

**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, 2001 and 2000***

# **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, 2001 AND 2000***

### **UTILITIES COMMISSIONERS**

Theresa M. Perry, Chairman

Walter H. Glenn, Jr., Vice Chairman

Peter E. Mallory, Secretary-Treasurer

Robert S. Thurlow, Assistant Secretary-Treasurer

William J. Schneider, Commissioner

### **GENERAL MANAGER/CHIEF EXECUTIVE OFFICER**

Ronald L. Vaden

### **CHIEF FINANCIAL OFFICER**

Roberto O. Montalvo, CPA

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**NEW SMYRNA BEACH, FLORIDA**

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**NEW SMYRNA BEACH, FLORIDA**

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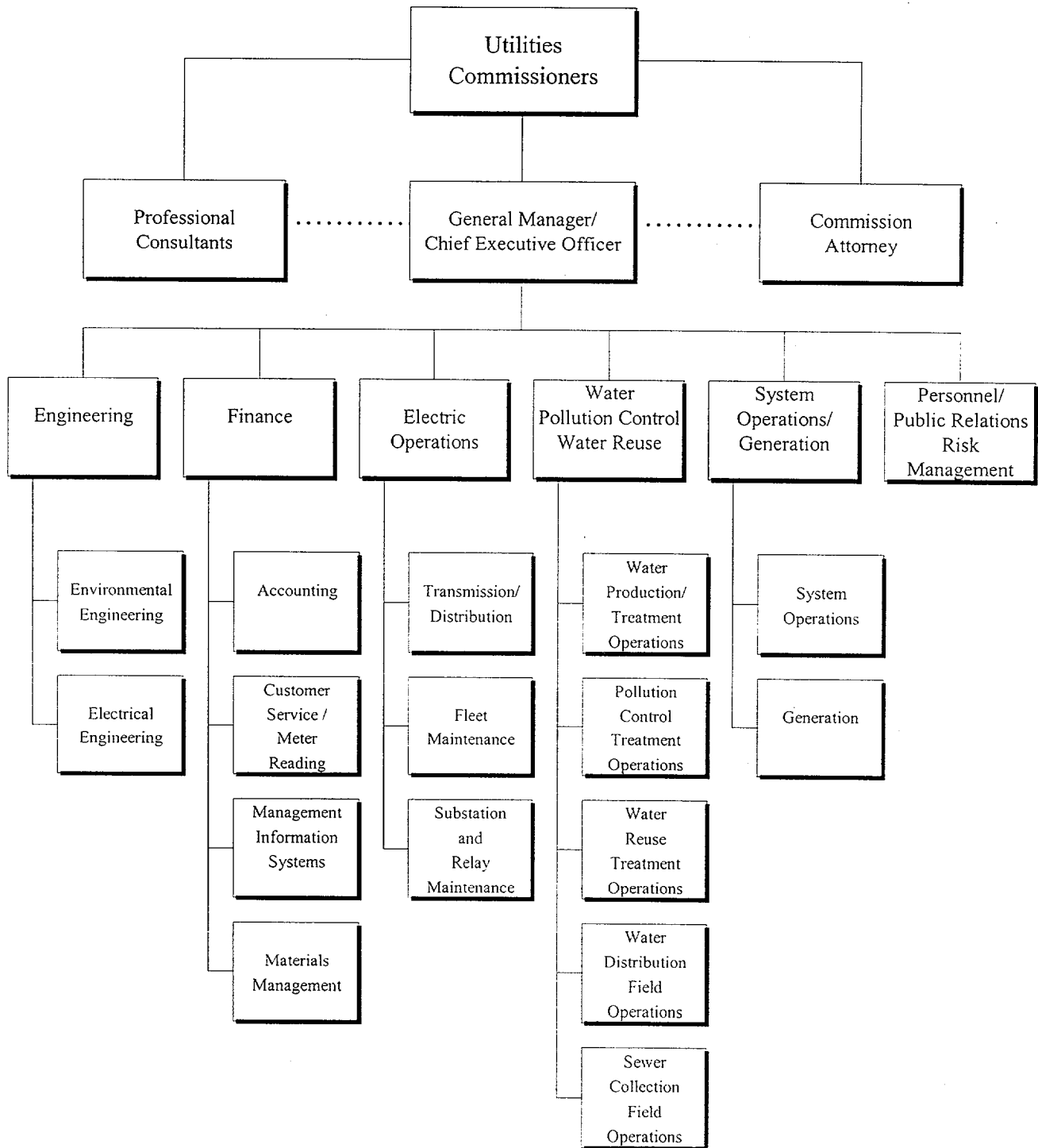
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## *ORGANIZATION CHART*

## ORGANIZATION CHART

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

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# ***CERTIFICATE OF ACHIEVEMENT***

***FOR THE YEAR ENDED SEPTEMBER 30, 2000***

*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, 2000.*

*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 THE YEAR ENDED SEPTEMBER 30, 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

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# 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, 2000

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.



*Imelda Arave*  
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 16, 2001

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, (the "Utilities Commission") for the fiscal years ended September 30, 2001 and 2000, 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 2000. The financial section includes the independent auditors' report on the financial statements, management's discussion and analysis, the basic financial statements, including notes to the financial statements, and the supplemental financial section. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, and selected ten-year historical financial information.

The financial statements of the Utilities Commission are 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 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.

## **MAJOR INITIATIVES**

The Utilities Commission has established a Capital Improvements Plan (Plan) through 2006. It is the Commission's desire to fund the capital expenditures under this Plan through a combination of connection fees, Renewal and Replacement Fund proceeds, and other funding. These proposed capital improvement expenditures 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 a 500 MW power plant (scheduled to be on-line by June 2004);
- New 115kV electric transmission line, double circuiting of approximately 13 miles of line;
- New 30 MVA distribution substation, including site acquisition;
- Sugar Mill Subdivision Wastewater System Force Main interconnection;
- Replacing existing wastewater force main crossing under the Intra-coastal Indian River; and
- Planned expansion of the water reuse system's wet weather storage and extension of the water system to provide service to prospective customers.

On September 12, 2001, the Utilities Commission approved entering into a Participation Agreement with Reliant New Smyrna Beach, LLC for constructing a new 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 to customers by the Commission by lowering customer electric rates by up to 15%. The Agreement, which must be approved by the Florida Public Service Commission, is expected to have a significant effect on the electric utility industry in the State of Florida, since the State is in need of additional generating capacity.

Utilities 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.

## FINANCIAL INFORMATION

Management of the Utilities 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 judgments 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, 2001, the Utilities Commission served 21,330 electric customers, 18,569 water customers, 15,423 pollution control customers, and 346 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>
1997 .....	20,501	16,727	14,356	188
1998 .....	20,644	16,988	14,355	248
1999.....	20,920	17,516	14,600	286
2000.....	21,134	17,937	14,940	306
2001.....	21,330	18,569	15,423	346

The current year's operating revenue from the combined utilities systems totaled \$42.71 million, an increase of 3.1% over last year's \$41.42 million. This increase is primarily the result of an increase in the amount of billings for under-recovered fuel costs. In prior years the Utilities Commission had reduced electric utility rates, implemented in conjunction with the Utilities Commission's planned expense reduction program, in an effort to become more competitive in providing electric services; however, the renewal of several power

supply contracts in recent years and due to changes in the manner in which electric supply is now provided, the cost of providing electrical services continues to rise considerably, which is recovered through a cost adjustment clause billed to the customers. The amount of revenue from various sources and the increases and decreases over/under last year are shown in the following tabulation:

Operating Revenue by Source	(000's)		
	2001 Amount	Percent of Total	Increase (Decrease)
Electric system .....	\$ 33,115	77.52%	\$ 1,147
Water system .....	4,737	11.09%	161
Pollution control system .....	4,377	10.25%	(5)
Water reuse system .....	486	1.14%	(8)
Totals .....	<u>\$ 42,715</u>	<u>100.00%</u>	<u>\$ 1,295</u>

The current year's operating expenses from the combined utilities system totaled \$37.1 million, an increase of 2.2% over last year's amount of \$36.2 million. As a result of the increase in gross revenue, the required 6% payment to the City of New Smyrna Beach, Florida increased and with significant utility plant expansion placed in service there was a large increase in depreciation expense. Increases and (decreases) in the levels of expenses for the individual systems over the preceding year are shown in the following tabulation:

Operating Expenses by Function	(000's)		
	2001 Amount	Percent of Total	Increase (Decrease)
Electric system .....	\$ 29,321	79.14%	\$ 179
Water system .....	3,568	9.63%	102
Pollution control system .....	3,864	10.43%	470
Water reuse system .....	297	0.80%	51
Totals .....	<u>\$ 37,050</u>	<u>100.00%</u>	<u>\$ 802</u>

Net income (loss) before capital contributions improved substantially in each of the Commission's utility operating divisions during 2001 (due almost exclusively to an abandonment loss of \$3.5 million in 2000). The increases (decreases) in net income before capital contributions are shown in the following tabulation:

Net Income (Loss) before Capital Contributions by System	(000's)		
	2001 Amount	Percent of Total	Increase (Decrease)
Electric system .....	\$ 2,813	79.14%	\$ 748
Water system .....	591	9.63%	81
Pollution control system .....	(357)	10.43%	2,975
Water reuse system .....	(128)	0.80%	(91)
Totals .....	<u>\$ 2,919</u>	<u>100.00%</u>	<u>\$ 3,713</u>

To the Chairman and Members  
of the Utilities Commission  
November 16, 2001  
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*Debt Administration*

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating revenues .....	\$42,715,387	41,419,907	32,552,181
Interest and other income .....	1,345,251	1,471,189	1,292,757
Capacity and other fees .....	1,185,634	773,198	1,774,292
Assessment collections .....	<u>0</u>	<u>0</u>	<u>3,408</u>
Revenues per certificate resolution .....	45,246,272	43,664,294	35,622,638
Cost of Operation and Maintenance, net of depreciation and required payments to City of New Smyrna Beach .....	<u>30,064,279</u>	<u>30,376,437</u>	<u>22,820,083</u>
Net revenues per certificate resolution .....	<u>15,181,993</u>	<u>13,287,857</u>	<u>12,802,555</u>
Annual debt service requirement .....	<u>5,307,236</u>	<u>5,317,214</u>	<u>5,298,209</u>
Debt service coverage ratio (times) .....	<u>2.86</u>	<u>2.50</u>	<u>2.42</u>

As of September 30, 2001 the Utilities Commission had outstanding \$52,275,000 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 Utilities Commission's outstanding revenue certificates ratings from Moody's, Standard & Poor's, and Fitch's as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch's</u>
Utilities System Revenue Certificates, Series 1992 .....	Aaa	AAA (FGIC Insured)	n/r
Utilities System Refunding Revenue Certificates, Series 1993 .....	Aaa	AAA (FGIC Insured)	n/r
Utilities System Refunding Revenue Certificates, Series 1996 .....	n/r	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.

In addition to the revenue certificates payable the Utilities Commission had outstanding notes payable to the Florida Department of Environmental Protection, State Revolving Fund Loan in the aggregate amount of \$17,435,927, which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable. The Commission also had outstanding notes payable to the Florida Municipal Power Agency (FMPA) Pooled Loans amounting to \$23,706,468, which are secured by a lien and pledge on the net revenues of the system, but subordinate to the first lien and pledge securing the revenue certificates payable and on a parity with the State Revolving Fund Loan. The debt service requirements on these obligations are detailed in the notes to the financial statements. The future debt service requirements for the Florida Department of Environmental Protection, State Revolving Fund Loan are in Schedule 12 of the supplementary section of the financial statements. The future debt service requirements for the FMPA Pooled Loans are in Schedule 13 of the supplementary section of the financial statements and are based on the prevailing interest rate charged as of September 30, 2001. The interest rate on the FMPA Pooled Loans varies and is determined on a monthly basis. Accordingly, the representation of the future debt service requirements in Schedule 13 may not agree with the actual amounts to be paid and the difference may be material.

#### *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 years ended September 30, 2001 and 2000 totaled \$1,055,154 and 1,114,573, respectively. These amounts were further reduced by \$149,910 and \$0- during the years ended September 30, 2001, and 2000, respectively, for interest credits used to reduce capitalized interest expense for the respective years.

The Utilities Commission's cash and investments on hand at September 30, 2001 and 2000, totaled \$20.9 million and \$23.9 million, respectively. The individual components are as follows:

	<u>2001</u>	<u>2000</u>
Current assets:		
Operating cash and cash equivalents.....	\$ 0	1,242,680
Restricted assets:		
Debt service funds.....	4,049,742	3,853,299
Renewal and replacement funds.....	11,519,981	13,370,957
Customer deposits .....	1,269,476	1,167,294
CR-3 decommissioning fund.....	2,260,683	2,039,917
	<u>19,099,882</u>	<u>20,431,467</u>
Other assets:		
Internally designated stabilization funds.....	\$ 1,826,764	2,254,984
Total cash and investments .....	<u>\$20,926,646</u>	<u>23,929,131</u>

To the Chairman and Members  
of the Utilities Commission  
November 16, 2001  
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The Utilities 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.

The average yield from interest earnings on cash and investments that was earned each month during the fiscal year ended September 30, 2001 is as follows:

	Average Yield
October.....	6.59%
November.....	6.57%
December.....	6.40%
January.....	6.09%
February.....	5.69%
March.....	5.47%
April.....	4.97%
May.....	4.44%
June.....	4.21%
July.....	4.02%
August.....	3.88%
September.....	3.52%

#### *Risk Management*

The Utilities 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.



To the Chairman and Members  
of the Utilities Commission  
November 16, 2001  
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*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, 2000. We are also quite proud of the fact that we have been awarded with this Certificate for the twenty-first 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.

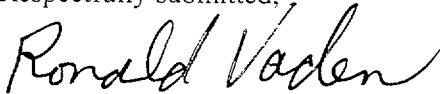
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

*Acknowledgments*

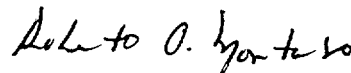
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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  
General Manager/CEO



Roberto O. Montalvo, CPA  
Director of Finance

## ***FINANCIAL SECTION***

*THIS SECTION IS COMPOSED OF THE FOLLOWING:*

***INDEPENDENT AUDITORS' REPORT***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***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 statement of net assets of Utilities Commission, City of New Smyrna Beach, Florida (the "Utilities Commission"), a component unit of City of New Smyrna Beach, Florida, as of September 30, 2001 and 2000, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Utilities Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the Utilities Commission as of September 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the accompanying financial statements, in 2001 the Utilities Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These provisions were retroactively applied to the accompanying 2000 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2001, on our consideration of the Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Chairman and Commissioners  
Utilities Commission, City of New Smyrna Beach, Florida  
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The management's discussion and analysis on pages 3-12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental schedules 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.

*Brent Milliken & Co., P.C.*

November 16, 2001

## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of Utilities Commission, City of New Smyrna Beach, Florida's (the "Utilities Commission") annual financial report presents our discussion and analysis of the Commission's financial performance during the fiscal year that ended September 30, 2001. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section.

### Financial Highlights

- The Utilities Commission's demand for electrical energy remained relatively constant in 2001 at 344.8 million kWh sales compared to 340.6 million kWh sales in 2000. The sales revenue generated from those sales increased by more than 24.3% to \$33.1 million in 2001.
- The volume of treated potable water sold and the charges for the treatment of related wastewater decreased in both utility divisions by (6.6%) and (4.8%), respectively in 2001. However, water and wastewater revenues remained constant at \$4.8 million and \$4.5 million, respectively. This decrease in the demand for potable water was anticipated by management in view of the heightened emphasis placed on the conservation of Central Florida water resources in 2000 and 2001.
- Utilities Commission's assets exceeded its liabilities (*net assets*) at the end of September 30, 2001 by more than \$55.9 million. Of this amount, approximately \$8.1 million was unrestricted and available to be used to meet the Commission's ongoing obligations to its customers and creditors. Of the remaining \$47.8 million, approximately \$35.7 million was invested in utility plant assets and assets held for future use, while the remainder was restricted for utility plant expansion (\$11,488,378) and debt service (\$560,100).
- During the year, the Utilities Commission's net assets increased by \$4.1 million, which represents an increase of over 7.9% over the preceding year. Net assets totaled \$55.9 million in 2001 compared to approximately \$51.8 million at the end of 2000.
- During 2001, the Commission's operating revenue increased by approximately \$1.30 million to over \$42.7 million, which was 3.1% greater than last years operating revenue of \$41.4 million. However, the Commission's operating expenses increased by only \$0.8 million to \$37.0 million, which was only 2.2% greater than last year's \$36.2 million.
- Capital contributions received by the Commission increased from \$0.8 million in 2000 to almost \$1.2 million in 2001, which was 53.3% greater than last year.
- The Commission's long-term debt increased to \$88.1 million in 2001, which was up \$5.8 million over last year's \$82.3 million. Additional long-term debt borrowings of \$9.6 million were received during 2001, the proceeds of which were used to acquire land for future use and for completing the installation of gas turbine electric generators, which were acquired in 2000.

### Overview of Financial Statements

The Utilities Commission's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) an optional section that presents detailed summaries and schedules of selected financial data.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utilities Commission's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, bond resolutions and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Utilities Commission's financial activities, all of which are operated like commercial enterprises. These statements report information about the Utilities Commission using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Commission's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities.

The basic financial statements of the Utilities Commission include a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements, which are described as follows:

- The statement of net assets presents the financial position of the Utilities Commission on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.
- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Utilities Commission's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utilities Commission's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the Utilities Commission includes comparisons of budget to actual revenue and expenses, schedules that focus on the individual divisions of the Utilities Commission where more detailed financial data is desirable, and schedules presenting the Commission's future debt service requirements and other data required to be presented in accordance with certain of the Commission's debt covenants.



## Entity-Wide Financial Analysis

The Utilities Commission's entity-wide financial statements report its net assets and how they have changed over the reporting period. Net assets - the difference between assets and liabilities- may serve as a useful indicator of the Commission's financial position. Over time, increases or decreases in the Commission's net assets are a useful indicator of whether its financial health is improving or deteriorating, respectively. However, one also needs to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation to adequately assess its overall health.

The material portion of the Utilities Commission's net assets (64%) reflects its investment in utility plant assets (e.g., land, buildings, utility plant, and equipment), less that portion of related debt used to acquire those assets that is still outstanding. These utility plant assets are used to provide utility services to our customers; consequently, these assets are not available for future spending. Although the Commission's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (the sale of utility services), since the capital assets themselves cannot be used to liquidate these liabilities.

### Condensed Statements of Net Assets (\$000's)

	<u>FY 2001</u>	<u>FY2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets .....	\$ 12,179	14,857	(2,678)	(18.0)
Restricted assets .....	19,100	20,431	(1,331)	(6.5)
Capital assets:				
Productive assets in service (net) .....	108,871	97,103	11,768	12.1
Held for future use.....	9,174	0	9,174	--
Construction in progress.....	<u>5,296</u>	<u>15,986</u>	<u>(10,690)</u>	(66.9)
Total assets.....	<u>154,620</u>	<u>148,377</u>	<u>6,243</u>	4.2
Long-term debt outstanding.....	88,055	82,275	5,780	7.0
Other liabilities.....	<u>10,662</u>	<u>14,303</u>	<u>(3,641)</u>	(25.5)
Total liabilities .....	<u>98,717</u>	<u>96,578</u>	<u>2,139</u>	2.2
Net assets:				
Invested in plant, net of related debt .....	35,711	31,100	4,611	14.8
Restricted .....	12,048	13,189	(1,141)	(8.7)
Unrestricted.....	<u>8,144</u>	<u>7,510</u>	<u>634</u>	8.4
Total net assets.....	<u>\$ 55,903</u>	<u>51,799</u>	<u>4,104</u>	7.9

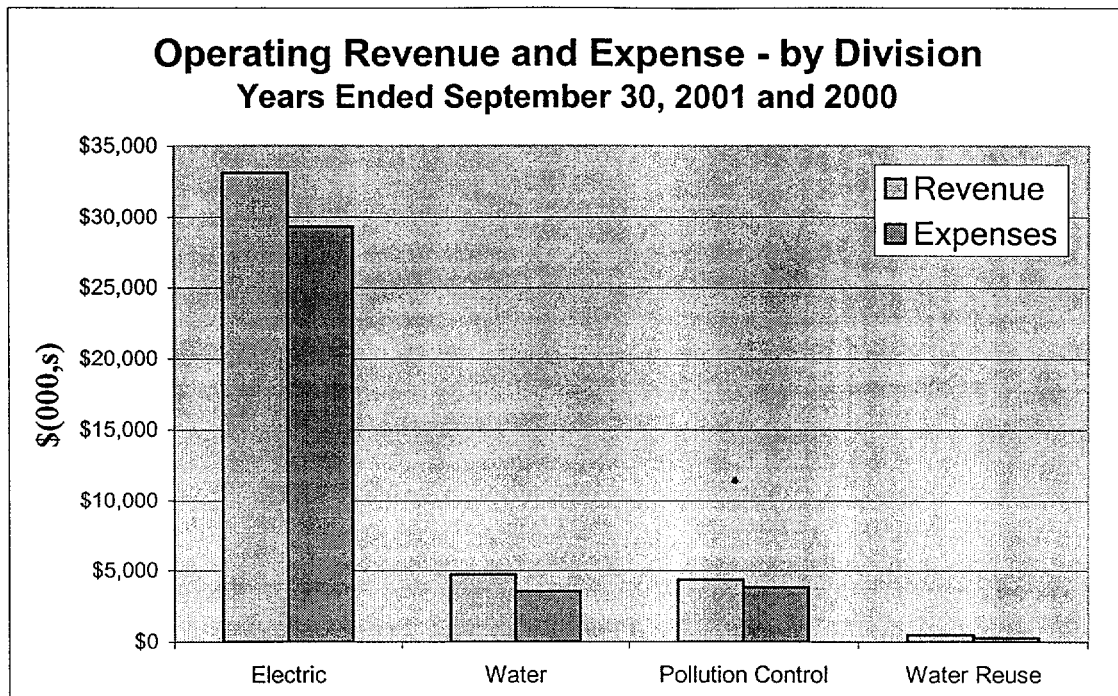
The Utilities Commission's net assets increased \$4.1 million to \$55.9 million in 2001, which is up from \$51.8 million in 2000. Looking more carefully at the data, one can see that the most significant change in net asset position was from amounts invested in utility plant, net of related debt, which increased \$4.6 million. This increase reflects the Commission's current policy of investing surplus internal resources, capital contributions and earnings and profits in productive capital assets in lieu of issuing additional debt during the year. This is further evidenced by the \$1.1 million reduction in restricted assets during 2001, which include the Commission's renewal and replacement funds that were used to finance a significant portion of the capital expansion program this year.

**Condensed Statements of Revenues,  
Expenses, and Changes in Net Assets**  
(\$000's)

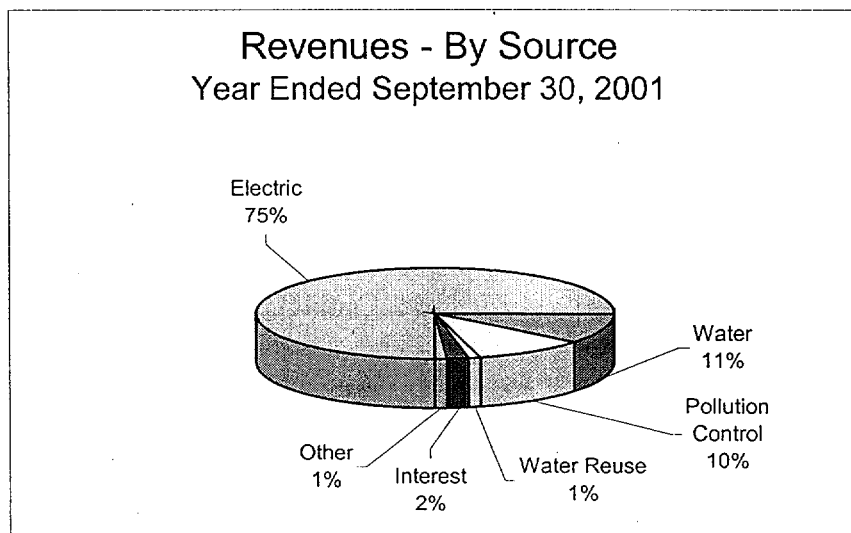
	<u>FY 2001</u>	<u>FY2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Charges for services:				
Electric system .....	\$ 33,115	31,968	1,147	3.6
Water system .....	4,737	4,576	161	3.5
Pollution control system.....	4,377	4,382	(5)	(0.1)
Water reuse system.....	486	494	(8)	(1.6)
Total charges for services .....	42,715	41,420	1,295	3.1
Interest earnings .....	905	1,114	(209)	(18.8)
Other .....	440	357	83	23.2
Total revenues.....	<u>44,060</u>	<u>42,891</u>	<u>1,169</u>	2.7
Expenses:				
Division operating expenses:				
Electric system .....	29,321	29,142	179	0.6
Water system .....	3,568	3,466	102	2.9
Pollution control system.....	3,864	3,394	470	13.8
Water reuse system.....	297	246	51	20.7
Total division operating expenses.....	37,050	36,248	802	2.2
Interest and debt expense .....	3,977	3,877	100	2.6
Asset disposal losses .....	99	3,498	(3,399)	(97.2)
Other .....	15	62	(47)	(75.8)
Total expenses.....	<u>41,141</u>	<u>43,685</u>	<u>(2,544)</u>	(5.8)
Income (loss) before contributions .....	2,919	(794)	3,713	
Capital contributions.....	<u>1,186</u>	<u>773</u>	<u>413</u>	
Increase (decrease) in net assets.....	\$ <u>4,105</u>	<u>(21)</u>	<u>4,126</u>	

While the statements of net assets show a snapshot of the Commission's financial position at the beginning and ending of the fiscal years, the above statement of revenues, expenses, and changes in net assets provides answers as to the nature and source of these changes. As can be seen above, income before contributions of \$2.9 million and capital contributions of \$1.2 million were the two sources of the increase in 2001. A closer examination of this data reveals that the Commission's loss before capital contributions in 2000 of \$0.8 million was significantly impacted from the recognized infrequent loss of \$3.5 million generated from the abandonment of the North Causeway pollution control plant. This plant was taken out of service in 2000 and subsequently replaced by the new pollution control plant located west of Interstate 95. After adjustment for this infrequent loss, a comparison of the remaining operating expenses shows that the Commission's operating expenses increased by \$0.9 million, or 2.7% in 2001. While system revenues in 2001 increased by \$1.2 million, or 2.7% over 2000, this resulted in a continuance in the systems ability to produce positive net income in 2001.

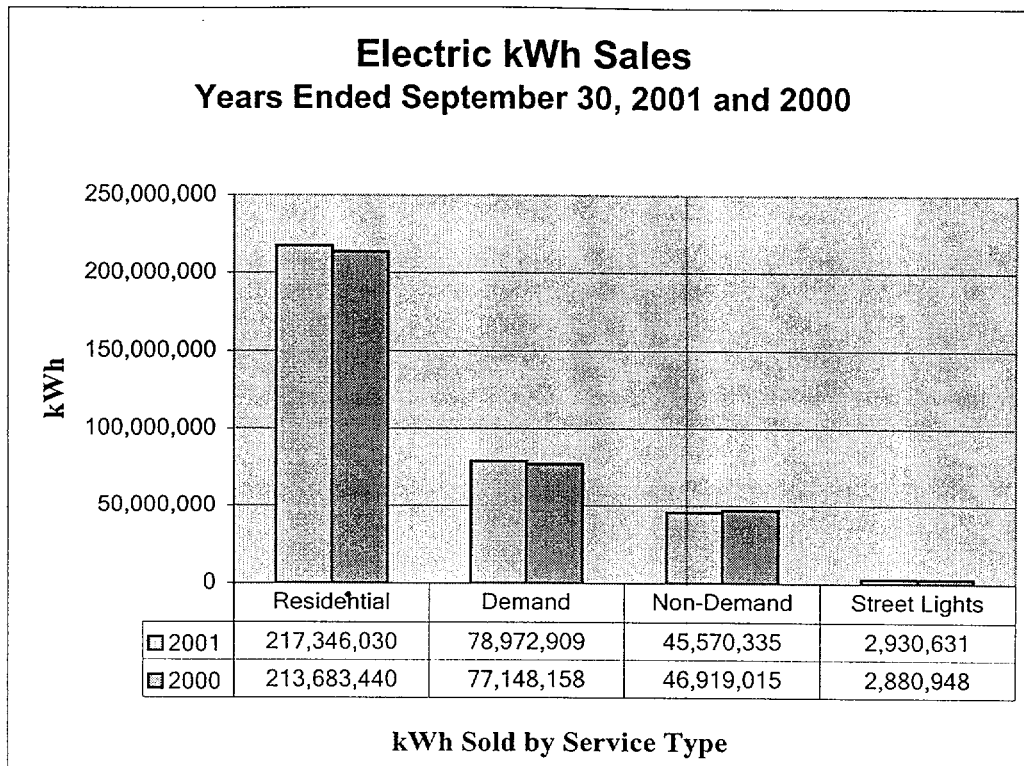
The following is a summary of the operating revenue and expense for each of the Commission's operating divisions:



The following is a summary of the composition of 2001 utility system revenues by source:



During 2001, the overall demand for electricity, water and wastewater treatment services remained relatively constant. Total electric kWh sales increased from 341 million kWh in 2000 to 345 million kWh in 2001, or 1.2% over that of the prior year. The number of electric customers increased at the same pace of 1.0% in 2001 to 21,330 compared to 21,134 in 2000. The following is a summary of the individual components of the Commission's electrical energy sales for the past two years from residential, commercial demand, commercial non-demand, and street lighting service customers.



Similar events were experienced within the Commission's other operating divisions during 2001. While the actual number of customers increased in all divisions, the Commission's significant water resource conservation efforts were rewarded with a reduction in customer water production and pollution control treatment demand. This is confirmed by the substantial increase in water reuse sales experienced in 2001. Reuse water sales increased 65.4% in 2001 to 761,966 MG, up from 460,741 MG in 2000. At the same time, the volume of potable water sold during 2001 decreased 5.2% to 1,498,145 MG compared to 1,581,662 MG in 2000. Likewise, the pollution control system experienced a 4.8% reduction to 891,140 MG in the volume of wastewater treated in 2001 compared to 936,308 MG treated in 2000.

Management believes that the Commission successfully dealt with the anticipated decrease in customer utility demand from the voluntary implementation of energy and water conservation measures during the 2001 fiscal year. This does not by itself indicate a negative future trend for our utility operations. In reality, the actual number of residential and commercial utility customers increased during 2001 in all operating divisions as follows:

Utility Operating Division	2001 Customers	2000 Customers
Electric system .....	21,330	21,134
Water system .....	18,569	17,937
Pollution control system .....	15,423	14,940
Water reuse system .....	346	306

The net results of operations for the electric and water divisions show that the Commission was successful in recovering its costs for these utility divisions. However, the pollution control and water reuse utilities continued to generate net losses before capital contributions of \$0.4 million and \$0.1 million, respectively, in 2001. While it is easy to conclude that operating subsidies have been in place to support these two systems, it continues to be the Commission's desire to explore alternatives to make these systems fully self-supporting in the future.

## Budgetary Highlights

An annual revenue and expense budget is prepared for the combined electric, water, pollution control and water reuse utility systems and, after Commission approval, is submitted to the City of New Smyrna Beach prior to June 1 of each fiscal year for subsequent City Commission approval. The budget remains in effect the entire year and can only be amended with the approval of the Utilities Commission. No supplemental appropriations were made in 2001.

### Schedule of Revenue, Receipts, Expenses and Disbursements - Budget -vs- Actual \$(000's)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue and Receipts:			
Electric system .....	\$ 28,674	33,889	5,215
Water system .....	5,070	5,030	(40)
Pollution control system .....	4,800	4,490	(310)
Water reuse system .....	478	460	(18)
Capital contributions .....	<u>912</u>	<u>1,186</u>	<u>274</u>
	<u>39,934</u>	<u>45,055</u>	<u>5,121</u>
Operating Expenses:			
Purchased power and fuel .....	13,097	16,386	(3,289)
Other production .....	5,556	5,845	(289)
Transmission, distribution, sewage collection and treatment .....	3,080	3,348	(268)
Customer accounting .....	750	745	5
Administrative and general .....	3,190	3,519	(329)
Required payments to City .....	2,278	2,625	(347)
Nuclear generation facility decommissioning ..	<u>116</u>	<u>221</u>	<u>(105)</u>
	<u>28,067</u>	<u>32,689</u>	<u>(4,622)</u>
Net revenue and receipts .....	11,867	12,366	499
Operating transfers (net) .....	<u>(11,867)</u>	<u>(12,869)</u>	<u>(1,002)</u>
Budgeted net cash receipts .....	<u>0</u>	(503)	<u>(503)</u>
Reconciliation of budget to change in net assets:			
Unbilled service revenue .....		117	
Principal portion of sinking fund transfers .....		3,816	
Capitalized interest .....		633	
Internal funds transfers (net) .....		4,894	
Depreciation and amortization .....		(4,707)	
Other .....		<u>(145)</u>	
Change in net assets .....		\$ <u>4,105</u>	

The Commission's operating budget is prepared on a basis consistent with generally accepted accounting principles (GAAP). Other cash receipts and payments are treated as budgetary items to maintain effective fiscal and budgetary control over the collection and disposition of all Utilities Commission resources. However, all capital expenditures are included in a separate five-year Capital Plan. During 2001, the Commission's actual revenues exceeded anticipated amounts by over \$5.1 million. This was due primarily to the unanticipated increase in purchased power and fuel costs, the recovery of which was passed on to our electric customers in the form of an energy cost adjustment. In addition to the stated increase in utility production expenses and related payments to the City (all of which are directly related to the above described fuel adjustment), the Commission's other operating expenses slightly exceeded budgeted amounts due to unanticipated inflationary pressure.

## Capital Assets

At the end of 2001, the Utilities Commission's investment in capital assets amounted to \$117.8 million, which is stated net of \$56.9 million of accumulated depreciation. This investment in capital assets includes:

- Land and land improvements,
- Electric (fossil fuel and nuclear) generation, transmission and distribution facilities,
- Water supply, production, treatment and distribution facilities,
- Wastewater collection, treatment and reuse distribution facilities, and
- Machinery and equipment.

During 2001, the total increase in the Commission's investment in capital assets was \$14.6 million, compared to \$16.7 million invested in 2000. Major capital asset events during 2001 included the following:

- Acquisition of real estate for the future expansion of the Commission's electric generation plant and other future uses totaled \$9.2 million,
- Acquisition of Sugar Mill water and wastewater treatment plant totaled \$3.0 million,
- Final costs for placing gas turbine electric generators on-line totaled \$1.1 million, and
- Other plant expansion items totaling \$1.3 million.

### Utility Plant, Net of Accumulated Depreciation \$(000's)

	September 30,	
	2001	2000
Land and land rights .....	\$ 3,281,904	3,285,104
Structures and improvements .....	19,897,831	19,864,118
Production and treatment plant.....	44,320,613	29,862,926
Transmission, distribution, and collection and treatment plant .....	90,305,203	88,881,391
Other general plant and equipment.....	<u>7,715,237</u>	<u>7,608,851</u>
	165,520,788	149,502,390
Accumulated depreciation .....	(54,612,781)	(50,437,785)
Allowance for decommissioning .....	<u>(2,260,683)</u>	<u>(2,039,917)</u>
	108,647,324	97,024,688
Construction in progress.....	5,296,544	15,986,201
Plant held for future use .....	9,173,992	0
Nuclear fuel, net of amortization.....	<u>223,722</u>	<u>77,801</u>
Utility plant, net .....	\$ <u>123,341,582</u>	<u>113,088,690</u>

## Long-Term Debt and Debt Administration

At the end of the fiscal year, the Utilities Commission had \$88.1 million in long-term debt outstanding, which was up \$5.8 million over the prior year's \$82.3 million. The Commission's revenue certificates payable (\$48.2 million) are secured by a first lien upon and pledge of the net revenues derived from the operation of the system. The Commission's promissory notes payable (\$39.9 million) are also secured by pledged revenues. However, the lien on the pledged revenues is subordinate to the right of payment and security to the revenue certificates payable and is on a parity with all other notes payable. None of these

debt obligations constitute general indebtedness of the Commission or of the City of New Smyrna Beach, Florida, which is not obligated to levy any taxes for the payment thereof.

During 2001, the Commission's long-term debt increased by \$9.6 million, the proceeds of which were used primarily to finance the acquisition of land for future use. During this same period, payments of principal on long-term debt obligations totaled \$3.7 million.

At the present time, the Commission has no formal plans to pursue the issuance of any additional long-term debt. However, management continues to review and monitor current bond market conditions for evaluating the feasibility of restructuring any and all outstanding debt obligations if, and when, the opportunity presents itself and only after it is conclusively determined that it makes significant financial "sense" to pursue.

The Utilities Commission's maintains a "Aaa" rating from Moody's and a "AAA" rating from Standard & Poor's for the Utilities System Revenue Certificates, Series 1992 and Utilities System Refunding Revenue Certificates, Series 1993, both of which are fully insured by FGIC. The Commission also maintains "AAA" ratings from Standard & Poor's and Fitch for the Utilities System Refunding Revenue Certificates, Series 1996, which issue is fully insured by AMBAC.

One area that demonstrates the Commission's financial strength and future borrowing capability is seen in its debt coverage ratio, which is currently a very strong 2.86 times. Under its current debt agreements, the Commission has covenanted to maintain several coverage ratios, all of which approximate 1.25 times in the aggregate. In order to issue additional debt obligations, the Commission must demonstrate that it has successfully maintained a coverage ratio of 1.40 times its maximum annual debt service requirements in its immediately preceding fiscal year. Based on this data, the Commission has the ability and the capacity to obtain additional financing, at current market conditions, of approximately \$40 million.

#### **Economic Factors and Next Year's Budget and Rates**

Many factors are considered each year by the Utilities Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform electric, water, wastewater and other utility fees that are reasonable and, more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 4.4% at the end of September 2001, which is substantially greater than the 2.9% rate experienced one year earlier. These estimates are considerably better than the state's 5.0% and 3.6% unemployment rates at September 2001 and 2000, respectively.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.

Another factor influencing the Commission's 2002 operating budget includes the decision to create a new communications division in the 2001-2002 fiscal year. This division will include all financial operations associated with the providing of new local and long-distance telephone services along with existing local dial-up internet services, high-speed broadband asymmetrical digital subscriber line (ADSL) services, and symmetrical digital subscriber line (SDSL) services. The 2002 budget includes combined projected revenues of \$2.5 million and budget appropriations of \$2.0 million for these new services.

A summary of the enacted 2002 budget follows:

**FY 2002 Operating Budget  
With Comparison to FY 2001 Actual  
\$(000's)**

	<u>FY 2002 Budget</u>	<u>FY 2001 Actual</u>	<u>Dollar Change</u>
Revenue and Receipts:			
Electric system .....	\$ 38,823	33,889	4,934
Water system .....	5,241	5,030	211
Pollution control system .....	5,544	4,490	1,054
Water reuse system .....	156	460	(304)
Capital contributions .....	<u>818</u>	<u>1,186</u>	<u>(368)</u>
	<u>50,582</u>	<u>45,055</u>	<u>5,527</u>
Operating Expenses:			
Purchased power and fuel .....	20,851	16,386	4,465
Operation and maintenance .....	14,085	13,678	407
Required payments to City .....	<u>2,907</u>	<u>2,625</u>	<u>282</u>
	<u>37,843</u>	<u>32,689</u>	<u>5,154</u>
Net revenue and receipts .....	12,739	12,366	373
Debt service .....	(8,563)	(8,021)	(542)
Operating transfers (net) .....	<u>(4,176)</u>	<u>(4,848)</u>	<u>672</u>
Budgeted net cash receipts .....	<u>0</u>	<u>(503)</u>	<u>503</u>

The Utilities Commission's electric, water, and pollution control rates were slightly increased for the 2002 fiscal year. Electric rate adjustments were implemented exclusively to recover the additional energy cost adjustment portion of the electric charge. Likewise, the water and pollution control rate schedules were slightly modified to reflect changes in the minimum consumption levels for billing which produced negligible increases in all customer classes. These rate increases were necessary to increase the costs for high-consumption users and to encourage these customers to consider additional water conservation measures.

The substantial portion of the increase in anticipated revenue was attributed to the acquisition of the Sugar Mill Water and Wastewater systems with over 800 new customers. This acquisition, which was made in late 2001, produced additional anticipated 2002 water and pollution control revenues as a result of this first year inclusion of \$0.2 million and \$0.5 million, respectively.

In addition to the above, anticipated incremental revenues of \$1.9 million and expenses of \$1.6 million (or net income of \$0.3 million) were added to the FY 2002 operating budget for the Commission's new telecommunications division (which were budgeted originally as a pro-rata portion of each other division's operating budget).

### Requests for Information

This financial report is designed to provide a general overview of the Utilities Commission, City of New Smyrna Beach, Florida's finances for all those who have expressed an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Chief Financial Officer, Post Office Box 100, New Smyrna Beach, Florida 32170-0100.



## ***BASIC FINANCIAL STATEMENTS***

**STATEMENT OF NET ASSETS**

September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
<b>Assets:</b>		
<b>Utility Plant:</b>		
Electric utility plant in service.....	\$ 75,542,082	60,729,050
Water utility plant in service.....	33,275,166	32,515,105
Pollution control utility plant in service.....	42,342,587	41,969,900
Water reuse utility plant in service.....	7,121,217	7,085,354
General utility plant in service.....	7,239,736	7,202,981
	<u>165,520,788</u>	<u>149,502,390</u>
Less: accumulated depreciation and amortization.....	(56,873,464)	(52,477,702)
	<u>108,647,324</u>	<u>97,024,688</u>
Construction work in progress .....	5,296,544	15,986,201
Plant held for future use.....	9,173,992	0
Nuclear fuel, net of amortization.....	223,722	77,801
	<u>123,341,582</u>	<u>113,088,690</u>
<b>Total utility plant, net.....</b>	<b>123,341,582</b>	<b>113,088,690</b>
<b>Restricted Assets:</b>		
Cash and cash equivalents.....	18,811,848	20,250,467
Investments, at cost.....	130,100	181,000
Accrued interest.....	157,934	0
	<u>19,099,882</u>	<u>20,431,467</u>
<b>Total restricted assets .....</b>	<b>19,099,882</b>	<b>20,431,467</b>
<b>Current Assets:</b>		
Cash and cash equivalents .....	0	1,242,680
Accounts receivable, net of allowance for doubtful accounts		
(\$121,660 - 2001 and \$106,660 - 2000).....	2,552,251	2,551,959
Unbilled accounts receivable .....	5,116,431	5,991,266
Inventories .....	1,642,739	1,608,385
Prepaid expenses and other assets .....	52,808	98,716
	<u>9,364,229</u>	<u>11,493,006</u>
<b>Total current assets .....</b>	<b>9,364,229</b>	<b>11,493,006</b>
<b>Deferred Charges and Other Assets:</b>		
Stabilization funds.....	1,826,764	2,254,984
Unamortized debt expense .....	987,969	1,108,796
	<u>2,814,733</u>	<u>3,363,780</u>
<b>Total deferred charges and other assets.....</b>	<b>2,814,733</b>	<b>3,363,780</b>
<b>Total assets .....</b>	<b>\$ 154,620,426</b>	<b>148,376,943</b>

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

	2001	2000
Net Assets:		
Invested in utility plant, net of related debt.....	\$ 35,711,172	31,100,384
Restricted for debt service.....	560,100	539,839
Restricted for renewal and replacement.....	11,488,378	12,648,988
Unrestricted.....	8,144,046	7,509,509
Total net assets.....	55,903,696	51,798,720
Liabilities:		
Long-Term Debt:		
Revenue certificates payable (net).....	48,209,487	50,578,892
Notes payable (net).....	39,845,331	31,696,674
Total long-term debt .....	88,054,818	82,275,566
Restricted Fund Liabilities:		
Revenue certificates payable.....	2,595,000	2,490,000
Notes payable.....	1,297,064	1,083,939
Accrued interest payable .....	1,433,853	1,492,178
Accounts payable .....	31,603	721,969
Customers' deposits .....	1,269,476	1,167,294
Total restricted fund liabilities .....	6,626,996	6,955,380
Current Liabilities:		
Accounts payable .....	2,305,418	5,157,975
Accrued liabilities .....	486,485	582,259
Due to other governments .....	786,690	1,135,349
Total current liabilities .....	3,578,593	6,875,583
Other Noncurrent Liabilities:		
Deferred compensated absences .....	345,502	367,027
Deferred credits - other .....	110,821	104,667
Total other noncurrent liabilities .....	456,323	471,694
Total liabilities.....	98,716,730	96,578,223
Total liabilities and net assets.....	\$ 154,620,426	148,376,943

**STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS**

**Statement 2**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Operating Revenue:		
Sales .....	\$ 42,177,716	40,960,150
Other revenue .....	537,671	459,757
Total operating revenue .....	42,715,387	41,419,907
Operating Expenses:		
Purchased power and fuel expenses .....	16,385,996	17,525,068
Other production expenses.....	5,844,715	5,445,855
Transmission, distribution, and sewage collection and treatment .....	3,348,147	3,140,325
Customer accounting .....	745,380	818,320
Administrative and general .....	3,519,275	3,227,988
Required payments to the City of New Smyrna Beach .....	2,625,008	2,214,486
Depreciation and decommissioning .....	4,581,217	3,875,830
Total operating expenses .....	37,049,738	36,247,872
Operating income .....	5,665,649	5,172,035
Nonoperating Revenue (Expense):		
Interest earnings .....	905,244	1,114,573
Other income .....	440,007	356,616
Interest and debt expense .....	(3,976,825)	(3,877,542)
Other expenses .....	(15,466)	(61,620)
Loss on disposal of assets .....	(99,267)	(45,269)
Loss on abandonment of wastewater treatment plant .....	0	(3,452,645)
Total nonoperating (expense).....	(2,746,307)	(5,965,887)
Income before contributions.....	2,919,342	(793,852)
Capital contributions.....	1,185,634	773,199
Change in net assets.....	4,104,976	(20,653)
Net assets, beginning of year .....	51,798,720	51,819,373
Net assets, end of year .....	\$ 55,903,696	51,798,720

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

**STATEMENTS OF CASH FLOWS****Statement 3**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers.....	\$ 44,050,049	36,672,992
Cash paid to suppliers.....	(28,334,267)	(20,202,605)
Cash paid to employees.....	(4,969,659)	(4,739,094)
Other receipts (payments).....	(2,973,667)	(2,865,664)
Net cash provided by operating activities .....	7,772,456	8,865,629
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Debt reduction outlays .....	(3,742,471)	(3,076,541)
Contributed capital .....	1,185,634	701,264
Proceeds from issuance of debt .....	9,614,253	14,635,747
Proceeds from sale of property and equipment .....	4,672	12,856
Acquisition and construction of capital assets .....	(14,570,212)	(16,703,968)
Interest paid .....	(4,321,971)	(3,599,054)
Net cash (used in) capital and related financing activities.....	(11,830,095)	(8,029,696)
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale and maturities of investment securities .....	50,900	52,800
Interest received .....	897,220	1,114,771
Net cash provided by investing activities.....	948,120	1,167,571
Net increase (decrease) in cash and cash equivalents .....	(3,109,519)	2,003,504
Cash and cash equivalents, beginning of year .....	23,748,131	21,744,627
Cash and cash equivalents, end of year .....	\$ 20,638,612	23,748,131
<b>Reconciliation to Balance Sheet:</b>		
Restricted cash and cash equivalents.....	\$ 18,811,848	20,250,467
Unrestricted cash and cash equivalents.....	(2,302,222)	1,242,680
Stabilization funds.....	4,128,986	2,254,984
Total cash and cash equivalents.....	\$ 20,638,612	23,748,131

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

**STATEMENTS OF CASH FLOWS - (Continued)****Statement 3**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Reconciliation of operating income to net cash provided by operating activities:		
Operating income .....	\$ 5,665,649	5,172,035
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, decommissioning, and nuclear fuel amortization .....	4,696,714	3,977,105
Provision for losses on receivables .....	82,070	157,632
Decrease (increase) in operating assets:		
Accounts receivable .....	(82,362)	(482,095)
Unbilled accounts receivable .....	874,835	(4,643,270)
Inventories .....	(34,354)	(107,751)
Prepaid expenses .....	45,908	(50,644)
Increase (decrease) in operating liabilities:		
Accounts payable .....	(3,542,953)	3,969,977
Due to other governments .....	(348,659)	510,886
Customer deposits .....	102,182	21,395
Accrued liabilities.....	(95,744)	65,608
Deferred liabilities .....	(15,371)	(20,068)
Other income .....	440,007	356,616
Other expense .....	(15,466)	(61,797)
Net cash provided by operating activities .....	\$ <u>7,772,456</u>	<u>8,865,629</u>
Supplemental data:		
Non-cash capital and related financing activities:		
Donated property from developers reported in contributed capital .....	\$ <u>0</u>	<u>71,935</u>
Disposal of wastewater treatment plant .....	\$ <u>0</u>	<u>3,452,645</u>

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

## *NOTES TO THE FINANCIAL STATEMENTS*

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2001 AND 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Utilities Commission, City of New Smyrna Beach, Florida (the "Utilities Commission") are presented in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The existing hierarchy provides that accounting guidance should first be sought in statements of the Governmental Accounting Standards Board (GASB). If the GASB has not issued a standard applicable to a situation, then pronouncements of the Financial Accounting Standards Board (FASB) are presumed to apply except as described below under Measurement Focus and Basis of Accounting. Additionally, the financial statements are presented substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC), except for the method of accounting for contributed capital described in the notes to the financial statements.

The following is a summary of the more significant accounting policies:

**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 (the "City") to create the Utilities Commission. The Utilities Commission is governed by a five-member board of Commissioners who are appointed by the City Commission. Utilities Commissioners receive compensation of \$100 per month and may serve no more than three consecutive three-year terms. 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.

The funds and entities related to the operation of the Utilities Commission are appropriately included as a component unit of the City of New Smyrna Beach, Florida, and an integral part of the City's reporting entity in accordance with the requirements of Statement 14 of the GASB, *The Financial 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

The Utilities Commission maintains a 0.5608% undivided participant interest with Florida Power Corporation at its Crystal River Unit 3 nuclear generation facility. Pursuant to this agreement, all fiscal, budgetary and operational control is maintained exclusively by Florida Power Corporation. The agreement and the related ownership interest have remained consistent for the years ended September 30, 2001 and 2000. This agreement does not meet the criteria of a joint venture as specified in Statement 14 of the Governmental Accounting Standards Board.



**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 Utilities 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.

**New Accounting Pronouncements:** The Governmental Accounting Standards Board (GASB) has issued Statement of Accounting Standards No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (SGAS 34). The Utilities Commission has elected to implement the provisions of SGAS 34 for the year ended September 30, 2001 and to retroactively apply these provisions for the year ended September 30, 2000. Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

- Unrestricted net assets - The component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets. The financial statements for the year ended September 30, 2000 were restated to reflect the adoption of Statement No. 34 which were also applied to the fiscal year 2000 financial statements.

**Basis of Presentation:** The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include all the activities of the Utilities Commission. By virtue of its municipal ownership, the financial affairs of the Utilities Commission are not subject to the oversight of, or regulation by, the Florida Public Service Commission. While not required, the accounting records of the Utilities Commission are maintained in accordance with the uniform systems of accounts prescribed by the Federal Energy Regulatory Commission (FERC) and the Florida Public Service Commission (FPSC). As a result, the accounting provisions permitted under Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS 71), have not been adopted by the Utilities Commission.

The Utilities Commission has elected to not apply FASB statements and interpretations issued after November 30, 1989, as permitted by Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.*

**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’s financial statements are prepared on 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 recognized to provide a better matching of service revenues and the costs of providing the service.

**Budget and Budgetary Accounting:** An annual revenue and expense budget is prepared for the combined electric, water, pollution control and water reuse utility systems. In accordance with the Utilities Commission’s budget policy, the approved budget is submitted to the City of New Smyrna Beach prior to May 1 of each fiscal year for subsequent City Commission approval. 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 Utilities 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 General Manager/CEO. However, all budget amendments must be approved by the Utilities Commission.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Unexpended appropriations for operations lapse at year-end. No supplemental appropriations were required for the current year.

**Use of Estimates and Assumptions:** In preparing financial statements that conform with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and amounts of revenues and expenses reflected during the reporting period. Actual results could differ from those estimates.

**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, all highly liquid debt instruments (including restricted and internally designated funds) purchased with original maturity dates of three months or less are considered 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 utility 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).

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

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Utility Plant:** Utility plant is stated at historical or estimated historical cost. The cost of additions, including betterments and replacements of units of property, is charged to utility plant. Maintenance and repairs of property, and replacements and renewals of items determined to be less than units of property, are charged to maintenance expense. The cost of units of property replaced, renewed or retired, plus removal or disposal costs, less salvage, is charged to accumulated depreciation. Donated utility plant is stated at its estimated fair market value on the date donated. Construction period interest is capitalized, net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standards No. 62. All capitalized interest is depreciated over the remaining useful lives of the related assets.

**Depreciation and Amortization:** For financial reporting purposes, substantially all depreciation of utility plant other than nuclear fuel is computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated net salvage, 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
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

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Amortization of nuclear fuel costs, including disposal costs associated with obligations to the U.S. Department of Energy (DOE), is computed primarily on the unit-of-production method and charged to fuel expense. Costs related to obligations to the DOE for the decommissioning and decontamination of enrichment facilities are also charged to fuel expense.

**Nuclear Plant Decommissioning and Dismantlement Provisions:** Provisions for nuclear plant decommissioning costs are based on site-specific estimates that include the costs for removal of all radioactive and other structures at the nuclear plant site. The Utilities Commission's pro-rata share of estimated decommissioning costs are amortized on a straight-line basis over the remaining period of the nuclear plant's operating license and are included in depreciation and amortization expense.

**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. Employees earn annual personal leave time (includes vacation, sick and 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 are paid for all hours in excess of 240 hours or 480 hours, depending on employee election. Payments for any excess hours are made in December of each year based on the employee's regular straight time pay-rate as of preceding September 30<sup>th</sup>.

**Operating Reserve (for Nuclear Re-Fueling 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 to the reserve at the time actual re-fueling takes place.

**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 increase/decrease 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, 2001 AND 2000**  
**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, 2001 and 2000, the carrying amounts of the Utilities Commission's deposits, including certificates of deposit, were \$2,867,026 and \$20,647,873, respectively. The September 30, 2001, bank balances totaled \$3,227,051 of which \$100,000 was covered by federal depository insurance and \$3,117,051 was secured in accordance with the statutory provisions of the Act. Included in the carrying amount of Utilities Commission deposits is \$11,281 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, 2001, the Utilities 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 Utilities Commission at year-end. Category 1 includes investments that are insured, registered, or for which the securities are held by the Utilities Commission or its agent in the Utilities 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 Utilities 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 Utilities Commission's name.

At September 30, 2001, the Utilities Commission's cash and investments are categorized as follows:

Type of Investment	1	Category 2	3	Carrying Value	Fair Value
U.S. Treasury State and Local Government					
Series (SLGS) Bonds .....	\$ 130,100	0	0	130,100	130,100
Repurchase agreements .....	0	0	17,929,520	17,929,520	17,929,520
Totals.....	\$ 130,100	0	17,929,520	18,059,620	18,059,620

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 3 - RESTRICTED AND INTERNALLY DESIGNATED ASSETS**

Certain cash and investments are externally restricted by revenue certificate resolutions, nuclear generation facility decommissioning trusts and customer agreements. The Utilities Commission's restricted assets consist of the following accounts:

	September 30,	
	2001	2000
Debt service and related funds:		
Principal and interest funds.....	\$ 3,489,642	3,313,460
Debt service reserve funds.....	<u>560,100</u>	<u>539,839</u>
	<u>4,049,742</u>	<u>3,853,299</u>
Nuclear generation facility decommissioning funds .....	<u>2,260,683</u>	<u>2,039,917</u>
Renewal and replacement funds .....	<u>11,519,981</u>	<u>13,370,957</u>
Customer deposits .....	<u>1,269,476</u>	<u>1,167,294</u>
Total restricted assets .....	<u>\$ 19,099,882</u>	<u>20,431,467</u>
Total restricted assets consist of:		
Cash and cash equivalents .....	\$ 18,811,848	20,250,467
Investments, at cost.....	130,100	181,000
Accrued interest receivable.....	<u>157,934</u>	<u>0</u>
Total restricted funds .....	<u>\$ 19,099,882</u>	<u>20,431,467</u>

Internally designated assets include certain cash and investments that have been internally designated by the Utilities Commission's governing board and earn the same interest rate as its operating investment portfolio. These funds are comprised of the following:

Internally designated funds:		
Rate Stabilization Fund:		
Cash and cash equivalents .....	<u>\$ 1,826,764</u>	<u>2,254,984</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 4 - UTILITY PLANT**

A summary of utility plant at September 30, is as follows:

	Electric	Water	Pollution Control	Water Reuse	Common	September 30, 2000
Land and land rights.....	\$ 1,672,728	483,946	381,642	0	743,588	3,281,904
Structures and improvements .....	2,579,200	5,112,725	7,561,048	2,236,037	2,408,821	19,897,831
Production and treatment plant.....	24,056,426	6,390,537	13,873,650	0	0	44,320,613
Transmission, distribution, and collection and treatment plant.....	45,756,535	20,424,925	19,283,087	4,840,656	0	90,305,203
Other general plant and equipment.....	<u>1,477,193</u>	<u>863,033</u>	<u>1,243,160</u>	<u>44,524</u>	<u>4,087,327</u>	<u>7,715,237</u>
	75,542,082	33,275,166	42,342,587	7,121,217	7,239,736	165,520,788
Accumulated depreciation .....	(30,973,971)	(10,685,301)	(8,445,520)	(850,474)	(3,657,515)	(54,612,781)
Allowance for decommissioning .....	<u>(2,260,683)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,260,683)</u>
	42,307,428	22,589,865	33,897,067	6,270,743	3,582,221	108,647,324
Construction in progress.....	1,270,780	3,672,122	57,542	17,522	278,578	5,296,544
Plant held for future use .....	9,173,992	0	0	0	0	9,173,992
Nuclear fuel, net of amortization.....	<u>223,722</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>223,722</u>
Utility plant, net .....	<u>\$ 52,975,922</u>	<u>26,261,987</u>	<u>33,954,609</u>	<u>6,288,265</u>	<u>3,860,799</u>	<u>123,341,582</u>

	Electric	Water	Pollution Control	Water Reuse	Common	September 30, 2000
Land and land rights.....	\$ 1,672,728	487,146	381,642	0	743,588	3,285,104
Structures and improvements .....	2,579,200	5,110,830	7,561,048	2,236,037	2,377,003	19,864,118
Production and treatment plant.....	9,740,658	6,379,344	13,742,924	0	0	29,862,926
Transmission, distribution, and collection and treatment plant.....	45,300,184	19,723,316	19,053,098	4,804,793	0	88,881,391
Other general plant and equipment.....	<u>1,436,280</u>	<u>814,469</u>	<u>1,231,188</u>	<u>44,524</u>	<u>4,082,390</u>	<u>7,608,851</u>
	60,729,050	32,515,105	41,969,900	7,085,354	7,202,981	149,502,390
Accumulated depreciation .....	(28,908,424)	(9,989,024)	(7,358,867)	(705,517)	(3,475,953)	(50,437,785)
Allowance for decommissioning .....	<u>(2,039,917)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,039,917)</u>
	29,780,709	22,526,081	34,611,033	6,379,837	3,727,028	97,024,688
Construction in progress.....	14,559,740	761,269	456,486	28,461	180,245	15,986,201
Nuclear fuel, net of amortization.....	<u>77,801</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>77,801</u>
Utility plant, net .....	<u>\$ 44,418,250</u>	<u>23,287,350</u>	<u>35,067,519</u>	<u>6,408,298</u>	<u>3,907,273</u>	<u>113,088,690</u>

Depreciation expense totaled \$4,360,451 and \$3,656,949 for 2001 and 2000, respectively. Capitalized interest on outstanding tax-exempt borrowings charged (credited) to projects during construction was \$483,350 and \$-0-, for 2001 and 2000, respectively, which is stated net of \$149,910 and \$-0-, respectively, of interest earned on unexpended tax-exempt debt proceeds.



**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 5 - DECOMMISSIONING AND DISMANTLEMENT PROVISIONS**

Provisions for nuclear decommissioning costs associated with the Utilities Commission's 0.5608% undivided participant interest with Florida Power Corporation at its Crystal River Unit 3 (CR3) nuclear generation facility are approved the Florida Public Service Commission. Florida Power's most recent site-specific estimates of decommissioning costs for the CR3 nuclear plant were developed in 2000, using 2000 cost factors, and are based on prompt dismantlement decommissioning, which reflects the cost of removal of all radioactive and other structures at the site, with such removal occurring shortly after operating license expiration. The Utilities Commission's share of these estimated costs, in 2000 dollars was \$2.89 million and is subject to change based on a variety of factors including, but not limited to, cost escalation, changes in technology applicable to nuclear decommissioning and changes in federal, state or local regulations. Decommissioning cost provisions, which are included in depreciation and amortization expense, were \$220,766 and \$218,881 for the years ended September 30, 2001 and 2000, respectively.

Accumulated decommissioning costs, which are included in accumulated depreciation, were \$2,260,683 and \$2,039,917 at September 30, 2001 and 2000, respectively. These costs include amounts retained internally in decommissioning trusts. Trust earnings increase the trust balance with a corresponding increase in the accumulated decommissioning balance. These balances are adjusted for net unrealized gains and losses related to changes in the fair value of trust assets.

Management believes that the plant decommissioning costs being recovered through the Utilities Commission's present electric utility rate structure are currently sufficient to provide for the costs of decommissioning.

**NOTE 6 - NET ASSETS**

Net assets represent the difference between assets and liabilities. The following is a summary of the individual components of the Utilities Commission's net assets at September 30:

	September 30,	
	2001	2000
Invested in utility plant, net of related debt:		
Net utility plant.....	\$ 123,341,582	113,088,690
Add: Funds restricted for debt service .....	3,489,642	3,313,460
Funds restricted for future decommissioning costs.....	2,260,683	2,039,917
Funds restricted for repayment of customer deposits.....	1,269,476	1,167,294
Less: Revenue certificates payable (net) .....	(50,804,487)	(53,068,892)
Notes payable (net).....	(41,142,395)	(32,780,613)
Accrued interest payable on long-term debt.....	(1,433,853)	(1,492,178)
Customer deposits .....	(1,269,476)	(1,167,294)
	<u>35,711,172</u>	<u>31,100,384</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 6 - NET ASSETS - (CONTINUED)**

	September 30,	
	2001	2000
Restricted for debt service:		
Funds restricted for debt service reserve purposes .....	\$ <u>560,100</u>	<u>539,839</u>
Restricted for renewal and replacement:		
Funds restricted for renewal and replacement .....	3,566,913	3,597,612
Internally designated funds for renewal and replacement .....	7,953,068	9,773,345
Less: Accounts payable from restricted funds .....	<u>(31,603)</u>	<u>(721,969)</u>
	<u>11,488,378</u>	<u>12,648,988</u>
Total net assets invested and restricted .....	47,759,650	44,289,211
Unrestricted net assets .....	<u>8,144,046</u>	<u>7,509,509</u>
Total net assets .....	\$ <u>55,903,696</u>	<u>51,798,720</u>

**NOTE 7 - LONG-TERM DEBT**

A summary of long-term debt outstanding at September 30, is as follows:

	September 30,	
	2001	2000
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 .....	\$ 13,510,000	13,740,000
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.	19,525,000	20,180,000
Utilities System Refunding Revenue Certificates, Series 1996--4.10% to 5.30% due serially to 2011 .....	<u>19,240,000</u>	<u>20,845,000</u>
Total utilities certificates outstanding .....	<u>52,275,000</u>	<u>54,765,000</u>
Less: current maturities:		
Series 1992 Certificates .....	(245,000)	(230,000)
Series 1993 Certificates .....	(680,000)	(655,000)
Series 1996 Certificates .....	<u>(1,670,000)</u>	<u>(1,605,000)</u>
	<u>(2,595,000)</u>	<u>(2,490,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 7 - LONG-TERM DEBT - (CONTINUED)**

Long-term certificate debt .....	\$ 49,680,000	52,275,000
Less: deferred amount on advance refunding .....	(706,398)	(852,359)
unamortized debt discount.....	<u>(764,115)</u>	<u>(843,749)</u>
Net long-term certificate debt.....	<u>48,209,487</u>	<u>50,578,892</u>
Notes Payable:		
State Revolving Loan Fund—construction loans consisting of \$8,521,618, bearing interest at 3.22% per annum, \$1,778,378, bearing interest at 3.18% per annum, and \$7,135,931 bearing interest at 3.11% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019.....	\$ 17,435,927	18,144,866
\$12,200,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on April 1, 2001 and maturing in April 2020.....	11,825,000	11,635,747
\$3,000,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on October 1, 2001 and maturing in October 2020 .....	2,916,000	3,000,000
\$9,050,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on December 1, 2001 and maturing in December 2020 .....	<u>8,965,468</u>	<u>0</u>
Total notes payable.....	<u>41,142,395</u>	<u>32,780,613</u>
Less: current maturities:		
State Revolving Fund Loan .....	(731,596)	(708,939)
FMPA Pooled loans.....	<u>(565,468)</u>	<u>(375,000)</u>
	<u>(1,297,064)</u>	<u>(1,083,939)</u>
Long-term portion of note payable.....	<u>39,845,331</u>	<u>31,696,674</u>
Total long-term debt, net.....	<u>\$ 88,054,818</u>	<u>82,275,566</u>

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 7 - LONG-TERM DEBT - (CONTINUED)**

The authorization for the above described revenue certificates outstanding (collectively referred to as the "Certificates") provides that the Utilities 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 Utilities 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 Utilities 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 Utilities Commission. Certain of these agreements contain the following provision relating to the right of the obligation holder:

"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."

The notes payable to the State of Florida, Department of Environmental Protection, State Revolving Fund Loan are secured by pledged revenues of the Utilities Commission; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Revenue Certificates Payable - Series 1992, 1993, and 1996. The notes payable to the Florida Municipal Power Agency are secured by a pledge and lien upon the Utilities Commission's utility system revenues and are subordinate to the right of payment and security to the Revenue Certificates and are on a parity with the State Revolving Fund Loan.

Aggregate annual long-term debt service requirements in each of the next five years (and five-year increments thereafter) are as follows:

Fiscal Year Ending	Revenue Certificates	Note Payable SRF Loan	Notes Payable FMPA	Totals
September 30, 2002 .....	\$ 5,283,987	1,278,718	1,168,721	7,731,426
September 30, 2003 .....	\$ 5,296,647	1,278,718	1,438,926	8,014,291
September 30, 2004 .....	\$ 5,286,462	1,278,718	1,455,576	8,020,756
September 30, 2005 .....	\$ 5,290,998	1,278,718	1,466,122	8,035,838
September 30, 2006 .....	\$ 5,286,513	1,278,718	1,491,362	8,056,593
September 30, 2007 to 2011 .....	\$ 24,878,562	6,393,590	7,747,717	39,019,869
September 30, 2012 to 2016 .....	\$ 19,273,231	6,393,590	8,410,162	34,076,983
September 30, 2017 to 2021 .....	\$ 5,394,875	3,836,159	8,438,118	17,669,152

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

SEPTEMBER 30, 2001 AND 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

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### NOTE 8 - PRIOR YEARS' DEFEASANCE OF DEBT

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, 2001:

#### 1978 Refunding:

Series 1965--4.2% to 4.25% due through 2004 .....	\$ 890,000
Series S-1963--3.9% due through 2002 .....	25,000
Series T-1963--4.0% due through 2003 .....	123,000
Series B-1965--3.7% to 4.1% due through 2003 .....	100,000
Series 1975--3.75% to 6.2% due through 2004 .....	670,000
Series 1975A--5.0% to 6.6% due through 2005 .....	1,335,000

### NOTE 9 - REQUIRED PAYMENT TO CITY

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 Utilities 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, 2001 and 2000 totaled \$2,625,008 and \$2,214,486, respectively. The balances due to the City at September 30, 2001 and 2000, totaled \$271,703 and \$464,740, respectively.

### NOTE 10 - EMPLOYEE PENSION PLANS

#### A. Defined Benefit Pension Plan

*Plan Description.* The Utilities Commission contributes to the Florida (public employee) Retirement System of the State of Florida (the "FRS"), 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 FRS 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.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 10 - EMPLOYEE PENSION PLANS - (CONTINUED)**

*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 Utilities Commission made the required contributions to the plan for the fiscal years ended September 30, 2001, 2000, and 1999, as follows: \$364,604, \$429,348, and \$684,579, respectively. The employer contribution rates for FRS members (which are examined and amended each year on July 1) were as follows:

Plan year beginning June 30, 2001 .....	7.30%
Plan year beginning June 30, 2000 .....	9.15%
Plan year beginning June 30, 1999 .....	10.15%
Plan year beginning June 30, 1998 .....	16.45%

There were no employee contributions made during these years.

**B. Defined Contribution Plan**

The Utilities Commission contributes to the Utilities Commission of New Smyrna Beach Retirement Plan, a defined contribution plan administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 54-95, the Utilities 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 \$42,230, \$26,985, and \$17,311, for the years ended September 30, 2001, 2000, and 1999, respectively. There were no employee contributions made during these years.

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

**NOTE 11 - DEFERRED EMPLOYEE BENEFITS**

**A. IRC Section 401(k) Plan**

The Utilities Commission offers its Chief Executive Officer 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, 2001, 2000 and 1999, the Utilities Commission's covered payroll was \$127,296, \$97,743 and \$127,769, respectively. For the years ended September 30, 2001, 2000 and 1999, employer contributions were \$16,715, \$13,627 and \$17,483, respectively. For the years ended September 30, 2001, 2000 and 1999, employee contributions to the plan were \$19,640, \$16,913 and \$18,478, respectively.

**B. IRC Section 457 Plan**

The Utilities 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 City Managers Association Retirement Corporation. Annual contributions, determined by the participant, may not exceed the lesser of \$8,000 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 segment information for the Utilities Commission's individual utility systems is as follows:

	Electric System	Water System	Pollution Control System	Water Reuse System	Total
Operating revenue .....	\$ 33,114,680	4,736,997	4,377,572	486,138	42,715,387
Depreciation/decommissioning .....	2,479,970	792,520	1,163,770	144,957	4,581,217
Operating income .....	3,793,941	1,169,016	513,429	189,263	5,665,649
Required payments to City .....	2,047,697	298,783	274,441	4,087	2,625,008
Income (loss) before contributions .....	2,812,981	590,729	(356,597)	(127,768)	2,919,342
Capital contributions .....	4,608	638,912	542,114	0	1,185,634
Change in net assets .....	2,817,589	1,229,638	185,517	(127,768)	4,104,976
Utility plant acquisitions .....	10,553,805	3,707,981	3,277	24,925	14,289,988
Utility plant retirements .....	129,649	37,067	29,533	0	289,394
Revenue certificates payable .....	26,705,976	15,168,626	4,777,484	5,622,915	52,275,000
Notes payable .....	20,790,468	1,283,040	19,068,887	0	41,142,395
Net assets .....	20,644,063	17,787,225	18,444,815	(972,407)	55,903,696
Total assets .....	75,768,960	33,310,920	38,883,696	6,656,850	154,620,426

**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
**SEPTEMBER 30, 2001 AND 2000**  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

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**NOTE 13 - LEGAL MATTERS**

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

**NOTE 14 - COMMITMENTS**

The Utilities Commission, acting through the Florida Municipal Power Agency (FMPA), 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 Utilities 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 Utilities Commission, as a participant, has also entered into a power sales contract which requires payment on a "take-and pay" basis for its 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 Utilities 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 this power sales contract, the Utilities Commission 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 Utilities Commission is obligated to provide payments of approximately \$3.9 million annually.

The Utilities Commission has entered into an interlocal agreement with Reliant Energy of New Smyrna Beach, LLC for the purpose of assisting Reliant Energy in the development and construction of a 500 MW combined-cycle electric generating facility. As a part of the agreement, the Utilities Commission will provide certain infrastructure and infrastructure- and utility-related services to Reliant Energy for the facility and receive the right to purchase up to 30 MW of generating capacity from the facility or from other sources. Construction of the generating facility is expected to commence in June 2002 and be completed within two years. No additional investment is anticipated on the Utilities Commission's part at this time.

The Utilities Commission is involved in a tri-party agreement by and between the Utilities Commission, the City of New Smyrna Beach, Florida (the "City"), and Volaris Communications. ("Volaris") to provide dial-up analog and DSL internet access services to customers of the Utilities Commission. Pursuant to the agreement, the Utilities Commission is obligated to pay to the City 6% of the internet service gross revenue and is required to pay to Volaris for technical support, training, and for use of provided equipment, including all hardware, lines, maintenance, licenses, etc. During the fiscal years ended September 30, 2001 and 2000, the Commission paid \$374,537 and \$214,280, respectively, to Volaris (and its predecessor companies) for



**NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**  
SEPTEMBER 30, 2001 AND 2000  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

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**NOTE 14 - COMMITMENTS - (CONTINUED)**

the ability to provide these services. The balance due Volaris as of September 30, 2001 and 2000 amounted to \$28,222 and \$36,199, respectively. The 6% paid to the City is included in the required payment amount reported in Note 9 above.

The Utilities Commission also entered into a tri-party marketing agreement with Epicus, Inc. ("Epicus") and the City of New Smyrna Beach, Florida (the "City"), whereby the Utilities Commission markets certain intrastate and interstate telecommunications services for Epicus. As with the preceding agreement, the Utilities Commission must pay the City 6% of the gross commissions and revenues received from Epicus. During the fiscal year ended September 30, 2001, the Commission paid \$22,025 to Epicus for the ability to provide these services.

As of September 30, 2001, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$5.4 million for utility plant expansion and upgrading.

The Utilities 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.

## ***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 NET ASSETS - BY UTILITY SYSTEM**

For the Fiscal Year Ended September 30, 2001

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Electric	Water	Pollution Control
Operating Revenue:			
Sales.....	\$ 32,839,422	4,551,228	4,300,928
Other revenues.....	275,258	185,769	76,644
Total operating revenue.....	33,114,680	4,736,997	4,377,572
Operating Expenses:			
Purchased power and fuel expenses.....	16,385,996	0	0
Other production expenses.....	4,810,363	1,034,352	0
Transmission, distribution, and sewage collection and treatment.....	1,287,820	454,633	1,458,517
Customer accounting.....	407,539	177,757	160,084
Administrative and general.....	1,901,354	809,936	807,331
Required payments to City of New Smyrna Beach.....	2,047,697	298,783	274,441
Depreciation and decommissioning.....	2,479,970	792,520	1,163,770
Total operating expenses.....	29,320,739	3,567,981	3,864,143
Operating income.....	3,793,941	1,169,016	513,429
Nonoperating Revenue (Expenses):			
Interest earnings.....	533,768	251,685	113,816
Other income.....	387,777	69,232	14,915
Interest and debt expense.....	(1,807,512)	(889,828)	(988,396)
Other expenses.....	(3,321)	(9,379)	(2,766)
Gain (loss) on disposal of assets.....	(91,672)	0	(7,595)
Loss on abandonment of wastewater treatment plant.....	0	0	0
Total nonoperating revenue (expenses).....	(980,960)	(578,290)	(870,026)
Income before contributions .....	2,812,981	590,726	(356,597)
Capital contributions .....	4,608	638,912	542,114
Change in net assets.....	2,817,589	1,229,638	185,517
Net assets, beginning of year .....	17,826,474	16,557,587	18,259,298
Net assets, end of year .....	\$ 20,644,063	17,787,225	18,444,815

**Schedule 1**

Water Reuse	Totals	
	2001	2000
486,138	42,177,716	40,960,150
0	537,671	459,757
486,138	42,715,387	41,419,907
0	16,385,996	17,525,068
0	5,844,715	5,445,855
147,177	3,348,147	3,140,325
0	745,380	818,320
654	3,519,275	3,227,988
4,087	2,625,008	2,214,486
144,957	4,581,217	3,875,830
296,875	37,049,738	36,247,872
189,263	5,665,649	5,172,035
5,975	905,244	1,114,573
(31,917)	440,007	356,616
(291,089)	(3,976,825)	(3,877,542)
0	(15,466)	(61,620)
0	(99,267)	(45,269)
0	0	(3,452,645)
(317,031)	(2,746,307)	(5,965,887)
(127,768)	2,919,342	(793,852)
0	1,185,634	773,199
(127,768)	4,104,976	(20,653)
(844,639)	51,798,720	51,819,373
(972,407)	55,903,696	51,798,720

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - ELECTRIC SYSTEM (NON-GAAP BUDGETARY BASIS)**

**Schedule 2**

For the Fiscal Year Ended September 30, 2001

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Electric sales .....	\$ 27,869,984	32,742,773	4,872,789
Other revenues .....	196,000	275,258	79,258
Nonoperating revenue (expenses):			
Interest earnings .....	325,000	533,768	208,768
Meter Deposit interest expense .....	0	(46,679)	(46,679)
Other revenues (expenses) .....	282,508	384,456	101,948
Capital contributions .....	0	4,608	4,608
	<u>28,673,492</u>	<u>33,894,184</u>	<u>5,220,692</u>
Operating Expenses:			
Purchased power and fuel expenses .....	13,097,466	16,385,996	(3,288,530)
Power production .....	4,695,530	4,810,363	(114,833)
Transmission and distribution .....	1,386,806	1,287,820	98,986
Customer accounting .....	383,333	407,539	(24,206)
Administrative and general .....	1,698,142	1,901,354	(203,212)
Required payments to the City of New Smyrna Beach .....	1,703,640	2,047,697	(344,057)
Decommissioning expense .....	115,493	220,766	(105,273)
	<u>23,080,410</u>	<u>27,061,535</u>	<u>(3,981,125)</u>
Net revenue and receipts .....	<u>5,593,082</u>	<u>6,832,649</u>	<u>1,239,567</u>
Operating Transfers In (Out):			
Sinking Fund - 1992 Certificates .....	(489,435)	(489,435)	0
Sinking Fund - 1993 Certificates .....	(886,408)	(886,409)	(1)
Sinking Fund - 1996 Certificates .....	(1,230,376)	(1,230,597)	(221)
Sinking Fund - FMPA Pooled Loans .....	0	(1,212,073)	(1,212,073)
Renewal and Replacement Funds - required contribution ....	(1,711,683)	(1,711,683)	0
Restricted fund contribution to Rate Stabilization Fund .....	(1,275,180)	(1,307,854)	(32,674)
	<u>(5,593,082)</u>	<u>(6,838,051)</u>	<u>(1,244,969)</u>
Budgeted net cash receipts .....	<u>\$ 0</u>	<u>(5,402)</u>	<u>(5,402)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Unbilled revenue .....		96,649	
Principal portion of required Sinking Fund transfers .....		1,711,417	
Capitalized interest .....		502,153	
Net transfers to Renewal and Replacement Fund .....		1,711,683	
Net transfers to Rate Stabilization Fund .....		1,307,854	
Gain (loss) on disposal of property and equipment .....		(91,672)	
Depreciation .....		(2,259,204)	
Amortization of debt expense and loss on refunding .....		(155,889)	
Change in net assets .....		<u>\$ 2,817,589</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - WATER SYSTEM (NON-GAAP BUDGETARY BASIS)**

**Schedule 3**

For the Fiscal Year Ended September 30, 2001

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Water sales .....	\$ 4,587,671	4,541,162	(46,509)
Other revenues .....	178,100	185,769	7,669
Nonoperating revenue:			
Interest earnings .....	260,000	251,685	(8,315)
Meter Deposit interest expense.....	0	(8,630)	(8,630)
Other revenues (expenses) .....	44,783	59,853	15,070
Capital contributions .....	504,674	638,912	134,238
	<u>5,575,228</u>	<u>5,668,751</u>	<u>93,523</u>
Operating Expenses:			
Water production .....	860,623	1,034,352	(173,729)
Transmission and distribution .....	365,671	454,633	(88,962)
Customer accounting .....	194,406	177,757	16,649
Administrative and general .....	740,094	809,936	(69,842)
Required payments to the City of New Smyrna Beach .....	293,100	298,783	(5,683)
	<u>2,453,894</u>	<u>2,775,461</u>	<u>(321,567)</u>
Net revenue and receipts .....	<u>3,121,334</u>	<u>2,893,290</u>	<u>(228,044)</u>
Operating Transfers In (Out):			
Sinking Fund - 1992 Certificates .....	(165,520)	(165,520)	0
Sinking Fund - 1993 Certificates .....	(573,196)	(573,197)	(1)
Sinking Fund - 1996 Certificates .....	(841,971)	(842,124)	(153)
Sinking Fund - FMPA Pooled Loans .....	0	(98,002)	(98,002)
Renewal and Replacement Funds - required contribution ....	(480,202)	(480,202)	0
Renewal and Replacement Funds - restricted contribution ...	(504,674)	(638,912)	(134,238)
Restricted fund contribution to Rate Stabilization Fund.....	(348,133)	(114,358)	233,775
Reuse Subsidy Surcharge.....	(207,638)	(202,964)	4,674
	<u>(3,121,334)</u>	<u>(3,115,279)</u>	<u>6,055</u>
Budgeted net cash receipts .....	\$ <u>0</u>	<u>(221,989)</u>	<u>(221,989)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Unbilled revenue .....		10,066	
Principal portion of required Sinking Fund transfers .....		840,381	
Capitalized interest .....		57,687	
Net transfers to Renewal and Replacement Fund .....		1,119,114	
Net transfers to Rate Stabilization Fund .....		114,358	
Net transfers of Reuse Subsidy Surcharge .....		202,964	
Depreciation .....		(792,520)	
Amortization of debt expense and loss on refunding .....		(100,423)	
Change in net assets .....		<u>\$ 1,229,638</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - POLLUTION CONTROL SYSTEM (NON-GAAP BUDGETARY BASIS)**

**Schedule 4**

For the Fiscal Year Ended September 30, 2001

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Pollution control charges .....	\$ 4,572,316	4,290,303	(282,013)
Other revenues .....	45,000	76,644	31,644
Nonoperating revenue:			
Interest earnings .....	140,000	113,816	(26,184)
Meter Deposit interest expense .....	0	(2,877)	(2,877)
Other revenues (expenses) .....	43,404	12,149	(31,255)
Capital contributions .....	406,724	542,114	135,390
	<u>5,207,444</u>	<u>5,032,149</u>	<u>(175,295)</u>
Operating Expenses:			
Collection and treatment system .....	1,222,824	1,458,517	(235,693)
Customer accounting .....	171,974	160,084	11,890
Administrative and general .....	751,782	807,331	(55,549)
Required payments to the City of New Smyrna Beach .....	276,682	274,441	2,241
	<u>2,423,262</u>	<u>2,700,373</u>	<u>(277,111)</u>
Net revenue and receipts .....	<u>2,784,182</u>	<u>2,331,776</u>	<u>(452,406)</u>
Operating Transfers In (Out):			
Sinking Fund - 1992 Certificates .....	(146,872)	(146,872)	0
Sinking Fund - 1993 Certificates .....	(53,561)	(53,561)	0
Sinking Fund - 1996 Certificates .....	(523,928)	(524,023)	(95)
Sinking Fund - FMPA Pooled Loans .....	0	(124,730)	(124,730)
Sinking Fund - State Revolving Fund Loan .....	(1,279,206)	(1,278,962)	244
Renewal and Replacement Fund - required contribution .....	(340,609)	(340,609)	0
Renewal and Replacement Fund - restricted contribution ....	(406,724)	(542,114)	(135,390)
Restricted fund contribution to water reuse system .....	(45,832)	(45,832)	0
Restricted fund contribution from Rate Stabilization Fund...	202,870	639,577	436,707
Reuse Subsidy Surcharge .....	(190,320)	(188,341)	1,979
	<u>(2,784,182)</u>	<u>(2,605,467)</u>	<u>178,715</u>
Budgeted net cash receipts .....	\$ <u>0</u>	<u>(273,691)</u>	<u>(273,691)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Unbilled revenue .....		10,625	
Principal portion of required Sinking Fund transfers .....		1,145,316	
Capitalized interest .....		73,420	
Net transfers to Renewal and Replacement Fund .....		882,723	
Net transfers to Water Reuse System .....		234,173	
Net transfers from Rate Stabilization Fund .....		(639,577)	
Gain (loss) on disposal of property and equipment .....		(7,595)	
Depreciation .....		(1,163,770)	
Amortization of debt expense .....		(76,107)	
Change in net assets .....		<u>\$ 185,517</u>	

**SCHEDULE OF REVENUE, RECEIPTS, EXPENSES AND DISBURSEMENTS -  
BUDGET AND ACTUAL - WATER REUSE SYSTEM (NON-GAAP BUDGETARY BASIS)**

Schedule 5

For the Fiscal Year Ended September 30, 2001

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Receipts:			
Direct Sales:			
Reuse water sales .....	\$ 72,640	94,833	22,193
Reuse subsidy surcharge .....	397,958	391,305	(6,653)
Nonoperating revenue:			
Interest earnings .....	0	5,975	5,975
Other Revenues (expenses) .....	7,500	(31,917)	(39,417)
	<u>478,098</u>	<u>460,196</u>	<u>(17,902)</u>
Operating Expenses:			
Transmission and distribution system .....	104,745	147,177	(42,432)
Administrative and general .....	360	654	(294)
Required payments to the City of New Smyrna Beach .....	4,358	4,087	271
	<u>109,463</u>	<u>151,918</u>	<u>(42,455)</u>
Net revenue and receipts .....	<u>368,635</u>	<u>308,278</u>	<u>(60,357)</u>
Operating Transfers In (Out):			
Sinking Fund - 1992 Certificates .....	(245,765)	(245,765)	0
Sinking Fund - 1993 Certificates .....	(150,202)	(150,202)	0
Renewal and Replacement Fund - required Contribution.....	(18,500)	(18,500)	0
Restricted fund contribution from Rate Stabilization Fund....	0	58,249	58,249
Proceeds of transfer from Pollution Control System .....	45,832	45,832	0
	<u>(368,635)</u>	<u>(310,386)</u>	<u>58,249</u>
Budgeted net cash receipts .....	\$ <u>0</u>	<u>(2,108)</u>	<u>(2,108)</u>
Reconciliation of Net Cash Receipts to Net Income (GAAP):			
Principal portion of required Sinking Fund transfers .....		118,881	
Net transfers to Renewal and Replacement Fund .....		18,500	
Restricted fund contribution from Rate Stabilization Fund....		(58,249)	
Proceeds of transfer from Pollution Control System .....		(45,832)	
Depreciation .....		(144,957)	
Amortization of debt expense .....		(14,003)	
Change in net assets .....		\$ <u>(127,768)</u>	



**SCHEDULE OF OPERATING EXPENSES-  
ELECTRIC SYSTEM**

**Schedule 6**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Operating Expenses:		
Purchased power and fuel:		
Nuclear fuel .....	\$ 627,918	938,401
Diesel fuel .....	190,909	251,421
Purchased power .....	15,567,169	16,335,246
	<u>16,385,996</u>	<u>17,525,068</u>
Power production:		
Nuclear power generation.....	4,107,177	3,788,550
Diesel power generation.....	292,008	252,670
System control and load dispatching .....	411,178	413,319
	<u>4,810,363</u>	<u>4,454,539</u>
Transmission and Distribution.....	1,287,820	1,230,798
Customer Accounting.....	407,539	449,764
Administrative and General.....	1,901,354	1,683,087
Required payments to the City of New Smyrna Beach .....	2,047,697	1,646,439
Depreciation and decommissioning .....	<u>2,479,970</u>	<u>2,152,057</u>
Total operating expenses .....	\$ <u>29,320,739</u>	<u>29,141,752</u>

**SCHEDULE OF OPERATING EXPENSES-**

Schedule 7

**WATER SYSTEM**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Operating Expenses:		
Water production:		
Source of supply.....	\$ 341,492	276,297
Water treatment.....	692,860	715,019
	<u>1,034,352</u>	<u>991,316</u>
Transmission and Distribution.....	454,633	450,456
Customer Accounting.....	177,757	190,922
Administrative and General.....	809,936	790,094
Required payments to the City of New Smyrna Beach .....	298,783	286,807
Depreciation.....	<u>792,520</u>	<u>756,493</u>
Total operating expenses .....	\$ <u>3,567,981</u>	<u>3,466,088</u>

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

**Schedule 8**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
New Smyrna Beach, Florida

	2001	2000
Operating Expenses:		
Collection and treatment system:		
Collection expenses.....	\$ 216,669	213,572
Pumping expenses.....	293,765	245,474
Treatment and disposal.....	948,083	887,327
	<u>1,458,517</u>	<u>1,346,373</u>
Customer Accounting.....	160,084	177,634
Administrative and General.....	807,331	754,150
Required payments to the City of New Smyrna Beach .....	274,441	274,725
Depreciation.....	<u>1,163,770</u>	<u>841,301</u>
Total operating expenses .....	\$ <u>3,864,143</u>	<u>3,394,183</u>

**SCHEDULE OF OPERATING EXPENSES-****Schedule 9****WATER REUSE SYSTEM**

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Operating Expenses:		
Transmission and Distribution.....	147,177	112,698
Administrative and General.....	654	655
Required payments to the City of New Smyrna Beach .....	4,087	6,515
Depreciation.....	144,957	125,980
Total operating expenses .....	\$ <u>296,875</u>	<u>245,848</u>

**SCHEDULE OF INTEREST EARNINGS**

Schedule 10

For the Fiscal Years Ended September 30, 2001 and 2000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

New Smyrna Beach, Florida

	2001	2000
Interest Earnings By Source:		
From Investments:		
Sinking funds.....	\$ 114,056	241,030
Renewal and replacement funds.....	527,492	429,264
Customers' deposits.....	61,237	62,015
CR3 nuclear decommissioning funds.....	105,273	103,388
Other.....	97,186	278,876
Total interest earnings .....	<u>905,244</u>	<u>1,114,573</u>
Interest Earnings By System:		
Electric system.....	533,768	598,254
Water system .....	251,685	299,736
Pollution control system.....	113,816	204,308
Water reuse system.....	5,975	12,275
Total interest earnings.....	<u>\$ 905,244</u>	<u>1,114,573</u>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**Revenue Certificates Payable**  
For the Fiscal Year Ended September 30, 2001  
**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
10/01/2001	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>\$13,510,000</u>		<u>\$8,130,901</u>	<u>\$21,640,901</u>	<u>\$19,525,000</u>		<u>\$10,433,964</u>	<u>\$29,958,964</u>	<u>\$19,240,000</u>		<u>\$5,151,410</u>	<u>\$24,391,410</u>	<u>\$52,275,000</u>	<u>\$23,716,275</u>	<u>\$75,991,275</u>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**Florida Department of Environmental Protection State Revolving Fund Loan**  
For the Fiscal Year Ended September 30, 2001  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

Wastewater Treatment Plan Project CS 120 4260060 State Revolving Fund Loan Original Loan					Wastewater Treatment Plan Project CS 120 4260060 State Revolving Fund Loan Amendment 1				Wastewater Treatment Plan Project CS 120 4260060 State Revolving Fund Loan Amendment 2				Total Debt Service Requirements to Maturity -- Combined --		
Payment Date	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
02/15/2002	176,551	3.220%	137,198	313,749	36,984	3.180%	28,276	65,260	149,386	3.110%	110,964	260,350	362,921	276,438	639,359
08/15/2002	179,393	3.220%	134,356	313,749	37,572	3.180%	27,688	65,260	151,709	3.110%	108,641	260,350	368,674	270,685	639,359
02/15/2003	182,282	3.220%	131,467	313,749	38,169	3.180%	27,091	65,260	154,068	3.110%	106,282	260,350	374,519	264,840	639,359
08/15/2003	185,216	3.220%	128,533	313,749	38,776	3.180%	26,484	65,260	156,464	3.110%	103,886	260,350	380,456	258,903	639,359
02/15/2004	188,198	3.220%	125,551	313,749	39,393	3.180%	25,867	65,260	158,897	3.110%	101,453	260,350	386,488	252,871	639,359
08/15/2004	191,228	3.220%	122,521	313,749	40,019	3.180%	25,241	65,260	161,368	3.110%	98,982	260,350	392,615	246,744	639,359
02/15/2005	194,307	3.220%	119,442	313,749	40,656	3.180%	24,604	65,260	163,877	3.110%	96,473	260,350	398,840	240,519	639,359
08/15/2005	197,436	3.220%	116,314	313,750	41,302	3.180%	23,958	65,260	166,425	3.110%	93,925	260,350	405,163	234,197	639,360
02/15/2006	200,614	3.220%	113,135	313,749	41,959	3.180%	23,301	65,260	169,013	3.110%	91,337	260,350	411,586	227,773	639,359
08/15/2006	203,844	3.220%	109,905	313,749	42,626	3.180%	22,634	65,260	171,641	3.110%	88,709	260,350	418,111	221,248	639,359
02/15/2007	207,126	3.220%	106,623	313,749	43,304	3.180%	21,956	65,260	174,310	3.110%	86,040	260,350	424,740	214,619	639,359
08/15/2007	210,461	3.220%	103,288	313,749	43,992	3.180%	21,268	65,260	177,021	3.110%	83,329	260,350	431,474	207,885	639,359
02/15/2008	213,849	3.220%	99,900	313,749	44,692	3.180%	20,568	65,260	179,774	3.110%	80,576	260,350	438,315	201,044	639,359
08/15/2008	217,292	3.220%	96,457	313,749	45,402	3.180%	19,858	65,260	182,569	3.110%	77,781	260,350	445,263	194,096	639,359
02/15/2009	220,791	3.220%	92,959	313,750	46,124	3.180%	19,136	65,260	185,408	3.110%	74,942	260,350	452,323	187,037	639,360
08/15/2009	224,345	3.220%	89,404	313,749	46,857	3.180%	18,403	65,260	188,291	3.110%	72,059	260,350	459,493	179,866	639,359
02/15/2010	227,957	3.220%	85,792	313,749	47,602	3.180%	17,658	65,260	191,219	3.110%	69,131	260,350	466,778	172,581	639,359
08/15/2010	231,627	3.220%	82,122	313,749	48,359	3.180%	16,901	65,260	194,192	3.110%	66,158	260,350	474,178	165,181	639,359
02/15/2011	235,357	3.220%	78,392	313,749	49,128	3.180%	16,132	65,260	197,212	3.110%	63,138	260,350	481,697	157,662	639,359
08/15/2011	239,146	3.220%	74,603	313,749	49,909	3.180%	15,351	65,260	200,279	3.110%	60,071	260,350	489,334	150,025	639,359
02/15/2012	242,996	3.220%	70,753	313,749	50,703	3.180%	14,557	65,260	203,393	3.110%	56,957	260,350	497,092	142,267	639,359
08/15/2012	246,908	3.220%	66,841	313,749	51,509	3.180%	13,751	65,260	206,556	3.110%	53,794	260,350	504,973	134,386	639,359
02/15/2013	250,884	3.220%	62,866	313,750	52,328	3.180%	12,932	65,260	209,768	3.110%	50,582	260,350	512,980	126,380	639,360
08/15/2013	254,923	3.220%	58,826	313,749	53,160	3.180%	12,100	65,260	213,030	3.110%	47,320	260,350	521,113	118,246	639,359
02/15/2014	259,027	3.220%	54,722	313,749	54,005	3.180%	11,255	65,260	216,342	3.110%	44,008	260,350	529,374	109,985	639,359
08/15/2014	263,197	3.220%	50,552	313,749	54,864	3.180%	10,396	65,260	219,706	3.110%	40,644	260,350	537,767	101,592	639,359
02/15/2015	267,435	3.220%	46,314	313,749	55,736	3.180%	9,524	65,260	223,123	3.110%	37,227	260,350	546,294	93,065	639,359
08/15/2015	271,741	3.220%	42,009	313,750	56,623	3.180%	8,637	65,260	226,592	3.110%	33,758	260,350	554,956	84,404	639,360
02/15/2016	276,116	3.220%	37,634	313,750	57,523	3.180%	7,737	65,260	230,116	3.110%	30,234	260,350	563,755	75,605	639,360
08/15/2016	280,561	3.220%	33,188	313,749	58,438	3.180%	6,822	65,260	233,694	3.110%	26,656	260,350	572,693	66,666	639,359
02/15/2017	285,078	3.220%	28,671	313,749	59,367	3.180%	5,893	65,260	237,328	3.110%	23,022	260,350	581,773	57,586	639,359
08/15/2017	289,668	3.220%	24,081	313,749	60,311	3.180%	4,949	65,260	241,019	3.110%	19,331	260,350	590,998	48,361	639,359
02/15/2018	294,331	3.220%	19,418	313,749	61,270	3.180%	3,990	65,260	244,767	3.110%	15,583	260,350	600,368	38,991	639,359
08/15/2018	299,070	3.220%	14,679	313,749	62,244	3.180%	3,016	65,260	248,573	3.110%	11,777	260,350	609,887	29,472	639,359
02/15/2019	303,885	3.220%	9,864	313,749	63,233	3.180%	2,027	65,260	252,438	3.110%	7,912	260,350	619,556	19,803	639,359
08/15/2019	308,778	3.220%	4,971	313,749	64,239	3.180%	1,021	65,260	256,363	3.110%	3,987	260,350	629,380	9,979	639,359
	<u>\$8,521,618</u>		<u>\$2,773,351</u>	<u>\$11,294,969</u>	<u>\$1,778,378</u>		<u>\$570,982</u>	<u>\$2,349,360</u>	<u>\$7,135,931</u>		<u>\$2,236,669</u>	<u>\$9,372,600</u>	<u>\$17,435,927</u>	<u>\$5,581,002</u>	<u>\$23,016,929</u>

**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**Note Payable - Florida Municipal Power Agency**  
For the Fiscal Year Ended September 30, 2001  
**UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA**  
**NEW SMYRNA BEACH, FLORIDA**

Schedule 13

Payment Period	Initial Pooled Loan Project Acquisition of Electric Generation Plant Original Loan - \$12,200,000, Principal due 04/01				Initial Pooled Loan Project Acquisition of Sugar Mill Water/Sewer Plant Original Loan - \$3,000,000, Principal due 10/01				Initial Pooled Loan Project Acquisition of Land for Plant Expansion Original Loan - \$9,050,000, Principal due 12/01				Total Debt Service Requirements to Maturity -- Combined --		
	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest Rate	Interest	Total Requirements	Principal Amount	Interest	Total Requirements
09/30/2002	\$ 390,000	2.95%	343,085	733,085	-	-	-	-	175,468	2.95%	260,168	435,636	565,468	603,253	1,168,721
09/30/2003	405,000	2.95%	331,359	736,359	89,000	2.95%	86,022	175,022	275,000	2.95%	252,545	527,545	769,000	669,926	1,438,926
09/30/2004	425,000	2.95%	319,116	744,116	94,000	2.95%	83,397	177,397	290,000	2.95%	244,063	534,063	809,000	646,576	1,455,576
09/30/2005	440,000	2.95%	306,358	746,358	99,000	2.95%	80,624	179,624	305,000	2.95%	235,140	540,140	844,000	622,122	1,466,122
09/30/2006	465,000	2.95%	293,009	758,009	105,000	2.95%	77,703	182,703	325,000	2.95%	225,650	550,650	895,000	596,362	1,491,362
09/30/2007	485,000	2.95%	278,996	763,996	111,000	2.95%	74,606	185,606	340,000	2.95%	215,694	555,694	936,000	569,296	1,505,296
09/30/2008	510,000	2.95%	264,320	774,320	117,000	2.95%	71,331	188,331	360,000	2.95%	205,173	565,173	987,000	540,824	1,527,824
09/30/2009	535,000	2.95%	248,906	783,906	124,000	2.95%	67,880	191,880	375,000	2.95%	194,184	569,184	1,034,000	510,970	1,544,970
09/30/2010	565,000	2.95%	232,681	797,681	131,000	2.95%	64,222	195,222	400,000	2.95%	182,507	582,507	1,096,000	479,410	1,575,410
09/30/2011	590,000	2.95%	215,645	805,645	138,000	2.95%	60,357	198,357	420,000	2.95%	170,215	590,215	1,148,000	446,217	1,594,217
09/30/2012	620,000	2.95%	197,798	817,798	146,000	2.95%	56,286	202,286	440,000	2.95%	157,333	597,333	1,206,000	411,417	1,617,417
09/30/2013	655,000	2.95%	178,991	833,991	155,000	2.95%	51,979	206,979	465,000	2.95%	143,739	608,739	1,275,000	374,709	1,649,709
09/30/2014	690,000	2.95%	159,153	849,153	164,000	2.95%	47,407	211,407	490,000	2.95%	129,407	619,407	1,344,000	335,967	1,679,967
09/30/2015	730,000	2.95%	138,208	868,208	173,000	2.95%	42,569	215,569	515,000	2.95%	114,337	629,337	1,418,000	295,114	1,713,114
09/30/2016	770,000	2.95%	116,083	886,083	183,000	2.95%	37,465	220,465	545,000	2.95%	98,407	643,407	1,498,000	251,955	1,749,955
09/30/2017	815,000	2.95%	92,704	907,704	194,000	2.95%	32,067	226,067	575,000	2.95%	81,592	656,592	1,584,000	206,363	1,790,363
09/30/2018	860,000	2.95%	67,998	927,998	205,000	2.95%	26,344	231,344	600,000	2.95%	64,015	664,015	1,665,000	158,357	1,823,357
09/30/2019	910,000	2.95%	41,890	951,890	216,000	2.95%	20,296	236,296	635,000	2.95%	45,455	680,455	1,761,000	107,641	1,868,641
09/30/2020	965,000	2.95%	14,234	979,234	229,000	2.95%	13,924	242,924	670,000	2.95%	25,862	695,862	1,864,000	54,020	1,918,020
09/30/2021	-	-	-	-	243,000	2.95%	7,169	250,169	765,000	2.95%	22,568	787,568	1,008,000	29,737	1,037,737
	<u>\$ 11,825,000</u>		<u>3,840,534</u>	<u>15,665,534</u>	<u>2,916,000</u>		<u>1,001,648</u>	<u>3,917,648</u>	<u>8,965,468</u>		<u>3,068,054</u>	<u>12,033,522</u>	<u>23,706,468</u>	<u>7,910,236</u>	<u>31,616,704</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							<b>Operating</b>
	Total Expenses	Production Expenses	Transmission, Distribution and Collection	Customer Accounting	Administrative and General	Required Payments to City of New Smyrna Beach	
1992	\$ 30,934,164	15,831,890	2,750,121	790,405	3,967,885	1,818,257	
1993	\$ 32,101,787	16,033,390	2,930,222	811,560	4,088,053	1,878,058	
1994	\$ 32,069,031	15,514,926	2,937,195	811,963	4,015,134	1,922,423	
1995	\$ 33,667,749	15,736,225	3,433,468	808,391	4,300,729	1,945,294	
1996	\$ 33,106,991	16,004,020	3,053,810	819,986	3,778,385	2,076,104	
1997	\$ 32,319,028	16,469,270	2,624,394	726,214	3,312,462	1,949,594	
1998	\$ 32,709,554	16,652,829	2,657,672	660,678	3,406,001	2,018,552	
1999	\$ 31,791,948	16,005,319	2,731,438	721,860	3,169,521	2,016,471	
2000	\$ 43,684,948	22,970,923	3,140,325	818,320	3,227,988	2,214,486	
2001	\$ 41,181,296	22,270,711	3,348,147	745,380	3,519,275	2,625,008	

Table I

Expenses		Nonoperating Expenses			
Depreciation and Decommissioning	Total Operating Expense	Interest and Debt Expense	Other Nonoperating Expense	Loss on disposal of assets	Total Nonoperating Expenses
2,788,649	27,947,207	2,876,926	60,761	49,270	2,986,957
2,988,477	28,729,760	3,250,343	66,861	54,823	3,372,027
3,210,370	28,412,011	3,458,792	117,691	80,537	3,657,020
3,540,923	29,765,030	3,791,166	78,565	32,988	3,902,719
3,583,478	29,315,783	3,731,690	20,647	38,871	3,791,208
3,632,710	28,714,644	3,462,756	39,840	101,788	3,604,384
3,692,111	29,087,843	3,422,072	40,092	159,547	3,621,711
3,694,652	28,339,261	3,353,913	11,328	87,446	3,452,687
3,875,830	36,247,872	3,877,542	61,620	3,497,914	7,437,076
4,581,217	37,089,738	3,976,825	15,466	99,267	4,091,558

**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
1992	\$	32,096,553	24,116,658	3,618,061	2,575,895	-	30,310,614
1993	\$	34,057,785	24,880,055	3,938,507	2,826,245	6,405	31,651,212
1994	\$	33,264,310	24,352,192	3,923,279	3,165,162	7,650	31,448,283
1995	\$	41,208,889	25,612,207	3,972,005	3,168,544	382,696	33,135,452
1996	\$	36,439,421	25,872,665	4,145,975	3,332,543	411,907	33,763,090
1997	\$	35,820,675	24,901,225	4,187,748	3,326,421	432,078	32,847,472
1998	\$	36,105,091	24,699,025	4,365,734	3,402,639	446,383	32,913,781
1999	\$	36,717,793	24,066,446	4,552,710	3,473,396	459,629	32,552,181
2000	\$	43,664,295	31,967,742	4,576,099	4,381,628	494,438	41,419,907
2001	\$	45,246,272	33,114,680	4,736,997	4,377,572	486,138	42,715,387

**Table II****Nonoperating Revenues**

Interest Earnings	Other Income	Capital Contributions	Total Nonoperating Revenue
595,302	209,547	981,090	1,785,939
370,830	270,065	1,765,678	2,406,573
495,971	277,769	1,042,287	1,816,027
762,206	355,693	6,955,538	8,073,437
824,645	252,121	1,599,565	2,676,331
898,260	199,327	1,875,616	2,973,203
1,082,325	353,946	1,755,039	3,191,310
1,006,728	286,029	2,872,855	4,165,612
1,114,573	356,616	773,199	2,244,388
905,244	440,007	1,185,634	2,530,885

**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)
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	\$18,482	6.4%	5,053	96.0%
1995	17,853	\$19,425	4.9%	5,348	96.0%
1996	18,239	\$20,431	4.5%	4,978	96.0%
1997	18,327	\$21,328	3.9%	5,008	95.9%
1998	18,503	\$21,933	3.3%	6,767	95.4%
1999	18,603	\$22,675	2.9%	6,810	95.2%
2000	18,977 (5)	N/A	4.0%	6,478	95.0%
2001	20,048 (5)	N/A	3.3%	5,059	95.0%

(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.

(5) Obtained from City of New Smyrna Beach Development Services Division

**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)
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	\$576,008	(6)	\$1,380,855
2000	2,257	\$41,296	\$590,205	(6)	\$1,541,902
2001	3,742	\$72,439	\$653,201	(6)	\$1,685,072

(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**

September 30, 2001

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

**Table V**

Coverage and Insuring Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
Comprehensive General Liability: Coregis	651-8113-2	01/01/2001 01/01/2002	Combined bodily injury and property damage	\$5,000,000 with \$ -0- deductible (statutory limits)
Business Auto: Coregis	651-8113-2	01/01/2001 01/01/2002	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	01/01/1999 12/30/2001	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	01/01/1999 12/30/2001	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	MSJ-BMG-595x7321-TIL-00	01/01/1999 01/01/2001	Breakdown due to accident	\$50,000,000 with \$10,000 deductible
Flood Insurance: Omaha Property Casualty	3009721220	10/01/2001 10/01/2002	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)	P00-081 X00-015 NF195 NS347 N35 NW579	10/09/2000 10/09/2001 10/01/2000 01/01/2000 01/01/2000 01/01/2000 01/01/2000 01/01/2000	Primary property Excess property (Excess of \$500 million) Primary liability Suppliers and transporters liability Secondary financial protection Master Workers Torts	\$500 million \$1.100 billion \$200 million \$200 million \$9.514 billion with \$200 million deductible \$200 million aggregate
Public Official/Employee Liability: Coregis Insurance Organizations	P0D-002405-1	07/28/1999 01/01/2002	Liability	\$1,000,000 Retentions-\$10,000 per loss
Workers' Compensation: Preferred Governmental Insurance Trust	0010000000241	10/01/2001 10/01/2002	Statutory coverage Employer's liability	Statutory \$100,000
Pollution Liability: Florida Petroleum Liability Insurance Program Great American Insurance Coregis	02T000006818 651-008113-2	07/10/2001 07/10/2002 01/01/1999 12/30/2001	Liability - fuel spillage Liability	\$1,000,000 / \$2,000,000 aggregate \$10,000 deductible \$1,000,000 aggregate \$25,000 deductible



# TEN LARGEST ELECTRIC CUSTOMERS

September 30, 2001

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.....	7,553	2.19%	\$655,730	1.94%
2. Utilities Commission (pollution plant) .....	4,173	1.21%	368,526	1.09%
3. Reddy Ice.....	3,033	0.88%	275,552	0.82%
4. Winn Dixie (#2304).....	2,928	0.85%	255,503	0.76%
5. Publix Food Store (#2019100).....	2,867	0.83%	250,179	0.74%
6. Publix Food Store (#2033500).....	2,808	0.81%	245,942	0.73%
7. Board of Public Instruction (NSB Sr. High School).....	2,505	0.73%	229,518	0.68%
8. Wal-Mart Stores.....	2,331	0.70%	202,971	0.60%
9. Board of Public Instruction (NSB Middle School).....	2,257	0.65%	219,306	0.65%
10. Food Lion Corp (#829) .....	2,157	0.63%	187,812	0.56%
Totals.....	<u>32,612</u>	<u>9.48%</u>	<u>\$2,891,039</u>	<u>8.57%</u>

# TEN LARGEST WATER CUSTOMERS

September 30, 2001

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.....	27,161	1.81%	\$60,037	1.26%
2. Sea Woods Homeowners Association.....	19,170	1.28%	43,365	0.91%
3. Bert Fish Medical Center.....	16,993	1.13%	31,250	0.66%
4. Errol by the Sea Condominium Association.....	13,791	0.92%	23,413	0.49%
5. Reddy Ice .....	12,942	0.86%	30,161	0.63%
6. Islander Beach Lodge.....	10,804	0.72%	16,004	0.34%
7. Federal Housing Authority.....	10,231	0.68%	31,954	0.67%
8. Pelican Association .....	9,936	0.66%	15,444	0.32%
9. Rinker Materials .....	9,585	0.64%	20,224	0.43%
10. Castle Reef Association .....	9,320	0.62%	13,022	0.27%
Totals.....	<u>139,933</u>	<u>9.32%</u>	<u>\$284,874</u>	<u>5.98%</u>

**SCHEDULE OF REVENUE CERTIFICATE COVERAGE**
**Table VIII**

LAST TEN FISCAL YEARS

September 30,

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

NEW SMYRNA BEACH, FLORIDA

	2001	2000	1999	1998	1997
<b>Gross Revenue Per Certificate Resolution:</b>					
Operating revenues .....	\$ 42,715,387	41,419,907	32,552,181	32,913,781	32,847,472
Interest and other income (excluding construction fund interest earnings) .....	1,345,251	1,471,189	1,292,757	1,436,271	1,097,587
Capital contributions .....	1,185,634	773,198	1,774,292	1,755,040	1,785,424
Assessment collections .....	0	0	3,408	40,878	559
Gross revenue per certificate resolution .....	45,246,272	43,664,294	35,622,638	36,145,970	35,731,042
<b>Expenses Per Certificate Resolution:</b>					
Operating expenses .....	37,049,738	36,247,872	28,339,261	29,087,843	28,714,644
Less: Depreciation expense .....	(4,360,451)	(3,656,949)	(3,502,707)	(3,490,562)	(3,450,710)
Required payments to the City .....	(2,625,008)	(2,214,486)	(2,016,471)	(2,018,552)	(1,949,594)
Expenses per certificate resolution .....	30,064,279	30,376,437	22,820,083	23,578,729	23,314,340
Income available for debt service .....	\$ 15,181,993	13,287,857	12,802,555	12,567,241	12,416,702
<b>Annual Debt Service Requirements:</b>					
Principal .....	\$ 2,560,000	2,460,000	2,350,000	2,255,000	1,945,000
Interest (less accrued interest) (1) .....	2,747,236	2,857,214	2,948,209	3,054,404	3,138,448
Annual debt service requirements .....	\$ 5,307,236	5,317,214	5,298,209	5,309,404	5,083,448
Coverage ratio (Times) .....	2.86	2.50	2.42	2.37	2.44
	1996	1995	1994	1993	1992
<b>Gross Revenue Per Certificate Resolution:</b>					
Operating revenues .....	\$ 33,763,090	33,135,452	31,448,283	31,651,212	30,310,614
Interest and other income (excluding construction fund interest earnings) .....	1,076,766	1,117,899	773,740	640,895	804,849
Capital contributions .....	1,383,945	798,090	727,054	1,521,443	761,039
Assessment collections .....	1,331	3,106	(301)	5,576	13,152
Gross revenue per certificate resolution .....	36,225,132	35,054,547	32,948,776	33,819,126	31,889,654
<b>Expenses Per Certificate Resolution:</b>					
Operating expenses .....	29,315,783	29,765,030	28,412,011	28,729,760	27,947,207
Less: Depreciation expense .....	(3,386,306)	(3,337,966)	(3,179,382)	(2,889,647)	(2,675,521)
Required payments to the City .....	(2,076,104)	(1,945,294)	(1,922,423)	(1,878,058)	(1,818,257)
Expenses per certificate resolution .....	23,853,373	24,481,770	23,310,206	23,962,055	23,453,429
Income available for debt service .....	\$ 12,371,759	10,572,777	9,638,570	9,857,071	8,436,225
<b>Annual Debt Service Requirements:</b>					
Principal .....	\$ 1,855,000	1,680,000	1,595,000	1,015,000	1,080,000
Interest (less accrued interest) (1) .....	3,687,574	3,841,252	3,923,144	3,780,962	3,266,873
Annual debt service requirements .....	\$ 5,542,574	5,521,252	5,518,144	4,795,962	4,346,873
Coverage ratio (Times) .....	2.23	1.91	1.75	2.06	1.94

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

**HISTORICAL PEAK DEMAND AND ELECTRIC SYSTEM NET ENERGY REQUIREMENTS,  
WATER DEMAND, AND SEWAGE FLOWS  
LAST TEN FISCAL YEARS**

Table IX

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

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)
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
2000	360,760,000	0.8	87,300	1.9	7.06	4.82	2.77	1,763	5.72	3.30	2.25	1,203
2001	361,159,000	0.1	91,100	4.4	5.96	4.54	2.11	1,658	9.29	3.81	1.97	1,304

(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, 2001

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

**Electric System Rate Schedule:**

<b>Residential Service - Monthly Rate</b>		
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)	\$0.07173 per kWh
<b>General Service - Non-Demand - Monthly Rate</b>		
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)	\$0.07333 per kWh
<b>General Service - Demand - Monthly Rate</b>		
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)	\$0.05546 per kWh
<b>General Service - Demand Time of Use - Monthly Rate</b>		
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)	\$0.05546 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)	\$0.05546 per kWh
<b>Green Pricing Rate</b>		
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, 2001 is \$28.47 per 1,000 kWh. Beginning October 1, 2001 the adjustment amounts to a \$28.47 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, 2001

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: 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	Block 4	
	\$1.00	\$1.10	\$2.20	\$2.70	
Monthly Rate Blocks (Gallons)					
	Block 1	Block 2	Block 3	Block 4	
All meter sizes	0-2000	2,001-6,000	6,001 - 14,000	14,001 and over	
	Billing Account	Base Facility Charge	Reuse Subsidy Charge	Billing Charge Monthly	Total Monthly Billing
Multifamily	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
Sugar Mill Residential, General and Multi-Family Master Meter Services					
	Meter Size (Inches)	Base Facility Charge			Total Monthly Billing
	5/8" x 3/4"	\$ 9.77			\$ 9.77 + Gallonage Charge
	3/4"	14.55			\$ 14.55 + Gallonage Charge
	1"	24.43			\$ 24.43 + Gallonage Charge
	1 1/2"	48.88			\$ 48.88 + Gallonage Charge
	2"	78.20			\$ 78.20 + Gallonage Charge
	3"	156.39			\$ 156.39 + Gallonage Charge
	4"	244.37			\$ 244.37 + Gallonage Charge
	6"	488.74			\$ 488.74 + Gallonage Charge
	8"	782.00			\$ 782.00 + Gallonage Charge
	10"	1,124.11			\$ 1,124.11 + Gallonage Charge
Gallonage Charge/1,000 Gallons					
	All meter sizes	\$4.43			

**UTILITY RATE SCHEDULE -  
WATER SERVICE - (Continued)**

**Table XI**

September 30, 2001

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

Irrigation Service:

Gallage Charge/1,000 Gallons			
Meter Size	Block 1	Block 2	Block 3
1" - 8"	\$1.00	\$1.10	\$2.20
Monthly Rate Blocks (Gallons)			
Meter Size	Block 1	Block 2	Block 3
1"	0 - 15,000	15,001 - 40,000	40,001 and over
1 1/2"	0 - 30,000	30,001 - 75,000	75,001 and over
2"	0 - 50,000	50,001 - 100,000	100,001 and over
3"	0 - 100,000	100,001 - 200,000	200,001 and over
4"	0 - 200,000	200,001 - 400,000	400,001 and over
6"	0 - 300,000	300,001 - 600,000	600,001 and over
8"	0 - 600,000	600,001 - 1,000,000	1,000,001 and over

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

Gallage Charge/1,000 Gallons			
Meter Size	Block 1	Block 2	Block 3
5/8" - 8"	\$1.05	\$1.25	\$1.70
Monthly Rate Blocks (Gallons)			
Meter Size	Block 1	Block 2	Block 3
5/8"	0 - 7,000	7,001 - 14,000	14,001 and over
1"	0 - 15,000	15,001 - 40,000	40,001 and over
1 1/2"	0 - 30,000	30,001 - 75,000	75,001 and over
2"	0 - 50,000	50,001 - 100,000	100,001 and over
3"	0 - 100,000	100,001 - 200,000	200,001 and over
4"	0 - 200,000	200,001 - 400,000	400,001 and over
6"	0 - 300,000	300,001 - 600,000	600,001 and over
8"	0 - 600,000	600,001 - 1,000,000	1,000,001 and over

- (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 -  
POLLUTION CONTROL AND WATER REUSE SERVICE**

Table XII

September 30, 2001

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

**Pollution Control Rate Schedule**

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

Meter Size (Inches)	Base Facility Charge	Reuse Subsidy Charge	Billing Charge Monthly	Total Monthly Billing
5/8"	\$ 14.07	\$ 1.05	\$ 1.50	\$ 16.62 + Gallonage Charge
1"	35.20	2.65	1.50	\$ 39.35 + Gallonage Charge
1 1/2"	70.35	5.25	1.50	\$ 77.10 + Gallonage Charge
2"	112.56	8.40	1.50	\$ 122.46 + Gallonage Charge
3"	225.12	16.80	1.50	\$ 243.42 + Gallonage Charge
4"	351.75	26.25	1.50	\$ 379.50 + Gallonage Charge
6"	703.50	52.50	1.50	\$ 757.50 + Gallonage Charge
8"	1,125.60	84.00	1.50	\$ 1,211.10 + Gallonage Charge

Gallonage Charge/1,000 Gallons

	Block 1	Block 2
All meter sizes	\$2.00	\$2.35

Monthly Rate Blocks (Gallons)

	Block 1	Block 2
All meter sizes	0-2,000	2,001 and over

Multi-Family:

Each Unit	\$ 14.07	1.05	0.00	0.00	\$ 15.12
Master Meter	0.00	0.00	1.50	1.55	\$ 1.50 + Gallonage Charge

Sugar Mill Area:  
Residential Service

Meter Size (Inches)	Base Facility Charge	Total Monthly Billing
5/8" x 3/4"	\$ 19.63	\$ 19.63 + Gallonage Charge
3/4"	19.63	\$ 19.63 + Gallonage Charge
1"	19.63	\$ 19.63 + Gallonage Charge
1 1/2"	19.63	\$ 19.63 + Gallonage Charge
2"	19.63	\$ 19.63 + Gallonage Charge
3"	19.63	\$ 19.63 + Gallonage Charge
4"	19.63	\$ 19.63 + Gallonage Charge
6"	19.63	\$ 19.63 + Gallonage Charge
8"	19.63	\$ 19.63 + Gallonage Charge
10"	19.63	\$ 19.63 + Gallonage Charge

Gallonage Charge/1,000 Gallons

All meter sizes	0 - 6,000	\$5.73
	All excess gallons	no charge



**UTILITY RATE SCHEDULE -**  
**POLLUTION CONTROL AND WATER REUSE SERVICE - (Continued)**  
September 30, 2001  
UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA  
NEW SMYRNA BEACH, FLORIDA

Table XII

Sugar Mill Area: General and Multi-Family Master Meter Service	Size (Inches)	Facility Charge	Monthly Billing
	5/8" x 3/4"	\$ 19.63	\$ 19.63 + Gallonage Charge
	3/4"	29.45	\$ 29.45 + Gallonage Charge
	1"	49.07	\$ 49.07 + Gallonage Charge
	1 1/2"	98.16	\$ 98.16 + Gallonage Charge
	2"	157.04	\$ 157.04 + Gallonage Charge
	3"	314.08	\$ 314.08 + Gallonage Charge
	4"	490.77	\$ 490.77 + Gallonage Charge
	6"	981.51	\$ 981.51 + Gallonage Charge
	8"	1,570.42	\$ 1,570.42 + Gallonage Charge
	10"	2,257.47	\$ 2,257.47 + Gallonage Charge

Gallonage Charge/1,000 Gallons

All meter sizes \$6.86

Sugar Mill Area: Residential Wastewater Only Service	Meter Size	Charge per Billing Period
	All	\$36.54

**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	\$ 0.15
	3"	0.00	0.15
	4"	0.00	0.15
	6"	0.00	0.15
Secondary Tier Rate:	\$16.29/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.

## ***SUPPLEMENTAL AUDIT REPORTS***

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING 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, a component unit of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2001, and have issued our report thereon dated November 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Utilities Commission, City of New Smyrna Beach, Florida's internal control over financial reporting 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 over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the Utilities Commission, management, City of New Smyrna Beach, the Auditor General of the State of Florida, and applicable federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brent Milliken & Co., P.A.*

November 16, 2001

**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, 2001, and have issued our report thereon dated November 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We are submitting for your consideration the accompanying recommendations designed to help Utilities Commission, City of New Smyrna Beach, Florida, improve the internal control structure and achieve operational efficiencies. Also, we have tested your operations for compliance with applicable laws and have provided additional comments required to be included by reason of the Rules of the Auditor General of the State of Florida.

After you have received our comments, we will be pleased to discuss further any questions you may have.

This report is intended solely for the information and use of the Utilities Commission, management, City of New Smyrna Beach, the Auditor General of the State of Florida, and applicable federal/state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brent Millikan & Co., P.A.*

November 16, 2001

## MANAGEMENT COMMENTS

As required by Section 10.554(1)(g), Rules of the Auditor General of the State of Florida, we make the following disclosures:

a. Prior year Findings and Recommendations - Sections 10.554(1)(g)(1)

There were no inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report.

All recommendations made in the preceding annual financial audit report have been followed and/or resolved to our satisfaction unless specifically noted in the following sections of this letter.

b. Investment of Public Funds - Section 10.554(1)(g)(2)

The Utilities Commission, City of New Smyrna Beach, Florida, complied with Section 218.415, Florida Statutes regarding the investment of public funds during the fiscal year ended September 30, 2001.

c. Recommendations to Improve Financial Management, Accounting Procedures, and Internal Controls- Section 10.554(1)(g)(3)

(2001-1) *Capitalization of Interest Costs*

Interest costs associated with the acquisition and construction of productive assets from the proceeds of tax-exempt debt must be capitalized, net of interest earnings on restricted debt funds, as a component part of the capitalized costs of acquiring certain assets. Interest capitalization is mandatory on those assets that require a period of time to get them ready for their intended use. Also, interest capitalization is required for those assets if the effect of capitalization, compared to the effect of expensing the interest, is material in amount. On March 8, 2000 the Commission entered into a loan agreement with the Florida Municipal Power Agency through the Initial Pooled Loan Project to acquire two gas turbine electric power generators, whereby the costs of the generators themselves and related costs of getting them ready for service were incurred over a two year period, to allow for engineering, installation, and testing of the units before bringing them online. We noted that no significant provision was made to capitalize the net interest costs for this acquisition.

During the conduct of the audit, we reviewed this matter with management and agreed that reclassification of the interest costs to be capitalized was appropriate to more accurately reflect the costs of placing these assets into service. We also recommended that steps be considered to isolate and capture these costs for capitalization in the future.

(2001-2) *Reporting of Revenue, Contributed Capital, and Debt Service Payments*

During our audit we noted an overstatement of contributed capital and production expenses associated with the debt service payments related to the Florida Municipal Power Agency, Initial Pooled Loan Project loan, the proceeds of which were used to acquire two gas turbine electric generators. The Utilities Commission approved recovery of the debt service through the fuel adjustment. As a component of electric revenue billed to customers, the fuel adjustment is part of the pledged revenues used to repay the loan. The fuel that runs the units and related maintenance and repair costs are a part of the fuel, purchased power, and production expenses; however, the debt service payments of

Management Comments – (Continued)  
Page 2

principal and interest are in fact a reduction of a liability and debt expenses associated with the liability and not a component of fuel, purchased power and production expenses.

While we agree that these costs are recoverable under the Commission's utility cost recovery model, we recommended that these charges be appropriately reclassified to properly reflect the respective account balances in accordance with generally accepted accounting principles and in conformity with the new reporting model adopted early by the Utilities Commission.

d. Official Title and Legal Authority for the Component Unit - Section 10.554(1)(g)(5)

The Utilities Commission, City of New Smyrna Beach, Florida, 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 as a component unit of the City of New Smyrna Beach, Florida.

e. Determination of Financial Emergency - Section 10.554(1)(d) and 10.554(1)(g)(6)(a)

We determined that Utilities Commission, City of New Smyrna Beach, Florida, was not in a state of financial emergency at September 30, 2001, as a consequence of conditions described in Section 218.503(1), Florida Statutes. We determined that no recommendations addressing deteriorating financial conditions were necessary.

f. Department of Banking and Finance - Annual Financial Report - Section 10.554(1)(g)(6)(b)

The Annual Financial Report for the fiscal year ended September 30, 2001, 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 by us that the data reported in the Annual Financial Report is not in agreement with the Commission's audited financial statements, we will promptly report our findings to you in an amended or supplemental management letter.

g. Financial Condition Assessment - Section 10.554(1)(g)(6)(c)

We applied the financial condition assessment procedures pursuant to Rule 10.556(8) and found no material conditions which indicate that the Utilities Commission, City of New Smyrna Beach, Florida was in a condition of financial deterioration at the date of our report.

h. State/Federal Awards - Section 10.554(1)(j) and 10.554(1)(k)

The Utilities Commission, City of New Smyrna Beach, Florida, received no state financial assistance during the year ended September 30, 2001.