**Florida Power**
CORPORATION
Crystal River Unit 3
Docket No. 50-302

August 31, 1992

3F0892-07

U.S. Nuclear Regulatory Commission
Attn: Document Control Room
Washington, D.C. 20555

Subject: Sebring Utilities Commission Financial Statement for the Year Ended September 30, 1991

Reference: FPC to NRC, 3F0592-01, dated May 1, 1992

Dear Sir:

Pursuant to 10 CFR 50.71(b), Florida Power Corporation (FPC) hereby submits the Annual Financial Report for Sebring Utilities Commission for the year ended September 30, 1991. Sebring Utilities Commission, whose ownership portion of CR-3 was purchased in March 1992 by FPC, had not presented a Financial Report for 1991 when the above referenced letter was submitted in May 1992.

Sincerely,

P. M. Beard, Jr.
Senior Vice President
Nuclear Operations

PMB/GMF

Enclosure(s)

xc: Regional Administrator, Region II
Senior Resident Inspector
NRR Project Manager (w/o Enclosure)

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SEBRING UTILITIES COMMISSION

SEBRING, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

Certified Public Accountants

Wicks, Brown, Williams & Co.

SEBRING UTILITIES COMMISSION

SEBRING, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 1991

SEBRING UTILITIES COMMISSION
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SEPTEMBER 30, 1991

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Sebring Utilities Commission
Sebring, Florida

We have audited the balance sheet of Sebring Utilities Commission as of September 30, 1991, and the related statements of loss, retained deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides 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 Sebring Utilities Commission as of September 30, 1991 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 12 to the financial statements, the Commission changed its method of accounting for nuclear decommissioning costs and its method of accounting for electric system contributions in aid of construction.

As discussed in Note 15 to the financial statements, the Commission is attempting to sell all of its assets, satisfy all of its liabilities, and dissolve.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information in these schedules 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.

We did not audit the statistical data presented for pension plan supplementary information; therefore, we express no opinion thereon.

Wicks, Brown, Williams & Co
Wicks, Brown, Williams & Co.

June 11, 1992

CAPITALIZATION AND LIABILITIES

| | |
|---|---|
| CAPITALIZATION: | |
| Long-term debt: | |
| Revenue bonds payable, net of unamortized discount of $1,405,528 | $88,924,747 |
| Notes payable | 49,543 |
| Total long-term debt | 88,974,290 |
| Contributed capital: | |
| Contributed by City of Sebring | 712,647 |
| Contributions in aid of construction | 4,439,954 |
| Total contributed capital | 5,152,601 |
| Retained deficit: | |
| Reserved for bond sinking fund | 12,375,500 |
| Unreserved | (68,242,052) |
| Total retained deficit | (55,866,552) |
| Total capitalization | 38,260,339 |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: | |
| Bond principal | 5,033,839 |
| Accrued interest | 2,687,750 |
| Total current liabilities payable from restricted assets | 7,721,589 |
| CURRENT LIABILITIES: | |
| Accounts payable | 1,386,142 |
| Revenue bonds payable - current portion | 626,162 |
| Notes payable - current portion | 10,913 |
| Customer deposits | 1,222,187 |
| Accrued expenses | 443,945 |
| Total current liabilities | 3,689,349 |
| TOTAL CAPITALIZATION AND LIABILITIES | $49,671,277 |

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENT OF LOSS
FOR THE YEAR ENDED SEPTEMBER 30, 1991

| | |
|---|---|
| OPERATING REVENUE | $ 20,140,769 |
| OPERATING EXPENSES | 13,087,229 |
| OPERATING INCOME | 7,053,540 |
| OTHER INCOME (EXPENSE): | |
| Interest income | 1,675,005 |
| Net losses on sale of investments | (232,017) |
| Interest expense | (9,395,911) |
| Total other income (expense) | (7,952,923) |
| LOSSES ON SALE OF PRODUCTIVE ASSETS | (12,779,723) |
| LOSS BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | (13,679,106) |
| EXTRAORDINARY ITEM - LOSS ON REDEMPTION OF DEBT | (1,172,871) |
| NET CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | (190,303) |
| NET LOSS | $(15,042,280) |

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENT OF RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 1991

| | |
|---|---|
| RETAINED DEFICIT - October 1, 1990: | |
| As previously reported | $(46,951,972) |
| Prior period adjustments | 6,127,700 |
| As restated | (40,824,272) |
| Net loss | (15,042,280) |
| RETAINED DEFICIT - September 30, 1991 | $(55,866,552) |

The notes to the financial statements are an integral part of this statement.

SEBRING UTILITIES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1991

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | $19,978,801 |
| Cash payments to suppliers for goods and services and to employees | (9,167,529) |
| Other operating payments | (69,035) |
| Net cash provided by operating activities | 10,742,237 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| Proceeds from customer deposits | 77,650 |
| Net cash provided from non-capital financing activities | 77,650 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Payments of note principal | (9,510) |
| Payments of bond principal | (41,781,778) |
| Interest paid | (5,574,340) |
| Proceeds from contributed capital | 319,522 |
| Net proceeds from sale of productive assets | 38,312,158 |
| Purchase and construction of capital assets | (1,692,622) |
| Increase in other deferred charges | (156,280) |
| Net cash used for capital and related financing activities | (10,582,850) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest on cash and investments | 1,714,359 |
| Proceeds from sale and maturity of investments | 16,255,098 |
| Net losses on sale of investments | (232,017) |
| Purchase of investments | (7,589,345) |
| Net cash provided from investing activities | 10,148,095 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 10,385,132 |
| CASH AND CASH EQUIVALENTS - beginning of year | 8,788,772 |
| CASH AND CASH EQUIVALENTS - end of year | $19,173,904 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | $ 7,053,540 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 2,300,278 |
| Amortization of nuclear fuel | 118,064 |
| Decrease in accounts receivable | 198,421 |
| Decrease in inventories | 610,868 |
| Increase in prepaid expenses | (116,034) |
| Increase in accounts payable | 555,152 |
| Increase in accrued expenses | 21,948 |
| Net cash provided by operating activities | $10,742,237 |

The notes to the financial statements are an integral part of this statement.

**NOTE 1. Summary of Significant Accounting Policies:**

The Sebring Utilities Commission (the "Commission") is a political subdivision of the State of Florida, created by a special act of the legislature (Chapter 23535, Florida Statutes) for the purpose of providing water and electric service within the geographical boundaries of the City of Sebring and outlying areas. The commissioners are appointed by the City of Sebring's elected city council. The Commission's charter prohibits the Commission from selling, conveying, transferring, or leasing its assets with a book value in excess of $100,000, without the approval and consent of the city council. The Charter further provides that the Commission shall not borrow any monies in excess of $100,000 without approval of the city council.

The reporting entity of the Commission, includes the operation, management, and oversight responsibilities of the electric and water systems. Oversight responsibilities include but are not limited to financial inter-dependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The City of Sebring has been excluded from these financial statements since it has no operational, managerial, budgetary involvement or fiscal responsibility for the Commission. No other component units exist in which the Commission has any oversight responsibilities which would require inclusion in the Commission's financial statements.

*Measurement Focus*: The Commission operates the electric and water system in a manner similar to private business; therefore, operations are accounted for as an enterprise fund where costs of providing services to customers on a continuing basis are recovered through user charges.

The financial statements have been prepared on the accrual basis of accounting based on generally accepted accounting principles as applicable to governments and substantially in conformity with accounting principles and methods prescribed for electric utilities by the Federal Energy Regulatory Commission and prescribed for water utilities by the National Association of Regulatory Utility Commissioners, except for the method of accounting for water system contributed capital, described in the notes to the financial statements.

Property, plant and equipment are stated at cost. Construction costs include payroll and the related costs, such as taxes, pension and other fringe benefits, and allocation of indirect charges for engineering, supervision and transportation expenses. Construction period interest is capitalized. No interest cost was capitalized in 1991. The assets are depreciated over estimated useful lives ranging from 10 to 55 years, using the straight-line method of depreciation. A summary of property, plant and equipment and accumulated depreciation is included in Note 9.

Maintenance is charged with the cost of repairs of property, and the plant accounts are charged with the cost of renewals and replacements.

NOTE 1. **Summary of Significant Accounting Policies:** (continued)

Nuclear fuel is carried in the electric plant accounts at cost, net of estimated energy consumed. The amount consumed is charged to nuclear fuel expense. Amortization of energy consumed has been determined by the unit-of-production method, based on engineering estimates. Nuclear fuel expense does not include a provision for salvage value nor a provision for future disposition costs.

For the purpose of the statement of cash flows, the Commission considers all highly liquid assets (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Electric rates include fuel adjustment provisions under which fuel and purchased energy costs above or below the base level are billed or credited to customers.

Unbilled utility revenues are accrued based on the estimated usage between the last meter reading dates and the end of the year.

Inventories are stated at the lower of cost or market. Cost is determined generally on an average cost method, except for fuel inventory costs, which are determined using the last-in, first-out (LIFO) method. Reusable materials that have been removed from service are included in inventories at the carrying value of similar new materials.

The Commission considers amounts received for construction and expansion of the utility's water system and new water service connections from developers and customers as capital contributions (contributions in aid of construction). Accordingly, these capital contributions are added to plant assets and are treated as a separate component of Commission capitalization. Depreciation applicable to contributed water utility plant is included as an operating expense in determining net income.

Issuance expenses related to the bonds payable are deferred and amortized over the lives of the bonds using the bonds outstanding method. Discounts and premiums are amortized using the interest method.

The Commission considers deposits collected from customers for electric and water services as available for working capital purposes and, accordingly, customer deposits are not classified as a restricted asset.

NOTE 2. **Restricted Assets:**

Certain assets are restricted by bond resolutions.

Restricted Assets consists of the following at September 30, 1991:

| | |
|---|---|
| Cash and investments | $19,826,314 |
| Receivable from equipment sale | 358,227 |
| | $20,184,541 |

**NOTE 3. Cash and Investments:**

**Cash:** At September 30, 1991, the carrying amount of the Commission's bank deposits was $956,250, and the bank statement balance was $897,988. All of these amounts are deposited with qualified public depositories and are fully insured or collateralized. Additionally, the Commission maintained $2,600 in petty cash and working funds.

Statutes authorize the Commission to invest in direct obligations of the U.S. Treasury (and obligations fully guaranteed by the U.S. Treasury), obligations of (or guaranteed by) certain U.S. Agencies, the Local Government Surplus Funds Trust Fund, and bank or savings and loan accounts regulated by the State of Florida or federal authority.

**Investments:** The Commission's investments are summarized and categorized below to give an indication of the level of credit risk assumed by the Commission at September 30, 1991. The categories used to classify investment securities are described below:

Category 1 - Insured or registered, or securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commission's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

| | Category 1 | Category 2 | Category 3 | Carrying Amount | Market Value |
|---|---|---|---|---|---|
| Investments: | | | | | |
| Certificates of deposit | $300,000 | $ - | $5,025,432 | $ 5,325,432 | $ 5,325,432 |
| Other trust investments | - | - | 87,452 | 87,452 | 87,452 |
| | $300,000 | $ - | $5,112,884 | 5,412,884 | 5,412,884 |
| Mutual funds invested in U.S. Treasuries | | | | 16,388,032 | 16,388,032 |
| Total investments | | | | $21,800,916 | $21,800,916 |

| | |
|---|---|
| Deposits and cash funds | $ 958,850 |
| Investments | 21,800,916 |
| | $22,759,766 |

These deposits and investments are classified in the balance sheet in the following accounts:

| | |
|---|---|
| Restricted assets | $19,826,314 |
| Cash and investments | 2,933,452 |
| | $22,759,766 |

**NOTE 4. Long-term Debt:**

In September 1978, the Commission provided for advance refunding on the Series 1964, 1973 and 1975 revenue bonds (Refunded Bonds) by the sale of $8,400,000 Utilities System Revenue Bonds (Series 1978) and Utilities System Special Obligation Bonds (Series 1978A). From the proceeds of the sale of the two issues, and other sources, sufficient monies were deposited into irrevocable escrow accounts, and invested in United States obligations that will provide sufficient funds for the payment of the maturing principal and interest on the Series 1964, 1973 and 1975 outstanding revenue bonds. In March, 1981, the Series 1981 Bonds were issued and a portion of the proceeds were used to refund the Series 1978 Bonds and in March and April, 1986 the Series 1986 Bonds were issued and a portion of the proceeds were used to refund the Series 1981 and 1984 Bonds and the 1986 Notes in the same manner that the 1978 Bonds refunded prior issues. The aggregate balance of refunded bonds outstanding at September 30, 1991 was $96,186,000.

The Series 1986 Bonds are secured by a pledge of the net revenues of the Commission.

In February and August, 1991, the Commission sold substantially all its electric generation and transmission assets and rights thereto in a sale to Tampa Electric Company, except for their .4473% undivided ownership interest in the Crystal River Unit 3. The Series 1986 bond resolutions stipulate that in the event a sale of assets occurs, all net proceeds from such sale shall be used to redeem outstanding Series 1986 Revenue Bonds, exempt of any required call premium. Accordingly, the Commission has redeemed or called bonds to be redeemed in accordance with the Bond resolutions. See Note 14 for discussion regarding bonds redeemed subsequent to September 30, 1991.

Series 1986 Revenue Bonds principal outstanding at September 30, 1991 is as follows:

| | |
|---|---|
| Capital Appreciation Series 1986A Serial Bonds, maturing semi-annually from April 1, 1987 through October 1, 1994, insured as to principal and interest, zero coupon rate, 5.5% to 7.2% effective rate | $23,815,000 |
| Current Interest Series 1986A Serial Bonds, maturing semi-annually from April 1, 1995 through April 1, 2001, insured as to principal and interest, 7.0% to 7.35% coupon rate and effective rate | 74,455,000 |
| Capital Appreciation Series 1986B Serial Bonds, maturing semi-annually from April 1, 2001 through April 1, 2012, uninsured, zero coupon rate, 11.5% effective rate | 760,000 |
| | 99,030,000 |
| Less unamortized discount and deferred interest | 4,445,252 |
| | 94,584,748 |
| Current principal payable from restricted assets | 5,033,839 |
| Principal classified as current liabilities | 626,162 |
| Total long-term revenue bonds | $88,924,747 |

**NOTE 4. Long-term Debt:** (continued)

The bond resolutions provide, among other things, that a sinking fund and renewal and replacement fund be established and funded and that the Commission maintain net revenues of at least 1.10 times (the "coverage ratio") the aggregate debt service for the forthcoming twelve-month period. For the year ended September 30, 1991, the Commission's net revenues were less than the coverage requirement. Management is of the opinion that utility rates are sufficient such that the Commission may be expected to meet the coverage requirement for the fiscal year ending September 30, 1992. The resolutions also provide for issuing additional parity bonds.

Following is a summary of notes payable at September 30, 1991:

| | |
|---|---|
| Mortgage notes payable, bearing interest at 8% and 12% annually, due in 1994 and 1998 | $60,456 |
| Less: current portion | 10,913 |
| | $49,543 |

Following is a schedule of annual principal, interest and sinking fund requirements on the revenue bonds and notes payable at September 30, 1991:

| Fiscal Year Ending | 1986 Revenue Bonds Principal and Interest | Sinking Fund | Note Payable | Total Combined |
|---|---|---|---|---|
| 1992 | $ 11,035,500 | $ 1,120,000 | $15,838 | $ 12,171,338 |
| 1993 | 11,910,500 | 1,093,825 | 15,838 | 13,020,163 |
| 1994 | 12,935,500 | 849,645 | 12,426 | 13,797,571 |
| 1995 | 14,040,500 | - | 9,132 | 14,049,632 |
| 1996 | 15,016,200 | - | 9,132 | 15,025,332 |
| Thereafter | 72,231,708 | (15,438,470) | 13,550 | 56,806,788 |
| | $137,169,908 | $(12,375,000) | $75,916 | $124,870,824 |

**NOTE 5. Pension Plan:**

Plan Description

Sebring Utilities Commission contributes to the Sebring Utilities Commission Retirement System which is a Single-Employer Pension Employees' Retirement System (PERS). It is the responsibility of the Sebring Utilities PERS to function as an investment and administrative agent for Sebring Utilities Commission with respect to the pension plan.

For the year ended September 30, 1991, the Commission's total covered payroll for all employees was $2,674,820. Covered payroll refers to all compensation paid by the Commission to active employees covered by the Sebring Utilities Commission Retirement System on which contributions to the plan are based.

NOTE 5. Pension Plan: (continued)

Based upon provisions of the pension plan, all employees are required to enter the plan upon their date of employment. Under provisions of the plan, pension benefits vest after ten years of full-time employment. An employee may retire at age 60 and receive pension benefits based on a percentage of his average monthly earnings for his highest five (5) consecutive years taking into consideration years of service and years of employee contributions. The earnings base includes all compensation. The plan also provides for early retirement, death and disability benefits.

Under provisions of the plan, all employees must contribute 5% of their gross earnings. In addition, the Commission must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by the plan.

Funding Status and Progress

Presented below is the total pension benefit obligation of Sebring Utilities Commission PERS. The amount of the total pension benefit obligation is based on a standardized measurement established by Governmental Accounting Standards Board (GASB) Statement Number 5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. The pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess Sebring Utilities Commission PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among PERS.

Because the standardized measure is used only for disclosure purposes by Sebring Utilities Commission PERS, the measurement is independent of the actuarial funding method used to determine contributions to the PERS as explained elsewhere in this note.

A variety of significant assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized as follows:

The present value of future pension payments was computed at a discount rate of 8% compounded annually. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan, compounded annually.

Future pension payments reflect the assumption of an 8% annual salary increase.

Future pension payments reflect no post-retirement benefit increases, which is consistent with the terms of the pension agreement.

The standardized measure of the pension benefit obligation included in the most recent actuarial valuation report dated October 1, 1990, is as follows:

NOTE 5. **Pension Plan:** (continued)

Pension Benefit Obligation:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | $1,183,158 |
| Current Employees: | |
| Accumulated employees' contributions including allocated investment income | 758,151 |
| Employer-financed vested | 1,045,950 |
| Employer-financed non-vested | 458,513 |
| Total pension benefit obligation | 3,445,772 |
| Net assets available for benefits, at market value | 4,219,448 |
| Assets in excess of pension benefit obligation | $ 773,676 |

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligation occurred during the year ended September 30, 1991.

Contributions Required and Contributions Made

Periodic employer contributions to the pension plan are determined on an actuarial basis using the frozen entry age actuarial cost method. Normal cost is funded on a current basis. As of the most recent valuation date, there was no unfunded actuarial accrued liability. Monthly contributions of normal cost is based on the level percentage of payroll method. The funding strategy should provide sufficient resources to pay employees' pension benefits on a timely basis.

Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to determine the standardized measure of the pension obligation.

Total contributions to the pension plan during the year ended September 30, 1991 amounted to $295,204 of which $161,463 and $133,741 were made by the Commission and its employees, respectively. The contributed amounts were actuarially determined as described above and were based on actuarial valuations as of October 1, 1990. Contributions made by Sebring Utilities Commission and its employees as a percentage of covered payroll are shown as follows:

| | |
|---|---|
| Commission | 6.04% |
| Employees | 5.00% |

**NOTE 5. Pension Plan:** (continued)

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information may be found on page 21, as supplementary information to the Commission's financial statements.

Trend information currently available for the past three years follows:

| Year Ended September 30 | Net Assets Available For benefits as a Percentage of Pension Benefit Obligation | Assets in Excess of Pension Benefit Obligation as a Percentage of Covered Payroll | Employer Contributions as a Percentage of Covered Payroll |
|---|---|---|---|
| 1988 | 119.19% | 23.69% | 3.92% |
| 1989 | 128.32% | 36.40% | 5.51% |
| 1990 | 122.45% | 31.32% | 5.88% |

**NOTE 6. Insurance in Force:**

| Coverage | Limits |
|---|---|
| Workmen's Compensation and Employers' Liability: | |
| Each accident | $ 100,000 |
| By disease | $ 100,000 |
| Aggregate by disease | $ 500,000 |
| Automobile: | |
| Bodily injury and property damage | |
| Combined single limit | $ 2,000,000 |
| General Liability: | |
| Bodily injury and property damage | |
| Combined single limit | $ 2,000,000 |
| Fire, Lightning and Extended Coverages: | |
| Buildings and personal property | $106,712,649 |
| Boiler and Machinery, per accident | $ 20,000,000 |

**NOTE 7. Budget Analysis:**

Revenue and expense budgets are prepared on an annual basis in accordance with the Commission's bond resolutions and submitted to the Commission for approval prior to October 1 of the fiscal year. Actual revenues and expenses are compared to the budgets on a line item basis within departments and an analysis of variances report is prepared and submitted to the Commission each month. The following is an analysis of a budget to actual comparison for the year ended September 30, 1991:

| | Budget | Actual |
|---|---|---|
| Operating revenue | $21,046,969 | $20,140,769 |
| Interest income | 1,725,000 | 1,675,005 |
| Operating expense | (10,989,340) | (10,668,887) |
| Income before depreciation, amortization and debt service | $11,782,629 | $11,146,887 |
| Variance over (under) | | $ (635,742) |

**NOTE 8. Rate Revisions:**

According to the existing laws of the State of Florida, the five members of the Commission act as the regulatory authority for the establishment of the amount of electric and water rates. The Florida Public Service Commission has authority to regulate the electric "rate structures" of municipal utilities in Florida, but not the actual amounts.

Electric rates were increased effective December 1, 1990 and May 1, 1991 in accordance with adopted rate schedules. Electric and water rates were reduced effective October 1, 1991.

**NOTE 9. Property, Plant and Equipment in Service:**

| | Cost | Accumulated Depreciation |
|---|---|---|
| Land | $ 180,335 | $ - |
| Electric System: | | |
| Generation Plants | 3,001,017 | 1,500,472 |
| Transmission Plant | 798,372 | 124,055 |
| Distribution Plant | 19,713,940 | 5,740,050 |
| Water System | 7,051,693 | 3,053,964 |
| General Plant | 1,709,572 | 882,972 |
| | $32,454,929 | $11,301,513 |

**NOTE 10. Electric Power Supply:**

The Commission has become a full requirements system with Tampa Electric Company as the sole electric power supplier at rates regulated by the Federal Energy Regulatory Commission.

**Note 11. Funding of Nuclear Decommissioning Costs:**

The Commission's estimated contribution, established by regulatory authority to the external fund amounts to $48,820 per year from 1992 through 2016. The Commission's contribution for the year ended September 30, 1991 was $48,820.

**NOTE 12. Changes in Accounting Principles:**

Nuclear decommissioning costs associated with the Commission's participation interest in a nuclear generating plant is charged to operating expense over the life of the plant based on engineering studies which project future dismantling, decontamination and site restoration costs. Expense for the year ended September 30, 1991 includes a change in accounting to include the effect of recording expense over the plant life. Before the change in accounting principle, the amount required to be transferred to an external fund, was charged to expense when transferred. The cumulative effect of the change on prior years increased net loss for the year ended September 30, 1991 by $216,634. The effect of the change was to decrease loss before extraordinary item and cumulative effect of changes in accounting principles by $1,915 and to increase net loss by $214,719 for the year ended September 30, 1991, and to increase net loss by $10,290 for the year ended September 30, 1990.

Electric system contributions in aid of construction are recorded as decreases in the cost of property, plant and equipment when placed in service. Before the change, electric system contributions in aid of construction were recorded as capital contributions and the full cost of related property plant and equipment was depreciated. The effect of the change is a reduction of contributed capital, property, plant, and equipment, and depreciation expense. The cumulative effect of the change on prior years decreased net loss for the year ended September 30, 1991 by $26,331. The effect of the change was to decrease net loss before extraordinary item and cumulative effect of changes in accounting principles by $8,750 and to decrease net loss by $35,081 for the year ended September 30, 1991, and to decrease net loss by $7,572 for the year ended September 30, 1990.

The actual and pro forma amounts assuming application of the new methods for the years ended September 30, 1991 and 1990 are as follows:

| | ACTUAL | |
|---|---|---|
| | 1991 | 1990 |
| Loss before extraordinary item | $(13,679,106) | $(4,190,893) |
| Net loss | $(15,042,280) | $(4,190,893) |

| | PRO FORMA | |
|---|---|---|
| | 1991 | 1990 |
| Loss before extraordinary item | $(13,679,106) | $(4,193,611) |
| Net loss | $(14,851,977) | $(4,193,611) |

**Note 12. Changes in Accounting Principles:** (Continued)

The Commission implemented both of the above changes in accounting principles for the purpose of making its financial statements comparable to the industry practices of other electric utilities.

**NOTE 13. Prior Period Adjustments:**

The Commission recorded an adjustment at October 1, 1990 increasing property, plant and equipment and decreasing retained deficit by $5,775,379. The increase in property, plant and equipment resulted from a study made by the Commission's consulting engineer which considered, among other things, depreciation rates and an inventory of electric and general plant assets. The effects of this adjustment on previously reported net income is not determinable.

In 1991, the Commission discovered that in prior years certain miscellaneous electric revenues which should have been recorded as revenues were classified as contributions in aid of construction. The Commission recorded an adjustment at October 1, 1990 decreasing both retained deficit and electric system contributions in aid of construction by $352,321. If the Commission had recorded this adjustment prior to 1991, net loss for the year ended September 30, 1990 would have been decreased by $38,884.

**NOTE 14. Subsequent Events:**

On March 18, 1992, the Commission sold its .4473% undivided ownership interest in the Crystal River Unit 3 to Florida Power Corporation for approximately $1,950,000. On March 27, 1992, the Commission sold transmission assets to Tampa Electric Company for $155,580.

The proceeds from the March, 1992 assets sales, together with the proceeds from certain sales completed during the fiscal year ended September 30, 1991, were applied to the redemption of Series 1986 Revenue Bonds. Bond redemptions occurring subsequent to September 30, 1991 from asset sales are summarized as follows:

| Date | Principal Amount Redeemed |
|---|---|
| October 1, 1991 | $2,004,824 |
| April 1, 1992 | $2,545,884 |

As discussed in Note 15, the Commission is negotiating to sell all of its assets, satisfy all of its liabilities, and dissolve.

**NOTE 15. Potential Dissolution:**

The Commission had incurred substantial losses and has a retained deficit of $55,866,552 at September 30, 1991. The Commission may not be able to generate sufficient revenues to meet all of its financial commitments on a long-term basis. Accordingly, the Commission is attempting to sell all of its assets, satisfy all of its liabilities, and to dissolve.

**Note 15. Potential Dissolution:** (continued)

During the fiscal year ended September 30, 1991, the Commission sold substantially all of its electric generation and transmission assets. Subsequent to September 30, 1991, the Commission sold additional assets described in Note 14.

The Commission is currently negotiating with Florida Power Corporation (an investor owned utility) to sell substantially all of its remaining electric transmission and distribution assets, certain general plant assets, and certain current assets. See the supplementary schedule of electric system assets identified for sale (page 20). The Commission is also negotiating to sell all other assets (generally the Water System) to the City of Sebring.

The proceeds from the asset sales are not expected to be sufficient in amount to satisfy all outstanding liabilities. The negotiations for sale of the electric system include provisions for the remaining outstanding liabilities of the Commission to be paid by Florida Power Corporation. Florida Power Corporation will recover the amount of the remaining outstanding liabilities and other incidental costs over a period of 15 years from the Commission's electric customers by a transition rate to be charged in addition to the purchaser's regular retail electric rate.

The consummation of the prospective sales would be subject to normal conditions, including obtaining certain environmental, regulatory and other governmental consents.

SEBRING UTILITIES COMMISSION
SUPPLEMENTARY SCHEDULE OF OPERATING INCOME
ELECTRIC SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 1991

| | |
|---|---|
| OPERATING REVENUE: | |
| Sale of electricity | $16,822,220 |
| Interdepartmental sales | 218,734 |
| Miscellaneous sales and service | 225,340 |
| Total operating revenue | 17,266,294 |
| OPERATING EXPENSES: | |
| Generation and transmission: | |
| Fuel | 1,011,416 |
| Purchased power | 6,000,967 |
| Operation and maintenance | 1,053,128 |
| Transmission system operation and maintenance | 192,518 |
| Distribution operation and maintenance: | |
| Operating expenses | 216,198 |
| Maintenance expenses | 281,222 |
| Depreciation | 2,074,655 |
| General and administrative expense | 1,014,536 |
| State taxes | 90,361 |
| Total operating expenses | 11,935,001 |
| OPERATING INCOME | $ 5,331,293 |

SEBRING UTILITIES COMMISSION
SUPPLEMENTARY SCHEDULE OF OPERATING INCOME
WATER SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 1991

| | |
|---|---|
| OPERATING REVENUE: | |
| Sale of water | $2,874,475 |
| OPERATING EXPENSES: | |
| Production operation and maintenance: | |
| Operating expenses | 275,702 |
| Maintenance expenses | 66,247 |
| Transmission and distribution operation and maintenance: | |
| Operating expenses | 23,643 |
| Maintenance expenses | 222,834 |
| Depreciation | 225,623 |
| General and administrative expenses | 338,179 |
| Total operating expenses | 1,152,228 |
| OPERATING INCOME | $1,722,247 |

SEBRING UTILITIES COMMISSION
SUPPLEMENTARY SCHEDULE OF ELECTRIC
SYSTEM ASSETS IDENTIFIED FOR SALE
SEPTEMBER 30, 1991

| | |
|---|---|
| PROPERTY, PLANT AND EQUIPMENT, at cost: | |
| Transmission Plant: | |
| Poles & fixtures | $ 123,923 |
| OH conductor & devices | 429,306 |
| | 553,229 |
| Distribution Plant: | |
| Land & land rights | 32,209 |
| Structures & improvements | 141,898 |
| Station equipment | 2,233,157 |
| Poles | 3,624,269 |
| OH conductor & devices | 4,327,163 |
| UG conduit | 68,419 |
| UG conductor & devices | 2,818,032 |
| Transformers | 3,536,534 |
| Services | 1,036,683 |
| Meters | 1,211,758 |
| Street lighting | 536,289 |
| | 19,566,411 |
| General Plant: | |
| Land & land rights | 35,458 |
| Structures | 240,984 |
| Office furniture & equipment | 57,188 |
| Transportation equipment | 201,246 |
| Tools & equipment | 133,841 |
| Communication equipment | 18,631 |
| | 687,348 |
| Property, plant and equipment in service | 20,806,988 |
| Less: Accumulated depreciation | 5,958,803 |
| Net property, plant and equipment in service | 14,848,185 |
| Construction work in progress: | |
| Electric | 275,383 |
| General | 1,379 |
| Total property, plant and equipment | 15,124,947 |
| Current Assets: | |
| Accounts receivable, net of $43,433 allowance for doubtful accounts | 1,146,994 |
| Accounts receivable, other | 202,937 |
| Accrued unbilled revenue | 787,761 |
| Materials inventory | 459,476 |
| Prepaid expense | 91,638 |
| Total current assets | 2,688,806 |
| TOTAL ELECTRIC SYSTEM ASSETS IDENTIFIED FOR SALE | $17,813,753 |

The Commission is currently negotiating with Florida Power Corporation (an investor owned utility company) to sell the assets identified in this supplementary schedule.

SEBRING UTILITIES COMMISSION
PENSION PLAN SUPPLEMENTARY INFORMATION (UNAUDITED)
FISCAL YEAR ENDED SEPTEMBER 30, 1991

This schedule presents pension benefit information for the last four years currently available. This schedule will expand to ten years as the information becomes available.

| Year Ended 9-30 | (1) Net Assets Available for Benefits | (2) Pension Benefit Obligation | (3) Percentage Funded (1)/(2) | (4) Unfunded/ (Overfunded) Pension Benefit Obligation (2)-(1) | (5) Annual Covered Payroll | (6) Unfunded/ (Overfunded) Pension Obligation as a percentage of covered Payroll (4)/(5) |
|---|---|---|---|---|---|---|
| 1987 | $3,309,429 | $2,531,885 | 130.7% | $(777,539) | $2,182,329 | (35.6)% |
| 1988 | 3,454,714 | 2,898,607 | 119.2 | (556,107) | 2,347,360 | (23.7) |
| 1989 | 4,072,085 | 3,173,348 | 128.3 | (898,737) | 2,469,343 | (36.4) |
| 1990 | 4,219,448 | 3,445,772 | 122.5 | (773,676) | 2,469,972 | (31.3) |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of pension funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Commission's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.