

**Utilities Commission,
City of New Smyrna Beach, Florida**



Comprehensive Annual Financial Report

(A Component Unit of the City of New Smyrna Beach, Florida)

September 30, 1999 and 1998

**Utilities Commission,
City of New Smyrna Beach, Florida**

(A Component Unit of the City of New Smyrna Beach, Florida)

Comprehensive Annual Financial Report

For the Fiscal Years Ended September 30, 1999 and 1998

UTILITIES COMMISSIONERS

Peter E. Mallory, Chairman

Robert S. Thurlow, Vice Chairman

Carolyn F. Bosiger, Secretary-Treasurer

Robert G. Westhrin, Assistant Secretary-Treasurer

James U. Martin, Commissioner

UTILITIES DIRECTOR

Ronald L. Vaden

CHIEF FINANCIAL OFFICER

Roberto O. Montalvo, CPA

LEGAL COUNSEL

Hal Spence, P.A.

INDEPENDENT AUDITORS

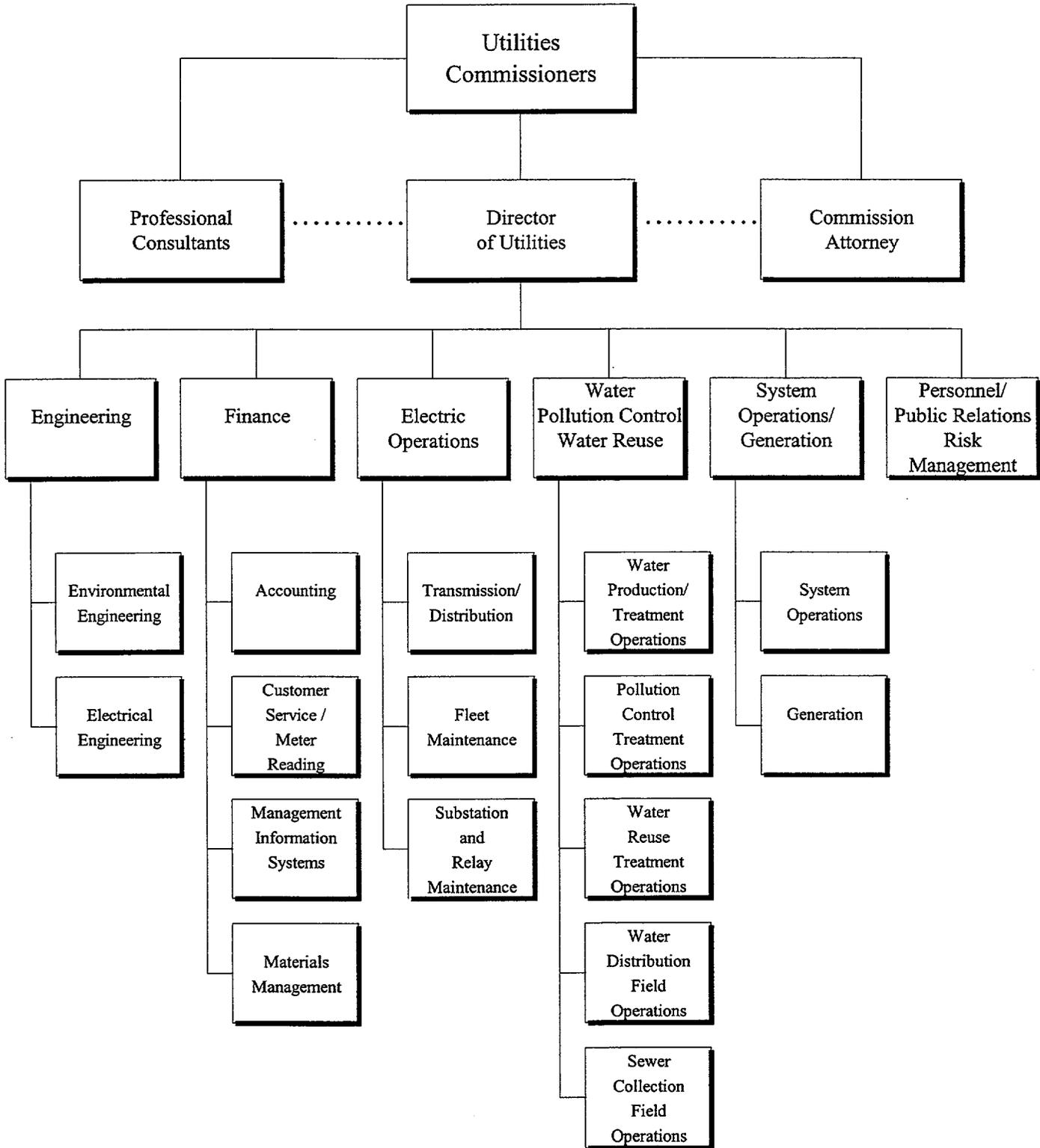
Brent Millikan & Company, P.A.

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September 30, 1999 and 1998
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NEW SMYRNA BEACH, FLORIDA

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ORGANIZATION CHART

ORGANIZATION CHART
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA



CERTIFICATE OF ACHIEVEMENT

For the year ended September 30, 1998

*The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the Utilities Commission, City of New Smyrna Beach, Florida, for its Component Unit Financial Report for the fiscal year ended September 30, 1998.*

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes that this report continues to conform to Certificate of Achievement Program standards.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Utilities Commission,
City of New Smyrna Beach,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1998

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



Cary Brueck
President

Jeffrey L. Esser
Executive Director

LETTER OF TRANSMITTAL

UTILITIES COMMISSION

CITY OF NEW SMYRNA BEACH, FLORIDA
ELECTRIC, WATER, POLLUTION CONTROL
Post Office Box 100 - 200 Canal St.
New Smyrna Beach, Florida 32170-0100
(904) 427-1361



November 9, 1999

To the Chairman and Members
of the Utilities Commission
City of New Smyrna Beach, Florida

The Comprehensive Annual Financial Report of the Utilities Commission, City of New Smyrna Beach, Florida, for the fiscal years ended September 30, 1999 and 1998, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utilities Commission. To the best of our knowledge and belief, the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operations of the Utilities Commission. All disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

This financial report is presented in four sections: introductory, financial, statistical, and compliance (Auditor General of the State of Florida). The introductory section includes this transmittal letter, the Utilities Commission's organization chart, a list of principal officials, the table of contents and a reproduction of the Certificate of Achievement for Excellence in Financial Reporting for 1998. The financial section includes the basic financial statements and the independent auditors' report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, and selected ten-year historical financial information.

The Utilities Commission is required to be audited in accordance with Chapter 10-500, Rules of the Auditor General of the State of Florida. Information related to this audit, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, are included in the compliance section of this report.

REPORTING ENTITY AND SERVICES PROVIDED

The Utilities Commission, City of New Smyrna Beach, Florida, provides a full range of electric, water, pollution control and water reuse services to its customers both inside and outside the city limits. These activities are fully accounted for in this financial report.

The funds and entities related to the operation of the Utilities Commission which are included in these financial statements are a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity. The Comprehensive Annual Financial Report of the Utilities Commission is issued separately to provide a comprehensive financial reporting summary and presentation to the Utilities Commission and its revenue certificate holders. Audited financial statements of the primary government (City of New Smyrna Beach, Florida), are available upon request from the City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida, 32168.

ECONOMIC CONDITION AND OUTLOOK

The economic condition and outlook of the Utilities Commission have continually improved during the past several years due in large part to the controlled development of residential and commercial properties which in turn has increased the Commission's quality customer base. In addition, substantial increases in the local tourism, light manufacturing, and service related business industries have had a positive effect on the area's employment statistics.

To the Chairman and Members
of the Utilities Commission
City of New Smyrna Beach, Florida
November 9, 1999
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MAJOR INITIATIVES

The Commission has established a Capital Improvements Plan (Plan) through 2004. The capital expenditures of this Plan are scheduled to be funded through a combination of connection fees, Renewal and Replacement Fund proceeds, and other funding. These capital improvement plans are in addition to the annual capital requirements for routine extensions of existing utility facilities to serve new customers.

Significant system improvements contemplated in the Plan consist of the following:

- New power plant and substation modifications to accommodate 500 MW power plant
- New 115kV electric transmission line, double circuiting of approximately 13 miles of line
- New 30 MVA distribution substation, including site acquisition
- Sugar Mill Water and Wastewater System Acquisition
- Replacing existing wastewater force mains crossing under the Intracoastal Indian River
- Planned expansion of the water reuse system and extension of the transmission system to provide irrigation service to prospective customers.

On December 10, 1997, the Commission approved entering into a Joint Participation Agreement with Duke Energy Corporation for constructing a 500 MW natural gas fired electric utility plant. Under this agreement, the Commission will receive an entitlement to 30 MW of electric capacity at a significant savings in cost to produce this power. The anticipated savings would be passed on by the Commission by lowering customer rates by up to 15%. The Agreement, which must be approved by the Florida Public Service Commission, is expected to be a "landmark project" since its outcome will undoubtedly have a significant effect on the electric utility industry in the State of Florida. As of September 30, 1999 this matter has been brought before the Florida Supreme Court as a result of legal challenges brought before the Court by other utilities in the state of Florida. The outcome of the Supreme Court's findings is unknown as of this date. Upon final hearings by the Court the matter will be referred to the State of Florida Governor's Cabinet.

The construction of the 6 MGD wastewater pollution control facility is a significant addition to the Commission's pollution control system and was completed in September 1999. It will provide advanced wastewater treatment capabilities, additional capacity for future growth and the means to meet and/or exceed current environmental regulatory requirements. The financing of the construction costs for this facility was primarily through the loan disbursements drawn on the State Revolving Fund Wastewater Construction Loan Program. Formal closing on this financing is expected to be on or before December 31, 1999.

Commission forecasts for the electric, water, pollution control, and water reuse systems indicate that the existing and planned major facilities will be adequate to accommodate the expected growth during the five year period of the Plan.

With regard to Year 2000 issues the Commission has concluded its assessment, remediation, validation and testing stages for compliance with the Year 2000 problem relating to its Management Information Systems and critical Systems Operations for the utility systems to make certain uninterrupted operations of the Commission.

To the Chairman and Members
of the Utilities Commission
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FINANCIAL INFORMATION

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

Budgeting Controls

The Utilities Commission maintains an integrated system of budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the approved annual budget. The operating activities of the electric, water, pollution control and water reuse systems are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within each individual operating system. The Commission also maintains a separate encumbrance accounting system as one technique of accomplishing budgetary control. This system is used exclusively to maintain budgetary control and is not utilized for purposes of presenting financial statements prepared in accordance with generally accepted accounting principles.

As is demonstrated by the financial statements and schedules in the financial section of this report, the Utilities Commission continues to meet its responsibility for sound financial management.

Utility Operations

In compliance with Resolution No. 16-75, the electric, water and pollution control systems are accounted for as a single enterprise fund. As of September 30, 1999, the Utilities Commission served 20,920 electric customers, 17,516 water customers, 14,600 pollution control customers, and 286 reclaimed water customers. Service totals for the last five years are summarized below:

<u>Fiscal Year</u>	<u>Electric Accounts</u>	<u>Water Accounts</u>	<u>Pollution Control Accounts</u>	<u>Reclaimed Water Accounts</u>
1995	20,055	16,148	13,762	105
1996	20,139	16,275	14,017	165
1997	20,501	16,727	14,356	188
1998	20,644	16,988	14,355	248
1999	20,920	17,516	14,600	286

The current year's operating revenue from the combined utilities systems totaled \$32.55 million, a decrease of 1.1% below last year's \$32.91 million. This slight decrease is primarily the result of a decrease in electric rates. The Commission continued reduction in electric utility rates, implemented in conjunction with the Commission's planned expense reduction program in an effort to become more competitive in providing electric services. The amount of revenue from various sources and the increases and decreases over/under last year are shown in the following tabulation:

To the Chairman and Members
of the Utilities Commission
City of New Smyrna Beach, Florida
November 9, 1999
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<u>Source of Operating Revenue</u>	1999		Over
	Amount (000's)	Percent of Total	(Under) 1998 (000's)
Electric system	\$ 24,066	73.93%	\$ (633)
Water system	4,553	13.99%	187
Pollution control system	3,473	10.67%	70
Water reuse system	<u>460</u>	<u>1.41%</u>	<u>14</u>
Totals	\$ <u>32,552</u>	<u>100.00%</u>	\$ <u>(362)</u>

The current year's operating expenses from the combined utilities system totaled \$28.34 million, a decrease of 2.57% below last year's amount of \$29.09 million. This decrease is primarily attributed to a decrease in the cost of purchased power, which directly reduces the electric revenue generated. Also, as a result of the decrease in gross revenue, the required 6% payment to the City of New Smyrna Beach, Florida decreased. Depreciation expense has increased from the continued capital investment in utility plant in service. Increases and (decreases) in the levels of expenses for the individual systems over the preceding year are shown in the following tabulation:

<u>Operating Expense by Function</u>	1999		Over
	Amount (000's)	Percent of Total	(Under) 1998 (000's)
Electric system	\$ 21,840	77.07%	\$ (670)
Water system	3,265	11.52%	(99)
Pollution control system	3,041	10.73%	18
Water reuse system	<u>193</u>	<u>0.68%</u>	<u>2</u>
Totals	\$ <u>28,339</u>	<u>100.00%</u>	\$ <u>(749)</u>

Debt Administration

The revenue certificate debt coverage ratio is a useful indicator of the Utilities Commission's debt position. The revenue certificate coverage has continued to remain strong over the past three years even in years of debt issuance as is summarized in the following in the following three year tabulation:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Operating revenues	\$ 32,552,181	32,913,781	32,847,472
Interest and other income	1,292,757	1,436,271	1,097,587
Capacity and other fees	1,774,292	1,755,040	1,785,424
Assessment collections	<u>3,408</u>	<u>40,878</u>	<u>559</u>
Revenues per certificate resolution	35,622,638	36,145,970	35,731,042

To the Chairman and Members
of the Utilities Commission
City of New Smyrna Beach, Florida
November 9, 1999
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	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cost of Operation and Maintenance, net of depreciation and required payments to City . . .	<u>22,820,083</u>	<u>23,578,729</u>	<u>23,314,340</u>
Net revenues per certificate resolution	<u>12,802,555</u>	<u>12,567,241</u>	<u>12,416,702</u>
Annual debt service requirement	<u>5,298,209</u>	<u>5,309,404</u>	<u>5,083,448</u>
Coverage ratio	<u>2.42 Times</u>	<u>2.37 Times</u>	<u>2.44 Times</u>

As of September 30, 1999 the Utilities Commission had outstanding \$57.15 million of revenue certificates payable. All of these obligations are secured by a first lien on and a pledge of the net revenues of the system.

The Commission's outstanding revenue certificates ratings from Moody's, Standard & Poor's, and Fitch's as follows:

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch's</u>
Utilities System Revenue Certificates, Series 1992	Aaa	AAA (FGIC Insured)	-
Utilities System Refunding Revenue Certificates, Series 1993	Aaa	AAA (FGIC Insured)	-
Utilities System Refunding Revenue Certificates, Series 1996	-	AAA (AMBAC Insured)	AAA

The debt service requirements on these obligations are detailed in the notes to the financial statements and in Schedule 11 of the supplementary section of the financial statements.

Cash Management

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in short-term time deposits and medium short-term investments. Shorter investment periods were utilized by the Utilities Commission due to the rapid changes and uncertainties of interest rates experienced during the fiscal year. The amount of interest earned during the year was \$1,006,728, none of which was credited to reduce capitalized interest expense for the year.

The Commission's cash and investments on hand at September 30, 1999 and 1998, totaled \$21.9 million and \$21.6 million, respectively. The individual components are as follows:

	<u>1999</u>	<u>1998</u>
Current assets:		
Operating cash and cash equivalents	\$ <u>1,599,515</u>	<u>1,915,706</u>
Restricted assets:		
Debt service funds	3,835,436	3,059,909
Renewal and replacement funds	11,401,185	11,771,270
Construction funds	142,918	1,078,165

To the Chairman and Members
of the Utilities Commission
City of New Smyrna Beach, Florida
November 9, 1999
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	<u>1999</u>	<u>1998</u>
Customer deposits	1,145,899	1,122,372
CR-3 decommissioning fund	1,821,035	1,629,090
Rate stabilization fund	<u>2,032,439</u>	<u>1,021,510</u>
	<u>20,378,912</u>	<u>19,682,316</u>
 Total cash and investments	 \$ <u>21,978,427</u>	 <u>21,598,022</u>

The Commission's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with the Florida Security for Public Deposits Act (the "Act"). All collateral on deposits was held either by the Commission, or by the State of Florida in accordance with the applicable provisions of the Act. All of the Commission's investments held at year-end are classified in the category of lowest credit risk (backed exclusively by the full faith and credit of the U. S. government) as defined by the Governmental Accounting Standards Board.

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

OTHER INFORMATION

Independent Audit

Resolution Number 28-78 and other local and state statutes require an annual audit of the books of account, financial records and transactions of all administrative departments of the Utilities Commission by an independent certified public accountant selected by the Utilities Commission. The certified public accounting firm of Brent Millikan & Company, P.A. was selected by the Commission to satisfy this requirement. Their independent auditors' report on the financial statements and schedules of the Commission has been included in the financial section of this report.

Awards - Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Utilities Commission, City of New Smyrna Beach, Florida, for its component unit financial report for the fiscal year ended September 30, 1998. We are also quite proud of the fact that we have been awarded with this Certificate for the twentieth consecutive year.

In order to be awarded a Certificate of Achievement, the Commission must publish an easily readable and efficiently organized component unit annual financial report, whose contents conform to program standards. Such reports 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 our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

To the Chairman and Members
of the Utilities Commission
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Acknowledgments

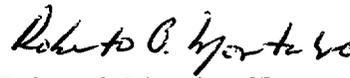
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to thank the individual members of the Utilities Commission for their interest, support, and leadership in planning and conducting the financial operations of the Utilities Commission in a most responsible and progressive manner.

Respectfully submitted,



Ronald L. Vaden
Director of Utilities



Roberto O. Montalvo, CPA
Chief Financial Officer

FINANCIAL SECTION

This section is composed of the following:

Independent Auditors' Report

Financial Statements

Supplemental Financial Information

INDEPENDENT AUDITORS' REPORT

BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Chairman and Commissioners
Utilities Commission, City of New Smyrna Beach, Florida
New Smyrna Beach, Florida

We have audited the accompanying balance sheets of Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 1999 and 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of Utilities Commission, City of New Smyrna Beach, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 1999, on our consideration of Utilities Commission, City of New Smyrna Beach, Florida's internal control structure and a report dated November 9, 1999 on its compliance with laws and regulations.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Utilities Commission, City of New Smyrna Beach, Florida. Such information, except for the statistical data, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In connection with our audit, nothing came to our attention that caused us to believe that Utilities Commission, City of New Smyrna Beach, Florida, was not in compliance with any of the terms, covenants, provisions, or conditions of section 16 of Resolution No. 28-78, dated June 30, 1978, as amended. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of such noncompliance.

New Smyrna Beach, Florida
November 9, 1999

Brent Millikan & Co., P.A.

FINANCIAL STATEMENTS

COMPARATIVE BALANCE SHEETS

September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA**ASSETS**

	<u>1999</u>	<u>1998</u>
Utility Plant:		
Electric plant	\$ 61,482,589	60,146,228
Water plant	30,794,757	30,275,976
Pollution control plant	25,926,735	25,576,222
Water reuse plant	5,250,179	5,244,970
General plant	6,590,780	6,596,982
	<u>130,045,040</u>	<u>127,840,378</u>
Less: accumulated depreciation and amortization	(53,777,333)	(50,385,221)
	<u>76,267,707</u>	<u>77,455,157</u>
Construction work in progress	29,202,131	17,693,274
	<u>105,469,838</u>	<u>95,148,431</u>
Utility plant, net of accumulated depreciation and amortization		
Restricted Assets:		
Cash and cash equivalents	20,145,112	19,398,016
Investments, at cost	233,800	284,300
	<u>20,378,912</u>	<u>19,682,316</u>
Total restricted assets		
Current Assets:		
Cash and cash equivalents	1,599,515	1,915,706
Accrued interest receivable	121,036	120,875
Accounts receivable (net)	2,227,496	1,798,076
Unbilled accounts receivable	1,347,996	1,328,664
Inventories	1,500,634	1,578,577
Prepaid expenses and other assets	48,072	90,708
Assessments receivable	30,844	34,252
	<u>6,875,593</u>	<u>6,866,858</u>
Total current assets		
Deferred Charges and Other Assets:		
Unamortized debt expense	1,091,319	985,131
	<u>1,091,319</u>	<u>985,131</u>
Total assets	<u>\$ 133,815,662</u>	<u>122,682,736</u>

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

LIABILITIES AND UTILITY EQUITY

	<u>1999</u>	<u>1998</u>
Utility Equity:		
Contributed capital	\$ 39,307,866	36,435,011
Retained Earnings:		
Reserved for restricted debt service funds.....	2,588,829	3,020,699
Unreserved.....	9,922,678	7,437,818
	<u>12,511,507</u>	<u>10,458,517</u>
Total utility equity	<u>51,819,373</u>	<u>46,893,528</u>
Long-Term Debt:		
Revenue certificates payable (net).....	52,840,319	54,983,300
Note Payable-State Revolving Fund Loan (net).....	17,517,270	8,921,581
	<u>70,357,589</u>	<u>63,904,881</u>
Total long-term debt	<u>70,357,589</u>	<u>63,904,881</u>
Restricted Fund Liabilities:		
Revenue certificates payable (current portion)	2,385,000	2,285,000
Note Payable-State Revolving Fund Loan (current portion).....	687,338	0
Accrued interest payable	2,056,584	1,636,526
Accounts payable	117,991	89,584
Construction retainage payable	147,544	1,942,841
Customers' deposits	1,145,899	1,122,372
Deferred allowance for decommissioning costs	1,821,035	1,629,090
	<u>8,361,391</u>	<u>8,705,413</u>
Total restricted fund liabilities	<u>8,361,391</u>	<u>8,705,413</u>
Current Liabilities:		
Accounts payable	1,644,433	1,391,845
Accrued liabilities	516,651	664,634
Due to other governments	624,463	564,432
	<u>2,785,547</u>	<u>2,620,911</u>
Total current liabilities	<u>2,785,547</u>	<u>2,620,911</u>
Other Noncurrent Liabilities:		
Deferred compensated absences	386,244	432,854
Deferred credits - other	105,518	125,149
	<u>491,762</u>	<u>558,003</u>
Total other noncurrent liabilities	<u>491,762</u>	<u>558,003</u>
Total liabilities	<u>81,996,289</u>	<u>75,789,208</u>
Total liabilities and utility equity	<u>\$ 133,815,662</u>	<u>122,682,736</u>

**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

Statement 2

For the Fiscal Years Ended September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Operating Revenue:		
Sales	\$ 32,143,555	32,570,727
Other revenue	408,626	343,054
 Total operating revenue	 <u>32,552,181</u>	 <u>32,913,781</u>
Operating Expenses:		
Production expenses	16,005,319	16,652,829
Transmission, distribution, and sewage collection and treatment	2,731,438	2,657,672
Customer accounting	721,860	660,678
Administrative and general	3,169,521	3,406,001
Required payments to the City of New Smyrna Beach	2,016,471	2,018,552
Depreciation and decommissioning	3,694,652	3,692,111
 Total operating expenses	 <u>28,339,261</u>	 <u>29,087,843</u>
 Operating income	 <u>4,212,920</u>	 <u>3,825,938</u>
Nonoperating Revenue (Expense):		
Interest earnings	1,006,728	1,082,325
Other income	286,029	353,946
Interest and debt expense	(3,353,913)	(3,422,072)
Other expenses	(11,328)	(40,092)
Loss on disposal of assets	(87,446)	(159,547)
 Total nonoperating (expense).....	 <u>(2,159,930)</u>	 <u>(2,185,440)</u>
 Net income.....	 2,052,990	 1,640,498
Retained earnings, beginning of year	<u>10,458,517</u>	<u>8,818,019</u>
Retained earnings, end of year	\$ <u>12,511,507</u>	<u>10,458,517</u>

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

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Statement 3

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities:		
Operating income	\$ 4,212,920	3,825,938
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, decommissioning, and nuclear fuel amortization	3,838,300	3,782,949
Provision for losses on receivables	69,275	60,127
Decrease (increase) in operating assets:		
Accounts receivable	(498,695)	(89,079)
Unbilled accounts receivable	(19,332)	809,640
Assessments receivable	3,408	40,878
Inventories	77,943	45,409
Prepaid expenses	42,636	(14,481)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,514,302)	1,572,419
Due to other governments	60,031	(235,296)
Customer deposits	23,527	80,814
Accrued liabilities.....	(147,983)	(15,724)
Deferred liabilities	(66,241)	21,560
Other income	286,029	353,946
Other expense	(11,328)	(40,092)
 Net cash provided by operating activities	 <u>6,356,188</u>	 <u>10,199,008</u>
 Cash Flows From Capital and Related Financing Activities:		
Debt reduction outlays	(2,285,000)	(2,195,000)
Amount paid in bond consent.....	0	(406,038)
Contributed capital	2,872,855	1,755,039
Proceeds from issuance of debt	9,073,027	8,921,581
Proceeds from sale of property and equipment	59,580	0
Acquisition and construction of capital assets	(13,646,708)	(14,758,277)
Interest paid	(3,056,102)	(3,149,718)
 Net cash provided by (used in) capital and related financing activities.....	 <u>(6,982,348)</u>	 <u>(9,832,413)</u>
 Cash Flows From Investing Activities:		
Proceeds from sale and maturities of investment securities	50,500	47,900
Interest received	1,006,565	1,119,703
 Net cash provided by (used in) investing activities	 <u>1,057,065</u>	 <u>1,167,603</u>
 Net increase (decrease) in cash and cash equivalents	 430,905	 1,534,198
Cash and cash equivalents, beginning of year	<u>21,313,722</u>	<u>19,779,524</u>
Cash and cash equivalents, end of year	\$ <u>21,744,627</u>	<u>21,313,722</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

**Note 1:
Summary
of
Significant
Accounting
Policies**

General

The accounting policies of the Utilities Commission, City of New Smyrna Beach, Florida, (the "Utilities Commission") conform to the generally accepted accounting principles as promulgated by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and the Federal Energy Regulatory Commission.

Reporting Entity

The Utilities Commission, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669) which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission. The Utilities Commission is governed by a five member board appointed by the City Commission. In a referendum held in October, 1984, voters approved amendments to the City Charter which (1) require City Commission approval for extensions of utility services outside the City limits; (2) give the City Commission the right to review and approve the Utilities Commission's operating budget; and (3) require City Commission approval before issuing or refunding revenue certificates and entering into contracts which exceed four years.

This is the criteria requiring the funds and entities related to the operation of the Utilities Commission be included as a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity. The basic financial statements of the Utilities Commission are incorporated in the City's Comprehensive Annual Financial Report as an enterprise fund activity.

Complete financial statements of the City of New Smyrna Beach, Florida, the primary government of the Utilities Commission, can be obtained directly from the City's administrative offices, which is as follows:

Administrative Office:

City of New Smyrna Beach, Florida
210 Sams Avenue
New Smyrna Beach, Florida 32168

In 1983, the Utilities Commission entered into a participation agreement with Florida Municipal Power Agency (FMPA) for an entitlement share of electric capacity and electric energy from FMPA's undivided ownership interest in Florida Power and Light Company's St. Lucie Unit No. 2, a nuclear generating unit. The Utilities Commission's role in the agreement is limited to that of a participant contractually obligated to purchase electric capacity and electric energy. The agreement between the Utilities Commission and FMPA does not meet the criteria for inclusion within the reporting entity of the Utilities Commission. The agreement specifically provides that the arrangement is not a joint venture and neither FMPA nor the other utilities which entered into participation agreements with FMPA for entitlement shares from FMPA's undivided ownership interest in St. Lucie Unit No. 2 are accounting for the agreement as a joint venture. Accordingly, the Utilities Commission is not accounting for the agreement as a joint venture.

On March 17, 1998 the Commission entered into an Interlocal Agreement creating the Florida Electric Power Alliance (FEPA) by and among the City of Homestead, City of Lake Worth, and the Utilities Commission, City of New Smyrna Beach, Florida, for the purpose coordinating certain joint electric power supply projects. On April 28, 1999 FEPA entered into a contract with Florida Power and Light for the purpose of marketing and trading excess capacity and energy. The initial term of the agreement was for the period from May 1, 1999 to October 31, 1999 and will be automatically extended in additional six month increments. The agreement specifically provides that the arrangement is not a joint venture, but rather is an "agency" created under the authority of Chapter 163, Part I, Florida Statutes, as amended. Neither FEPA nor the underlying utilities which entered into the agreement are accounting for the agreement as a joint venture. Accordingly, the Utilities Commission is not accounting for the agreement as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

**Note 1:
Summary
of
Significant
Accounting
Policies
(Continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Utilities Commission utilizes the accrual basis of accounting. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred. Unbilled utility service receivables are recorded so as to provide a better matching of service revenues and the costs of providing the service. Based on the accounting and reporting standards set forth in Government Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*," the Utilities Commission has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989.

Budget and Budgetary Accounting

An annual budget was adopted for the electric, water, pollution control and water reuse utility systems. The budget was adopted on a basis consistent with generally accepted accounting principles (GAAP) except that certain other cash receipts and payments are treated as budgetary items to maintain effective fiscal and budgetary control over the collection and disposition of all commission resources. Specific budgetary control is exercised over internal operating transfers to restricted funds, payments of principal on long-term debt obligations, and collections of contributed capital which are recognized in the budget as additions and/or deductions to reconcile budgeted net cash receipts to reported net income (loss) for each system. Budget appropriations are prepared by the administrative staff and approved as provided by law by the Utilities Commission. Budgetary control is exercised at the departmental level. Budget amendments, if any, can be requested by the Director of Utilities. However, all budget amendments must be approved by the Utilities Commission. Unexpended appropriations for operations lapse at year end. No supplemental appropriations were required for the current year.

Cash and Cash Equivalents

The Utilities Commission invests all cash balances in interest bearing accounts. Earnings from these investments are appropriately allocated to the investing fund accounts based upon the investment equity and are used, where applicable, to finance general Utilities Commission operations. For purposes of the statement of cash flows, the Utilities Commission considers all highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents.

Investments

Investments are recorded at cost or amortized cost, which approximates market. Adjustments are made to cost, for any premium or discount, which is amortized over the maturity of the investment. Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost. All other investments are reported at fair value.

Receivables

Accounts receivable have been reported net of an allowance for uncollectible accounts which has been provided based upon management's analysis of historical trends. Utility operating revenues are recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued at September 30th, to recognize the sales revenues earned between the last meter reading date made through the end of the year.

Inventories

Inventories are priced at cost by the use of the "first-in, first-out" method of accounting. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value. Electric line transformers, electric meters, and replacement units for the generating plants are classified as utility plant in accordance with accepted industry practices set forth by the National Association of Regulatory Utilities Commissioners (NARUC).

Note 1: Summary of Significant Accounting Policies (Continued) *Unamortized Debt Discount, Issuance Expenses, and Deferred Amount from Refunding*
 Original issue discounts, issuance expenses, and deferred amounts from refundings of utilities certificates are appropriately deferred and amortized over the remaining terms of the applicable revenue certificate issues (or life of the old debt, whichever is shorter, for deferred amounts from refundings) using the bonds outstanding method which approximates the interest method. Unamortized revenue certificate discounts are presented in aggregate in the financial statements as a reduction of the carrying cost of the related long-term debt. Unamortized debt issuance costs and deferred amounts from refundings are presented as other assets.

Restricted Assets

Proceeds from debt, funds required to be set aside for the payment of revenue bonds debt service and contingencies, and other specific assets set aside for restricted purposes which cannot be used for routine operations are classified as restricted assets since their exclusive use is limited by applicable bond covenants and other legal indentures.

Utility Plant

Utility plant is stated at historical or estimated historical cost. The costs of additions, replacements, and renewals of units of property are added to utility plant. The cost (estimated, if not known) of units of property retired, less net salvage, is charged to accumulated depreciation and the appropriate asset account. Donated utility plant is stated at its estimated fair market value on the date donated.

Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating expense as incurred. Construction period interest is capitalized net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standard Number 62 and, therefore, depreciated over the remaining useful lives of the related assets.

Depreciation is provided for by utilization of the straight line method (half-year convention in year of acquisition) calculated on a service life basis to amortize the cost of the assets over their economic estimated useful lives which are as follows:

	<u>Years</u>
Electric System:	
Production plant:	
Nuclear production	27
Diesel production	20-40
Transmission plant	30-55
Distribution plant	28-45
General plant:	
Structures and improvements	40
Other general plant	5-20
Water System:	
Source of supply plant	25-50
Pumping plant	35
Water treatment plant	40-50
Transmission and distribution plant	25-50
General plant:	
Structures and improvements	35
Other general plant	10-35
Pollution Control System:	
Collection plant	35-50
Pumping plant:	
Structures and improvements	50
Pumping equipment	25

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Note 1: Summary of Significant Accounting Policies (Continued)	Treatment and disposal plant	25-40
	General plant	10-50
	Common Plant:	
	Structures and improvements	35
	Other general plant	5-15
	Water Reuse System:	
Structures and improvements	50	
Transmission and distribution plant	50	

Compensated Absences

The portion of employee payroll costs paid subsequent to year-end attributable to services performed prior to year-end is recorded and recognized as a current liability. Effective October 1, 1998 the Commission revised its personnel plan to consolidate vacation and sick leave into Personal Leave Time. Employees earn annual personal leave time at the rate of 160 hours to 240 hours per fiscal year, depending of the number of years of service, measured on the anniversary date, which is October 1 for all employees. Employees are required to use 50% of the time accrued each year and may retain the balance for use in succeeding years. The maximum amount of hours that can be accumulated at the end of each year fiscal year is 480 hours. Employees with accrued personal leave time over this amount at year end will be paid for all hours in excess of 480 hours. Payments for any excess hours will be made in December of each year based on the employee's regular straight time pay-rate as of preceding September 30th.

Deferred Credits and Operating Reserves (for Nuclear Re-Fueling and Decommissioning Costs)

The reserve for nuclear re-fueling and maintenance outage is an operating reserve established to account for the estimated charges to be incurred for the removal and installation of nuclear fuel assemblies. Charges are made against the reserve at the time the actual re-fueling takes place. The reserve for nuclear plant decommissioning costs was established to account for the estimated costs of nuclear plant decommissioning. Amounts charged to expense annually (and appropriately credited to deferred allowance for decommissioning costs) are based on estimated future decommissioning costs in accordance with Federal Energy Regulatory Commission requirements. Charges against the reserve will be made at the actual time of decommissioning.

Contributed Capital

Contributions of capital to a proprietary fund from any source received are recorded in an appropriately captioned contributed capital account.

Equity Reserves

Funded reserves are used to record a portion of retained earnings which must be segregated for some future use and which are, therefore, not available for further appropriation or expenditure.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

Rates, Revenues and Fuel Expense

Revenues are recognized based on monthly cycle billings to customers. The rate schedules are approved by the Utilities Commission. The electric rate schedule contains an energy cost adjustment clause which reflects the cost of fuel as well as the energy and fuel components of purchased power. Generally, the effect of the increases and/or decreases in the cost of energy is recovered over a twelve month period and is determined as the difference between actual applicable fuel costs and the costs actually billed during the same period. The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 September 30, 1999 and 1998
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

**Note 2:
 Cash
 Deposits and
 Investments**

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by the Department of Insurance.

Deposits

At September 30, 1999 and 1998, the carrying amounts of the Utilities Commission's deposits, including certificates of deposit, were \$15,718,272 and \$14,655,797, respectively. The September 30, 1999, bank balances totaled \$17,305,454 of which \$100,000 was covered by federal depository insurance and \$17,205,454 was secured in accordance with the statutory provisions of the Act. Included in the carrying amount of Commission deposits is \$10,254 in petty cash and change funds.

Investments

The Utilities Commission's investment policies are governed by state statutes and local resolution. Allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. At September 30, 1999, the Commission's investments included United States Treasury State and Local Government (SLGS) Bonds and overnight investments in money market funds which were secured by U. S. Treasury obligations. The investments are categorized to give an indication of the level of risk assumed by the Commission at year-end. Category 1 includes investments that are insured, registered, or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the banks' trust departments or agents in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the banks, or by their trust departments or agents but not in the Commission's name.

At September 30, 1999, the Commission's cash and investments are categorized as follows:

<u>Type of Investment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
U.S. Treasury State and Local Government					
Series (SLGS) Bonds	\$ 233,800	-	-	233,800	233,300
Repurchase agreements	-	-	6,725,404	6,725,404	6,725,404
Totals	<u>\$ 233,800</u>	<u>-</u>	<u>6,725,404</u>	<u>6,959,204</u>	<u>6,959,204</u>

**Note 3:
 Accounts
 Receivable**

A summary of net accounts receivable at September 30, is as follows:

	<u>1999</u>	<u>1998</u>
Billed customer accounts receivable	\$ 2,284,534	1,855,114
Less: allowance for doubtful accounts	<u>(57,038)</u>	<u>(57,038)</u>
Totals	<u>\$ 2,227,496</u>	<u>1,798,076</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Note 4: A summary of restricted assets at September 30, is as follows:
Restricted Assets

	<u>Cash</u>	<u>Deposits/ Investment</u>	<u>Accrued Interest</u>	<u>1999 Totals</u>	<u>1998 Total</u>
Debt service funds:					
1992 inking Fund	\$ -	637,764	-	637,764	632,977
1993 Sinking Fund	-	1,139,752	-	1,139,752	1,126,949
1996 Sinking Fund	-	1,299,372	-	1,299,372	1,299,983
SRF Loan Sinking Fund	214,760	-	-	214,760	-
SRF Loan Reserve Fund	543,788	-	-	543,788	-
	<u>758,548</u>	<u>3,076,888</u>	<u>-</u>	<u>3,835,436</u>	<u>3,059,909</u>
Renewal and replacement funds:					
Res. No. 28-78	3,329,126	-	-	3,329,126	3,522,843
Contingency Reserve funds ...	-	3,882,316	-	3,882,316	3,882,316
Capacity fee fund	4,189,743	-	-	4,189,743	4,366,111
	<u>7,518,869</u>	<u>3,882,316</u>	<u>-</u>	<u>11,401,185</u>	<u>11,771,270</u>
Construction funds:					
Wastewater Treatment Plant ..	142,918	-	-	142,918	1,078,165
Customer deposits	1,145,899	-	-	1,145,899	1,122,372
CR-3 decommissioning fund	1,821,035	-	-	1,821,035	1,629,090
Rate stabilization fund	2,032,439	-	-	2,032,439	1,021,510
Totals	\$ <u>13,419,708</u>	<u>6,959,204</u>	<u>-</u>	<u>20,378,912</u>	<u>19,682,316</u>

Note 5: A summary of utility plant at September 30, is as follows:
Utility Plant

	<u>Electric</u>	<u>Water</u>	<u>Pollution Control</u>	<u>Water Reuse</u>	<u>Common</u>	<u>1999</u>	<u>1998</u>
Land and land rights	\$ 1,672,728	487,146	191,657	-	591,906	2,943,437	2,972,212
Structures and improvements .	2,589,009	5,110,830	4,851,455	1,685,684	2,377,003	16,613,981	16,598,657
Production plant, nuclear fuel and treatment plant	11,875,620	6,228,337	4,297,323	-	-	22,401,280	21,872,374
Transmission, distribution, and collection and treatment plant	44,007,094	18,196,141	15,263,202	3,519,972	-	80,986,409	79,720,078
Other general plant and equipment	1,338,138	772,303	1,323,098	44,523	3,621,871	7,099,933	6,677,057
	61,482,589	30,794,757	25,926,735	5,250,179	6,590,780	130,045,040	127,840,378
Accumulated depreciation	(29,437,242)	(9,301,951)	(11,101,604)	(579,540)	(3,356,996)	(53,777,333)	(50,385,221)
	32,045,347	21,492,806	14,825,131	4,670,639	3,233,784	76,267,707	77,455,157
Construction in progress	1,676,914	1,296,439	24,567,156	1,155,761	505,861	29,202,131	17,693,274
Utility plant, net	<u>\$ 33,722,261</u>	<u>22,789,245</u>	<u>39,392,287</u>	<u>5,826,400</u>	<u>3,739,645</u>	<u>105,469,838</u>	<u>95,148,431</u>

Depreciation expense totaled \$3,502,707 and \$3,490,562 for 1999 and 1998, respectively. Capitalized interest on outstanding tax-exempt borrowings charged (credited) to projects during construction was \$468,080 and \$116,617, for 1999 and 1998, respectively. There was no interest earned on unexpended loan proceeds relating to the State Revolving Fund Loan.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Note 6: Long-Term Debt	A summary of long-term debt outstanding at September 30, is as follows:	
	<u>1999</u>	<u>1998</u>
Utilities System Revenue Certificates, Series 1992--4.10% to 5.60% due serially to 2004, with \$515,000 (5.35%), \$1,020,000 (5.80%) \$1,230,000 (6.00%) and \$10,160,000 (6.00%) term bonds due in 2002, 2007, 2010, and 2013, respectively	\$ 13,965,000	14,180,000
Utilities System Refunding Revenue Certificates, Series 1993--3.20% to 5.25% due serially to 2011, with \$3,685,000 (5.00%) and \$6,245,000 (5.00%) term bonds due in 2014 and 2019, respectively	20,800,000	21,395,000
Utilities System Refunding Revenue Certificates, Series 1996--4.10% to 5.30% due serially to 2011	<u>22,385,000</u>	<u>23,860,000</u>
Total utilities certificates outstanding	<u>57,150,000</u>	<u>59,435,000</u>
Less: current maturities:		
Series 1992 Certificates	225,000	215,000
Series 1993 Certificates	620,000	595,000
Series 1996 Certificates	<u>1,540,000</u>	<u>1,475,000</u>
	<u>2,385,000</u>	<u>2,285,000</u>
Long-term certificate debt	54,765,000	57,150,000
Less: deferred amount on advance refunding	(998,320)	(1,154,872)
unamortized debt discount	<u>(926,361)</u>	<u>(1,011,828)</u>
Net long-term certificate debt	<u>52,840,319</u>	<u>54,983,300</u>
Note Payable-State Revolving Loan Fund--construction loans consisting of \$9,086,000 at an interest rate of 3.22% per annum, \$1,924,500 at an interest rate of 3.18% per annum, \$7,829,700 at an interest rate of 3.11% per annum; payable in 40 semi-annual payments of \$639,603, commencing in February, 2000 through 2020	18,204,608	8,921,581
Less: current maturities	<u>687,338</u>	<u>-</u>
Long-term portion of note payable	<u>17,517,270</u>	<u>8,921,581</u>
Total long-term debt, net	<u>\$ 70,357,589</u>	<u>63,904,881</u>

The authorization for the above described revenue certificates outstanding (collectively referred to as the "Certificates") provides that the Commission will not issue additional obligations except for the construction and acquisition of additions, extensions and improvements to the system or for refunding purposes and except upon the parity conditions provided in the authorizing resolution. The Certificates are payable from and secured by a first lien upon and pledge of the net revenues derived from the operation of the system. The Certificates do not constitute general indebtedness of the Commission or the City of New Smyrna Beach, Florida (City), and the City is not obligated to levy any taxes for the payment thereof.

Under the terms of its long-term debt agreements, the Commission has agreed to maintain certain restricted funds and to comply with the covenants contained in such agreements which require specific actions to be taken by the Commission. Certain of these agreements contain the following provision relating to the right of the obligation holder:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 September 30, 1999 and 1998
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Note 6: "Any holder of certificates or any coupons appertaining thereto issued under the provision hereof or any trustee acting for the holders of such certificates may by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Commission or by any officer thereof. Nothing herein, however, shall be construed to grant to any holder of the certificates any lien on any real property of the Commission or the City."

**Long-Term
Debt
(Continued)**

On November 17, 1997 the Commission executed a construction loan agreement with the State of Florida, Department of Environmental Protection, through the State Revolving Fund Loan program, for the purpose of constructing the 6.0 MGD Advanced Wastewater Treatment Plant. Funds to be disbursed from this loan will amount to \$17,994,608. The amount borrowed under this agreement has been approved in total of \$18,840,200. The total loan has been arranged as follows: \$9,086,000 at the rate of 3.22%, \$1,924,500 at the rate of 3.18%, and \$7,829,700 at the rate of 3.11%. Repayment of the loan will be in the form of 40 semi-annual payments of principal and interest of \$639,603, commencing February 15, 2000. During the fiscal years ended September 30, 1999 and 1998 the Commission received loan advances totaling \$9,073,026 and \$8,921,581, respectively.

The aggregate annual long-term debt service requirements in each of the next five years for both the revenue certificates and note payable are as follows: \$6,573,050 - 2000; \$6,571,956 - 2001; \$6,563,192 - 2002; \$6,575,853 - 2003; \$6,565,669 - 2004; and \$84,598,731 - thereafter.

Note 7: In prior years, the Utilities Commission defeased certain of its outstanding utilities revenue certificates (and certain general obligation bonds of the City of New Smyrna Beach, Florida), originally issued for the System and payable from revenues derived from the operation of the utilities systems by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the defeased certificates/bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. They include the following at September 30,

	<u>1999</u>	<u>1998</u>
1978 Refunding:		
Series 1962 refunding--3.5% due through 1999	\$ -	35,000
Series 1962--3.9% to 4.2% due through 2000	140,000	290,000
Series 1965--4.2% to 4.25% due through 2004	1,400,000	1,520,000
Series S-1963--3.9% due through 2002	75,000	100,000
Series T-1963--4.0% due through 2003	258,000	323,000
Series B-1965--3.7% to 4.1% due through 2003	170,000	200,000
Series 1975--3.75% to 6.2% due through 2004	1,050,000	1,220,000
Series 1975A--5.0% to 6.6% due through 2005	1,690,000	1,850,000
Series 1976--4.5% to 6.2% due through 2001	865,000	1,330,000
1993 Refunding:		
Series 1990--6.10% to 7.10% due through 10/98 call date	-	13,600,000

Note 8: The following is a summary of changes in contributed capital:
Contributed Capital

	<u>Customer Contributions</u>	<u>Federal Grants</u>	<u>Customer Assessments</u>	<u>Totals</u>
Balances, September 30, 1997	\$ 25,655,332	7,306,904	1,717,736	34,679,972
Additions	<u>1,755,039</u>	<u>-</u>	<u>-</u>	<u>1,755,039</u>
Balances, September 30, 1998	27,410,371	7,306,904	1,717,736	36,435,011
Additions	<u>2,872,855</u>	<u>-</u>	<u>-</u>	<u>2,872,855</u>
Balances, September 30, 1999	<u>\$ 30,283,226</u>	<u>7,306,904</u>	<u>1,717,736</u>	<u>39,307,866</u>

Note 9: The legislation that created the Utilities Commission requires it to pay to the general fund of the City of New Smyrna Beach a sum equal to six percent (6%) of the gross revenues from utilities under Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates and is recorded as a quasi-external transaction for financial reporting purposes. Amounts paid to the City for the years ended September 30, 1999 and 1998 totaled \$2,071,746 and \$2,073,499, respectively. Of these payment amounts, \$2,016,471 and \$2,018,552 were charged to operations for the years ended September 30, 1999 and 1998, respectively. The remaining amounts totaling \$55,275 and \$54,947, respectively, attributable to contributed capital collections from the Mandate Pollution Control Plant cost surcharge, were appropriately recognized as reductions of contributed capital by the Commission. The balances due to the City at September 30, 1999 and 1998, totaled \$200,286 and 198,558, respectively.

Note 10: **Defined Benefit Pension Plan**
Employee Pension Plans
Plan Description. The Commission contributes to the Florida (public employee) Retirement System of the State of Florida, a cost-sharing, multiple-employer defined benefit pension plan created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560.

Funding Policy. The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. In previous years, these acts provided, in general, that funds were to be accumulated from employee contributions, employer contributions, State appropriations and income from investments of accumulated funds. The act also provides that, should the accumulated funds in the fund at any time be insufficient to meet and pay the benefits due, the employer shall supplement the funds by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes, in an amount sufficient to make up the deficiency.

The Commission made the required contributions to the plan for the fiscal years ended September 30, 1999, 1998, and 1997, as follows: \$684,579, \$759,808 and \$782,675, respectively. The contribution percentages

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Note 10: Employee Pension Plans (Continued) for qualifying compensation were 10.15%, 16.45% and 17.43% for the 1999, 1998, and 1997 calendar years, respectively. There were no employee contributions made during these years.

Defined Contribution Plan

The Commission contributes to the Utilities Commission of New Smyrna Beach Retirement Plan, a defined contribution plan which is administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 54-95, the Commission established this plan for all regular full time and regular part time employees hired on or after January 1, 1996 by revoking its participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the gross employee wages. Employees may make supplemental contributions to the extent permitted by law. Employer contributions to the plan were \$17,311, \$8,923, and \$3,244, respectively, for the years ended September 30, 1999, 1998, and 1997, respectively. There were no employee contributions made during these years.

Note 11: Deferred Employee Benefits Effective October 1, 1997 the Commission has offered its Director participation in a Prototype 401(k) Plan, created in accordance with Sections 401(a) and 401(k) of the Internal Revenue Code. The assets of the prototype deferred compensation plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 55 (normal retirement age) the participant may elect to commence receiving benefits which equal accumulated employer's and employee's contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. For the years ended September 30, 1999 and 1998, the Commission's covered payroll was \$127,769 and \$82,160, respectively. For the years ended September 30, 1999 and 1998, employer contributions were \$17,483 and \$7,759, respectively. For the years ended September 30, 1999 and 1998, employee contributions amounted to \$18,478 and \$9,785, respectively.

The Commission also provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of this plan are administered by the International Commission Managers Association Retirement Corporation. Annual contributions, determined by the participant, may not exceed the lesser of \$8,000 (\$7,500 prior to January 1, 1998) or 25% of gross annual compensation (33 1/3% of the participants includible compensation). Deferred compensation withheld from a participating employee's pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 12: Segment Information The following is a summary of the segment information for the Commission's individual utility systems:

	Electric System	Water System	Pollution Control System	Water Reuse System	Total
Operating revenue	\$ 24,066,446	4,552,710	3,473,396	459,629	32,552,181
Depreciation/decommissioning	2,078,377	737,964	770,830	107,481	3,694,652
Operating income	2,226,084	1,287,746	432,174	266,916	4,212,920
Required payments to City	1,507,252	287,382	217,659	4,178	2,016,471
Net income (loss)	1,252,242	606,404	222,114	(27,770)	2,052,990
Contributed capital	2,412,769	13,186,598	23,693,499	15,000	39,307,866
Utility plant acquisitions	1,465,154	555,663	392,441	5,209	2,418,467
Utility plant retirements	319,978	38,433	42,858	0	401,269

NOTES TO THE FINANCIAL STATEMENTS (Continued)
 September 30, 1999 and 1998
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

**Note 12:
 Segment
 Information
 (Continued)**

	<u>Electric System</u>	<u>Water System</u>	<u>Pollution Control System</u>	<u>Water Reuse System</u>	<u>Total</u>
Revenue certificates payable . .	29,117,762	16,702,034	5,462,164	5,868,041	57,150,000
State Revolving Loan payable .	0	0	18,204,608	0	18,204,608
Utility equity	15,741,646	15,470,686	21,415,623	(808,582)	51,819,373
Total assets	52,929,581	29,998,345	44,390,875	6,506,861	133,815,662

**Note 13:
 Legal
 Matters**

The Commission is engaged in routine litigation incidental to the conduct of its utilities affairs. In the opinion of legal counsel to the Commission, no legal proceedings are pending or threatened against the Commission which are not covered by applicable insurance which would inhibit the Commission's ability to perform its operations or materially affect its financial condition.

**Note 14:
 Commitments**

The Commission, acting through the Florida Municipal Power Agency (FMPA), the Utilities Commission is a participant in a portion of Florida Power and Light Company's (FPL) St. Lucie Unit No. 2, a nuclear generating unit. FMPA originally acquired an 8.806% undivided ownership interest of St. Lucie No. 2 together with rights to receive electric capacity and electric energy under a reliability exchange agreement. The Commission's participation provides for a 9.884% entitlement share of FMPA's ownership interest.

A reliability exchange agreement provides for FMPA's exchanging 50% of its share of the output from St. Lucie No. 2 for a like amount from FPL's exclusively owned St. Lucie No. 1 to mitigate the potential for economic loss resulting from the extended or permanent outage or early retirement of St. Lucie No. 2. The Commission, as a participant, has also entered into a power sales contract which requires payment on a "take-and pay" basis for the Commission's entitlement share of the project capability for the St. Lucie Project for each month during any portion of which electric capacity and electric energy are available to the Commission from the St. Lucie Project, including electric capacity and electric energy under the reliability exchange agreement with FPL. In the event payment is not required for any month under the Commission's power sales contract, it is required to make payment for such month under its project support contract on a "take-or-pay" basis. The payment under the project support contract would be the amount the Utilities Commission would have been required to pay under its power sales contract for such month if any electric capacity and electric energy from the St. Lucie Project had been made available to them. As a result of these agreements, the Commission is obligated to provide payments of approximately \$3.8 million annually.

Based on an updated engineering report dated February 20, 1995, the Commission's anticipated share of decommissioning costs applicable to its participation in Florida Power Corporation's (FPC) Crystal River Unit No. 3, a nuclear generating unit, is expected to be approximately \$10.9 million at its expected date of decommissioning in 2016. An operating reserve was established to provide advanced funding for these estimated future costs. Funding of the reserve began in 1985. The balance in the fund, plus the interest earned thereon, are expected to be sufficient to meet the Commission's portion of the estimated future decommissioning costs. The provision for decommissioning expense recognized during the years ended September 30, 1999 and 1998, totaled \$191,945 and \$201,548, respectively.

As of September 30, 1999, the Commission had additional unrecognized construction contract commitments of approximately \$4.9 million for utility plant expansion and upgrading.

On September 10, 1997 the Commission entered into a tri-party agreement by and between the Utilities Commission, City of New Smyrna Beach, Florida, The City of New Smyrna Beach, Florida, and Micro

NOTES TO THE FINANCIAL STATEMENTS (Continued)

September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

**Note 14:
Commitments
(Continued)**

Products, Incorporated to provide Internet services to customers of the Commission. Pursuant to the agreement the Commission is obligated to pay to The City of New Smyrna Beach, Florida 6% of the Internet service gross revenue and is required to pay to Micro Products, Incorporated for technical support, training, and for use of provided equipment, including all hardware, lines, maintenance, licenses, etc. During the fiscal years ended September 30, 1999 and 1998 the Commission paid \$128,990 and \$75,090, respectively, to Micro Products, Incorporated for the ability to provide this service. The balance due Micro Products, Incorporated as of September 30, 1999 and 1998 amounted to \$11,222 and \$11,011, respectively. The 6% paid to the City is included in the required payment amount reported in Note 9 above.

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**Note 15:
Year 2000 Issues**

Pursuant to Governmental Accounting Standards Board [GASB] Technical Bulletin No. 98-1, the Commission makes the following disclosures relating to the Year 2000 issues. As of September 30, 1999 the Commission has concluded its assessment, remediation, validation and testing stages for compliance with the Year 2000 problem relating to its Management Information Systems and critical Systems Operations for the utility systems to make certain uninterrupted operations of the Commission. As of September 30, 1999 the Commission had no material contractual commitments to make computer systems and other equipment Year 2000 compliant.

SUPPLEMENTAL INFORMATION

This section is composed of the following:

*Supplemental Detail Financial Information
of the Electric System, Water System,
Pollution Control System and Water
Reuse System*

Statistical Section

These schedules provide a more detailed view of the "Basic Financial Statements" presented in the preceding subsection.

Resolution Numbers 16-75 and 28-78, as amended, established the electric, water, pollution control, and water reuse systems as a single enterprise fund. These schedules are presented to provide detailed information on the individual utility systems and to present the budgetary comparisons that are not necessary for a fair presentation in conformity with generally accepted accounting principles.

**SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

Schedule 1

For the Fiscal Year Ended September 30, 1999

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	Electric	Water	Pollution Control	Water Reuse	Totals	
					1999	1998
Operating Revenue:						
Sales	\$ 23,831,914	4,428,064	3,423,948	459,629	32,143,555	32,570,727
Other revenues	234,532	124,646	49,448	0	408,626	343,054
Total operating revenue	24,066,446	4,552,710	3,473,396	459,629	32,552,181	32,913,781
Operating Expenses:						
Production expenses	15,109,769	895,550	0	0	16,005,319	16,652,829
Transmission, distribution, and sewage collection and treatment	1,136,881	411,252	1,102,939	80,366	2,731,438	2,657,672
Customer accounting	373,494	180,766	167,600	0	721,860	660,678
Administrative and general	1,634,589	752,050	782,194	688	3,169,521	3,406,001
Required payments to the City of New Smyrna Beach	1,507,252	287,382	217,659	4,178	2,016,471	2,018,552
Depreciation and decommissioning	2,078,377	737,964	770,830	107,481	3,694,652	3,692,111
Total operating expenses	21,840,362	3,264,964	3,041,222	192,713	28,339,261	29,087,843
Operating income.....	2,226,084	1,287,746	432,174	266,916	4,212,920	3,825,938
Nonoperating Revenue (Expenses):						
Interest earnings	547,331	271,478	180,401	7,518	1,006,728	1,082,325
Other income	263,761	15,501	6,767	0	286,029	353,946
Interest and debt expense	(1,665,961)	(959,830)	(425,918)	(302,204)	(3,353,913)	(3,422,072)
Other expenses	(2,596)	(6,816)	(1,916)	0	(11,328)	(40,092)
Gain (Loss) on disposal of assets	(116,377)	(1,675)	30,606	0	(87,446)	(159,547)
Total nonoperating revenue	(973,842)	(681,342)	(210,060)	(294,686)	(2,159,930)	(2,185,440)
Net income (loss)	1,252,242	606,404	222,114	(27,770)	2,052,990	1,640,498
Retained earnings, beginning of year	12,076,635	1,677,684	(2,499,990)	(795,812)	10,458,517	8,818,019
Retained earnings, end of year	\$ <u>13,328,877</u>	<u>2,284,088</u>	<u>(2,277,876)</u>	<u>(823,582)</u>	<u>12,511,507</u>	<u>10,458,517</u>

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -
 BUDGET AND ACTUAL - ELECTRIC SYSTEM (NON-GAAP BUDGETARY BASIS)**
 For the Fiscal Year Ended September 30, 1999
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Schedule 2

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Electric sales	\$ 23,683,787	24,911,821	1,228,034
Other revenues	231,013	234,532	3,519
Nonoperating revenue:			
Interest earnings	375,000	547,331	172,331
Meter deposit interest expense.....	0	(38,986)	(38,986)
Other revenues (expenses)	213,500	261,165	47,665
Total revenue and receipts.....	<u>24,503,300</u>	<u>25,915,863</u>	<u>1,412,563</u>
Operating Expenses:			
Power production and fuel	15,513,763	15,109,769	403,994
Transmission and distribution	1,182,416	1,136,881	45,535
Customer accounting	370,542	373,494	(2,952)
Administrative and general	1,879,026	1,634,589	244,437
Required payments to the City of New Smyrna Beach	1,453,010	1,507,252	(54,242)
Decommissioning expense.....	115,493	191,945	(76,452)
Total operating expenses.....	<u>20,514,250</u>	<u>19,953,930</u>	<u>560,320</u>
Net revenue and receipts	<u>3,989,050</u>	<u>5,961,933</u>	<u>1,972,883</u>
Operating Transfers In (Out):			
Sinking Funds:			
1992 Certificates	(490,774)	(490,774)	0
1993 Certificates	(884,349)	(884,349)	0
1996 Certificates	(1,231,849)	(1,231,849)	0
	<u>(2,606,972)</u>	<u>(2,606,972)</u>	<u>0</u>
Renewal and Replacement Funds:			
Required contribution	(1,454,668)	(1,454,668)	0
Restricted fund contribution	0	0	0
	<u>(1,454,668)</u>	<u>(1,454,668)</u>	<u>0</u>
Restricted fund contribution to Rate Stabilization Fund	72,590	(869,964)	(942,554)
Total operating transfers (out).....	<u>(3,989,050)</u>	<u>(4,931,604)</u>	<u>(942,554)</u>
Budgeted net cash receipts	<u>\$ 0</u>	<u>1,030,329</u>	<u>1,030,329</u>
Additions (Deductions) Required to Reconcile Net Cash Receipts to Net Income (GAAP Basis):			
Unbilled revenue.....		(1,079,907)	
Principal portion of required Sinking Fund transfers		1,148,737	
Net transfers to Renewal and Replacement Fund		1,454,668	
Net transfers to Rate Stabilization Fund.....		869,964	
Gain (loss) on disposal of property and equipment		(116,377)	
Depreciation		(1,886,432)	
Amortization of debt expense and loss on refunding.....		(168,740)	
		<u>221,913</u>	
Net income		<u>\$ 1,252,242</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -
 BUDGET AND ACTUAL - WATER SYSTEM (NON-GAAP BUDGETARY BASIS)**
 For the Fiscal Year Ended September 30, 1999
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Schedule 3

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Water sales	\$ 4,540,088	4,664,159	124,071
Other revenues	169,183	124,646	(44,537)
Nonoperating revenue:			
Interest earnings	210,000	271,478	61,478
Meter deposit Interest expense.....	0	(7,326)	(7,326)
Other revenues (expenses)	15,000	8,685	(6,315)
Capacity and other fees	428,240	417,502	(10,738)
Total revenue and receipts	<u>5,362,511</u>	<u>5,479,144</u>	<u>116,633</u>
Operating Expenses:			
Water production	862,015	895,550	(33,535)
Transmission and distribution	293,542	411,252	(117,710)
Customer accounting	184,531	180,766	3,765
Administrative and general	966,693	752,050	214,643
Required payments to the City of New Smyrna Beach	279,856	287,382	(7,526)
Total operating expenses	<u>2,586,637</u>	<u>2,527,000</u>	<u>59,637</u>
Net revenue and receipts	<u>2,775,874</u>	<u>2,952,144</u>	<u>176,270</u>
Operating Transfers In (Out):			
Sinking Funds:			
1992 Certificates	(165,973)	(165,973)	0
1993 Certificates	(571,864)	(571,864)	0
1996 Certificates	(842,980)	(842,980)	0
	<u>(1,580,817)</u>	<u>(1,580,817)</u>	<u>0</u>
Renewal and Replacement Funds:			
Required contribution	(487,554)	(487,554)	0
Restricted fund contribution	(428,240)	(417,502)	10,738
	<u>(915,794)</u>	<u>(905,056)</u>	<u>10,738</u>
Restricted fund contribution to Rate Stabilization Fund....	(66,071)	(242,158)	(176,087)
Reuse Subsidy Surcharge.....	(213,192)	(203,596)	9,596
Total operating transfers (out).....	<u>(2,775,874)</u>	<u>(2,931,627)</u>	<u>(155,753)</u>
Budgeted net cash receipts	<u>\$ 0</u>	<u>20,517</u>	<u>20,517</u>
Additions (Deductions) Required to Reconcile Net Cash			
Receipts to Net Income (GAAP Basis):			
Unbilled revenue and resuse subsidy surcharge.....		(236,097)	
Capacity and other fees		(417,502)	
Principal portion of required Sinking Fund transfers		737,274	
Net transfers to Renewal and Replacement Fund		905,056	
Net transfers from Rate Stabilization Fund		242,158	
Net transfers of Reuse Subsidy Surcharge		203,596	
Gain (loss) on disposal of property and equipment		(1,675)	
Depreciation		(737,964)	
Amortization of debt expense and loss on refunding		(108,959)	
		<u>585,887</u>	
Net (loss).....		<u>\$ 606,404</u>	

SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS - Schedule 4
BUDGET AND ACTUAL - POLLUTION CONTROL SYSTEM (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended September 30, 1999
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Pollution control charges	\$ 3,642,485	3,577,175	(65,310)
Other revenues	44,625	49,448	4,823
Nonoperating revenue:			
Interest earnings	110,000	180,401	70,401
Meter deposit interest expense	0	(2,421)	(2,421)
Other revenues (expenses)	5,000	4,851	(149)
Mandate PCP Fund fees	865,015	921,991	56,976
Capacity and other fees	287,970	282,842	(5,128)
Total revenue and receipts	<u>4,955,095</u>	<u>5,014,287</u>	<u>59,192</u>
Operating Expenses:			
Collection and treatment system	1,129,911	1,102,939	26,972
Customer accounting	160,958	167,600	(6,642)
Administrative and general	862,456	782,194	80,262
Required payments to the City of New Smyrna Beach	271,627	272,934	(1,307)
Total operating expenses	<u>2,424,952</u>	<u>2,325,667</u>	<u>99,285</u>
Net revenue and receipts	<u>2,530,143</u>	<u>2,688,620</u>	<u>158,477</u>
Operating Transfers In (Out):			
Sinking Funds:			
1992 Certificates	(147,275)	(147,275)	0
1993 Certificates	(53,436)	(53,436)	0
1996 Certificates	(524,556)	(524,556)	0
.....	<u>(725,267)</u>	<u>(725,267)</u>	<u>0</u>
Renewal and Replacement Funds:			
Required contribution	(434,984)	(434,984)	0
Restricted fund contribution	(287,970)	(282,842)	5,128
.....	<u>(722,954)</u>	<u>(717,826)</u>	<u>5,128</u>
Mandate PCP Fund contribution	(865,015)	(866,716)	(1,701)
Water Reuse System	(30,320)	(30,320)	0
Reuse Subsidy Surcharge	(186,587)	(186,405)	182
Rate Stabilization Fund	0	(145,124)	(145,124)
Total operating transfers (out).....	<u>(2,530,143)</u>	<u>(2,671,658)</u>	<u>(141,515)</u>
Budgeted net cash receipts	<u>\$ 0</u>	<u>16,962</u>	<u>16,962</u>
Additions (Deductions) Required to Reconcile Net Cash Receipts to Net Income (GAAP Basis):			
Unbilled revenue		(153,227)	
Capacity and other fees		(282,842)	
Principal portion of required Sinking Fund transfers		355,218	
Net transfers to Renewal and Replacement Fund		717,826	
Net transfers to Rate Stabilization Fund		145,124	
Net transfers to Water Reuse System		30,320	
Net transfers of Reuse Subsidy Surcharge		186,405	
Gain (loss) on disposal of property and equipment		30,606	
Depreciation		(770,830)	
Amortization of debt expense		(53,448)	
.....		<u>205,152</u>	
Net income.....		<u>\$ 222,114</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -
BUDGET AND ACTUAL - WATER REUSE SYSTEM (NON-GAAP BUDGETARY BASIS)**
For the Fiscal Year Ended September 30, 1999
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Schedule 5

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Reuse water sales	\$ 63,420	69,628	6,208
Reuse subsidy surcharge	399,779	390,001	(9,778)
Nonoperating revenue:			
Interest earnings	7,500	7,518	18
Other Revenues (expenses)	0	0	0
Total revenue and receipts	<u>470,699</u>	<u>467,147</u>	<u>(3,552)</u>
Operating Expenses:			
Transmission and distribution system	106,375	80,366	26,009
Administrative and general	2,040	688	1,352
Required payments to the City of New Smyrna Beach	3,805	4,178	(373)
Total operating expenses	<u>112,220</u>	<u>85,232</u>	<u>26,988</u>
Net revenue and receipts	<u>358,479</u>	<u>381,915</u>	<u>23,436</u>
Operating Transfers In (Out):			
Sinking Funds:			
1992 Certificates	(246,438)	(246,438)	0
1993 Certificates	(149,853)	(149,853)	0
Total	<u>(396,291)</u>	<u>(396,291)</u>	<u>0</u>
Renewal and Replacement Funds:			
Required Contribution.....	(49,800)	(49,800)	0
Proceeds of transfer from Rate Stabilization Fund	57,292	34,518	(22,774)
Proceeds of transfer from Pollution Control System	30,320	30,320	0
Total operating transfers (out).....	<u>(358,479)</u>	<u>(381,253)</u>	<u>(22,774)</u>
Budgeted net cash receipts	<u>\$ 0</u>	662	<u>662</u>
Additions (Deductions) Required to Reconcile Net Cash			
Receipts to Net Income (GAAP Basis):			
Principal portion of required Sinking Fund transfers		108,771	
Net transfers to Renewal and Replacement Fund		49,800	
Proceeds of transfer from Rate Stabilization Fund		(34,518)	
Proceeds of transfer from Pollution Control System		(30,320)	
Depreciation		(107,481)	
Amortization of debt expense		(14,684)	
Total		<u>(28,432)</u>	
Net (loss)		<u>\$ (27,770)</u>	

**SCHEDULE OF OPERATING EXPENSES-
ELECTRIC SYSTEM**

Schedule 6

For the Fiscal Years Ended September 30, 1999 and 1998
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Power Production and Fuel:		
Nuclear Power Generation:		
Fuel	\$ 694,913	391,009
Operation	3,814,482	3,971,521
Maintenance	354,700	531,254
Diesel Power Generation:		
Fuel	87,540	92,129
Operation	164,091	147,456
Maintenance	28,450	20,382
Other Power Supply:		
Purchased power	9,600,539	10,281,201
System control and load dispatching	365,054	335,260
	<u>15,109,769</u>	<u>15,770,212</u>
Transmission and Distribution:		
Operation	799,468	752,445
Maintenance	337,413	345,756
	<u>1,136,881</u>	<u>1,098,201</u>
Customer Accounting:		
Operation	373,494	350,154
Administrative and General:		
Operation	1,611,232	1,609,164
Transportation	23,357	80,448
	<u>1,634,589</u>	<u>1,689,612</u>
Required Payments to the City of New Smyrna Beach	<u>1,507,252</u>	<u>1,529,710</u>
Depreciation and decommissioning	<u>2,078,377</u>	<u>2,072,103</u>
Total operating expenses	<u>\$ 21,840,362</u>	<u>22,509,992</u>

**SCHEDULE OF OPERATING EXPENSES-
WATER SYSTEM**

Schedule 7

For the Fiscal Years Ended September 30, 1999 and 1998
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Water Production:		
Source of Supply:		
Operation	\$ 64,689	62,120
Maintenance	7,482	12,425
Pumping:		
Operation	155,094	165,487
Maintenance	10,900	7,217
Water Treatment:		
Operation	638,355	623,717
Maintenance	19,030	11,651
	<u>895,550</u>	<u>882,617</u>
Transmission and Distribution:		
Operation	299,336	371,211
Maintenance	111,916	35,886
	<u>411,252</u>	<u>407,097</u>
Customer Accounting:		
Operation	180,766	162,871
Administrative and General:		
Operation	742,712	840,730
Transportation	9,338	58,405
	<u>752,050</u>	<u>899,135</u>
Required Payments to the City of New Smyrna Beach	<u>287,382</u>	<u>271,315</u>
Depreciation	<u>737,964</u>	<u>741,129</u>
Total operating expenses	<u>\$ 3,264,964</u>	<u>3,364,164</u>

**SCHEDULE OF OPERATING EXPENSES-
POLLUTION CONTROL SYSTEM**

Schedule 8

For the Fiscal Years Ended September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Collection and Treatment System:		
Collection and Pumping:		
Operation	\$ 135,430	123,198
Maintenance	60,770	53,142
Treatment and Disposal:		
Operation	870,334	844,911
Maintenance	36,405	52,327
	<u>1,102,939</u>	<u>1,073,578</u>
Customer Accounting:		
Operation	<u>167,600</u>	<u>147,653</u>
Administrative and General:		
Operation	773,933	786,401
Transportation	8,261	29,911
	<u>782,194</u>	<u>816,312</u>
Required Payments to the City of New Smyrna Beach	<u>217,659</u>	<u>213,796</u>
Depreciation	<u>770,830</u>	<u>771,641</u>
Total operating expenses	<u>\$ 3,041,222</u>	<u>3,022,980</u>

**SCHEDULE OF OPERATING EXPENSES-
WATER REUSE SYSTEM**

Schedule 9

For the Fiscal Years Ended September 30, 1999 and 1998
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Transmission and Distribution System:		
Operation	\$ 72,556	69,687
Maintenance	7,810	9,109
	<u>80,366</u>	<u>78,796</u>
Administrative and General:		
Operation	688	942
Transportation	0	0
	<u>688</u>	<u>942</u>
Required Payments to the City of New Smyrna Beach	<u>4,178</u>	<u>3,731</u>
Depreciation	<u>107,481</u>	<u>107,238</u>
Total operating expenses	<u>\$ 192,713</u>	<u>190,707</u>

SCHEDULE OF INTEREST EARNINGS

Schedule 10

For the Fiscal Years Ended September 30, 1999 and 1998

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	<u>1999</u>	<u>1998</u>
Interest Earnings By Source:		
From Investments:		
Sinking funds	\$ 294,559	383,469
Renewal and replacement funds	388,343	353,624
Customers' deposits	56,269	58,481
Other	242,204	256,486
	<u>981,375</u>	<u>1,052,060</u>
From Assessments	<u>25,353</u>	<u>30,265</u>
Total interest earnings	<u>1,006,728</u>	<u>1,082,325</u>
Interest Earnings By System:		
Electric system	547,331	556,271
Water system	271,478	271,229
Pollution control system	180,401	245,948
Water reuse system	7,518	8,877
Total interest earnings	<u>\$ 1,006,728</u>	<u>1,082,325</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 For the Fiscal Year Ended September 30, 1999
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Schedule 11

Payment Date	Utilities System Revenue Certificates Series 1992				Utilities System Refunding Revenue Certificates Series 1993				Utilities System Refunding Revenue Certificates Series 1996				Total Debt Service Requirements to Maturity -- All Certificates --		
	Principal Amount	Coupon Rate	Interest	Total Requirements	Principal Amount	Coupon Rate	Interest	Total Requirements	Principal Amount	Coupon Rate	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
10/01/1999	225,000	4.950%	412,730	637,730	620,000	4.300%	519,751	1,139,751	760,000	4.200%	539,370	1,299,370	1,605,000	1,471,851	3,076,851
04/01/2000	-	-	407,161	407,161	-	-	506,421	506,421	780,000	4.300%	523,410	780,000	1,436,993	2,216,993	2,216,993
10/01/2000	230,000	5.100%	407,161	637,161	655,000	4.500%	506,421	1,161,421	795,000	4.300%	506,640	1,301,640	1,680,000	1,420,223	3,100,223
04/01/2001	-	-	401,296	401,296	-	-	491,684	491,684	810,000	4.400%	489,548	1,299,548	810,000	1,382,528	2,192,528
10/01/2001	245,000	5.350%	401,296	646,296	680,000	4.625%	491,684	1,171,684	825,000	4.400%	471,728	1,296,728	1,750,000	1,364,708	3,114,708
04/01/2002	-	-	394,743	394,743	-	-	475,959	475,959	845,000	4.500%	453,578	1,298,578	845,000	1,324,279	2,169,279
10/01/2002	270,000	5.350%	394,743	664,743	710,000	4.750%	475,959	1,185,959	880,000	4.500%	434,565	1,314,565	1,860,000	1,305,266	3,165,266
04/01/2003	-	-	387,520	387,520	-	-	459,096	459,096	870,000	4.600%	414,765	1,284,765	870,000	1,261,381	2,131,381
10/01/2003	280,000	5.500%	387,520	667,520	745,000	4.800%	459,096	1,204,096	900,000	4.600%	394,755	1,294,755	1,925,000	1,241,371	3,166,371
04/01/2004	-	-	379,820	379,820	-	-	441,216	441,216	925,000	4.700%	374,055	1,299,055	925,000	1,195,091	2,120,091
10/01/2004	305,000	5.600%	379,820	684,820	775,000	5.000%	441,216	1,216,216	970,000	4.700%	352,318	1,322,318	2,050,000	1,173,354	3,223,354
04/01/2005	-	-	371,280	371,280	-	-	421,841	421,841	945,000	4.800%	329,523	1,274,523	945,000	1,122,644	2,067,644
10/01/2005	320,000	5.800%	371,280	691,280	815,000	5.000%	421,841	1,236,841	990,000	4.800%	306,843	1,296,843	2,125,000	1,099,964	3,224,964
04/01/2006	-	-	362,000	362,000	-	-	401,466	401,466	1,015,000	4.900%	283,083	1,298,083	1,015,000	1,046,549	2,061,549
10/01/2006	340,000	5.800%	362,000	702,000	860,000	5.100%	401,466	1,261,466	1,040,000	4.900%	258,215	1,298,215	2,240,000	1,021,681	3,261,681
04/01/2007	-	-	352,140	352,140	-	-	379,536	379,536	1,065,000	5.000%	232,735	1,297,735	1,065,000	964,411	2,029,411
10/01/2007	360,000	5.800%	352,140	712,140	905,000	5.200%	379,536	1,284,536	1,090,000	5.000%	206,110	1,296,110	2,355,000	937,786	3,292,786
04/01/2008	-	-	341,700	341,700	-	-	356,006	356,006	1,120,000	5.100%	178,860	1,298,860	1,120,000	876,566	1,996,566
10/01/2008	385,000	6.000%	341,700	726,700	950,000	5.250%	356,006	1,306,006	1,150,000	5.100%	150,300	1,300,300	2,485,000	848,006	3,333,006
04/01/2009	-	-	330,150	330,150	-	-	331,069	331,069	1,175,000	5.200%	120,975	1,295,975	1,175,000	782,194	1,957,194
10/01/2009	405,000	6.000%	330,150	735,150	1,000,000	5.250%	331,069	1,331,069	1,205,000	5.200%	90,425	1,295,425	2,610,000	751,644	3,361,644
04/01/2010	-	-	318,000	318,000	-	-	304,819	304,819	1,240,000	5.300%	59,095	1,299,095	1,240,000	681,914	1,921,914
10/01/2010	440,000	6.000%	318,000	758,000	1,050,000	5.250%	304,819	1,354,819	490,000	5.300%	26,235	516,235	1,980,000	649,054	2,629,054
04/01/2011	-	-	304,800	304,800	-	-	277,256	277,256	500,000	5.300%	13,250	513,250	500,000	595,306	1,095,306
10/01/2011	3,060,000	6.000%	304,800	3,364,800	1,105,000	5.250%	277,256	1,382,256	-	-	-	-	4,165,000	582,056	4,747,056
04/01/2012	-	-	213,000	213,000	-	-	248,250	248,250	-	-	-	-	-	461,250	461,250
10/01/2012	3,445,000	6.000%	213,000	3,658,000	1,170,000	5.000%	248,250	1,418,250	-	-	-	-	4,615,000	461,250	5,076,250
04/01/2013	-	-	109,650	109,650	-	-	219,000	219,000	-	-	-	-	-	328,650	328,650
10/01/2013	3,655,000	6.000%	109,650	3,764,650	1,225,000	5.000%	219,000	1,444,000	-	-	-	-	4,880,000	328,650	5,208,650
04/01/2014	-	-	-	-	-	-	188,375	188,375	-	-	-	-	-	188,375	188,375
10/01/2014	-	-	-	-	1,290,000	5.000%	188,375	1,478,375	-	-	-	-	1,290,000	188,375	1,478,375
04/01/2015	-	-	-	-	-	-	156,125	156,125	-	-	-	-	-	156,125	156,125
10/01/2015	-	-	-	-	1,350,000	5.000%	156,125	1,506,125	-	-	-	-	1,350,000	156,125	1,506,125
04/01/2016	-	-	-	-	-	-	122,375	122,375	-	-	-	-	-	122,375	122,375
10/01/2016	-	-	-	-	1,160,000	5.000%	122,375	1,282,375	-	-	-	-	1,160,000	122,375	1,282,375
04/01/2017	-	-	-	-	-	-	93,375	93,375	-	-	-	-	-	93,375	93,375
10/01/2017	-	-	-	-	1,205,000	5.000%	93,375	1,298,375	-	-	-	-	1,205,000	93,375	1,298,375
04/01/2018	-	-	-	-	-	-	63,250	63,250	-	-	-	-	-	63,250	63,250
10/01/2018	-	-	-	-	1,245,000	5.000%	63,250	1,308,250	-	-	-	-	1,245,000	63,250	1,308,250
04/01/2019	-	-	-	-	-	-	32,125	32,125	-	-	-	-	-	32,125	32,125
10/01/2019	-	-	-	-	1,285,000	5.000%	32,125	1,317,125	-	-	-	-	1,285,000	32,125	1,317,125
	<u>\$13,965,000</u>		<u>\$9,759,250</u>	<u>\$23,724,250</u>	<u>\$20,800,000</u>		<u>\$12,458,241</u>	<u>\$33,258,241</u>	<u>\$22,385,000</u>		<u>\$7,210,378</u>	<u>\$29,595,378</u>	<u>\$57,150,000</u>	<u>\$29,427,869</u>	<u>\$86,577,869</u>

STATISTICAL SECTION

Statistical tables differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These tables reflect social and economic data and financial trends of the Utilities Commission, City of New Smyrna Beach, Florida.

SCHEDULE OF EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS
September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Fiscal Year	Total Expenses	Production Expenses	Transmission, Distribution and Collection	Customer Accounting	Administrative and General	Operating Required Payments to City of New Smyrna Beach
1990	\$ 29,666,505	14,971,670	2,856,957	721,935	3,541,852	1,781,241
1991	\$ 30,650,259	15,718,072	2,989,885	753,860	3,856,593	1,785,889
1992	\$ 30,884,894	15,831,890	2,750,121	790,405	3,967,885	1,818,257
1993	\$ 32,046,964	16,033,390	2,930,222	811,560	4,088,053	1,878,058
1994	\$ 31,988,494	15,514,926	2,937,195	811,963	4,015,134	1,922,423
1995	\$ 33,634,761	15,736,225	3,433,468	808,391	4,300,729	1,945,294
1996	\$ 33,068,120	16,004,020	3,053,810	819,986	3,778,385	2,076,104
1997	\$ 32,217,240	16,469,270	2,624,394	726,214	3,312,462	1,949,594
1998	\$ 32,550,007	16,652,829	2,657,672	660,678	3,406,001	2,018,552
1999	\$ 31,704,502	16,005,319	2,731,438	721,860	3,169,521	2,016,471

Table I

Expenses			Nonoperating Expenses		
State Utilities Tax	Depreciation and Decommissioning	Total Operating Expense	Interest and Debt Expense	Other Nonoperating Expense	Total Nonoperating Expenses
321,159	2,447,565	26,642,379	2,781,553	242,573	3,024,126
-	2,616,987	27,721,286	2,840,798	88,175	2,928,973
-	2,788,649	27,947,207	2,876,926	60,761	2,937,687
-	2,988,477	28,729,760	3,250,343	66,861	3,317,204
-	3,210,370	28,412,011	3,458,792	117,691	3,576,483
-	3,540,923	29,765,030	3,791,166	78,565	3,869,731
-	3,583,478	29,315,783	3,731,690	20,647	3,752,337
-	3,632,710	28,714,644	3,462,756	39,840	3,502,596
-	3,692,111	29,087,843	3,422,072	40,092	3,462,164
-	3,694,652	28,339,261	3,353,913	11,328	3,365,241

SCHEDULE OF REVENUES BY SOURCE
LAST TEN FISCAL YEARS
September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Operating Revenues						
Fiscal Year	Total Revenues	Electric System	Water System	Pollution Control System	Water Reuse System	Total Operating Revenue
1990	\$ 29,103,071	22,362,293	3,305,107	2,444,813	-	28,112,213
1991	\$ 30,989,578	24,261,715	3,414,240	2,437,303	-	30,113,258
1992	\$ 31,115,463	24,116,658	3,618,061	2,575,895	-	30,310,614
1993	\$ 32,292,107	24,880,055	3,938,507	2,826,245	6,405	31,651,212
1994	\$ 32,222,023	24,352,192	3,923,279	3,165,162	7,650	31,448,283
1995	\$ 34,253,351	25,612,207	3,972,005	3,168,544	382,696	33,135,452
1996	\$ 34,839,856	25,872,665	4,145,975	3,332,543	411,907	33,763,090
1997	\$ 33,945,059	24,901,225	4,187,748	3,326,421	432,078	32,847,472
1998	\$ 34,350,052	24,699,025	4,365,734	3,402,639	446,383	32,913,781
1999	\$ 33,844,938	24,066,446	4,552,710	3,473,396	459,629	32,552,181

Table II

Nonoperating Revenues		
Interest Earnings	Other Income	Total Nonoperating Revenue
801,086	189,772	990,858
696,413	179,907	876,320
595,302	209,547	804,849
370,830	270,065	640,895
495,971	277,769	773,740
762,206	355,693	1,117,899
824,645	252,121	1,076,766
898,260	199,327	1,097,587
1,082,325	353,946	1,436,271
1,006,728	286,029	1,292,757

DEMOGRAPHIC STATISTICS**LAST TEN FISCAL YEARS**

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

Table III

Fiscal Year	New Smyrna Beach's Estimated Population (1)	County Per Capita Income (2)	County Unemployment Rate (3)	School Enrollment (4)	School Percent Attendance (4)
1990	18,600	\$15,760	5.6%	4,488	96.0%
1991	16,543	\$15,925	7.3%	4,663	95.0%
1992	17,084	\$16,386	8.3%	4,852	96.0%
1993	17,231	\$17,227	6.6%	5,009	96.0%
1994	17,989	\$17,842	6.4%	5,053	96.0%
1995	17,853	\$18,951	4.9%	5,348	96.0%
1996	18,239	N/A	4.5%	4,978	96.0%
1997	18,327	N/A	3.9%	5,008	95.9%
1998	18,503	N/A	3.3%	6,767	95.4%
1999	18,603	N/A	2.9%	6,810	95.2%

(1) Obtained from University of Florida, Bureau of Economics and Business Research.

(2) Obtained from Volusia County Business Development Corporation.

(3) Obtained from State of Florida, Department of Labor and Employment Security.

(4) Obtained from Volusia County School Board - includes grades K-12.

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (4)
LAST TEN FISCAL YEARS
 September 30,
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Table IV

Fiscal Year	Number of Permits (1)	Dollar Value of Construction (\$000's)	FDIC Insured Institutional Deposits (2) (\$000's)	Property Assessed Value (3) (\$000's)
1990	2,416	\$27,492	\$596,287	\$975,234
1991	2,333	\$22,310	\$680,070	\$1,030,656
1992	2,391	\$18,909	\$744,842	\$1,094,024
1993	2,421	\$28,848	\$862,672	\$1,117,205
1994	2,266	\$18,103	\$532,340 (5)	\$1,149,931
1995	2,177	\$33,581	\$539,119 (6)	\$1,199,523
1996	2,561	\$23,785	\$548,762 (6)	\$1,231,515
1997	2,301	\$28,975	\$543,313 (6)	\$1,275,232
1998	3,779	\$39,327	\$562,509 (6)	\$1,336,740
1999	5,777	\$41,166	Not Available (6)	\$1,380,855

(1) Obtained from City of New Smyrna Beach Building Department.

(2) Obtained from inquiry of officials of banks and savings and loan associations.

(3) Obtained from Volusia County Finance Department.

(4) The above data is related exclusively to area within the municipal limits of the City of New Smyrna Beach.

(5) Deposit information after 1993 does not include deposits from bank and savings and loan branches which are located outside the municipal boundaries of the City of New Smyrna Beach. Prior to 1994, branch deposits were based on regional banking/savings and loan center totals which included branches located outside of the City. Prior year data cannot be easily segregated due to the large number of banking changes/mergers that have occurred during the last ten years.

(6) Deposit information obtained from Florida Bankers Association and FDIC June Market Share Report

SCHEDULE OF INSURANCE IN FORCE

Table V

September 30, 1999
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Coverage and Insuring Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
Comprehensive General Liability: Coregis	651-8113-2	01/01/1999 12/31/2000	Combined bodily injury and property damage	\$5,000,000 with \$ -0- deductible (statutory limits)
Business Auto: Coregis	651-8113-2	01/01/1999 12/31/2000	Liability Comprehensive Collision No fault	\$1,000,000 bodily injury and property combined Actual cash value less \$250 deductible Actual cash value less \$500 deductible Statutory
Business Property: Coregis	651-8113-2	10/01/1999 09/30/2000	Buildings and contents Valuable papers/records Contractors equipment Computer equipment	\$18,850,122 with \$10,000 deductible (agreed value) \$100,000 with \$250 deductible \$952,793 with \$1,000 deductible \$155,000 with \$1,000 deductible
Crime: Coregis	651-8113-2	12/01/1999 12/01/2000	Forgery or Alteration Theft, Destruction (inside) Theft, Destruction (outside) Employee Dishonesty	\$100,000 aggregate, \$1,000 deductible \$70,000 with \$1,000 deductible \$70,000 with \$1,000 deductible \$100,000 with \$1,000 deductible
Boiler and Machinery: Travelers Property Casualty	451-BMG-272K8952-TIL-9	01/01/1999 01/01/2000	Breakdown due to accident	\$50,000,000 with \$10,000 deductible
Flood Insurance: Harleysville Mutual Insurance Co.	366-2016745	09/02/1999 09/02/2000	Building Contents Deductible	\$500,000 \$500,000 \$5,000
Nuclear Energy Damage: American Nuclear Insurance and Nuclear Electric Insurance, Ltd. Insurance Ltd. (These amounts represent the total insurance coverage for Florida Power Corporation's Crystal River nuclear plant, of which the Commission owns a 0.05608% undivided ownership interest)	98-147 X99015 NF195 NS347 N35 NW579 E99-015	10/09/1999 10/09/2000 10/01/1999 01/01/1999 01/01/2000 01/01/1999 01/01/2000 10/01/1999 10/01/2000	Primary property Excess property (Excess of \$500 million) Primary liability Suppliers and transporters liability Secondary financial protection Master Workers Torts Extra expense (cost of replacing lost generation)	\$500 million \$1.100 billion \$200 million \$200 million \$9.514 billion with \$200 million deductible \$200 million aggregate \$294 million per schedule \$2.1 million per week
Public Official/Employee Liability: Coregis Insurance Organizations	P01-001171-2	07/28/1999 07/28/2000	Liability	\$1,000,000 Retentions-\$10,000 per loss
Workers' Compensation: Preferred Governmental Insurance Trust	001000000024099	10/01/1999 10/01/2000	Statutory coverage Employer's liability	Statutory \$100,000
Pollution Liability: Florida Petroleum Liability Insurance	FPL - 8072724	07/10/1999 07/10/2000	Liability - fuel spillage	\$2,000,000 aggregate \$500 deductible

TEN LARGEST ELECTRIC CUSTOMERS

September 30, 1999
 UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Table VI

	Kilowatt Hour Sales		Revenues Billed	
	(kWh) (000's)	Percent of Total	Amount	Percent of Total
1. Bert Fish Medical Center.....	8,312	2.44%	\$529,239	2.13%
2. Winn Dixie (#2304).....	3,199	0.94%	203,796	0.82%
3. Publix Food Store (#2019100).....	2,936	0.86%	187,496	0.76%
4. Publix Food Store (#2033500).....	2,884	0.85%	183,973	0.74%
5. Utilities Commission (Pollution plant).....	2,798	0.82%	181,239	0.73%
6. Reddy Ice.....	2,597	0.76%	165,169	0.67%
7. Board of Public Instruction (New Smyrna Beach High School).....	2,433	0.71%	167,717	0.68%
8. Board of Public Instruction (New Smyrna Beach Middle School).....	2,431	0.71%	179,473	0.72%
9. K-Mart (#7447).....	2,402	0.71%	155,723	0.63%
10. Wal-Mart Stores.....	2,336	0.69%	150,406	0.61%
Totals.....	<u>32,328</u>	<u>9.49%</u>	<u>\$2,104,231</u>	<u>8.49%</u>

TEN LARGEST WATER CUSTOMERS

September 30, 1999

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
 NEW SMYRNA BEACH, FLORIDA

Table VII

	Consumption		Revenues Billed	
	Gallons (000's)	Percent of Total	Amount	Percent of Total
1. Board of Public Instruction.....	26,554	1.73%	\$52,214	1.16%
2. Sea Woods Homeowners Association.....	20,230	1.32%	37,035	0.82%
3. Bert Fish Medical Center.....	17,879	1.16%	32,387	0.72%
4. Errol by the Sea Condominium Association.....	13,997	0.91%	27,654	0.61%
5. Federal Housing Authority.....	13,394	0.87%	35,307	0.78%
6. Reddy Ice	11,375	0.74%	19,701	0.44%
7. Castle Reef	10,906	0.71%	13,765	0.31%
8. Oceanview Nursing Home.....	10,777	0.70%	19,007	0.42%
9. Islander Beach Lodge.....	10,468	0.68%	19,872	0.44%
10. The Inlet Condominium Associaiton.....	10,208	0.66%	14,805	0.33%
Totals.....	<u>145,788</u>	<u>9.48%</u>	<u>\$271,747</u>	<u>6.03%</u>

SCHEDULE OF REVENUE CERTIFICATE COVERAGE
LAST TEN FISCAL YEARS
September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Table VIII

	1999	1998	1997	1996	1995
Gross Revenue Per Certificate Resolution:					
Operating revenues	\$ 32,552,181	32,913,781	32,847,472	33,763,090	33,135,452
Interest and other income (excluding construction fund interest earnings)	1,292,757	1,436,271	1,097,587	1,076,766	1,117,899
Capacity and other fees	1,774,292	1,755,040	1,785,424	1,383,945	798,090
Assessment collections	3,408	40,878	559	1,331	3,106
Gross revenue per certificate resolution	35,622,638	36,145,970	35,731,042	36,225,132	35,054,547
Expenses Per Certificate Resolution:					
Operating expenses	28,339,261	29,087,843	28,714,644	29,315,783	29,765,030
Less: Depreciation expense	(3,502,707)	(3,490,562)	(3,450,710)	(3,386,306)	(3,337,966)
Required payments to the City	(2,016,471)	(2,018,552)	(1,949,594)	(2,076,104)	(1,945,294)
Expenses per certificate resolution	22,820,083	23,578,729	23,314,340	23,853,373	24,481,770
Income available for debt service	\$ 12,802,555	12,567,241	12,416,702	12,371,759	10,572,777
Annual Debt Service Requirements:					
Principal.....	\$ 2,350,000	2,255,000	1,945,000	1,855,000	1,680,000
Interest (less accrued interest) (1)	2,948,209	3,054,404	3,138,448	3,687,574	3,841,252
Annual debt service requirements	\$ 5,298,209	5,309,404	5,083,448	5,542,574	5,521,252
Coverage ratio (Times)	2.42	2.37	2.44	2.23	1.91
	1994	1993	1992	1991	1990
Gross Revenue Per Certificate Resolution:					
Operating revenues	\$ 31,448,283	31,651,212	30,310,614	30,113,258	28,112,213
Interest and other income (excluding construction fund interest earnings)	773,740	640,895	804,849	876,320	990,858
Capacity and other fees	727,054	1,521,443	761,039	756,866	1,001,968
Assessment collections	(301)	5,576	13,152	36,239	45,828
Gross revenue per certificate resolution	32,948,776	33,819,126	31,889,654	31,782,683	30,150,867
Expenses Per Certificate Resolution:					
Operating expenses	28,412,011	28,729,760	27,947,207	27,721,286	26,642,379
Less: Depreciation expense	(3,179,382)	(2,889,647)	(2,675,521)	(2,495,369)	(2,328,833)
Required payments to the City	(1,922,423)	(1,878,058)	(1,818,257)	(1,785,889)	(1,781,241)
Expenses per certificate resolution	23,310,206	23,962,055	23,453,429	23,440,028	22,532,305
Income available for debt service	\$ 9,638,570	9,857,071	8,436,225	8,342,655	7,618,562
Annual Debt Service Requirements:					
Principal.....	\$ 1,595,000	1,015,000	1,080,000	1,020,000	805,000
Interest (less accrued interest) (1)	3,923,144	3,780,962	3,266,873	3,550,972	2,553,281
Annual debt service requirements	\$ 5,518,144	4,795,962	4,346,873	4,570,972	3,358,281
Coverage ratio (Times)	1.75	2.06	1.94	1.83	2.27

(1) Interest expense for the fiscal years ended September 30, 1993, 1992, and 1990, is stated net of \$613,763, \$222,792 and \$783,778, respectively, in interest expense which was funded from the proceeds of the issuance of revenue certificates.

(2) Includes actual amounts funded throughout the year for subsequent April 1 and October 1 debt service payments.

**HISTORICAL PEAK DEMAND AND ELECTRIC SYSTEM NET ENERGY REQUIREMENTS,
WATER DEMAND, AND SEWAGE FLOWS
LAST TEN FISCAL YEARS**
September 30,
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Table IX

Fiscal Year	ELECTRIC SYSTEM				WATER SYSTEM				POLLUTION CONTROL (WASTEWATER) SYSTEM			
	Net Energy Requirements (kWh)	Annual Increase %	Annual Peak Demand (kW)	Annual Increase (Decrease) %	Maximum Daily Flow (MGD)	Average Daily Flow (MGD)	Minimum Daily Flow (MGD)	Total Annual Production (MGY)	Maximum Daily Flow (MGD)	Average Daily Flow (MGD)	Minimum Daily Flow (MGD)	Total Annual Production (MGY)
1990	282,184,000	5.2	78,200	7.9	6.22	4.00	2.46	1,461	2.93	2.31	1.50	843
1991	286,118,000	1.4	75,300	(3.7)	5.13	3.75	2.36	1,366	3.23	2.65	2.29	968
1992	287,167,000	0.4	70,600	(6.2)	6.06	3.75	2.30	1,373	2.91	2.44	2.13	896
1993	292,485,000	1.9	72,100	2.1	5.89	4.02	2.55	1,470	2.98	2.53	2.18	925
1994	301,883,000	3.2	69,900	(3.1)	5.83	3.84	2.12	1,400	3.16	2.68	1.72	979
1995	318,962,000	5.7	88,300	26.3	6.14	4.19	2.62	1,457	3.59	2.88	1.65	1,053
1996	331,282,000	3.9	89,200	1.0	6.18	4.30	2.85	1,572	4.43	2.77	2.07	1,016
1997	325,239,000	(1.8)	82,500	(7.5)	5.85	4.28	2.73	1,562	4.50	2.46	1.88	898
1998	352,623,000	8.4	80,200	(2.8)	6.62	4.54	2.88	1,659	4.23	2.49	1.94	909
1999	335,599,000	0.8	85,700	6.9	6.13	4.57	2.56	1,667	7.55	2.97	1.25	1,096

(1) The above information is provided pursuant to the requirements of Section 2(B) of the Commission's Continuing Disclosure Certificate issued on August 15, 1996.

**UTILITY RATE SCHEDULE -
ELECTRIC SERVICE**

Table X

September 30, 1999

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Electric System Rate Schedule:

Residential Service - Monthly Rate

Customer Charge:	Single Phase Service	\$5.65
	Three Phase Service	\$7.85
Energy Charge:	All kWh per month at: (plus fuel and purchased power cost adjustment)	\$0.06917 per kWh

General Service - Non-Demand - Monthly Rate

Customer Charge:	Single Phase Service	\$6.05
	Three Phase Service	\$8.85
Energy Charge:	All kWh per month at: (plus fuel and purchased power cost adjustment)	\$0.07067 per kWh

General Service - Demand - Monthly Rate

Customer Charge:		\$33.50
Demand Charge:	All kW of billing demand	\$5.50 per kW
Energy Charge:	All kWh per month at: (plus fuel and purchased power cost adjustment)	\$0.05393 per kWh

General Service - Demand Time of Use - Monthly Rate

Customer Charge:		\$33.50
Demand Charge:	per kW of excess demand	\$22.00 per kW
Energy Charge:	All kWh per month at: (plus fuel and purchased power cost adjustment)	\$0.05393 per kWh
Customer Charge:		\$235.00
Demand Charge:	All kW of billing demand	\$5.50 per kW
Energy Charge:	All kWh per month at: (plus fuel and purchased power cost adjustment)	\$0.05393 per kWh

Green Pricing Rate

Green Pricing Level 1	\$5.00
Green Pricing Level 2	\$10.00

Fuel and Purchased Power Cost Adjustment Clause:

The Fuel and Purchased Power Cost Adjustment Clause (FPPCAC) is an integral component of the monthly charges, and is designed to allow for accurate billing of fluctuating applicable fuel and purchased power costs. In order to minimize changes in customer billings, the FPPCAC is developed on a twelve month projected basis, with provision to "true-up" any over or under recovery of any applicable fuel and purchased power cost in each subsequent twelve month period. A provision is provided in the clause for the FPPCAC to be modified if significant circumstances arise during the twelve month billing cycle. The adjustment for the twelve month period ending September 30, 1999 is \$ -0- per 1,000 kWh. Beginning October 1, 1999 the adjustment amounts to a \$4.00 debit to the customers' accounts.

- (1) The above information is provided pursuant to the requirements of Section 2(B) of the Commission's Continuing Disclosure Certificate which was issued on August 15, 1996 in conjunction with the sale of \$26,210,000 Utilities Refunding Revenue Certificates, Series 1996.

**UTILITY RATE SCHEDULE -
WATER SERVICE**

Table XI

September 30, 1999
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

	Meter Size (Inches)	Base Facility Charge	Reuse Subsidy Charge	Billing Charge Monthly	Total Monthly Billing
Residential Service (2): Single Family	5/8"	\$ 8.85	\$ 0.90	\$ 1.90	\$ 11.65 + Gallonage Charge
	1"	22.15	2.25	1.90	\$ 26.30 + Gallonage Charge
	1 1/2"	44.25	4.50	1.90	\$ 50.65 + Gallonage Charge
	2"	70.80	7.20	1.90	\$ 79.90 + Gallonage Charge
	3"	141.60	14.40	1.90	\$ 157.90 + Gallonage Charge
	4"	221.25	22.50	1.90	\$ 245.65 + Gallonage Charge
	6"	442.50	45.00	1.90	\$ 489.40 + Gallonage Charge
	8"	708.00	72.00	1.90	\$ 781.90 + Gallonage Charge

Gallonage Charge/1,000 Gallons

Block 1	Block 2	Block 3
\$1.05	\$1.25	\$1.70

Monthly Rate Blocks (Gallons)

	Block 1	Block 2	Block 3
All Meter Sizes	0-7000	7001-14000	14001 and over

	Billing Account	Base Facility Charge	Reuse Subsidy Charge	Billing Charge Monthly	Total Monthly Billing
--	-----------------	----------------------	----------------------	------------------------	-----------------------

Mult-Family	Each Unit	\$ 8.85	\$ 0.90	\$ 0.00	\$ 9.75
	Master Meter	0.00	0.00	1.90	\$ 1.90 + Gallonage Charge @ \$1.05 per KG - all usage

Irrigation and Non-Residential (2):

** (Same Minimum and Gallonage Charges as Residential) **

Meter Size	Block 1	Block 2	Block 3
5/8"	0 - 7,000	7,001 - 14,000	14,001 and above
1"	0 - 15,000	15,001 - 40,000	40,001 and above
1 1/2"	0 - 30,000	30,001 - 75,000	75,001 and above
2"	0 - 50,000	50,001 - 100,000	100,001 and above
3"	0 - 100,000	100,001 - 200,000	200,001 and above
4"	0 - 200,000	200,001 - 400,000	400,001 and above
6"	0 - 300,000	300,001 - 600,000	600,001 and above
8"	0 - 600,000	600,001 - 1,000,000	1,000,001 and above

(1) The above information is provided pursuant to the requirements of Section 2(B) of the Commission's Continuing Disclosure Certificate which was issued on August 15, 1996 in conjunction with the sale of \$26,210,000 Utilities Refunding Revenue Certificates, Series 1996.

(2) A surcharge of twenty-five percent (25%) is added to bills of users outside the City limits.

**UTILITY RATE SCHEDULE -
POLLUTION CONTROL AND WATER REUSE SERVICE**

Table XII

September 30, 1999
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
NEW SMYRNA BEACH, FLORIDA

Pollution Control Rate Schedule

Residential, (Single-Family) and Non-Residential (2):

Meter Size (Inches)	Base Facility Charge	Reuse Subsidy Charge	Billing Charge Monthly	Gallonge Charge Per KG	Total Monthly Billing
5/8"	\$ 9.35	\$ 1.05	\$ 1.50	\$ 1.55	\$ 11.90 + Gallonge Charge
1"	23.40	2.65	1.50	1.55	\$ 27.55 + Gallonge Charge
1 1/2"	46.75	5.25	1.50	1.55	\$ 53.50 + Gallonge Charge
2"	74.80	8.40	1.50	1.55	\$ 84.70 + Gallonge Charge
3"	149.60	16.80	1.50	1.55	\$ 167.90 + Gallonge Charge
4"	233.75	26.25	1.50	1.55	\$ 261.50 + Gallonge Charge
6"	467.50	52.50	1.50	1.55	\$ 521.50 + Gallonge Charge
8"	748.00	84.00	1.50	1.55	\$ 833.50 + Gallonge Charge

Multi-Family (2):

Each Unit	\$ 9.35	1.05	0.00	0.00	\$ 10.40
Master Meter	0.00	0.00	1.50	1.55	\$ 1.50 + Gallonge Charge

Reclaimed Water Rate Schedule:

	Meter Size (Inches)	Minimum Monthly Charge	Flow Charge per KG
Primary Tier Rate: Service:	5/8" X 3/4"	\$ 10.00	N/A
	1"	25.00	N/A
	1 1/2"	50.00	N/A
Metered:	2"	0.00	\$ 0.10
	3"	0.00	0.10
	4"	0.00	0.10
	6"	0.00	0.10

Secondary Tier Rate: \$10.80/acre/month for metered users whose anticipated capacity exceeds 100,000 gallons per day and which must provide a minimum of three (3) days of wet weather storage for the minimum flow rate of 1,900 gallons/acre/day on an annual average

(1) The above information is provided pursuant to the requirements of Section 2(B) of the Commission's Continuing Disclosure Certificate which was issued on August 15, 1996 in conjunction with the sale of \$26,210,000 Utilities Refunding Revenue Certificates, Series 1996.

(2) A surcharge of twenty-five percent (25%) is added to bills of users outside the City limits.

SUPPLEMENTAL AUDIT REPORTS

BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Chairman and Commissioners
Utilities Commission, City of New Smyrna Beach, Florida
New Smyrna Beach, Florida

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated November 9, 1999.

We conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with laws, regulations, contracts, and grants applicable to Utilities Commission, City of New Smyrna Beach, Florida, is the responsibility of Utilities Commission, City of New Smyrna Beach, Florida's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with such provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the Utilities Commission, management, and applicable federal and state regulatory bodies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Brent Millikan & Co., P.A.

New Smyrna Beach, Florida
November 9, 1999

BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Chairman and Commissioners
Utilities Commission, City of New Smyrna Beach, Florida
New Smyrna Beach, Florida

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated November 9, 1999.

We conducted our audit in accordance with generally accepted auditing standards and *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.

The management of Utilities Commission, City of New Smyrna Beach, Florida, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, for the year ended September 30, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be a material weakness as defined above.

To the Honorable Chairman and Commissioners
Utilities Commission, City of New Smyrna Beach, Florida
Page 2 of 2

However, we noted other matters involving the internal control structure and its operation that we have reported to the management of Utilities Commission, City of New Smyrna Beach, Florida, in a separate letter dated November 9, 1999.

This report is intended for the information of the Utilities Commission, management, and applicable federal and state regulatory bodies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Brent Milliken & Co., P.A.

New Smyrna Beach, Florida
November 9, 1999

BRENT MILLIKAN & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT COMMENTS

To the Honorable Chairman and Commissioners
Utilities Commission, City of New Smyrna Beach, Florida
New Smyrna Beach, Florida

We have audited the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, as of and for the year ended September 30, 1999, and have issued our report thereon dated November 9, 1999.

We conducted our audit in accordance with generally accepted auditing standards and *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.

In planning and performing our audit of the financial statements of Utilities Commission, City of New Smyrna Beach, Florida, for the year ended September 30, 1999, we considered the Commission's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. As a result, no weaknesses in procedures and controls came to our attention which are required to be reported.

In addition to testing your financial operations for compliance with applicable laws, we are required to comment on those items required to be included in this report by reason of the Rules of the Auditor General of the State of Florida. Those items are included in Exhibit A attached.

This report is intended for the information of the Utilities Commission, management, and applicable federal and state regulatory bodies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Brent Millikan & Co., P.A.

New Smyrna Beach, Florida
November 9, 1999

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Prior Year Findings and Recommendations

All findings and resultant recommendations made in the preceding year were appropriately implemented and/or resolved to our satisfaction. No irregularities were reported in the preceding year.

(98-1) *Year 2000 Issue*

We continue to comment that in less than two months, we will experience the first century change endured by an automated society. While most current computer applications in use throughout the world continue to use date processing logic based on a "two-digit" year, there remains sufficient skepticism on how this century change may affect data produced by these automated applications. The Year 2000 Issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recent years, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 A.M. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. Additionally, the use of abbreviated dates may cause failures when systems currently attempt to perform calculations into the year 2000.

The Year 2000 Issue presents another challenge--the algorithm used in some computers for calculating leap years is unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000 ready may not register the additional day, and date calculations may be incorrect.

Although the Commission has taken precautionary steps to address this issue and has reported its results of remediation to the North American Electric Reliability Council of its 100% compliance with the Year 2000 Readiness, we cannot stress enough the importance of this matter. The Year 2000 Issue is complex enough to warrant additional efforts and follow-up to mitigate the risks of non-compliance.

Accordingly we recommend that the Commission continue its efforts to further validate and test hardware, software, and all systems that may be negatively affected by the Year 2000 Issue. We also recommend that the Commission implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations also must become year 2000 ready. The Commission also should satisfy itself that vendors, service providers, bankers, customers, and other third-party organizations will not experience problems relating to the Year 2000 Issue that could affect the Commission's operations or cash flows.

Current Year Findings and Recommendations

(99-1) *Allowance for Uncollectible Accounts Receivable*

During our audit we observed that the balance in the allowance for uncollectible accounts receivable did not change from the amount established in earlier years. Under generally accepted accounting principles this account will change as a result of accruing the losses from uncollectible receivables. Accruing losses for a reasonable estimate of uncollectible accounts is known as the "reserve method." The allowance for uncollectible accounts receivables serves as a valuation allowance in presenting the net realizable value of uncollected receivables and is a reasonable estimate of the amount of loss from uncollectible receivables. While the "reserve method" of accounting for uncollectible accounts conforms to generally accepted accounting principles, the "direct charge-off method" does not. In practice the Commission has adopted the "direct charge-off method," which explains why the allowance account balance has not changed. We noted that the Commission has properly expensed the amount of actual bad debts approved to be written off by the Commission.

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The experience of the Commission indicates that the balance in the allowance account should increase to an amount that closely approximates the balance of accounts that have been referred to the third-party collection agency for collection. The historical trend of the annual amount of accounts written-off, net of subsequent recoveries, has traditionally been budgeted by the Commission is measuring a reasonable estimate of the credit sales that will be uncollectible in the fiscal reporting year. This information provides a reasonable basis for the accrual of loss for uncollectible accounts receivables and the corresponding increased adjustment needed to the valuation allowance account.

Accordingly, we recommend that the Commission review the financial information pertaining to the accounts referred for collection and to accrue the losses for uncollectible accounts in conformity with generally accepted accounting principles. This will help to properly adjust the valuation allowance for net realizable receivables each year.

(99-2) *Customer Information Systems Software Enhancements*

During the year the Commission had undertaken the task of converting its old utility billing system with the new *Aquilium Customer Service Information System* software that is an integrated customer service database and billing software. Due to the unique operations of the Commission the software was modified to accommodate utility billing and the various types of customers serviced by the Commission; however, we noted some characteristics of the system that may merit further consideration for enhancing the system.

We observed that the new system processes data differently than the old system, which the staff had to adapt to in order to speed up the processing of the billing aspect of the system. Some of the benefits of these changes resulted in more frequent billing of customer accounts, fewer billing adjustments, and the ability to process billing for an entire cycle without interrupting the batch to address any accounts that would otherwise put a hold on the billing (such as a customer account without any consumption for the month). However, we noted that the program does not allow for batch processing and printing of the utility billing after normal business hours. Consequently, the workload of the staff has increased during normal business hours.

In addition the new software is slow in producing certain standardized reports. The software's report writing feature is limited to standardized reports for generic businesses and is not necessarily designed to accommodate the historical or statistical information needed by the Commission. As a result, the staff has devised more useful and meaningful reports from the database through the use of Seagate's *Crystal Reports*, a separate software application program, to produce the reports that enables the Commission's Finance Department to adequately reconcile and report the revenue due from customers.

While testing the new system during the conversion process both Commission staff had found some isolated instances of incorrect charges or fees or inadvertent omission of charges or fees from various customers' accounts. We reviewed these internal testing results and found the amounts to be immaterial, in relation to the financial statements of the Commission, taken as a whole. During our audit we separately tested a sample of customer accounts for each type of customer account to test for proper rates and mathematical accuracy of the computation of revenue billed each customer. This testing was done for the purpose of assessing the new system's capabilities and to see how the integration of the ITRON meter reading software, the customer database and utility billing system was affected by the conversion.

Although we found no exceptions from this test sample, we believe that periodic internal testing of customer accounts is essential for strong internal accounting controls and is a good practice, especially when there are rate changes. It is our understanding that Commission staff had concentrated their effort to reviewing the database, particularly during the conversion process and has sampled the database during the year for the purpose of making an necessary billing adjustments required.

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Accordingly, as a result of the new Customer Service Information System changes, we make the following recommendations:

- Review your LAN and local workstations to insure that the processing speed of the new system is not caused by limitations of current hardware. We noticed that the majority of the Finance Department's PCs and workstations had older Pentium 133 mhz processors and 64 MB of RAM, which may not be sufficient to run the newer software used in processing data and financial reports. We noted that the Commission had upgraded its server but the workstations and printer used in the old system had not been upgraded to work with the new server and software. The distance from the network server and the cabling may also be a cause for the problems with the new system. We understand that the Commission has contracted with Brintech, Inc. to review its systems for upgrades that may help to speed up the program and thus the productivity of the staff.
- Continue to upgrade the system through new releases from Great Plains and Aquilium for program enhancements or modifications that may make the new Customer Service Information System work more efficiently.
- Train additional staff on the extraction of data from the Customer Service Information System software database and the structuring of reports using the separate reporting software, as a backup for the limited staff that is presently assigned this responsibility. Also, we recommend that the separate reporting procedures be documented in a supplemental manual to accompany the existing manual provided by the software vendor, to insure that preparation of such important information is not interrupted due to absences or illness of employees.

We understand that a number of these steps have already been implemented by management and staff to resolve the issues pertaining to the new Customer Service Information System software. We also acknowledge that numerous advances have been made through innovative measures implemented by management and staff of the Commission to improve the overall billing and collection system resulting from the new software upgrade.

Oversight Unit

The Utilities Commission, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669) which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission. In a referendum held October 2, 1984, City voters approved amendments to the City Charter establishing criteria requiring the funds and entities related to the operation of the Utilities Commission be included as a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity. The Commission's basic financial statements are incorporated in the City's Comprehensive Annual Financial Report as an enterprise fund activity.

Florida Department of Banking and Finance Annual Financial Report

The Annual Financial Report for the fiscal year ended September 30, 1999, required to be filed with the Florida Department of Banking and Finance pursuant to Section 218.32 (1)(b), Florida Statutes, has not yet been completed by the Commission's oversight unit (City of New Smyrna Beach, Florida, Unit ID#251) at the time of submitting this report. Upon completion of the Annual Financial Report, we will compare the reported data with that data contained in their audited financial statements to confirm that both are in agreement. Should it be determined that the data reported in the Annual Financial Report is not in agreement with the Commission's audited financial statements, we will report and state our findings to you in an amended or supplemental management letter.

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Determination of Financial Emergency - Section 218.503(1), F.S.

Nothing came to our attention which indicated that the Utilities Commission, City of New Smyrna Beach, Florida, is, or during the year ended September 30, 1999, was in a state of financial emergency as a consequence of conditions described in Section 218.503(1), F.S.