	$ 344,304,157

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 2017 and 2016 was 177% and 171%, respectively.

NOTE 5 - LONG-TERM DEBT (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes	$ 342,454,296	$ 36,115,000	$ (39,395,705)	$ 339,173,591	$ 22,140,468
Capital leases	26,498,638	661,163	(4,070,989)	23,088,812	4,268,481
Compensated absences payable	2,473,446	895,730	(932,959)	2,436,217	1,064,556
	$ 371,426,380	$ 37,671,893	$ (44,399,653)	$ 364,698,620	$ 27,473,505

The annual requirements to amortize bonds and notes outstanding at September 30, 2017 are as follows:

Year Ending September 30	Principal	Interest	Total
2018	$ 22,140,468	$ 12,435,979	$ 34,576,447
2019	22,924,916	11,604,831	34,529,747
2020	23,761,515	10,193,770	33,955,285
2021	24,637,312	9,321,293	33,958,605
2022	25,530,359	8,435,000	33,965,359
2023-2027	135,005,752	27,335,020	162,340,772
2028-2032	70,500,999	7,342,324	77,843,323
2033-2036	11,930,000	860,480	12,790,480
	$ 336,431,321	$ 87,528,697	$ 423,960,018

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
2018	$ 4,268,481	$ 718,020	$ 4,986,501
2019	4,378,974	607,527	4,986,501
2020	2,636,866	491,006	3,127,872
2021	2,717,392	410,481	3,127,873
2022	2,800,606	327,269	3,127,875
2023-2027	6,286,493	717,327	7,003,820
Present value of net minimum lease payments	$ 23,088,812	$ 3,271,630	$ 26,360,442

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, 2017, the Authority issued a $33,115,000 Utility System Refunding Revenue Note, Series 2016, to advance refund $18,955,000 of Utility System Revenue Bonds, Series 2006B and fund capital projects. The bond issuance resulted in a discount of $82,787. This amount is being charged to operations through the year 2032 using the straight-line amortization method.

The advance refunding reduced total debt service payments by approximately $2,661,000 and gave rise to an economic gain of approximately $2,364,000 (difference between the present values of the old and new debt service payments).

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.

At September 30, 2017, the Authority has $112,670,000 of bonds outstanding that are considered to be defeased.

NOTE 7 - SEGMENT INFORMATION

The Authority has incurred debt to finance capital acquisitions for each of its systems. All systems are accounted for in a single enterprise fund (i.e., the Authority). However, investors in the revenue bonds and notes rely solely on the revenue generated by the individual system for repayment. Summary financial information by system is presented below:

	2017			2016 (Restated)	
	Water and Wastewater	Sanitation	Recycling	Water and Wastewater	Sanitation
Condensed Statement of Net Position					
Assets:					
Current assets	**$ 56,788,989**	**$ 6,612,357**	**$ 755,482**	$ 56,749,893	$ 6,050,914
Noncurrent assets	**845,755,565**	**29,332,008**	**10,415,894**	835,506,652	44,777,838
Total assets	**902,544,554**	**35,944,365**	**11,171,376**	892,256,545	50,828,752
Deferred outflows of resources	**12,802,119**	**4,274,660**	**-**	11,311,876	3,560,094
Total assets and deferred outflows	**$ 915,346,673**	**$ 40,219,025**	**$ 11,171,376**	$ 903,568,421	$ 54,388,846
Liabilities:					
Current liabilities	**$ 42,554,480**	**$ 15,862,203**	**$ 7,972,976**	$ 39,654,638	$ 25,847,526
Long-term liabilities	**350,668,549**	**23,066,464**	**2,416,667**	354,068,211	25,869,992
Total liabilities	**393,223,029**	**38,928,667**	**10,389,643**	393,722,849	51,717,518
Deferred inflows of resources	**1,366,356**	**477,620**	**-**	332,969	109,762
Net Position:					
Net investment in capital assets	**390,414,334**	**9,831,968**	**7,665,894**	378,799,047	20,486,426
Restricted	**29,653,330**	**4,242,882**	**-**	28,252,837	4,206,762
Unrestricted	**100,689,624**	**(13,262,112)**	**(6,884,161)**	102,460,719	(22,131,622)
Total net position	**520,757,288**	**812,738**	**781,733**	509,512,603	2,561,566
Total liabilities, deferred inflows and net position	**$ 915,346,673**	**$ 40,219,025**	**$ 11,171,376**	$ 903,568,421	$ 54,388,846

NOTE 7 - SEGMENT INFORMATION (Continued)

	2017			2016 (Restated)	
	Water and Wastewater	Sanitation	Recycling	Water and Wastewater	Sanitation
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
Operating revenues:					
Customer charges	$ 91,859,085	$ 26,994,033	$ -	$ 88,381,533	$ 25,976,078
Other operating revenue (1)	13,347,746	440,573	1,650,632	12,127,772	418,155
Total operating revenue	105,206,831	27,434,606	1,650,632	100,509,305	26,394,233
Operating expenses:					
Depreciation and amortization	28,136,423	4,786,299	678,937	25,577,112	4,905,353
Other operating expenses (1)	60,226,918	27,427,973	468,967	57,404,133	25,900,424
Total operating expenses	88,363,341	32,214,272	1,147,904	82,981,245	30,805,777
Operating income (loss)	16,843,490	(4,779,666)	502,728	17,528,060	(4,411,544)
Nonoperating revenues (expenses):					
Investment income	1,052,152	7,744	-	1,166,379	3,388
Interest expense	(12,167,504)	(578,367)	-	(12,871,464)	(497,941)
Interfund interest	105,470	-	(105,470)	-	-
Other nonoperating revenues (expenses)	115,770	(18,773)	-	(753,980)	(1,044)
Total nonoperating revenues (expenses)	(10,894,112)	(589,396)	(105,470)	(12,459,065)	(495,597)
Income (loss) before capital contributions and transfers	5,949,378	(5,369,062)	397,258	5,068,995	(4,907,141)
Capital contributions	9,050,016	250,000	-	6,483,100	-
Transfers	(3,754,709)	3,370,234	384,475	(3,447,496)	3,447,496
Change in net position	11,244,685	(1,748,828)	781,733	8,104,599	(1,459,645)
Net position at beginning of year, as previously reported	509,512,603	2,561,566	-	500,157,909	3,670,354
Restatement	-	-	-	1,250,095	350,857
Net position at beginning of year, as restated	509,512,603	2,561,566	-	501,408,004	4,021,211
Net position at end of year	$ 520,757,288	$ 812,738	$ 781,733	$ 509,512,603	$ 2,561,566

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

	2017			2016	
	Water and Wastewater	Sanitation	Recycling	Water and Wastewater	Sanitation
Condensed Statement of Cash Flows					
Net cash provided by (used for)					
Operating activities	$ 43,320,641	$ 5,968,715	$ 859,723	$ 38,768,377	$ 9,179,075
Capital and related financing activities	(37,381,909)	(7,373,932)	(456,841)	(31,187,271)	(13,882,429)
Investing activities	655,403	7,744	-	(1,893,452)	3,388
Net increase (decrease)	6,594,135	(1,397,473)	402,882	5,687,654	(4,699,966)
Cash and cash equivalents, beginning of year	58,768,128	5,761,785	-	53,080,474	10,461,751
Cash and cash equivalents, end of year	$ 65,362,263	$ 4,364,312	$ 402,882	$ 58,768,128	$ 5,761,785

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, 2017 and 2016 are as follows:

		2017		2016
Capital contributions - cash -				
Impact fees	$	3,876,998	$	3,430,737
Other		1,724,733		1,495,231
	$	5,601,731	$	4,925,968
Capital contributions - noncash -				
Property contributed by developers and others	$	3,698,285	$	1,557,132

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.

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, 2017 were 7.92% for regular participants, 22.71% for senior management, 45.50% for elected officials, and 13.26% for DROP participants. The employee contribution rate was 3% for all categories, excluding DROP.

The Authority's contributions to the Pension Plan totaled $2,124,834 and $2,048,599 for the years ended September 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017 and 2016, the Authority reported a net pension liability of $24,150,461 and $19,897,459, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, 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, 2017 and 2016, the Authority's proportionate share was 0.081646413% and 0.078801572%, respectively.

For the years ended September 30, 2017 and 2016, the Authority recognized pension expense of $4,377,655 and $3,320,297, 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, 2017 and 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2017:		
Differences between expected and actual experience	$ 2,216,431	$ 133,781
Change in assumptions	8,116,260	-
Net difference between projected and actual earnings on Pension Plan investments	-	598,509
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	1,145,358	189,748
Authority Pension Plan contributions subsequent to measurement date	512,296	-
	$ 11,990,345	$ 922,038

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

	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	-
	$ 9,526,805	$ 418,132

The deferred outflows of resources to the Pension Plan totaling $512,296 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, 2018. 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	
2018	$ 1,608,341
2019	3,685,888
2020	2,464,292
2021	506,258
2022	1,660,984
Thereafter	630,248
	$ 10,556,011

Actuarial Assumptions - The total pension liability in the July 1, 2017 and 2016 actuarial valuations was determined using the following actuarial assumptions:

	2017	2016
Inflation	2.60%	2.60%
Salary increases, average, including inflation	3.25%	3.25%
Investment rate of return, net of pension plan investment expense, including inflation	7.10%	7.60%

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, 2017 and 2016 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%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate (property)	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
	100.00%			
Assumed inflation - Mean		2.60%		1.90%

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

<u>Discount Rate</u> - The discount rate used to measure the total pension liability was 7.10% and 7.60% for the July 1, 2017 and 2016 valuations, respectively. 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.

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan (Continued):

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Authority's proportionate share of net pension liability calculated using the discount rate of 7.10% 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% lower (6.10%) or 1% higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Authority's proportionate share of the net pension liability	$ 43,710,876	$ 24,150,461	$ 7,910,835

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, 2017 and 2016 the Authority reported payables of $174,919 and $154,404, respectively, for the outstanding amount of contributions to the Pension Plan required for the years ended September 30, 2017 and 2016.

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, 2017 and 2016 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.

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, 2017 and 2016 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 $592,534 and $469,401 for the years ended September 30, 2017 and 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017 and 2016, the Authority reported a net pension liability of $10,411,110 and $10,800,289, respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2017 and 2016, the Authority's proportionate share was 0.097368696% and 0.092669862%, respectively.

For the years ended September 30, 2017 and 2016, the Authority recognized pension expense of $983,904 and $1,025,125, 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, 2017 and 2016:

	Deferred Outflows of Resources	Deferred Inflows of Resources
September 30, 2017:		
Differences between expected and actual experience	$ -	$ 21,678
Change in assumptions	1,463,444	900,260
Net difference between projected and actual earnings on HIS Plan investments	5,774	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of HIS Plan contributions	925,066	-
Authority contributions subsequent to measurement date	117,248	-
	$ 2,511,532	$ 921,938

NOTE 9 - RETIREMENT PLANS (Continued)

HIS Plan (Continued):

	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	-
	$ 2,483,666	$ 24,599

The deferred outflows of resources related to pensions totaling $117,248 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, 2018.

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	
2018	$ 362,631
2019	361,538
2020	361,014
2021	280,965
2022	160,137
Thereafter	(53,939)
	$ 1,472,346

Actuarial Assumptions - Actuarial valuations for the HIS Plan are conducted biennially. The July 1, 2016 HIS valuation is the most recent actuarial valuation and was used to develop the total pension liability amounts as of June 30, 2016 and 2017. The July 1, 2016 actuarial valuation was determined using the following actuarial assumptions at the June 30, 2017 and 2016 measurement dates:

	2017	2016
Inflation	2.60%	2.60%
Salary increases, average, including inflation	3.25%	3.25%
Municipal Bond Rate	3.58%	2.85%

NOTE 9 - RETIREMENT PLANS (Continued)

HIS Plan (Continued):

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

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study conducted for the FRS Pension Plan.

Discount Rate - The municipal bond rate used to measure the total pension liability was 3.58% and 2.85% for the 2017 and 2016 measurement dates, respectively. 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 3.58% 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% lower (2.58%) or 1% higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Authority's proportionate share of the net pension liability	$ 11,880,455	$ 10,411,110	$ 9,187,227

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, 2017 and 2016 the Authority reported payables of $46,384 and $43,739, respectively, for the outstanding amount of contributions to the HIS Plan required for the years ended September 30, 2017 and 2016.

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 $24,839 and $31,025 for the years ended September 30, 2017 and 2016, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement sets forth rules for how governmental employers should account for Other Postemployment Benefits ("OPEB").

Plan Description:

The Authority provides healthcare and life insurance benefits for retirees and their spouses in the form of an implicit rate subsidy, as described below. Since this OPEB is directly tied to insurance coverage for active employees, a separate single employer benefit plan has not been established to account for the benefits and obligations related to the implicit rate subsidy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided:

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.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided (Continued):

Since older retirees generally have higher costs, this means that the Authority is actually subsidizing the cost of the retiree and spouse 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 spouses, as well for the covered lifetimes of the current employees after they retire in the future.

The plan also provides all retirees with $10,000 and spouses of retirees with $5,000 of life insurance benefits at a subsidized cost.

Employees Covered by Benefit Terms:

At September 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or spouses currently receiving benefits	141
Active employees	534
	675

Total OPEB Obligation:

The Authority’s total OPEB liability of $3,268,000 and $2,872,000 at September 30, 2017 and 2016, respectively, was measured as of October 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the October 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	ranging from 4.00% to 7.80%
Discount rate	3.06%
Healthcare cost trend rates	4.50% for 2015, decreasing to an ultimate rate of 4.00% for 2080 and later years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs (Continued):

The discount rate was based on the October 2016 H15 State and Local Bond Rate published by the Federal Reserve.

Mortality rates were based on the RP 2014 White Collar with Scale MP 2016 Fully Generational table.

The actuarial assumptions used in the October 1, 2016 valuation were based on census data as of October 1, 2016.

Changes in the Net OPEB Liability:

Changes in the net OPEB liability were as follows:

Net OPEB obligation, September 30, 2016	$ 2,872,000
Service cost	191,000
Interest	104,000
Changes in assumptions	194,000
Benefit payments	(93,000)
Net changes	396,000
Net OPEB obligation, September 30, 2017	$ 3,268,000

Changes of assumptions reflects a change in the discount rate from 3.67% percent for 2016 to 3.06% for 2017.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

The following represents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.06%) or 1% higher (4.06%) than the current discount rate:

	1% Decrease (2.06%)	Current Discount Rate (3.06%)	1% Increase (4.06%)
Net OPEB liability	$ 3,698,000	$ 3,268,000	$ 2,911,000

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following represents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be of it were calculated using healthcare cost trend rates that are 1% lower (3.50% decreasing to 3.00%) or 1% higher (5.50% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.50% decreasing to 3.00%)	Healthcare Cost Trend Rates (4.50% decreasing to 4.00%)	1% Increase (5.50% decreasing to 5.00%)
Net OPEB liability	$ 3,082,000	$ 3,268,000	$ 3,845,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2017, the Authority recognized OPEB expense of $314,400. At September 30, 2017, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Change in assumptions	$ 174,600

Amounts reported as deferred outflows of resources related to OPEB will be recognized in expense as follows:

Year Ending September 30	
2018	$ 19,400
2019	19,400
2020	19,400
2021	19,400
2022	19,400
Thereafter	77,600
	$ 174,600

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. The Authority's policy fully covers 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.

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, 2017.

Changes in claims liabilities for the years ended September 30, 2017 and 2016 are shown below:

	2017	2016
Claims liabilities, beginning of year	**$ 1,751,435**	$ 1,197,835
Claims incurred and changes in estimates	**1,208,756**	1,638,718
Claims paid	**(871,021)**	(1,085,118)
Claims liabilities, end of year	**$ 2,089,170**	$ 1,751,435

At September 30, 2017, the Authority has restricted cash of $2,089,170 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 $20 million for construction projects at September 30, 2017.

NOTE 14 - SUBSEQUENT EVENT

In November 2017, the Authority issued a $40,085,000 Utility System Revenue Note, Series 2017, to fund capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

	2017
Total OPEB Liability:	
Service cost	$ 191,000
Interest	104,000
Changes in assumptions	194,000
Benefit payments	(93,000)
Net change in total OPEB liability	396,000
Total OPEB liability - beginning of year	2,872,000
Total OPEB liability - end of year	$ 3,268,000
Covered-employee payroll	25,843,185
Total OPEB liability as a percentage of covered-employee payroll	12.65%

* Information provided above was obtained from an actuarial valuation; information prior to fiscal year 2017 was not available.

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

	2017	2016	2015	2014
Emerald Coast Utilities Authority's proportion of net pension liability	**0.081646413%**	0.078801572%	0.080760945%	0.080132467%
Emerald Coast Utilities Authority's proportionate share of net pension liability	**$ 24,150,461**	$ 19,897,459	$ 10,431,360	$ 4,889,259
Emerald Coast Utilities Authority's covered-employee payroll	**$ 30,182,539**	$ 28,870,691	$ 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	**80.01%**	68.92%	37.41%	18.93%
Plan fiduciary net position as a percentage of the total pension liability	**83.89%**	84.88%	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*

	2017	2016	2015	2014
Emerald Coast Utilities Authority's proportion of net pension liability	**0.097368696%**	0.092669862%	0.089813731%	0.086353010%
Emerald Coast Utilities Authority's proportionate share of net pension liability	**$ 10,411,110**	$ 10,800,289	$ 9,159,587	$ 8,074,217
Emerald Coast Utilities Authority's covered-employee payroll	**$ 30,182,539**	$ 28,870,691	$ 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	**34.49%**	37.41%	32.85%	31.26%
Plan fiduciary net position as a percentage of the total pension liability	**1.64%**	0.97%	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*

	2017	2016	2015	2014
Contractually required contribution	**$ 2,124,834**	$ 2,048,599	$ 1,970,003	$ 1,828,049
Contributions in relation to the contractually required contribution	**(2,124,834)**	(2,048,599)	(1,970,003)	(1,828,049)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Emerald Coast Utilities Authority's covered-employee payroll	**30,182,539**	28,870,691	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	**7.04%**	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*

	2017	2016	2015	2014
Contractually required contribution	**$ 592,534**	$ 469,401	$ 451,157	$ 380,263
Contributions in relation to the contractually required contribution	**(592,534)**	(469,401)	(451,157)	(380,263)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Emerald Coast Utilities Authority's covered-employee payroll	**30,182,539**	28,870,691	27,881,118	25,830,081
Contribution as a percentage of covered-employee payroll	**1.96%**	1.63%	1.62%	1.47%

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

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SUPPLEMENTARY INFORMATION

The Water and Wastewater System, the Sanitation System, and the Recycling 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 95 are not required by generally accepted accounting principles.

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EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	$ 51,959,787	$	$ 51,959,787
Water	39,899,298		39,899,298
Sanitation	26,994,033		26,994,033
Connection charges	408,185		408,185
Sewer improvement fees	5,980,699		5,980,699
Capital improvement fees	896,734		896,734
Recycling	1,650,632		1,650,632
Other	2,162,692		2,162,692
Total operating revenues	129,952,060	-	129,952,060
Operating Expenses Before Depreciation and Amortization:			
Personal services	45,720,753	(1,994,313)	43,726,440
Contractual services	3,200,292		3,200,292
Professional services	891,115		891,115
Supplies	8,808,484		8,808,484
Repairs and maintenance	7,661,425		7,661,425
Heat, light and power	6,858,423		6,858,423
Tipping fees	5,576,448		5,576,448
Other	5,066,909		5,066,909
Total operating expenses before depreciation and amortization	83,783,849	(1,994,313)	81,789,536
Operating Income Before Depreciation and Amortization	46,168,211	1,994,313	48,162,524
Depreciation and Amortization	33,601,659	(33,601,659)	-
Operating income	12,566,552	35,595,972	48,162,524
Nonoperating Revenues (Expenses):			
Investment income	1,059,896	481,952	1,541,848
Insurance proceeds	196,492		196,492
Interest expense	(12,745,871)	(986,440)	(13,732,311)
Loss on disposal of assets	(99,495)	99,495	-
Total nonoperating revenues (expenses)	(11,588,978)	(404,993)	(11,993,971)
Income Before Capital Contributions and Other Financing Sources (Uses)	977,574	35,190,979	36,168,553
Capital contributions - impact fees and other	5,601,731		5,601,731
Capital contributions - noncash	3,698,285	(3,698,285)	-
Principal sinking fund requirements	-	(23,508,778)	(23,508,778)
Change in Net Position	$ 10,277,590	$ 7,983,916	$ 18,261,506

Budget	Variance- Favorable (Unfavorable)
$ 51,959,786	$ 1
39,899,298	-
26,994,027	6
408,185	-
5,980,699	-
896,734	-
1,650,630	2
2,162,678	14
129,952,037	23
44,979,461	1,253,021
3,645,594	445,302
979,791	88,676
9,832,772	1,024,288
7,973,664	312,239
6,894,039	35,616
5,576,448	-
5,548,773	481,864
85,430,542	3,641,006
44,521,495	3,641,029
-	-
44,521,495	3,641,029
1,541,848	-
196,491	1
(15,184,756)	1,452,445
-	-
(13,446,417)	1,452,446
31,075,078	5,093,475
5,601,726	5
-	-
(24,693,935)	1,185,157
$ 11,982,869	$ 6,278,637

EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS

	2017	2016 (Restated)
Current Assets:		
Unrestricted assets -		
Cash and investments	**$ 2,284,814**	$ 2,996,958
Accounts receivable less allowance for doubtful accounts of $1,026,800 and $968,200	**14,703,853**	13,653,229
Grants receivable	**248,168**	725,541
Due from Sanitation System	**9,420,478**	18,317,991
Due from Recycling System	**7,444,689**	-
Due from other governments	**1,300,000**	1,300,000
Materials and supplies	**5,673,378**	5,654,586
Prepaid expenses	**104,661**	40,295
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	**10,837,795**	9,394,237
Customer deposits	**4,771,153**	4,667,056
Total current assets	**56,788,989**	56,749,893
Noncurrent Assets:		
Due from other governments	**11,700,000**	13,000,000
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	**7,301,886**	7,323,432
Operating and maintenance fund	**5,183,447**	4,895,568
Debt service reserve	**3,101,525**	3,089,243
Impact fees	**3,876,997**	3,430,737
Capital improvement program	**76,869,501**	65,486,213
Capital imprvement fees	**896,734**	-
Sewer improvement fees	**2,493,885**	9,719,649
Self-insurance funds	**2,089,170**	1,712,930
Total noncurrent restricted assets	**101,813,145**	95,657,772
Capital assets -		
Utility plant in service	**978,372,424**	948,512,929
Construction work in progress	**43,612,928**	40,691,649
	1,021,985,352	989,204,578
Less accumulated depreciation	**291,796,762**	264,988,550
Total capital assets	**730,188,590**	724,216,028
Unamortized debt issuance costs (net of accumulated amortization of $3,048,380 and $3,249,933)	**2,053,830**	2,632,852
Total noncurrent assets	**845,755,565**	835,506,652
Total assets	**902,544,554**	892,256,545
Deferred Outflows of Resources:		
Loss on bond refunding	**1,927,056**	2,279,042
Other postemployment benefits	**129,409**	-
Pensions	**10,745,654**	9,032,834
Total deferred outflows of resources	**12,802,119**	11,311,876
Total Assets and Deferred Outflows	**$ 915,346,673**	$ 903,568,421

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2017	2016 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	**$ 2,608,183**	$ 2,710,935
Due to other governments	**385,520**	335,469
Payroll and compensated absences payable	**2,505,481**	2,322,916
Total current liabilities (payable from current assets)	**5,499,184**	5,369,320
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	**21,779,017**	20,541,793
Accrued interest payable	**3,142,205**	3,367,790
Accounts payable - capital improvements	**6,774,458**	4,998,718
Customer deposits	**4,762,541**	4,666,811
Claims liabilities	**597,075**	710,206
Total current liabilities (payable from restricted assets)	**37,055,296**	34,285,318
Total current liabilities	**42,554,480**	39,654,638
Long-Term Liabilities:		
Claims liabilities	**935,690**	261,181
Long-term debt	**319,922,295**	327,154,230
Long-term compensated absences payable	**1,100,980**	1,099,943
Net pension liability	**26,173,492**	23,310,462
Other postemployment benefits	**2,536,092**	2,242,395
Total long-term liabilities	**350,668,549**	354,068,211
Total liabilities	**393,223,029**	393,722,849
Deferred Inflows of Resources:		
Pensions	**1,366,356**	332,969
Net Position:		
Net investment in capital assets	**390,414,334**	378,799,047
Restricted for debt service and other bond requirements	**25,776,333**	24,822,100
Restricted for expansion of utility plant	**3,876,997**	3,430,737
Unrestricted	**100,689,624**	102,460,719
Total net position	**520,757,288**	509,512,603
Total Liabilities, Deferred Inflows and Net Position	**$ 915,346,673**	$ 903,568,421

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EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016 (Restated)
Operating Revenues:		
Customer charges -		
Wastewater	**$ 51,959,787**	$ 50,410,216
Water	**39,899,298**	37,971,317
Connection charges	**408,185**	384,901
Sewer improvement fees	**5,980,699**	5,858,768
Capital improvement fees	**896,734**	-
Charges for overhead	**4,340,009**	4,032,796
Other	**1,722,119**	1,851,307
Total operating revenues	**105,206,831**	100,509,305
Operating Expenses Before Depreciation:		
Personal services	**34,870,350**	33,804,106
Contractual services	**1,989,364**	1,680,915
Professional services	**817,750**	848,654
Supplies	**7,222,377**	6,614,244
Repairs and maintenance	**4,508,371**	4,247,760
Heat, light and power	**6,713,781**	6,824,393
Other	**4,104,925**	3,384,061
Total operating expenses before depreciation	**60,226,918**	57,404,133
Operating Income Before Depreciation	**44,979,913**	43,105,172
Depreciation	**28,136,423**	25,577,112
Operating income	**16,843,490**	17,528,060
Nonoperating Revenues (Expenses):		
Investment income	**1,052,152**	1,166,379
Interest income on amount due from Recycling System	**105,470**	-
Insurance proceeds	**92,123**	120,000
Interest expense	**(12,167,504)**	(12,871,464)
Gain (loss) on disposal of assets	**23,647**	(873,980)
Total nonoperating expenses, net	**(10,894,112)**	(12,459,065)
Income Before Capital Contributions and Transfers	**5,949,378**	5,068,995
Capital contributions - impact fees and other	**5,351,731**	4,925,968
Capital contributions - noncash	**3,698,285**	1,557,132
Transfers to Sanitation System	**(3,754,709)**	(3,447,496)
Change in Net Position	**11,244,685**	8,104,599
Net Position at Beginning of Year, as previously reported	**509,512,603**	500,157,909
Restatement for other postemployment benefits	**-**	1,250,095
Net Position at Beginning of Year, as restated	**509,512,603**	501,408,004
Net Position at End of Year	**$ 520,757,288**	$ 509,512,603

EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Cash received from customers and others	**$ 101,685,694**	$ 98,908,622
Cash paid to suppliers for goods and services	**(36,095,705)**	(38,561,268)
Cash paid to employees for services	**(22,269,348)**	(21,578,977)
Net cash provided by operating activities	**43,320,641**	38,768,377
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(28,859,205)**	(45,202,944)
Proceeds from issuance of long-term debt	**33,032,213**	55,418,422
Cash received from Recycling System for capital assets	**3,228,995**	-
Debt issuance costs	**(78,254)**	(525,451)
Principal paid on long-term debt	**(19,151,796)**	(18,518,595)
Interest paid on long-term debt	**(12,154,710)**	(12,457,582)
Interest income from amount due from Recycling System	**105,470**	-
Payments to defease long-term debt	**(19,104,245)**	(14,881,521)
Proceeds from sale of assets	**247,892**	54,432
Contributions from developers, customers, and other governments	**5,351,731**	4,925,968
Net cash used for capital and related financing activities	**(37,381,909)**	(31,187,271)
Cash Flows From Investing Activities:		
Investment income	**1,672,956**	1,230,477
Proceeds from maturities of investments and notes receivable	**22,810,628**	21,075,309
Purchases of investments	**(23,828,181)**	(24,199,238)
Net cash provided by (used for) investing activities	**655,403**	(1,893,452)
Net Increase in Cash and Cash Equivalents	**6,594,135**	5,687,654
Cash and Cash Equivalents, Beginning of Year	**58,768,128**	53,080,474
Cash and Cash Equivalents, End of Year	**$ 65,362,263**	$ 58,768,128

EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(Continued)

	2017	2016
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating income	$ 16,843,490	$ 17,528,060
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	28,136,423	25,577,112
Insurance proceeds	92,123	120,000
Charges for overhead	(4,340,009)	(4,032,796)
Changes in -		
Accounts receivable	249,376	1,097,346
Grants receivable	477,373	1,214,767
Materials and supplies	(18,792)	(702,660)
Prepaid expenses	(64,366)	320,744
Deferred outflows of resources - other postemployment benefits	(129,409)	-
Deferred outflows of resources - pensions	(1,712,820)	(5,146,887)
Accounts payable	(102,752)	97,343
Due from Sanitation System	9,482,813	(4,625,675)
Due from Recycling System	(10,673,684)	-
Due to other governments	50,051	1,471
Payroll and compensated absences payable	182,565	228,841
Customer deposits	95,730	69,148
Claims liabilities	561,378	347,001
Long-term compensated absences payable	1,037	(10,589)
Net pension liability	2,863,030	8,353,201
Other postemployment benefits	293,697	89,564
Deferred inflows of resources - pensions	1,033,387	(1,757,614)
Net cash provided by operating activities	$ 43,320,641	$ 38,768,377
Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and investments	$ 2,284,814	$ 2,996,958
Restricted assets	117,422,093	109,719,065
	119,706,907	112,716,023
Less notes receivable and investments	(54,344,644)	(53,947,895)
Cash and cash equivalents	$ 65,362,263	$ 58,768,128
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Property contributed by developers and others	$ 3,698,285	$ 1,557,132
Unrealized depreciation in fair value of investments	$ (481,952)	$ (56,878)

EMERALD COAST UTILITIES AUTHORITY
WATER AND WASTEWATER SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Wastewater	$ 51,959,787	$	$ 51,959,787
Water	39,899,298		39,899,298
Connection charges	408,185		408,185
Sewer improvement fees	5,980,699		5,980,699
Capital improvement fees	896,734		896,734
Charges for overhead	4,340,009	(3,754,709)	585,300
Other	1,722,119		1,722,119
Total operating revenues	105,206,831	(3,754,709)	101,452,122
Operating Expenses Before Depreciation:			
Personal services	34,870,350	(1,344,742)	33,525,608
Contractual services	1,989,364		1,989,364
Professional services	817,750		817,750
Supplies	7,222,377		7,222,377
Repairs and maintenance	4,508,371		4,508,371
Heat, light and power	6,713,781		6,713,781
Other	4,104,925		4,104,925
Total operating expenses before depreciation	60,226,918	(1,344,742)	58,882,176
Operating Income Before Depreciation	44,979,913	(2,409,967)	42,569,946
Depreciation	28,136,423	(28,136,423)	-
Operating income	16,843,490	25,726,456	42,569,946
Nonoperating Revenues (Expenses):			
Investment income	1,052,152	481,952	1,534,104
Interest income on amount due from Recycling System	105,470		105,470
Insurance proceeds	92,123		92,123
Interest expense	(12,167,504)	(986,440)	(13,153,944)
Gain on disposal of assets	23,647	(23,647)	-
Total nonoperating revenues (expenses)	(10,894,112)	(528,135)	(11,422,247)
Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)	5,949,378	25,198,321	31,147,699
Capital contributions - impact fees and other	5,351,731	-	5,351,731
Capital contributions - noncash	3,698,285	(3,698,285)	-
Transfers to Sanitation System	(3,754,709)	3,754,709	-
Principal sinking fund requirements	-	(19,151,796)	(19,151,796)
Change in Net Position	$ 11,244,685	$ 6,102,949	$ 17,347,634

Budget	Variance-Favorable (Unfavorable)
$ 51,959,786	$ 1
39,899,298	-
408,185	-
5,980,699	-
896,734	-
585,300	-
1,722,108	11
101,452,110	12
34,551,662	1,026,054
2,434,199	444,835
906,424	88,674
8,236,297	1,013,920
4,820,603	312,232
6,749,396	35,615
4,508,216	403,291
62,206,797	3,324,621
39,245,313	3,324,633
-	-
39,245,313	3,324,633
1,534,104	-
105,470	-
92,122	1
(14,574,928)	1,420,984
-	-
(12,843,232)	1,420,985
26,402,081	4,745,618
5,351,726	5
-	-
-	-
(20,450,662)	1,298,866
$ 11,303,145	$ 6,044,489

EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS

	2017	2016 (Restated)
Current Assets:		
Unrestricted assets -		
Accounts receivable less allowance for doubtful accounts of $132,500 and $127,700	**$ 2,005,209**	$ 1,772,698
Grants receivable	**1,436**	1,436
Due from Recycling System	**54,378**	-
Materials and supplies	**2,305,875**	2,106,515
Prepaid expenses	**22,750**	-
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	**2,222,709**	2,170,265
Total current assets	**6,612,357**	6,050,914
Noncurrent Assets:		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	**246,540**	381,420
Operating and maintenance fund	**1,895,063**	1,808,442
Capital improvement program	**-**	1,401,658
Total noncurrent restricted assets	**2,141,603**	3,591,520
Capital assets -		
Utility plant in service	**56,665,084**	61,939,512
Construction work in progress	**-**	6,283,376
Intangible assets	**14,996,954**	14,996,954
	71,662,038	83,219,842
Less accumulated depreciation and amortization	**44,492,225**	42,058,962
Total capital assets	**27,169,813**	41,160,880
Unamortized debt issuance costs (net of accumulated amortization $27,053 and $22,207)	**20,592**	25,438
Total noncurrent assets	**29,332,008**	44,777,838
Total assets	**35,944,365**	50,828,752
Deferred Outflows of Resources:		
Loss on bond refunding	**473,246**	582,457
Other postemployment benefits	**45,191**	-
Pensions	**3,756,223**	2,977,637
Total deferred outflows of resources	**4,274,660**	3,560,094
Total Assets and Deferred Outflows	**$ 40,219,025**	$ 54,388,846

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2017	2016 (Restated)
Current Liabilities (Payable From Current Assets):		
Accounts payable	**$ 1,062,169**	$ 806,893
Due to Water and Wastewater System	**9,420,478**	18,317,991
Due to other governments	**14,364**	13,758
Payroll and compensated absences payable	**552,062**	531,126
Total current liabilities (payable from current assets)	**11,049,073**	19,669,768
Current Liabilities (Payable From Restricted Assets):		
Current portion of long-term debt	**4,296,599**	4,106,984
Accrued interest payable	**121,430**	153,365
Accounts payable - capital improvements	**-**	1,541,038
Claims liabilities	**395,101**	376,371
Total current liabilities (payable from restricted assets)	**4,813,130**	6,177,758
Total current liabilities	**15,862,203**	25,847,526
Long-Term Liabilities:		
Claims liabilities	**161,304**	403,677
Long-term debt	**13,514,492**	17,149,927
Long-term compensated absences payable	**270,681**	299,497
Net pension liability	**8,388,079**	7,387,286
Other postemployment benefits	**731,908**	629,605
Total long-term liabilities	**23,066,464**	25,869,992
Total liabilities	**38,928,667**	51,717,518
Deferred Inflows of Resources:		
Pensions	**477,620**	109,762
Net Position:		
Net investment in capital assets	**9,831,968**	20,486,426
Restricted for debt service and other bond requirements	**4,242,882**	4,206,762
Unrestricted	**(13,262,112)**	(22,131,622)
Total net position	**812,738**	2,561,566
Total Liabilities, Deferred Inflows and Net Position	**$ 40,219,025**	$ 54,388,846

EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016 (Restated)
Operating Revenues:		
Customer charges -		
Sanitation	**$ 26,994,033**	$ 25,976,078
Other	**440,573**	418,155
Total operating revenues	**27,434,606**	26,394,233
Operating Expenses Before Depreciation and Amortization:		
Personal services	**10,731,887**	10,330,059
Contractual services	**1,209,493**	1,177,140
Professional services	**29,281**	118,114
Supplies	**1,551,315**	1,201,686
Repairs and maintenance	**3,081,746**	2,355,901
Heat, light and power	**61,826**	74,377
Tipping fees	**5,576,448**	5,687,753
Overhead allocation	**4,340,009**	4,032,796
Other	**845,968**	922,598
Total operating expenses before depreciation and amortization	**27,427,973**	25,900,424
Operating Income Before Depreciation and Amortization	**6,633**	493,809
Depreciation and Amortization	**4,786,299**	4,905,353
Operating loss	**(4,779,666)**	(4,411,544)
Nonoperating Revenues (Expenses):		
Investment income	**7,744**	3,388
Insurance proceeds	**104,369**	-
Interest expense	**(578,367)**	(497,941)
Loss on disposal of assets	**(123,142)**	(1,044)
Total nonoperating expenses, net	**(589,396)**	(495,597)
Loss Before Capital Contributions and Transfers	**(5,369,062)**	(4,907,141)
Capital contributions - other	**250,000**	-
Transfers from Water and Wastewater System	**3,754,709**	3,447,496
Transfers to Recycling System	**(384,475)**	-
Change in Net Position	**(1,748,828)**	(1,459,645)
Net Position at Beginning of Year, as previously reported	**2,561,566**	3,670,354
Restatement for other postemployment benefits	**-**	350,857
Net Position at Beginning of Year, as restated	**2,561,566**	4,021,211
Net Position at End of Year	**$ 812,738**	$ 2,561,566

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EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Cash received from customers and others	$ 27,306,464	$ 26,244,195
Cash paid to suppliers for goods and services	(14,130,407)	(10,568,241)
Cash paid to employees for services	(7,207,342)	(6,496,879)
Net cash provided by operating activities	5,968,715	9,179,075
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,672,403)	(9,468,959)
Principal paid on long-term debt	(4,106,982)	(3,996,658)
Interest paid on long-term debt	(496,246)	(416,812)
Proceeds from sale of assets	36,174	-
Contributions from other governments	250,000	-
Transfer to Recycling System	(384,475)	-
Net cash used for capital and related financing activities	(7,373,932)	(13,882,429)
Cash Flows From Investing Activities:		
Investment income	7,744	3,388
Net cash provided by investing activities	7,744	3,388
Net Decrease in Cash and Cash Equivalents	(1,397,473)	(4,699,966)
Cash and Cash Equivalents, Beginning of Year	5,761,785	10,461,751
Cash and Cash Equivalents, End of Year	$ 4,364,312	$ 5,761,785

EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
COMPARATIVE SCHEDULES OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(Continued)

	2017	2016
Cash Flows From Operating Activities:		
Operating loss	**$ (4,779,666)**	$ (4,411,544)
Adjustments to reconcile net operating loss		
to cash provided by operating activities -		
Depreciation and amortization	**4,786,299**	4,905,353
Insurance proceeds	**104,369**	-
Charges for overhead	**4,340,009**	4,032,796
Changes in -		
Accounts receivable	**(232,511)**	(150,038)
Due from Recycling System	**(54,378)**	-
Materials and supplies	**(199,360)**	(358,346)
Prepaid expenses	**(22,750)**	10,601
Deferred outflows of resources - other postemployment benefits	**(45,191)**	-
Deferred outflows of resources - pensions	**(778,586)**	(1,773,789)
Accounts payable	**255,276**	(191,182)
Due to Water and Wastewater System	**1,355,167**	4,625,675
Due to other governments	**606**	705
Payroll and compensated absences payable	**20,936**	21,047
Claims liabilities	**(223,643)**	206,599
Long-term compensated absences payable	**(28,816)**	15,051
Net pension liability	**1,000,793**	2,753,600
Other postemployment benefits	**102,303**	30,436
Deferred inflows of resources - pensions	**367,858**	(537,889)
Net cash provided by operating activities	**$ 5,968,715**	$ 9,179,075
Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Restricted cash and cash equivalents	**$ 4,364,312**	$ 5,761,785
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Equipment acquired under capital lease	**$ 661,163**	$ -
Equipment and improvements transferred to Recycling System	**$ (10,837,980)**	$ -

EMERALD COAST UTILITIES AUTHORITY
SANITATION SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Customer charges -			
Sanitation	$ 26,994,033	$	$ 26,994,033
Other	440,573		440,573
Total operating revenues	27,434,606	-	27,434,606
Operating Expenses Before Depreciation and Amortization:			
Personal services	10,731,887	(647,368)	10,084,519
Contractual services	1,209,493		1,209,493
Professional services	29,281		29,281
Supplies	1,551,315		1,551,315
Repairs and maintenance	3,081,746		3,081,746
Heat, light and power	61,826		61,826
Tipping	5,576,448		5,576,448
Overhead allocation	4,340,009	(3,754,709)	585,300
Other	845,968		845,968
Total operating expenses before depreciation	27,427,973	(4,402,077)	23,025,896
Operating Income Before Depreciation and Amortization	6,633	4,402,077	4,408,710
Depreciation and Amortization	4,786,299	(4,786,299)	-
Operating income (loss)	(4,779,666)	9,188,376	4,408,710
Nonoperating Revenues (Expenses):			
Investment income	7,744		7,744
Insurance proceeds	104,369		104,369
Interest expense	(578,367)		(578,367)
Loss on disposal of assets	(123,142)	123,142	-
Total nonoperating revenues (expenses)	(589,396)	123,142	(466,254)
Income (Loss) Before Capital Contributions, Transfers And Other Financing Sources (Uses)	(5,369,062)	9,311,518	3,942,456
Capital contributions - other	250,000		250,000
Transfers from Water and Wastewater System	3,754,709	(3,754,709)	-
Transfers to Recycling System	(384,475)	384,475	-
Principal sinking fund requirements	-	(4,106,982)	(4,106,982)
Change in Net Position	$ (1,748,828)	$ 1,834,302	$ 85,474

Budget	Variance - Favorable (Unfavorable)
$ 26,994,027	$ 6
440,570	3
27,434,597	9
10,309,279	224,760
1,209,495	2
29,282	1
1,551,337	22
3,081,752	6
61,826	-
5,576,448	-
585,300	-
915,912	69,944
23,320,631	294,735
4,113,966	294,744
-	-
4,113,966	294,744
7,744	-
104,369	-
(609,828)	31,461
-	-
(497,715)	31,461
3,616,251	326,205
250,000	-
-	-
-	-
(3,993,273)	(113,709)
$ (127,022)	$ 212,496

EMERALD COAST UTILITIES AUTHORITY
RECYCLING SYSTEM
SCHEDULE OF ASSETS, LIABILITIES AND NET POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:	
Unrestricted assets -	
Cash	$ 402,882
Accounts receivable	352,600
Total current assets	755,482
Noncurrent Assets:	
Capital assets -	
Utility plant in service	11,095,660
Less accumulated depreciation	679,766
Total capital assets	10,415,894
Total noncurrent assets	10,415,894
Total Assets	$ 11,171,376

LIABILITIES AND NET POSITION

Current Liabilities:		
Accounts payable	$	**125,679**
Current portion of long-term debt		**333,333**
Due to Water and Wastewater System		**7,444,689**
Due to Sanitation System		**54,378**
Payroll and compensated absences payable		**14,897**
Total current liabilities		**7,972,976**
Long-Term Liabilities:		
Long-term debt		**2,416,667**
Total liabilities		**10,389,643**
Net Position:		
Net investment in capital assets		**7,665,894**
Unrestricted		**(6,884,161)**
Total net position		**781,733**
Total Liabilities and Net Position	**$**	**11,171,376**

EMERALD COAST UTILITIES AUTHORITY
RECYCLING SYSTEM
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2017

Operating Revenues:	
Recycling	$ 1,650,632
Operating Expenses Before Depreciation:	
Personal services	118,516
Contractual services	1,435
Professional services	44,084
Supplies	34,792
Repairs and maintenance	71,308
Heat, light and power	82,816
Other	116,016
Total operating expenses before depreciation	468,967
Operating Income Before Depreciation	1,181,665
Depreciation	678,937
Operating income	502,728
Nonoperating Expenses:	
Interest expense on amount due to Water and Wastewater System	(105,470)
Income Before Transfers	397,258
Transfers from Sanitation System	384,475
Change in Net Position	781,733
Net Position at Beginning of Year	-
Net Position at End of Year	$ 781,733

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EMERALD COAST UTILITIES AUTHORITY
RECYCLING SYSTEM
SCHEDULE OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017

Cash Flows From Operating Activities:	
Cash received from customers and others	$ 1,298,032
Cash paid to suppliers for goods and services	(369,663)
Cash paid to employees for services	(68,646)
Net cash provided by operating activities	859,723
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(256,851)
Proceeds from issuance of long-term debt	3,000,000
Principal paid on long-term debt	(250,000)
Cash paid to Water and Wastewater System for capital assets	(3,228,995)
Interest paid on amount due to Water and Wastewater System	(105,470)
Transfer from Sanitation System	384,475
Net cash used for capital and related financing activities	(456,841)
Net Increase in Cash and Cash Equivalents	402,882
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	$ 402,882

EMERALD COAST UTILITIES AUTHORITY
RECYCLING SYSTEM
SCHEDULE OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2017
(Continued)

Cash Flows From Operating Activities:		
Operating income	$	502,728
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation		678,937
Changes in -		
Accounts receivable		(352,600)
Accounts payable		125,679
Due to Water and Wastewater System		(164,296)
Due to Sanitation System		54,378
Payroll and compensated absences payable		14,897
Net cash provided by operating activities	$	859,723
Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and cash equivalents	$	402,882
Supplemental Schedule of Noncash Investing, Capital and Financing Activities:		
Equipment and improvements transferred from Sanitation System	$	10,837,980

EMERALD COAST UTILITIES AUTHORITY
RECYCLING SYSTEM
SCHEDULE OF REVENUES AND EXPENSES COMPARED TO BUDGET
YEAR ENDED SEPTEMBER 30, 2017

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
Operating Revenues:			
Recycling	$ 1,650,632	$	$ 1,650,632
Operating Expenses Before Depreciation:			
Personal services	118,516	(2,203)	116,313
Contractual services	1,435		1,435
Professional services	44,084		44,084
Supplies	34,792		34,792
Repairs and maintenance	71,308		71,308
Heat, light and power	82,816		82,816
Other	116,016		116,016
Total operating expenses before depreciation	468,967	(2,203)	466,764
Operating Income Before Depreciation	1,181,665	2,203	1,183,868
Depreciation	678,937	(678,937)	-
Operating income	502,728	681,140	1,183,868
Nonoperating Expenses:			
Interest expense on amount due to Water and Wastewater System	(105,470)		(105,470)
Income Before Transfers And Other Financing Sources (Uses)	397,258	681,140	1,078,398
Transfers from Sanitation System	384,475	(384,475)	-
Principal sinking fund requirements	-	(250,000)	(250,000)
Change in Net Position	$ 781,733	$ 46,665	$ 828,398

Budget	Variance - Favorable (Unfavorable)
$ 1,650,630	$ 2
118,520	2,207
1,900	465
44,085	1
45,138	10,346
71,309	1
82,817	1
124,645	8,629
488,414	21,650
1,162,216	21,652
-	-
1,162,216	21,652
(105,470)	-
1,056,746	21,652
-	-
(250,000)	-
$ 806,746	$ 21,652

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STATISTICAL SECTION - UNAUDITED

STATISTICAL SECTION - UNAUDITED

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	2017		2016		2015		2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	**$ 407,912**		$ 399,285		$ 393,658		$ 333,049	$ 314,996	$ 340,956	$ 386,293	$ 439,104	$ 393,117	$ 233,930
Restricted	**33,897**		32,460		25,871		46,141	50,420	48,228	45,881	40,971	38,376	36,204
Unrestricted	**80,543**	**	80,329		84,299	*	110,260	133,986	105,647	37,649	12,926	39,945	55,893
Total net position	**$ 522,352**		$ 512,074		$ 503,828		$ 489,450	$ 499,402	$ 494,831	$ 469,823	$ 493,001	$ 471,438	$ 326,027

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

** Amount includes restatement for other postemployment benefits totaling $1,600,952.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues:										
Customer charges	**$ 118,853**	$ 114,358	$ 110,060	$ 104,024	$ 99,494	$ 96,815	$ 94,520	$ 87,359	$ 83,454	$ 80,812
Connection charges	**408**	385	370	324	356	310	263	232	246	467
Sewer improvement fees	**5,981**	5,859	5,877	5,902	5,878	5,895	5,892	5,918	5,924	6,097
Capital improvement fees	**897**	-	-	-	-	-	-	-	-	-
Recycling	**1,650**	-	-	-	-	-	-	-	-	-
Other	**2,163**	2,269	2,157	2,126	2,188	2,603	4,963	2,266	2,578	2,870
Total operating revenues	**129,952**	122,871	118,464	112,376	107,916	105,623	105,638	95,775	92,202	90,246
Operating Expenses Before Depreciation and Amortization:										
Personal services	**45,721**	44,134	38,888	36,189	34,999	33,788	33,711	34,574	34,779	32,470
Contractual services	**3,200**	2,858	4,605	4,492	2,635	2,440	2,677	3,061	2,253	2,879
Professional services	**891**	967	1,329	1,242	726	826	677	740	845	482
Supplies	**8,809**	7,816	8,351	7,326	7,215	7,190	6,712	6,023	6,142	6,685
Repairs and maintenance	**7,661**	6,603	5,922	6,330	4,823	4,453	3,405	3,459	3,119	3,797
Heat, light and power	**6,858**	6,899	7,025	7,007	6,399	6,709	7,565	6,652	6,390	5,400
Tipping fees	**5,577**	5,688	4,975	4,846	4,378	4,243	4,130	3,774	3,651	3,516
Other	**5,067**	4,307	4,051	3,601	3,459	3,405	3,276	3,592	3,899	3,931
Total operating expenses before depreciation and amortization	**83,784**	79,272	75,146	71,033	64,634	63,054	62,153	61,875	61,078	59,160
Operating Income Before Depreciation and Amortization:	**46,168**	43,599	43,318	41,343	43,282	42,569	43,485	33,900	31,124	31,086
Depreciation and Amortization	**33,602**	30,482	28,466	26,340	27,489	28,632	24,961	22,751	19,340	18,152
Operating income	**12,566**	13,117	14,852	15,003	15,793	13,937	18,524	11,149	11,784	12,934

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Nonoperating Revenues (Expenses):										
Investment income	**1,060**	1,170	1,195	629	456	575	816	2,297	4,054	5,132
Settlement income	**-**	-	-	-	-	-	413	813	10,047	-
Interest expense	**(12,746)**	(13,370)	(13,342)	(13,821)	(15,787)	(15,791)	(15,037)	(12,907)	(14,102)	(9,864)
Hurricane disaster assistance, net	**-**	-	-	-	-	-	-	-	-	(327)
Insurance recoveries, net	**197**	120	210	91	-	-	-	-	-	-
Gain (loss) on disposal of assets	**(99)**	(875)	4,752	(488)	(168)	(586)	(30,987)	(865)	(818)	(226)
Total nonoperating revenues (expenses)	**(11,588)**	(12,955)	(7,185)	(13,589)	(15,499)	(15,802)	(44,795)	(10,662)	(819)	(5,285)
Income (Loss) Before Capital Contributions	**978**	162	7,667	1,414	294	(1,865)	(26,271)	487	10,965	7,649
Capital contributions - cash	**5,602**	4,926	4,356	5,304	3,135	25,616	2,403	18,700	133,868	15,431
Capital contributions - noncash	**3,698**	1,557	2,355	1,069	1,142	1,258	689	2,376	578	5,564
Change in Net Position	**$ 10,278**	$ 6,645	$ 14,378	$ 7,787	$ 4,571	$ 25,009	$ (23,179)	$ 21,563	$ 145,411	$ 28,644

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	Recycling System Loan	Total
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
2016	$ 66,489,111	$ 26,498,638	$ 74,970,185	$ 5,498,000	$ 195,497,000	$ -	$ 368,952,934
2017	**$ 62,278,321**	$ **23,088,812**	**$ 53,275,081**	$ **4,647,000**	$ **216,223,189**	$ **2,750,000**	$ **362,262,403**

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
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
2016	$ 347,696,023	91,878	$ 3,784	$ 21,256,911	106,686	$ 199
2017	**$ 341,701,312**	**93,296**	**$ 3,663**	**$ 17,811,091**	**109,544**	**$ 163**

* Recycling system revenue is not based on user charges. Debt per customer information is not applicable.

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

Year		Operating Revenue and Interest Income	Operating Expenses Before Depreciation and Amortization	Net Revenue Available For Debt Service	Debt Service	Actual Coverage	Required Coverage
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
2016		$ 124,097,387	$ 79,271,761	$ 44,825,626	$ 26,162,934	1.71	1.25
2017	*	**$ 129,843,276**	$ **83,314,882**	**$ 46,528,394**	**$ 26,345,556**	**1.77**	**1.25**

* Operating revenue from the recycling system is excluded.

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

Year	Water	Percent Change	Sewer	Percent Change	Ratio of Sewer Customers To Water Customers	Sanitation	Percent Change
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%
2016	91,878	1%	70,609	2%	77%	106,686	4%
2017	**93,296**	**2%**	**71,955**	**2%**	77%	**109,544**	**3%**

EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL CUSTOMERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2017 AND 2008
(UNAUDITED)

2017

Name	Water Sales in Millions of Gallons	Annual Revenue: Water	Annual Revenue: Sewer	Annual Revenue: Total	Percentage of Total Operating Revenue
NAVFAC SE (NAS PCOLA)	0.0	$ -	$ 2,304,795	$ 2,304,795	1.8
NAVFAC SE (CORRYSTATION SW)	0.0	-	691,383	691,383	0.5
Escambia County Jail	71.6	178,489	469,170	647,659	0.5
Baptist Hospital	60.1	171,983	406,730	578,713	0.4
Pall Gelman Sciences	67.9	167,247	378,445	545,692	0.4
Portofino Island Resort	50.9	235,565	303,644	539,209	0.4
Sacred Heart Hospital	41.6	121,726	261,477	383,203	0.3
Escambia Housing	32.9	93,242	236,867	330,109	0.3
DM Oakwood Terrace	33.4	83,033	240,309	323,342	0.2
University of West Florida	0.0	684	295,410	296,094	0.2
Pensacola Christian College	30.7	87,476	183,311	270,787	0.2
Columbia West Florida Regional Medical Center	25.9	69,822	186,682	256,504	0.2
U.S. Navy--Saufley Field	29.4	75,210	162,836	238,046	0.2
Azalea Trace Inc.	26.1	67,407	170,601	238,008	0.2
Navy Federal Credit Union	28.4	98,740	116,290	215,030	0.2
	498.9	$ 1,450,624	$ 6,407,950	$ 7,858,574	6.0

2008

Name	Water Sales in Millions of Gallons	Annual Revenue: Water	Annual Revenue: Sewer	Annual Revenue: Total	Percentage of Total Revenue
NAVFAC SE (Corry Station SW)	0.0	$ -	$ 626,120	$ 626,120	0.7
Pensacola Christian College	85.5	147,915	415,472	563,387	0.6
Escambia County Jail	74.9	127,797	318,661	446,458	0.5
Baptist Hospital	63.4	120,347	295,412	415,759	0.5
Escambia Housing	54.8	103,901	266,996	370,897	0.4
Sacred Heart Hospital	59.1	110,818	256,631	367,449	0.4
Pall Gelman Sciences	53.0	88,009	223,835	311,844	0.3
Portofino Island Resort	37.0	126,699	183,141	309,840	0.3
University of West Florida	0.0	480	261,219	261,699	0.3
U.S. Navy--Saufley Field	43.9	66,944	176,795	243,739	0.3
Perdido Housing	32.4	58,312	158,808	217,120	0.2
Crown Health Care & Laundry	37.7	63,085	147,701	210,786	0.2
Columbia West Florida Regional Medical Center	26.8	49,040	131,447	180,487	0.2
DM Oakwood Terrace (formerly Royal Place Apts)	23.6	40,626	115,440	156,066	0.2
Eden Owner Association	23.7	42,262	97,633	139,895	0.2
	615.8	$ 1,146,235	$ 3,675,311	$ 4,821,546	5.3

EMERALD COAST UTILITIES AUTHORITY
PRINCIPAL EMPLOYERS
FOR THE FISCAL YEARS ENDED SEPTEMBER 2017 AND 2008
(UNAUDITED)

2017

Name	Number of Employees	Percentage of Total Employment
Baptist Health Care	6,633	4.68%
Navy Federal Credit Union	6,210	4.38%
Sacred Heart Health System	4,820	3.40%
Gulf Power Company	1,774	1.25%
West Florida Healthcare	1,200	0.85%
Ascend Performance Materials	888	0.63%
Alorica (fkaWest Corporation)	800	0.56%
Innisfree Hotels	750	0.53%
Medical Center Clinic	500	0.35%
International Paper	450	0.32%
CHCS Services/iGate	409	0.29%
	24,434	17.24%

2008

Name	Number of Employees	Percentage of Total Employment
Local Government	15,790	5.94%
Federal Government	7,403	2.79%
State Government	5,970	2.25%
Sacred Heart Health System	5,000	1.88%
Baptist Health Care	3,163	1.19%
Lakeview	2,000	0.75%
Gulf Power Company	1,400	0.53%
Solutia, Inc	1,400	0.53%
West Florida Hospital	1,300	0.49%
University of West Florida	1,231	0.46%
	44,657	16.81%

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 2016 - September 2017

Month	Monthly Rainfall (inches)
October	0.00
November	0.86
December	9.62
January	11.73
February	3.62
March	2.36
April	3.71
May	7.08
June	20.73
July	5.18
August	20.44
September	3.01
	88.34

Pensacola, Florida
Last Ten Fiscal Years

Year	Annual Rainfall (inches)
2008	71.00
2009	72.40
2010	83.65
2011	48.15
2012	70.49
2013	69.52
2014	84.98
2015	61.21
2016	77.75
2017	**88.34**

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

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

Year	Pumped (Millions of gallons)	Consumption Billed (Millions of gallons)	Unaccounted For (Millions of gallons)	Percentage Unaccounted For
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%
2016	11,472	10,686	786	6.85%
2017	**11,425**	**10,041**	**1,384**	**12.11%**
	117,159	105,288	11,871	10.13%

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

Year	Central Water Reclamation Facility (1)	Main Street Wastewater Treatment Plant (2)	Bayou Marcus Water Reclamation Facility	Pensacola Beach Wastewater Treatment Plant	Total
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
2016	5,422		2,195	370	7,987
2017	**5,403**		**2,019**	**336**	**7,758**
	35,651	18,994	21,274	3,194	79,113

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water:										
New connections	767	669	614	588	666	524	438	424	437	659
Average daily consumption (MGD)	31.277	31.326	31.972	31.142	30.227	31.180	34.816	33.560	32.914	34.473
Maximum daily flow (MGD)	35.898	35.826	36.956	53.280	50.697	50.180	54.033	45.590	58.426	55.466
Minimum daily flow (MGD)	27.656	27.028	27.569	22.328	22.109	22.460	22.436	24.680	24.242	25.105
Raw water pumped and treated (MG)	952	956	11,684	11,382	11,041	11,435	12,725	12,253	11,583	12,159
Wastewater:										
New connections	782	754	709	885	1,024	629	494	556	569	560
Treatment capacity (MGD)	33.100	33.100	33.100	33.100	33.100	33.100	33.100	30.600	30.600	30.600
Average daily treated flow (MGD)	21.243	21.813	21.603	22.116	21.158	20.506	20.583	23.776	21.598	22.800
Percent of capacity utilized	63.5	65.0	65.3	66.8	62.8	47.6	72.5	75.5	71.2	72.6
Percent of unused capacity	36.5	35.0	34.7	33.2	37.2	52.4	27.5	24.5	28.8	27.4
Sanitation System:										
Residential (tons/year)	90,399	85,315	67,826	74,779	74,949	71,931	70,239	73,555	75,094	79,877
Yard waste (tons/year)	20,344	22,519	21,644	25,122	22,626	17,990	17,711	14,479	13,069	12,332
Recycling waste (tons/year)[1]	13,157	-	13,490	12,064	11,132	10,357	9,148	7,864	3,682	-
Bulk waste (tons/year)	8,184	6,985	6,496	7,064	5,538	3,590	2,602	3,015	2,958	2,726
Total residential tons	132,084	114,819	109,456	119,029	114,245	103,868	99,700	98,913	94,803	94,935
Average number of customers/month	91,491	91,022	87,513	81,554	73,763	79,810	79,516	78,711	73,256	63,617
Refuse collected (tons/customer/year)	1.444	1.261	1.251	1.460	1.549	1.301	1.254	1.257	1.294	1.492
Commercial (tons/year)	13,461	13,625	12,529	11,217	10,418	10,179	10,388	6,678	9,308	18,314
Roll-off (tons/year)	3,171	3,648	4,929	3,461	3,212	1,333	1,128	1,627	3,603	6,567
Total commercial tons	16,632	17,273	17,458	14,678	13,630	11,512	11,516	8,305	12,911	24,881
Average number of customers/month	1,505	1,434	1,304	1,257	1,213	1,291	1,338	1,395	837	2,912
Refuse collected (tons/customer/year)	11.051	12.045	13.388	11.677	11.237	8.917	8.607	5.953	15.425	8.544

Note: [1] Fiscal Year 2009 was the first year of recycling and only collected for the last nine months of the year. Receycling 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

	Single Family		Townhouse/Condominium	
Year	Number	Average Price	Number	Average Price
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
2016	4,913	$ 153,169	703	$ 248,667
2017	**6,763**	**$ 160,222**	**1,093**	**$ 325,838**

Source: Metro Market Trends

CONSTRUCTION STARTS

	Residential	
	Number of Units	Value ($000)
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
2016	1,419	$ 229,286
2017	**928**	**$ 228,500**

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

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

ESCAMBIA COUNTY POPULATION

Year		Population	Change	Percent Change
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%
2016		309,986	4,114	1.35%
2017		**313,381**	**3,395**	**1.10%**

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

Year	Estimated Personal Income ($000)	Per Capita Personal Income	Unemployment Rate
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%
2016	$ 11,945,028	$ 38,408	5.1%
2017	**$ 12,475,686**	**$ 39,582**	**3.4%**

Source: Personal income data provided by the U.S. Bureau of Economic Analysis.
Estimates for 2008-2011 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

Year	Water and Wastewater System	Sanitation System	Recycling System	Total
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
2016	452	149		601
2017	**452**	**158**	**2**	**612**

Source: Authority's annual budget

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

CAPITAL ASSET STATISTICS BY ACTIVITY

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Water:										
Wells	**31**	31	32	32	32	32	32	32	32	34
Water mains (miles)	**1,692**	1,689	1,685	1,685	1,746	1,684	1,680	1,678	1,713	1,591
Storage capacity (MGD)	**17**	15	16	16	14	14	14	14	14	14
Wastewater:										
Treatment plants	**3**	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	**1,254**	1,249	1,243	1,237	1,222	1,209	1,202	1,198	1,294	1,079
Treatment capacity (MGD)	**33**	33	33	33	33	33	33	31	31	31
Sanitation:										
Collection vehicles	**122**	125	125	104	104	95	94	94	98	98

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EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2017
(UNAUDITED)

Types of Coverage	Name of Company	Details of Coverage	Liability Limits
Property Coverage	Florida Municipal Insurance Trust Policy #0162	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)		Conditions: Coverage including flood in zones A through E
	Policy No.: 09 1150776890 04	$1,250/$1,250	$500,000 Bldg/$500,000 Contents
	Policy No.: 09 1150566401 06	$1,250/$1,250	$500,000 Bldg/$500,000 Contents
	Policy No.: 09 1150048479 07	$1,250/$1,250	$250,000 Bldg/$412,000 Contents
	Policy No.: 09 1150021831 07	$1,250/$1,250	$363,000 Bldg/$441,000 Contents
	Policy No.: 09 1150443043 07	$2,000/$2,000	$292,800 Bldg/$106,500 Contents
	Policy No.: 09 1150443042 07	$2,000/$2,000	$39,900 Bldg/$30,500 Contents
	Policy No.: 09 1150443051 07	$2,000/$2,000	$22,000 Bldg/$262,500 Contents
	Policy No.: 09 1151457055 00	$1,250/$1,250	$245,000 Bldg/$100,000 Contents
	Policy No.: 09 1151457052 00	$1,250/$1,250	$346,500 Bldg/$221,800 Contents
	Policy No.: 09 1151457059 00	$1,250/$1,250	$173,300 Bldg/$50,000 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 $83,343 total stop loss – auto liability $75,000 total stop loss – auto physical damage
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) $100,000 Deductible	1) $100,000,000 per accident 2) The limit of liability is paid on a repair or replacement basis

EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2017
(UNAUDITED)

Types of Coverage	Name of Company	Details of Coverage	Liability Limits
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) CWRF
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) Policy #106380356	1) Losses inside and outside of premises 2) Employee Dishonesty	$1,000,000
Road Restoration	Western Surety Company (PRIA) 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) 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, 2017
(UNAUDITED)

Types of Coverage	Name of Company	Details of Coverage	Liability Limits
Directors & Officers Liability - Public Officials E & O - (Public Entity Liability Policy)	ECUA Self-insured	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	State of Florida (Sovereign Immunity) $200,000 per person $300,000 per occurrence
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, 2017
(UNAUDITED)

Types of Coverage	Name of Company	Details of Coverage	Liability Limits
Medical Insurance	Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.	All plans cover annual exams, preventive care, mental health services, substance use services, and eligible inpatient and outpatient services in participating facilities. Maximum out-of-pocket per calendar year includes annual deductible.	
		Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus $1,300/2,600 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 + coinsurance Discounted fees paid for emergency health services; deductible + coinsurance $10/35/60 pharmacy copayment for 31-day supply, after deductible has been met In-network & Out-of-network benefits Employer contribution into Health Savings Account: $850/employee only; $1,275/employee + family	**Plan 5 - FMIT Health Savings Account Medical Plan ASO Choice Plus** Maximum Policy Benefit: No Maximum Policy Benefit FMIT contracted fees are paid for covered medical services until annual deductible has been met. Coinsurance of 10% is required for eligible in-network expenses after deductible is satisfied. Mental Health & Substance Use Services, Outpatient: 10% of eligible expenses after deductible. Mental Health & Substance Use Services, Inpatient & Intermediate: 10% of eligible expenses after deductible.

EMERALD COAST UTILITIES AUTHORITY
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2017
(UNAUDITED)

Types of Coverage	Name of Company	Details of Coverage	Liability Limits
Medical Insurance (Continued)	Florida Municipal Insurance Trust (FMIT); FMIT contracts with UnitedHealthcare to provide claims administration services, including a provider network.	**Plan 14 - FMIT Medical Plan ASO Choice Plus** $1,000/2,000 deductible per calendar year $4,000/8,000 out-of-pocket maximum per calendar year 80%/20% coinsurance for major services after deductible has been met 100% coverage for preventive care $25/50 per office visit $200 fee for emergency health services $10/35/60 pharmacy copayment for 31-day supply In-network & Out-of-network benefits	**Plan 14 - FMIT Medical Plan ASO Choice Plus** Maximum Policy Benefit: No Maximum Policy Benefit Mental Health & Substance Use Services, Outpatient: $25 per visit, In-network. Mental Health & Substance Use Services, Inpatient & Intermediate: 20% of eligible expenses after deductible, In-network.
Life Insurance	The Standard Insurance Company	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	The Standard Insurance Company	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	The Standard Insurance Company	60% of gross monthly income, pre-disability earnings 180-day 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, 2017, 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 27, 2018.

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.

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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.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 27, 2018

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, 2017. 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, 2017.

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 theses specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 27, 2018

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, 2017, and have issued our report thereon dated February 27, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Requirements

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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 27, 2018, 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 financial audit report. No findings and recommendations were made in the preceding financial audit report.

Members of the Board
Emerald Coast Utilities Authority

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the Authority. 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.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Members of the Board
Emerald Coast Utilities Authority

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, the Authority's Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 27, 2018