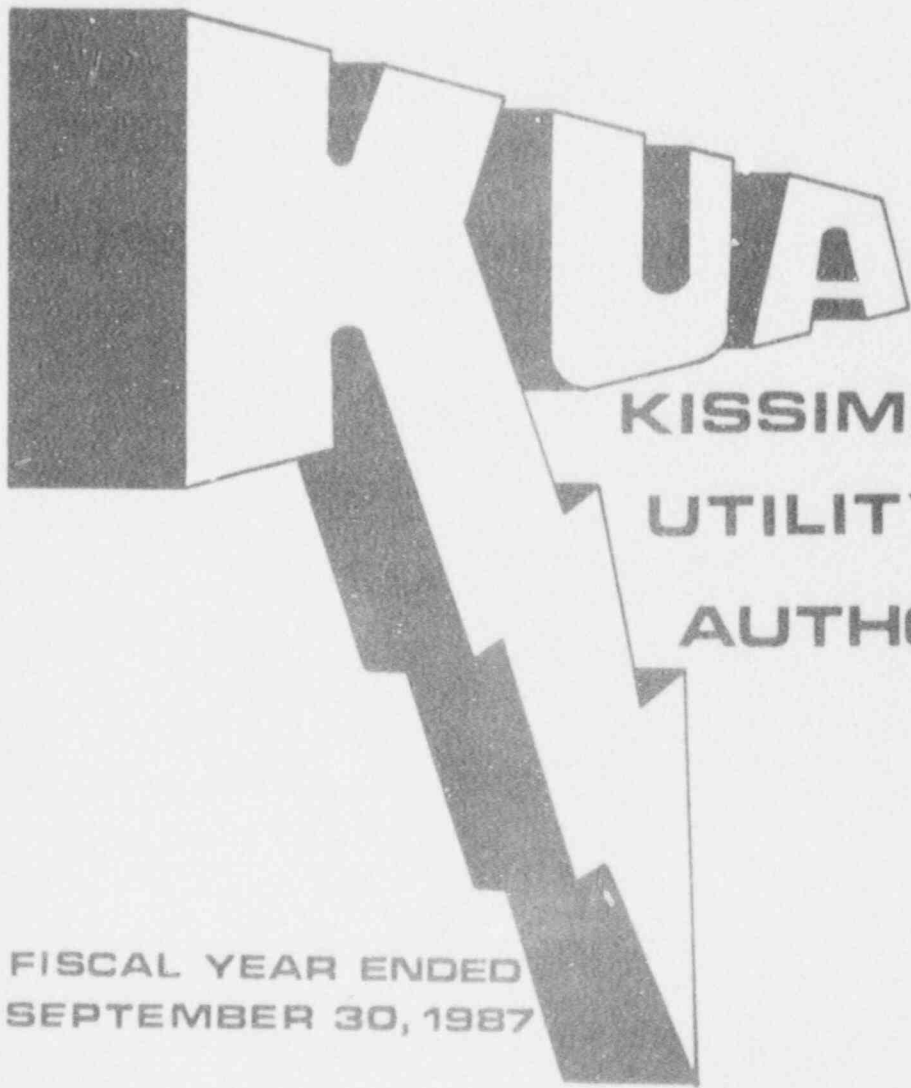


**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**KISSIMMEE  
UTILITY  
AUTHORITY**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 1987**

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# **KISSIMMEE UTILITY AUTHORITY**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 1987**

**JAMES C. SCHUSTER**

**MANAGER OF FINANCE & ADMINISTRATION  
KISSIMMEE UTILITY AUTHORITY**

**KENNETH W. KILLGORE**

**FINANCE DIRECTOR  
CITY OF KISSIMMEE**

**EDWARD J. PAGLIARO**

**ASSISTANT FINANCE DIRECTOR  
CITY OF KISSIMMEE**



KISSIMMEE UTILITY AUTHORITY

Kissimmee, Florida

LISTING OF OFFICIALS

AS OF SEPTEMBER 30, 1987

BOARD OF DIRECTORS

Bruce R. VanMeter - Chairman

Richard L. Hord - Director

Bob Bobroff - Director

Arnold W. Jones - Director

Randy Price - Director

George A. Gant, M.D. - Ex-Officio/Mayor - Director

GENERAL MANAGER

James C. Welsh, P.E.

ATTORNEY

Brinson, Smith & Smith, P.A.

MANAGERS

Walter M. Alderman	Generation & Transmission Manager
Kenneth W. Lackey	Distribution Operations Manager
Carl A. Wall	Customer Service Manager
Kenneth L. Davis	Planning & Engineering Manager
James C. Schuster	Finance & Administration Manager

CONTRACTUAL DEPARTMENTAL DIRECTORS

Kenneth W. Killgore	Finance Director
James G. Emory	Central Service Director
Kathleen A. Gaylor	Personnel & Labor Relations Director

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KISSIMMEE UTILITY AUTHORITY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED SEPTEMBER 30, 1987 AND 1986

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LETTER OF TRANSMITTAL

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February 10, 1988

Mr. James C. Welsh  
General Manager  
Kissimmee Utility Authority

Dear Mr. Welsh:

The Comprehensive Annual Financial Report of the Kissimmee Utility Authority (KUA), for the fiscal year ended September 30, 1987, is submitted herewith pursuant to Section 10 of the KUA Charter, Florida Statutes Chapter 166.241(1) and Chapter 10.550 of the Rules of the Auditor General of The State of Florida. This Comprehensive Annual Financial Report was prepared by the staff of the Finance Department of the City of Kissimmee as part of the finance and accounting management services contract. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the KUA. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the KUA and that all disclosures necessary to enable the readers to gain the maximum understanding of the KUA's financial activity have been included.

As required by Section 10 of the KUA Charter and Florida Statutes Chapter 11.45(3)(a)3, the Comprehensive Annual Financial Report has been examined by a firm of independent certified public accountants and their unqualified opinion is included as part of this report.

#### THE REPORTING ENTITY AND ITS SERVICES

The KUA was created October 1, 1985. In 1984, the City Commission of the City of Kissimmee established a Utility Study Committee. The report of this committee recommended establishing a separate authority. In February 1985, the City Commission adopted Ordinance #1285 establishing the KUA, subject to approval by a majority of qualified voters. In March 1985, the voters of Kissimmee did approve establishing the KUA. The KUA's Charter (Ordinance #1285) states that the KUA shall be responsible for the development, production, purchase and distribution of all electricity and such other utility service as may be designated by resolution by the City Commission. The KUA currently provides electric services in an 85 square mile service territory in the Kissimmee area. All of the service territory is within Osceola County.

Mr. James C. Welsh  
February 10, 1988

The report does not include the financial activities of the City of Kissimmee. Reference should be made to their report published separately.

#### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accounting records for the KUA are maintained on a full accrual basis. In developing and modifying the KUA's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.

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 evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the KUA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is provided by monthly revenue and expense reports. These interim reports are provided to the Board of Directors for review in advance of a formal verbal presentation of financial activity at each monthly Board meeting.

#### CASH MANAGEMENT

KUA has a banking service agreement with the local depository bank that provides that all funds in excess of a compensating balance will earn interest through overnight repurchase agreements. In addition, KUA participates in the State of Florida State Board of Administration's program for pooled investment of local government surplus funds. During 1987, investments were maintained almost

Mr. James C. Welsh  
February 10, 1988

entirely with these arrangements although the portfolio still includes other unmatured instruments purchased in prior years. The cash management program involves a theory of keeping principal and earnings free from risk, maintaining reasonable liquidity to meet maturing obligations and maximizing return through the use of a competitive rate comparison from various investment sources. In 1987 the composite interest yield on investments was 7.06%.

#### DEBT MANAGEMENT

The Kissimmee Utility Authority attempts to minimize external financing needs through internal generation of capital funds. The purpose being to hold down annual debt service requirements and keep cost and utility rates as low as possible. In 1987, a major refunding issue was accomplished and for several years, interest earned on existing debt service reserve accounts has been designated for either retiring debt early or reducing the amount of future debt issues. Forecasts for routine capital expenditures until Fiscal Year 1992 indicate approximately \$3,000,000 per year and the Authority is planning to pay substantially all of these costs from internally generated funds.

The principal of, premium if any, and interest on all outstanding Bonds are payable solely from the Net Revenues derived by the Authority from the operation of the System. These obligations do not constitute liens upon the System or on any other property of the Authority or the City, but are a lien only on the Net Revenues and special funds created by the Bond Resolution and in the manner provided therein.

#### RATES

In December 1974, the City Commission adopted an ordinance permitting the City (and now the Authority) to pass on directly to the consumer incremental fuel cost increases on a monthly basis. This Cost of Power Adjustment ("COPA") has eliminated the regulatory delay that has been a problem for many other utilities. Additionally, in June 1983, the City Commission modified the COPA Ordinance to allow the System to project the COPA billed to a levelized rate for the Fiscal Year and the negative or positive COPA account balance is used in calculating the projected COPA rate for the next Fiscal Year.

In addition to COPA, the City has from time to time raised base rates as necessary to insure proper operation of the System. Base Rate

Mr. James C. Welsh  
February 10, 1988

increases of 7%, 6.2% and 2% became effective in 1983, 1984 and 1985 respectively. The Base Rate did not increase in 1986 or 1987. In 1985, the Authority implemented a program of rate stabilization in an effort to prevent uneven increases in total electric charges to the customers. The Authority, additionally, maintains a computerized cost of service study which is updated each year with:

- a. past years' audited figures to survey the adequacy of each rate and rate structure, and
- b. the current years' budgeted amounts to predict the need for a rate change.

Customer rates and rate structures are intended to follow guidelines of the Florida Public Service Commission and, as such, should be "fair, just and reasonable". It is also intended that they be competitive with neighboring utilities and equitable between rate classes.

#### MANAGEMENT SERVICES CONTRACTS

The Kissimmee Utility Authority handled a number of administrative functions, including customer billing, through Management Services Contracts with the City of Kissimmee. The capability for handling all these functions internally is being fully developed over a transition period which will end in FY 1987/88. Throughout the transition it has been the policy to closely coordinate with the City so as to minimize disturbance to the existing departments. The intention behind assuming these functions internally, was both to relieve the City of the additional workload and to enable the Authority to have direct managerial control over these activities.

#### FINANCIAL STATEMENT FORMAT

The report is arranged in the following sections:

- Section I:       Introductory Section - Contains the Letter of Transmittal and other such material as may be useful in understanding the reporting entity.
- Section II:       Financial Section - This section of the report contains the auditors' report and financial statements which present fairly the financial position and results of operations for the fiscal year.

Mr. James C. Welsh  
February 10, 1988

Section III: Statistical Section - This section presents detailed historical information which will be beneficial to the reader in understanding the KUA's historic growth and its future debt obligations.

### FINANCIAL CONDITION

Comparative data for the the last three fiscal years is presented in the following table:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
UTILITY PLANT - NET CASH AND INVESTMENTS (UNRESTRICTED)	\$86,677,188	\$79,299,931	\$69,503,692
CURRENT RATIO	19,455,079	13,724,964	6,716,636
OPERATING INCOME	6.8 to 1	4.1 to 1	3.5 to 1
INCOME BEFORE EXTRAORDINARY ITEMS	14,564,317	11,517,714	9,098,875
INCOME AVAILABLE FOR DEBT SERVICE	10,451,413	7,309,771	4,409,977
DEBT SERVICE REQUIREMENT	22,973,332	19,222,388	17,247,198
DEBT SERVICE COVERAGE	7,435,601	7,514,756	7,286,426
	3.09x	2.56x	2.37x

Continued expansion of the transmission and distribution system has caused significant growth in the value of the utility plant in the years presented. Unrestricted cash and investments showed a large increase attributable to the current policy to internally finance capital improvements. Funds are therefore being accumulated and designated for future capital outlays which has caused a substantial increase in the current ratio as compared to previous years. In future periods, large outlays for capital expenditures will cause the current ratio to be reduced.

Operating income has been higher as a result of the high customer growth rate and increase in metered sales. This continues to favorably impact income available for debt service and the debt service coverage ratio which was also enhanced with the lowering of debt service requirements.

### FUTURE PROSPECTS

Demand for electric power from the system has significantly increased in recent years and is projected to continue to increase, though at a



Mr. James C. Welsh  
February 10, 1988

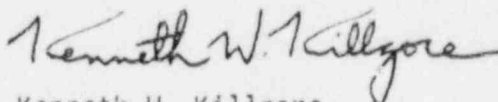
decreasing rate of growth. The KUA is carefully watching the growth of the surrounding community and is methodically building its staff and other resources to a level adequate to serve the area for many years to come.

A significant event for the coming fiscal year will be the relocation to new administrative facilities. This change will provide long needed office space for KUA and enable continued service of the highest quality to the customer. Emphasis on long-range planning is a chief priority and the prospects of KUA continuing a position of strong financial health are favorable in every regard.

#### REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) presents a Certificate of Achievement for Excellence in Financial Reporting to governmental units whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards. In order to be awarded this Certificate, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate is valid for a period of one year only. The KUA Comprehensive Annual Financial Report for the fiscal year ended September 30, 1986 was submitted to the program but did not receive the Certificate. We believe the KUA's current report conforms to GFOA's program standards and intend to submit KUA's Comprehensive Annual Financial Report for the fiscal year ended September 30, 1987 to GFOA to determine its eligibility.

Respectfully submitted,



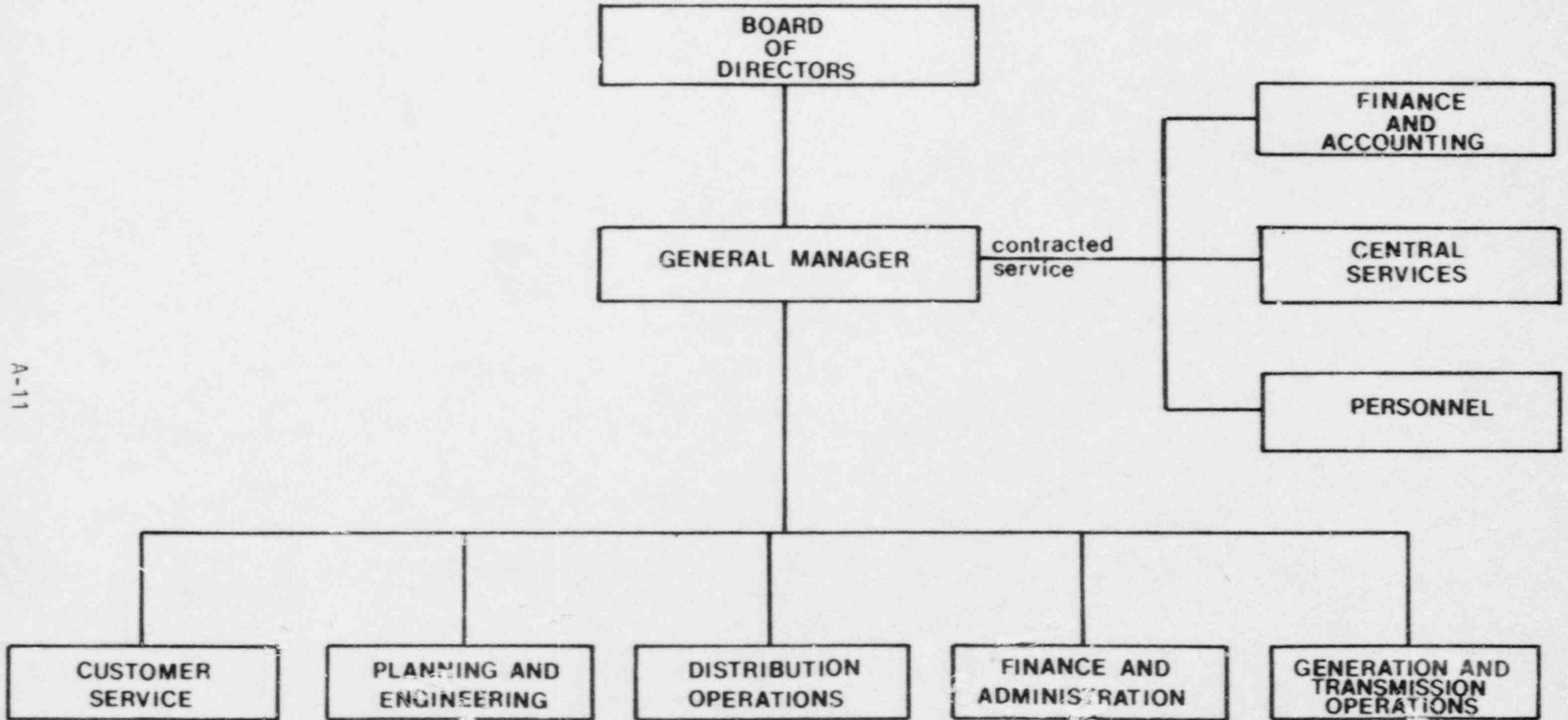
Kenneth W. Killgore  
Finance Director



ORGANIZATION CHART

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# KISSIMMEE UTILITY AUTHORITY



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**FINANCIAL**  
**SECTION**

AUDITORS' REPORT



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## Arthur Young

255 South Orange Avenue  
Suite 700  
Orlando, Florida 32801  
Telephone: (305) 422-4555

Board of Directors  
Kissimmee Utility Authority  
Kissimmee, Florida

We have examined the accompanying balance sheets of the Kissimmee Utility Authority as of September 30, 1987 and 1986, and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of the Kissimmee Utility Authority at September 30, 1987 and 1986, and the results of operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

*Arthur Young & Company*

Certified Public Accountants  
December 11, 1987

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GENERAL PURPOSE  
FINANCIAL STATEMENTS

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KISSIMMEE UTILITY AUTHORITY  
BALANCE SHEETS  
SEPTEMBER 30, 1987 AND 1986

ASSETS	1987	1986
	-----	-----
<b>UTILITY PLANT</b>		
Property, plant and equipment (Note 3)	\$ 99,815,986	\$ 76,855,926
less: accumulated depreciation	(18,840,298)	(16,412,336)
	-----	-----
	80,975,688	59,643,590
Construction in progress (Note 4,5)	5,055,841	19,103,795
Inventory - nuclear fuel	645,739	552,546
	-----	-----
<b>TOTAL UTILITY PLANT</b>	<b>86,677,188</b>	<b>79,299,931</b>
	-----	-----
<b>RESTRICTED ASSETS (Note 11)</b>		
Debt service funds - cash, investments and accrued interest		
- Sinking fund	4,882,400	5,768,518
- Bond Amortization Fund	-	1,518,989
- Reserve Account	9,003,231	9,491,568
Construction funds - cash, investments and accrued interest	4,157,382	7,471,126
Bond asset replacement fund - cash and investments	1,500,000	1,500,000
Customer deposits	1,115,056	913,123
	-----	-----
<b>TOTAL RESTRICTED ASSETS</b>	<b>20,657,989</b>	<b>26,655,324</b>
	-----	-----
<b>CURRENT ASSETS</b>		
Cash and investments	19,455,079	13,724,964
Accounts receivable	5,070,968	4,027,124
less: allowance for doubtful accounts	(300,360)	(333,975)
Notes receivable	30,225	30,756
Inventory	2,125,006	1,677,363
Due from other governments	117,823	-
	-----	-----
<b>TOTAL CURRENT ASSETS</b>	<b>26,498,741</b>	<b>19,126,232</b>
	-----	-----
<b>OTHER ASSETS</b>		
Unamortized bond costs	1,302,482	1,303,488
Deferred compensation plan assets (Note 9)	165,496	18,149
	-----	-----
<b>TOTAL OTHER ASSETS</b>	<b>1,467,978</b>	<b>1,321,637</b>
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 135,301,896</b>	<b>\$ 126,403,124</b>
	=====	=====

See accompanying notes.



	1987	1986
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Retained earnings:		
Reserved for revenue bond retirement	\$ 9,003,231	\$ 12,342,850
Reserved for bond asset replacement	1,500,000	1,500,000
Unreserved	11,217,891	6,459,882
 TOTAL RETAINED EARNINGS	 21,721,122	 20,302,732
 Contributed capital	 2,477,136	 1,298,017
 TOTAL CAPITALIZATION	 24,198,258	 21,600,749
LONG-TERM DEBT		
Revenue Bonds payable (Notes 10,11,12,13)	107,265,000	100,050,000
less: unamortized bond discount	(6,244,515)	(13,546,816)
 TOTAL LONG-TERM DEBT	 101,020,485	 86,503,184
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accounts payable from construction funds	-	27,902
Contracts/retainages payable from construction funds	14,328	257,491
Accrued interest payable - revenue bonds	3,972,400	4,113,225
Customer deposits	1,115,056	913,123
Current portion of revenue bonds	910,000	315,000
 TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	 6,011,784	 5,626,741
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	2,298,654	1,271,232
Due to City of Kissimmee	702,909	564,922
Accrued taxes payable	195,360	271,928
Contracts/retainages payable	298,537	7,843
Accrued salaries	144,025	82,703
Accumulated unused compensated absences	184,821	155,976
Deposits payable	81,567	350,854
Deferred revenues	-	1,928,843
 TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	 3,905,873	 4,644,381
OTHER LIABILITIES		
Due to employees under deferred compensation plan (Note 9)	165,496	18,149
 TOTAL LIABILITIES	 111,183,638	 104,002,375
 TOTAL CAPITALIZATION AND LIABILITIES	 \$ 135,381,896	 \$ 126,403,124

KISSIMMEE UTILITY AUTHORITY  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 YEARS ENDED SEPTEMBER 30, 1987 and 1986

	1987	1986
OPERATING REVENUES		
Metered sales	\$ 42,612,433	\$ 35,659,914
Sales to other utilities	-	1,887
Other operating revenues	647,019	580,517
	43,259,452	36,242,318
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Power generation	5,718,778	5,175,792
Purchased power	12,231,779	10,722,351
Transmission	688,632	579,865
Distribution	1,538,098	1,243,092
Administrative and general	2,704,307	2,311,241
Payment to the City of Kissimmee	3,330,166	2,321,885
Depreciation and amortization	2,483,375	2,370,378
	28,695,135	24,724,604
TOTAL OPERATING EXPENSES		
OPERATING INCOME	14,564,317	11,517,714
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	2,088,974	1,863,547
Interest expense	(6,184,743)	(6,071,490)
Loss on disposition of assets	(17,135)	-
	(4,112,904)	(4,207,943)
TOTAL NONOPERATING REVENUE (EXPENSES)		
INCOME BEFORE EXTRAORDINARY ITEM	10,451,413	7,309,771
Extraordinary loss on advance refunding (Note 10)	(9,033,023)	(4,344,682)
	1,418,390	2,965,089
NET INCOME		
RETAINED EARNINGS AT BEGINNING OF YEAR	20,382,732	17,337,643
	\$ 21,721,122	\$ 20,382,732
RETAINED EARNINGS AT END OF YEAR		

See accompanying notes.

KISSIMMEE UTILITY AUTHORITY  
 STATEMENTS OF CHANGES IN FINANCIAL POSITION  
 YEARS ENDED SEPTEMBER 30, 1987 and 1986

	1987	1986
<b>SOURCES OF WORKING CAPITAL</b>		
From operations:		
Income before extraordinary items	\$ 10,451,413	\$ 7,309,771
Add: Expenses not creating current liabilities or using current assets -		
Depreciation and amortization	2,483,375	2,370,378
Interest expense from amortization of bond discount	422,912	491,968
Loss on disposition of assets	17,135	-
	13,374,835	10,172,117
Working capital provided from operations exclusive of extraordinary items	13,374,835	10,172,117
Extraordinary items not providing working capital (Note 10)	(9,033,023)	(4,344,682)
	4,341,812	5,827,435
Working capital provided from operations	4,341,812	5,827,435
Decrease in restricted assets	3,997,335	2,380,191
Decrease in other assets	-	250,649
Increase in liabilities payable from restricted assets	385,043	4,675,650
Increase in other liabilities	147,347	18,149
Proceeds from long-term debt	65,246,125	31,799,100
Contributions	1,179,119	824,906
	77,296,781	45,776,080
<b>TOTAL SOURCES OF WORKING CAPITAL</b>		
<b>APPLICATIONS OF WORKING CAPITAL</b>		
Acquisition of utility plant net of accumulated depreciation	9,822,354	12,107,891
Increase in other assets net of accumulated depreciation	201,754	-
Retirement of long-term debt	59,161,736	27,965,652
	69,185,844	40,073,543
<b>TOTAL APPLICATIONS OF WORKING CAPITAL</b>		
<b>INCREASE IN WORKING CAPITAL</b>	<b>\$ 8,110,937</b>	<b>\$ 5,702,537</b>
	=====	=====
<b>INCREASE (DECREASE) IN COMPONENT ELEMENTS OF WORKING CAPITAL</b>		
Pooled cash and investments	\$ 5,730,115	\$ 7,008,328
Accounts receivable (net)	1,077,459	107,732
Notes receivable	(531)	(1,787)
Inventory	447,643	(260,396)
Due from other governments	117,823	-
Accounts payable	(1,027,422)	222,137
Due to City of Kissimmee	(137,987)	(564,922)
Accrued taxes payable	76,569	182,308
Contracts/retainages payable	(290,694)	(7,560)
Accrued salaries	(61,322)	(23,147)
Accumulated unused compensated absences	(28,845)	(26,391)
Deposits payable	279,287	540,982
Deferred revenues	1,328,843	(1,474,747)
	8,110,937	5,702,537
<b>INCREASE IN WORKING CAPITAL</b>	<b>\$ 8,110,937</b>	<b>\$ 5,702,537</b>
	=====	=====

KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Kissimmee Utility Authority (KUA) conform to generally accepted accounting principles as applicable to utilities. Accounting for the KUA is substantially in conformity with the requirements prescribed by the Florida Public Service Commission and the Federal Energy Regulatory Commission. The following is a summary of the more significant policies.

A. Entity Definition

The accompanying financial statements present the financial position, results of operations and changes in financial position of the KUA in accordance with NCGA Statement No. 3, "Defining the Governmental Reporting Entity", and subsequent interpretation No. 7 clarifying the application of Statement No. 3. The reporting entity for the KUA includes all functions in which the Board of Directors exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. As a result of applying the above reporting entity criteria, no other component units exist in which the KUA has any oversight responsibilities which would require inclusion in the KUA's financial statements.

The Kissimmee Utility Authority was created effective October 1, 1985 by the City of Kissimmee Ordinance #1285 adopted on February 19, 1985 and ratified by the voters on March 26, 1985. The Authority Board has 6 members. The Mayor of the City of Kissimmee is a non-voting Ex-Officio member. The 5 voting members are nominated by the Board and ratified by the City Commission. The Authority has exclusive jurisdiction control and management of the electric utility and the following factors indicate that the KUA is properly excluded from the City's financial statements:

MISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

- (1) Subsequent to Board appointments being ratified by the City Commission, there is no continuing relationship.
- (2) KUA management is selected by the Board and although the City currently provides services by management contracts, those functions are controlled by KUA.
- (3) The City has no authority to interfere with KUA's operation.
- (4) KUA is responsible for its financial affairs including rate setting and the disposition of any surplus.
- (5) The City does not guarantee KUA's outstanding debt.

B. Annual Budgets

The KUA follows these procedures in establishing the annual budget -

- (1) The General Manager submits to the Board of Directors a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenses and the sources of receipts to finance them.
- (2) During several workshops, which are open to the public, the staff and Board of Directors discuss and revise the submitted budget. A public hearing is conducted to obtain ratepayer comments.
- (3) The budget is approved by the Board of Directors and becomes the basis for operations for the ensuing fiscal year.

The Kissimmee Utility Authority is required by charter to adopt an annual budget. Since the KUA is an enterprise operation, no budgetary reporting is included.

C. Basis of Accounting

The KUA uses the accrual basis of accounting with revenues being recognized when earned and expenses recognized when incurred.

KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

D. Utility Plant

Property, plant and equipment are capitalized at cost when purchased. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable assets are from 10 to 50 years. The various classes of fixed assets depreciate as follows:

Structures & Improvements	33 1/3 to 50 yrs.
Generation Plant & Equipment	33 1/3 to 40 yrs.
General Machinery & Equipment	10 to 40 yrs.

E. Nuclear Fuel

Amortization of nuclear fuel is based on cost, which is prorated by fuel assembly batch in accordance with the thermal energy that each assembly produces. Due to the uncertain future of the nuclear fuel reprocessing industry and government approvals for reprocessing and plutonium recycling, the KUA is estimating no value for residual credits or costs for future reprocessing.

F. Receivables

Utility operating revenues are generally recognized on the basis of cycle billings rendered monthly. The cycle with the meter reading date closest to September 30 is selected as the cutoff for accrual purposes. The KUA does not accrue revenues for services delivered during the fiscal year that have not been read by September 30.

G. Inventories

Inventories are stated at the lower of cost (weighted average) or market.

H. Other Assets

Unamortized bond discounts and issuance costs on long-term debt are amortized over the life of the issue on a straight-line basis. The KUA considered the effective interest method of amortizing bond discounts and determined that no material difference results from the continued use of the straight-line method.

KISSIMMEE UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1987 AND 1986

I. Reserves

Reserves are used to indicate a segregation of a portion of retained earnings equal to the net current assets that are restricted for meeting various covenants as may be specified and defined in the various revenue bond indentures. Usage of reserves has been limited to the following items -

- o Reserve for Bond Retirement - restricted for future servicing of the revenue bonds.
- o Reserve for Bond Asset Replacement - restricted for meeting of various contingencies as may be so specified and defined in the indenture (frequently referred to as renewal, replacement and improvement).

J. Designations

Certain designations are made in the financial record during the fiscal year to identify a portion of cash and investments intended to be used for specific purposes. Designations as of September 30, 1987, are as follows:

Designated Assets:

Decommissioning (Note 14)	\$ 83,500
Self Insurance	99,025
Vine Street Project	375,168
Capital Improvements	10,172,301
Line Extensions	190,659
Rate Stabilization	1,480,930
	-----
Total	\$12,401,583
	=====

K. Deferred Revenues

Revenues which are collected in advance of being earned are reported as deferred revenues. Deferred revenues represent the KUA's cost of power adjustment revenues collected, but for which costs have not been incurred. In those instances when costs have been incurred but cost of power adjustment revenues have not been collected, the difference is recorded as accounts receivable.



KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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L. Pension Plans

The KUA, in cooperation with the City of Kissimmee, sponsors and administers a pension plan covering substantially all the full-time employees. Employees are covered by a plan established during 1968 that was amended and restated in 1975. Annual costs for the pension plans are actuarially computed and include amortization of past service costs over a period of 30 to 40 years. Employees contribute 2% of their annual salary to their plan. The KUA's policy is to fund the annual pension costs in the annual budget. (See Note 8.)

M. Payments to the City of Kissimmee

By charter the Kissimmee Utility Authority is required to pay to the City of Kissimmee a minimum of \$6.24 per 1,000 KWH. This payment is treated as an operating and maintenance expense in the statement of income.

2. DEPOSITS AND INVESTMENTS

Investments are recorded at cost, which approximates market. Adjustments are made to cost for any premiums or discounts. Premiums and discounts are amortized over the life of the investments.

Florida Statutes, the KUA Charter and Investment Policies authorize the investment of excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the United States Government and certain instruments guaranteed by the U.S. Government. Investments may include repurchase agreements. Revenue Bond Covenants also restrict the type and maturities of investments in the required trust funds (See Note 11D).

Investments must be in KUA's name and placed in a safety-deposit box in a bank or institution carrying adequate safety-deposit insurance or represented by bank trust receipts which enumerate the various securities held.

The Statutes also require depositories of public funds to provide collateral each month at least equal to 50 percent of the average daily balance of all public deposits in excess of deposit insurance. Any loss not covered by the pledged securities and deposit insurance would be assessed by the State Treasurer and paid by other qualified public depositories.



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At September 30, 1987, the carrying amount of KUA's deposits with financial institutions was \$5,599,959 and the bank balance was \$5,546,801. All bank balances were held by qualified public depositories and thereby fully insured or collateralized.

At year end, the carrying amount and market value of investments classified by category of credit risk included:

----- (in thousands of dollars) -----				
	Category of Risk		Carrying Amount	Market Value
	1	2		
Repurchase Agreements	\$1,487	\$ -	\$ 1,487	\$ 1,487
U.S. Gov. Securities	4,255	486	4,741	4,741
U.S. Instrumentality Securities	3,470	-	3,470	3,533
	\$9,212	\$ 486	\$ 9,698	\$ 9,761
	=====	=====		
State Board of Administration Pool			24,669	24,669
			-----	-----
Total Investments			\$34,367	\$34,430
			=====	=====

Level of credit risk assigned to the above investments include:

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

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

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The investment in the State Board of Administration Pool (representing approximately 82 percent of total investments) is collateralized in accordance with Florida Statutes. All investments are delivered to the SBA's custody bank and held for the SBA's account according to their instructions.

Repurchase agreements result entirely from a banking services agreement requiring overnight repurchase agreements of securities guaranteed by the United States Government.

At September 30, 1987, the Balance Sheet also includes \$146,109 of accrued interest on investments.

3. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at September 30, 1987 and 1986:

	1987	1986
Nuclear production	\$ 3,767,691	\$ 3,688,355
Other production	60,051,776	39,670,512
Transmission plant	12,247,342	11,775,228
Distribution plant	21,240,602	18,912,661
General	2,508,495	2,009,170
	-----	-----
	99,815,906	76,055,926
Less accumulated depreciation	(18,840,298)	(16,412,336)
	-----	-----
TOTAL	\$ 80,975,608	\$59,643,590
	=====	=====

KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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4. CONSTRUCTION PROJECT INTEREST COST

In accordance with Statement of Financial Accounting Standards No. 62, "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants," the KUA has recorded interest cost on long-term debt issued to finance specific capital projects as construction in progress. The interest income recorded on unexpended construction project funds for the fiscal year ended September 30, 1987 and 1986 was \$562,080 and \$1,228,784 respectively. Interest expense, net of interest income on those construction project funds was \$1,448,359 and \$1,514,411 respectively.

5. MAJOR PROJECTS

A. Stanton Energy Center Unit No. 1 (SEC 1)

The KUA entered into a Participation Agreement with Orlando Utilities Commission (OUC) to acquire a 4.8193% (20 MW) undivided ownership interest in SEC 1 and to participate in the use of related common and external facilities. The capacity and energy of the KUA's ownership interest in SEC 1 will be transmitted through OUC's transmission facilities to the KUA's transmission facilities. SEC 1 is part of the Stanton Energy Center, which involved the development of an approximately 3,200 acre plant site located approximately 20 miles northeast of the City of Kissimmee. In addition to SEC 1, the Stanton Energy Center is capable of accommodating three more units with a total capacity at the Stanton Energy Center of approximately 2000 MW.

Each participant in the project financed their share of the cost independently and no liability exists for the debt service required by the other participants. KUA's cost was financed by the proceeds of the 1984 Bonds and revenues of the system. KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchases and it does not otherwise maintain an ongoing financial interest or responsibility for the project.

Stanton Energy Center began commercial operations on July 1, 1987. A total of \$20,721,786 was capitalized and recorded as the SEC.1 portion of utility plant in service. The KUA does not exercise significant influence or control over operating or financial policies of OUC.

KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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B. Major Transmission System and Substation Improvements

The KUA engaged consulting engineers to conduct a transmission system planning study to develop a plan for the expansion of the KUA's transmission system. The study determined that additional interconnection capacity is required. The study recommended increases in the interconnection capacity by reconductoring a portion of the KUA's 69 kV interconnection with Florida Power Corporation (FPC), installing a 69kV interconnection between Taft and Buenaventura Lakes Substations, and installing an additional 230 kV - 69kV transformer at Marydia Substation. The study also recommended improvement to the system protection and 69 kV-13.2 kV distribution substation equipment. Studies performed by the KUA indicate the need for two additional 69 kV/13.2 kV substations to serve increasing loads in developing areas of the KUA's service territory. The total cost of these major transmission and substation improvements is estimated to be \$14,200,000 and such expenditures are scheduled to be made over the next five years.

Some of the cost of such improvements were financed from the proceeds of the 1984 Bonds and the remainder is expected to be financed through internally generated funds of the System.

6. OTHER PARTICIPATION AND POWER SUPPLY AGREEMENTS

The KUA is party to the following agreements:

- A. In 1975, the KUA entered into a Participation Agreement with Florida Power Corporation (FPC) to purchase a .6754% undivided interest in their 806 net MW nuclear powered electric generating plant designated Crystal River Unit No. 3. The KUA is billed for its share of operating and capital costs. Capital costs are included in Property, Plant and Equipment and operating costs are included as power generation expenses. KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchases and it does not otherwise maintain an ongoing financial interest or responsibility for the project.

The KUA does not exercise significant influence or control over the operating or financial policies of FPC.

KISSIMMEE UTILITY AUTHORITY  
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B. In 1981, the KUA entered a Power Supply Acquisition Agreement with the Florida Municipal Power Agency (FMPA). Under the agreement, the KUA is to receive approximately 7 MW of power. FMPA has an 8.806% undivided interest in Florida Power & Light's (FP & L) St. Lucie Unit No. 2 nuclear powered electric generating facility. FMPA also has a Reliability Exchange Agreement with FP & L that enables them to share in FP & L's St. Lucie Unit No. 1. Costs associated with this agreement are included in purchased power expenses.

7. LINE EXTENSION POLICY

In fiscal year 1985, the KUA changed its policy related to extending electric lines for customers. In prior years, the customer paid the cost of extension and was reimbursed over a three-year period based on usage of electricity. This usually resulted in the customer being reimbursed the entire amount paid for the line extension. These agreements were recorded in the balance sheet as deposits payable. Deposits payable were reduced from \$360,854 at September 30, 1986 to \$81,567 at September 30, 1987. They will continue to decrease until reimbursements related to existing line extension agreements terminate.

In fiscal year 1985, the policy was changed to require the customer to pay 70% of the cost of line extensions with no reimbursement. Under the new policy the payments are recorded as contributions from private sources on the balance sheet. As of September 30, 1987 and 1986, \$1,179,119 and \$824,906 respectively, was collected.

8. PENSIONS

The KUA employees participate in a single Retirement Plan for both Employees of the City of Kissimmee and Kissimmee Utility Authority (The Plan). The Plan was established in 1968 and amended and restated in 1975 to cover substantially all full-time employees, except City police officers and firefighters. Annual costs of the pension plan are actuarially computed and include amortization of past service costs over a 30 to 40-year period beginning January 1, 1974. The employees contribute 2% of their annual salary to the plan. An actuarial study was conducted at January 1, 1987 and 1986.

KISSIMMEE UTILITY AUTHORITY  
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The table below shows relevant data for the Plan as a whole and for KUA's portion where this was available:

	1987	1986
<u>Total Plan:</u>		
Unfunded accrued liability	\$1,053,501	\$1,539,969
Value of assets	7,450,413	5,952,402
Vested benefits	3,890,734	3,184,115
Nonvested benefits	514,112	453,759
Actuarial funding requirement	376,015	430,826
Administrative costs	67,350	55,574
Total employer contribution	443,365	486,400
<u>KUA's Portion:</u>		
Vested benefits	1,582,357	1,264,951
Nonvested benefits	219,228	185,965
Actuarial funding requirement	163,528	159,188
Administrative costs	32,483	18,437
Total employer contribution	196,011	163,236

The Entry-Age Normal-Level Percentage of Pay actuarial cost method was utilized in the January 1, 1987 valuation. The significant assumptions for this Plan are: (1) life expectancy is calculated using the GA-1951 Male Mortality projected to 1965 by Scale C with a five-year set-back for females; (2) an interest return of 7.5% compounded annually; (3) a salary increase of 6% per year.

As of January 1, 1987, the Plan included 280 employees at a total annual basic compensation of \$5,183,861. Of these numbers, KUA employees were 107 at a total annual basic compensation of \$2,250,242. Normal retirement eligibility is defined as attainment of age 65 and completion of 10 years of credited service. Eligibility for early retirement is attained at age 55 and completion of 15 years of credited service. The Plan also provides for disability retirement and a death benefit. The prior year employee contribution rate was 3% (4% if member of bargaining unit) of basic annual compensation. A plan amendment in 1986 provides that the employee contribution rate be reduced 1% each year. The shortfall is handled through an increase in normal cost and through the establishment of a plan amendment base to be amortized over 30 years. KUA's contribution is calculated by the actuary based on membership. The administrative cost of the Plan is allocated proportionately between the City and KUA and paid separately.



KISSIMMEE UTILITY AUTHORITY  
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YEARS ENDED SEPTEMBER 30, 1987 AND 1986

9. DEFERRED COMPENSATION PLAN

The KUA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Managers Association (ICMA). The plan, available to all KUA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination or unforeseeable emergency (including death, retirement and disability).

All amounts of compensation deferred, all property and rights purchased, and all income earned are solely the property and rights of the KUA, subject only to the claims of the KUA's general creditors. Participants' rights under the plans are equal to those of general creditors of the KUA in an amount equal to the fair market value of the deferred account for each participant. Deferred Compensation accounts are stated at market value.

The ICMA is responsible for investment of funds, distribution of benefits and reporting to participants. The KUA believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

10. EXTRAORDINARY ITEM

During 1987, the KUA sold \$66,020,000 of Refunding Revenue Bonds, Series 1987. The 1987 Bonds were issued to (i) advance refund a portion (the "Refunded Bonds") of the outstanding \$71,500,000 in aggregate principal amount of the Electric Refunding Revenue Bonds, Series 1982-A (the "1982-A Bonds") originally issued by the City, (ii) pay certain accrued interest in respect of the 1987 Bonds, and (iii) pay certain costs related to the issuance of the 1987 Bonds. The Refunded Bonds were issued to provide a portion of the funds required to defease the City's Electric Refunding Revenue Bonds, Series 1982, and to pay costs of issuance of the 1982-A Bonds. The Authority has caused to be deposited with First Union National Bank of Florida, Jacksonville, Florida (the "Escrow Holder") under the Escrow Deposit Agreement dated as of April 1, 1987 (the "Escrow Deposit Agreement"), between the Authority and the Escrow Holder,

KISSIMMEE UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1987 AND 1986

sufficient funds from the net proceeds of the 1987 Bonds and other available moneys to enable the Escrow Holder to make investments, the interest on and maturing principal of which will be sufficient to enable the Escrow Holder to make all payments of principal of and interest on the Refunded Bonds through September 30, 1990 and to redeem on October 1, 1990 all of the unpaid Refunded Bonds.

A calculation of the net loss on the refunding program is as follows:

Net old bonds refunded	\$ 57,556,605
Net new bonds issued	66,589,628
	-----
LOSS	\$ 9,033,023
	=====

The loss calculated above is recorded as an extraordinary item on the statement of income for the year ended September 30, 1987. Although the refunding resulted in the recognition of an accounting loss, the KUA in effect reduced its aggregate debt service payments by over \$12.1 million over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$5.3 million.

11. REVENUE BONDS OUTSTANDING

The Revenue Bond resolutions provide for:

- A. Establishment and maintenance of various funds
- (1) Revenue Fund records all operating revenues and expenses of the system;
  - (2) Sinking Fund records principal and interest requirements;
  - (3) Bond Amortization Fund records funds held for the retirement of term bonds;
  - (4) Reserve Fund records funds held for the maximum annual debt service requirement;
  - (5) Renewal, Replacement and Improvement Fund is to be used only for making improvements, extensions and replacements to the system; and
  - (6) Construction Fund records the cost of major additions to the system financed by revenue bonds.



KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

B. Restrictions on the use of cash from operations in order of priority

- (1) Deposits are made to the Revenue Fund to meet current operations according to the budget;
- (2) Deposits to the Sinking Fund account are required on or before the 25th day of each month equal to one-sixth (1/6) of the interest coming due on the next semi-annual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal payment date;
- (3) Deposits to the Bond Amortization Fund are required on or before the 25th of each month equal to one-sixth (1/6) of the amortization installment coming due on the next semi-annual payment date;
- (4) Deposits to the Reserve Fund are to be made when required to maintain the Fund at the reserve requirement (maximum annual debt service); and
- (5) Deposits to the Renewal, Replacement and Improvement Fund are required each month in an amount equal to one-twelfth (1/12) of the adopted budget for that fund. The total annual deposit may not be less than 5% of the gross revenues for the preceding fiscal year after deducting 100% of the fuel expense and the energy component of purchased power expenses incurred in such preceding fiscal year. However, no such monthly deposit shall be required when the amount in such fund shall at least equal \$1,500,000.

C. Early redemption

The bond ordinance provides for early redemption of outstanding bonds, except original issue discount bonds, at call rates varying from 100% to 102% of the instruments' face value, dependent upon the call date. Original issue discount bonds may be redeemed early at call rates of 80% to 100% of the face value, dependent upon the call date.

KISSIMMEE UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1987 AND 1986

D. Investment restrictions

- (1) Funds of the Sinking Fund, Bond Amortization Fund, Reserve Fund and Renewal, Replacement and Improvement Fund are required to be continuously secured in the same manner as municipal deposits of funds are required to be secured by the Laws of the State of Florida; and
- (2) Monies on deposit in the Sinking Fund and the Bond Amortization Fund shall be invested only in direct obligations of, or obligations the principal of and interest on which are guaranteed by the United States of America and which do not permit redemption prior to maturity at the option of the City. Monies on deposit in the Revenue Fund, Reserve Fund and Renewal, Replacement and Improvement Fund may be invested as described above as well as in obligations of agencies of the United States of America, obligations rating an "A" or better from Moody's Investors Service, Inc., bank time deposits represented by certificates of deposit and bankers acceptances, repurchase agreements, commercial paper which has the highest investment grade rating and shares of investment companies which invest principally in United States government securities.

The refunding and revenue bonds consist of the following serial and term bonds:

Description	Interest Rates/Dates	Final Maturity	Original Amount	Amount Outstanding 9/30/87	Amount Outstanding 9/30/86
Refunding Revenue					
Bonds - Series					
1982A	6.75X-7.75X	4/1;10/1 10/1/92	\$71,500,000	\$5,280,000	\$71,500,000
Refunding Revenue					
Bonds - Series					
1985	5.50X-8.50X	4/1;10/1 10/1/17	36,875,000	36,875,000	36,875,000
Electric Revenue					
Bonds - Series					
1987	3.75X-6.80X	4/1;10/1 10/1/12	66,020,000	66,020,000	-

KISSIMMEE UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1987 AND 1986

During the year ended September 30, 1987, KUA's monthly transfers to the Sinking Fund were for amounts less than that called for in the bond resolution. The deficiencies created by the incorrect transfers were corrected at year end. There was no deficiency in payments to bond holders.

12. REFUNDED BONDS

The KUA presently has outstanding serial bonds, which were refunded through the full cash defeasance method on January 4, 1973 and through the net cash defeasance method on February 25, 1982, January 25, 1983, December 31, 1985 and April 1, 1987 as follows:

ELECTRIC & WATER BOND ISSUES	AMOUNT OUTSTANDING	
	1987	1986
1963	\$ 1,500,000	\$ 1,685,000
1967	1,050,000	1,115,000
1971	850,000	850,000
1971-A	485,000	515,000
1973	3,195,000	3,245,000
1975	3,375,000	3,450,000
ELECTRIC REVENUE BONDS		
1977 SERIES A	18,400,000	18,400,000
1979-1	2,510,000	2,545,000
1982	47,500,000	47,500,000
1982-A	71,185,000	-
1984	28,400,000	28,400,000
	\$167,995,000	\$107,705,000
	=====	=====

Since governmental obligations are held in escrow for the payment of principal and interest on these bonds, they are not liabilities to the KUA.

KISSIMMEE UTILITY AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED SEPTEMBER 30, 1987 AND 1986

13. CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions:

	1987	1986
	-----	-----
Bonds Payable		
Beginning of Year	\$108,375,000	\$ 99,900,000
New Bonds Issued	66,020,000	36,875,000
Bonds Retired	(66,220,000)	(28,400,000)
	-----	-----
BONDS PAYABLE AT		
END OF YEAR	\$108,175,000	\$108,375,000
	-----	-----

The annual long-term debt requirements are as follows:

YEAR ENDING SEPTEMBER 30	1987	YEAR ENDING SEPTEMBER 30	1986
-----	-----	-----	-----
1988	\$ 9,480,081	1987	\$ 8,796,568
1989	8,673,568	1988	8,380,907
1990	8,671,481	1989	8,988,595
1991	8,999,179	1990	9,072,258
1992	8,996,169	1991	9,066,894
1993-1997	44,952,856	1992-1996	46,620,879
1998-2002	44,067,632	1997-2001	45,827,370
2003-2007	43,250,230	2002-2006	44,049,750
2008-2012	43,453,670	2007-2011	43,434,831
2013-2017	15,123,850	2012-2016	26,034,475
		2017-2018	5,689,600
	-----		-----
	\$235,668,716		\$255,962,127
LESS:			
Amount representing			
interest	(127,493,716)		(151,927,006)
ADD:			
Amount representing			
bond amortization			
fund investment			
purchased and			
interest income	-		4,339,879
	-----		-----
TOTAL AT PRESENT			
VALUE	\$108,175,000		\$108,375,000

KISSIMMEE UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 1987 AND 1986

14. CONTINGENCIES AND COMMITMENTS

The KUA owns a portion of Florida Power Corporation's nuclear power plant at Crystal River, Florida. This plant is scheduled to be decommissioned in the year 2008. The KUA will be liable for approximately \$668,000 in decommissioning costs at that time. As of September 30, 1987 and 1986, \$83,500 and \$66,800, respectively was escrowed. An additional \$100,000 has been budgeted to be escrowed during FY 1987/88.

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**STATISTICAL  
SECTION**

STATISTICAL INFORMATION



KISSIMMEE UTILITY AUTHORITY  
TABLE 1  
OPERATING REVENUES BY SOURCE/OPERATING EXPENSES BY DEPARTMENT  
LAST TEN FISCAL YEARS

OPERATING REVENUES:

SOURCES	1987	1986	1985	1984
METERED SALES	\$ 41,885,328	\$ 34,794,795	\$ 33,252,960	\$ 26,829,118
PUBLIC STREET & HIGHWAY LIGHTING	82,842	75,281	82,322	84,313
SALES TO OTHER UTILITIES	-	1,887	183,380	595,123
INTERDEPARTMENTAL SALES	725,863	788,838	758,778	686,824
OTHER OPERATING REVENUES	647,819	588,517	565,162	619,121
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 43,259,452</b>	<b>\$ 36,242,318</b>	<b>\$ 34,842,602</b>	<b>\$ 27,934,499</b>

OPERATING EXPENSES:

DEPARTMENTS	1987	1986	1985	1984
BUDGET & AUDIT	\$ 150	\$ -	\$ -	\$ -
NUCLEAR POWER GENERATION	879,544	785,795	1,076,424	797,136
OTHER POWER GENERATION (1)	4,839,234	4,389,997	6,016,859	9,399,901
PURCHASED POWER (1)	12,231,779	10,722,351	10,571,234	5,564,182
TRANSMISSION	688,632	579,865	511,852	484,400
DISTRIBUTION	1,100,826	925,953	765,448	494,343
PLANNING & ENGINEERING	437,272	317,139	360,424	284,780
CUSTOMER SERVICE	597,353	450,234	457,897	687,734
EXECUTIVE	160,916	212,014	278,324	198,786
ADMINISTRATIVE & GENERAL	1,506,988	1,698,993	1,278,681	1,456,651
PAYMENT TO CITY OF KISSIMMEE (2)	3,330,166	2,321,885	-	-
DEPRECIATION	2,483,376	2,370,378	2,239,552	1,527,638
ACCOUNTING (3)	1,989	-	-	-
INFORMATION PROCESSING (3)	3,696	-	-	-
FINANCE & ADMINISTRATION (3)	182,311	-	-	-
PERSONNEL & RISK MANAGEMENT (3)	251,063	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 28,695,135</b>	<b>\$ 24,774,684</b>	<b>\$ 23,555,815</b>	<b>\$ 20,815,463</b>

(1) Information separating Purchased Power from Other Power Generation was unobtainable for the years 1978 to 1981.

(2) Payment to City of Kissimmee prior to 1986 was considered a non-operating expense.

(3) These departments were created during 1987.

1983	1982	1981	1980	1979	1978
\$ 23,768,482	\$ 18,797,493	\$ 18,844,814	\$ 12,918,663	\$ 9,962,338	\$ 8,583,985
68,773	68,655	65,866	59,233	46,887	48,482
116,685	528,161	1,059,874	793,066	77,749	91,117
509,989	362,643	313,300	261,352	210,892	201,021
242,998	179,931	6,786,276	171,798	171,830	130,763
\$ 24,706,847	\$ 19,928,863	\$ 19,069,338	\$ 14,204,112	\$ 10,467,296	\$ 9,055,288

1983	1982	1981	1980	1979	1978
-	-	-	-	-	-
823,054	518,277	489,157	389,654	336,540	293,194
4,895,406	3,555,398	11,668,394	9,260,197	6,248,367	5,164,718
9,486,552	8,217,056	-	-	-	-
345,633	250,299	194,599	99,879	58,362	49,621
741,607	706,523	277,516	233,300	220,738	653,491
330,945	273,009	207,412	159,501	143,450	115,299
267,511	226,484	187,050	153,161	147,410	174,093
213,362	127,300	149,321	160,757	118,384	71,482
952,603	1,121,554	1,002,333	320,512	797,542	396,992
-	-	-	-	-	-
1,032,233	976,554	920,609	730,665	660,704	687,140
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 19,088,906	\$ 15,972,854	\$ 15,008,391	\$ 11,506,826	\$ 8,731,497	\$ 7,516,830

KISSIMMEE UTILITY AUTHORITY  
TABLE 2  
STATISTICAL DATA

FISCAL YEAR	NUMBER OF RETAIL CUSTOMERS (1)	PERCENT INCREASE	RETAIL SALES (MMH)	PERCENT INCREASE	TOTAL OPERATING REVENUE	OPERATING INCOME (2)	INCOME BEFORE EXTRAORDINARY ITEM
1987	24,106	8.28	471,742	15.16	\$ 43,259,452	\$ 14,564,317	\$ 10,451,413
1986	22,263	7.28	409,644	11.88	36,242,318	11,517,714	7,389,771
1985	20,752	7.61	366,155	14.24	34,842,682	9,898,875	4,489,977
1984	19,285	13.54	328,524	10.15	27,934,499	7,089,152	1,444,927
1983	16,985	7.80	290,987	8.90	24,786,847	5,617,941	2,953,745
1982	15,756	8.61	267,283	5.39	19,928,883	3,956,029	1,984,999
1981	14,507	10.70	253,530	13.76	19,069,330	4,060,933	2,845,585
1980	13,105	8.62	222,866	9.12	14,284,112	2,697,286	1,167,851
1979	12,055	6.84	204,245	7.21	10,467,296	1,735,800	676,226
1978	11,293	3.94	190,516	11.07	9,855,288	1,539,258	489,251

(1) Average customer count for fiscal year.

(2) Prior to 1984 the Payment to the City and Amortization expense were deducted after Operating Income was determined.

KISSIMMEE UTILITY AUTHORITY  
TABLE 3  
SCHEDULE OF REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS

FISCAL YEAR	GROSS REVENUES	OPERATION AND MAINTENANCE EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS	COVERAGE
1987	\$ 45,854,926	\$ 22,881,594	\$ 22,973,332	\$ 7,435,601	3.09 X
1986	39,254,729	20,032,341	19,222,388	7,514,756	2.56
1985	38,563,461	21,316,263	17,247,198	7,286,426	2.37
1984	29,659,637	19,287,834	10,371,803	5,901,623	1.76
1983	26,615,463	18,056,673	8,558,790	6,032,412	1.42
1982	21,096,368	14,996,300	6,100,068	3,932,798	1.55
1981	19,775,045	14,087,782	5,687,263	1,540,834	3.69
1980	14,609,276	10,776,151	3,833,115	1,265,432	3.03
1979	10,590,156	8,070,793	2,519,363	1,145,011	2.20
1978	9,766,729	6,828,890	2,937,839	1,319,917	2.23

GROSS REVENUES COMPUTATION

Total operating revenues	43,259,452
Interest revenue	2,088,974
Interest revenue capitalized	562,080
Interest revenue - Bond Amortization Fund	(55,580)
<b>Total Gross Revenues</b>	<b>45,854,926</b>

O & M EXPENSES COMPUTATION

Total operating expenses	28,695,135
Payment to the City	(3,330,166)
Depreciation & amort.	(2,483,375)
<b>Total O &amp; M Expenses</b>	<b>22,881,594</b>

DEBT SERVICE REQUIREMENTS COMPUTATION

Interest expense	6,184,743
Amortization of bond discount	(422,912)
Other interest expense	(44,335)
Interest expense capitalized	2,010,439
Interest expense paid out of construction fund	(1,340,292)
Principal	910,000
Purchase of treasury bonds - Bond Amortization Fund	193,538
Interest revenue - Debt Service Fund	(55,580)
<b>Total Debt Service Requirements</b>	<b>7,435,601</b>

KISSIMMEE UTILITY AUTHORITY  
 TABLE 4  
 SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY  
 ALL SERIES

BOND YEAR	SERIES 1982A	SERIES 1985	SERIES 1987	TOTAL
1988	1,028,038	3,025,585	4,516,458	8,570,081
1989	1,128,150	3,023,160	4,522,258	8,673,568
1990	1,126,450	3,028,523	4,516,508	8,671,481
1991	1,458,739	3,020,873	4,519,568	8,999,179
1992	1,449,238	3,025,993	4,520,932	8,996,169
1993	-	3,027,693	5,975,538	9,003,231
1994	-	3,020,837	5,970,538	8,991,371
1995	-	3,025,920	5,967,058	8,992,978
1996	-	3,021,600	5,969,190	8,990,790
1997	-	3,018,600	5,955,718	8,974,318
1998	-	3,026,475	5,951,448	8,977,923
1999	-	3,023,625	5,824,748	8,848,373
2000	-	3,030,545	5,829,383	8,859,928
2001	-	3,020,825	5,661,943	8,682,768
2002	-	3,030,175	5,668,505	8,698,680
2003	-	3,022,300	5,663,050	8,685,350
2004	-	3,023,050	5,670,065	8,693,115
2005	-	3,021,150	5,668,345	8,689,495
2006	-	3,026,175	5,667,555	8,693,730
2007	-	3,026,850	5,461,690	8,488,540
2008	-	3,022,750	5,668,400	8,691,150
2009	-	3,023,450	5,656,040	8,679,490
2010	-	3,021,975	5,670,580	8,692,555
2011	-	3,023,350	5,669,040	8,692,390
2012	-	3,026,925	5,671,000	8,698,925
2013	-	3,022,050	-	3,022,050
2014	-	3,028,725	-	3,028,725
2015	-	3,025,650	-	3,025,650
2016	-	3,022,825	-	3,022,825
2017	-	3,024,600	-	3,024,600
	\$ 6,190,614	\$ 90,732,370	\$ 137,835,732	\$ 234,758,716
	=====	=====	=====	=====

KISSIMMEE UTILITY AUTHORITY  
 TABLE 5  
 STATEMENT OF BONDED DEBT AND INTEREST  
 REFUNDING REVENUE BONDS-SERIES 1982A  
 SEPTEMBER 30, 1987

BOND YEAR ENDING OCTOBER 1	INTEREST RATE - %	INTEREST		PRINCIPAL DUE OCTOBER 1	TOTAL DEBT SERVICE
		DUE APRIL 1	DUE OCTOBER 1		
1988	6.75	\$ 181,519	\$ 181,519	\$ 665,000	\$ 1,028,038
1989	7.00	159,075	159,075	810,000	1,128,150
1990	7.25	130,725	130,725	865,000	1,126,450
1991	7.50	99,369	99,369	1,260,000	1,458,738
1992	7.75	52,119	52,119	1,345,000	1,449,238
		<u>\$ 622,807</u>	<u>\$ 622,807</u>	<u>\$ 4,945,000</u>	<u>\$ 6,190,614</u>



KISSIMMEE UTILITY AUTHORITY  
 TABLE 6  
 STATEMENT OF BONDED DEBT AND INTEREST  
 REFLUNDING REVENUE BONDS-SERIES 1985  
 SEPTEMBER 30, 1987

BOND YEAR ENDING OCTOBER 1	INTEREST RATE - %	INTEREST		PRINCIPAL DUE OCTOBER 1	TOTAL DEBT SERVICE
		DUE APRIL 1	DUE OCTOBER 1		
1988	6.50	\$ 1,340,293	\$ 1,340,292	\$ 345,000	\$ 3,025,585
1989	6.75	1,329,000	1,329,000	365,000	3,023,160
1990	7.00	1,316,762	1,316,761	395,000	3,028,523
1991	7.20	1,302,936	1,302,937	415,000	3,020,873
1992	7.40	1,287,997	1,287,996	450,000	3,025,993
1993	7.60	1,271,346	1,271,347	485,000	3,027,693
1994	7.75	1,252,916	1,252,917	515,000	3,020,833
1995	7.90	1,232,960	1,232,960	560,000	3,025,920
1996	8.00	1,210,840	1,210,840	600,000	3,021,680
1997	8.10	1,186,840	1,186,840	645,000	3,018,680
1998	8.20	1,160,718	1,160,717	705,000	3,026,435
1999	8.30	1,131,813	1,131,812	760,000	3,023,625
2000	8.40	1,100,273	1,100,272	830,000	3,030,545
2001	8.50	1,065,413	1,065,412	890,000	3,020,825
2002	8.50	1,027,588	1,027,587	975,000	3,030,175
2003	8.50	986,150	986,150	1,050,000	3,022,300
2004	8.50	941,525	941,525	1,140,000	3,023,050
2005	8.50	893,075	893,075	1,235,000	3,021,150
2006	8.50	840,588	840,587	1,345,000	3,026,175
2007	8.50	783,425	783,425	1,460,000	3,026,850
2008	8.50	721,375	721,375	1,580,000	3,022,750
2009	6.50	654,225	654,225	1,715,000	3,023,450
2010	6.50	598,488	598,487	1,825,000	3,021,975
2011	6.50	539,175	539,175	1,945,000	3,023,350
2012	6.50	475,963	475,962	2,075,000	3,026,925
2013	6.50	408,525	408,525	2,205,000	3,022,050
2014	6.50	336,863	336,862	2,355,000	3,028,725
2015	6.50	260,325	260,325	2,505,000	3,025,650
2016	6.50	178,913	178,912	2,665,000	3,022,825
2017	6.50	92,300	92,300	2,840,000	3,024,600
		\$ 26,928,690	\$ 26,928,680	\$ 36,875,000	\$ 90,732,370

KISSIMMEE UTILITY AUTHORITY  
 TABLE 7  
 STATEMENT OF BONDED DEBT AND INTEREST  
 REFUNDING REVENUE BONDS-SERIES 1987  
 SEPTEMBER 30, 1987

BOND YEAR ENDING OCTOBER 1	INTEREST RATE - %	INTEREST		PRINCIPAL DUE OCTOBER 1	TOTAL DEBT SERVICE
		DUE APRIL 1	DUE OCTOBER 1		
1988	4.00	\$ 2,080,729	\$ 2,080,729	\$ 355,000	\$ 4,516,458
1989	4.20	2,073,629	2,073,629	375,000	4,522,258
1990	4.40	2,065,754	2,065,754	385,000	4,516,508
1991	4.60	2,057,284	2,057,284	405,000	4,519,568
1992	4.80	2,047,969	2,047,969	425,000	4,520,938
1993	5.00	2,037,769	2,037,769	1,900,000	5,975,538
1994	5.20	1,990,269	1,990,269	1,990,000	5,970,538
1995	5.40	1,938,529	1,938,529	2,090,000	5,967,058
1996	5.60	1,882,099	1,882,099	2,205,000	5,969,198
1997	5.80	1,820,359	1,820,359	2,315,000	5,955,718
1998	6.00	1,753,224	1,753,224	2,445,000	5,951,448
1999	6.10	1,679,874	1,679,874	2,465,000	5,824,748
2000	6.20	1,604,692	1,604,691	2,620,000	5,829,383
2001	6.25	1,523,472	1,523,471	2,615,000	5,661,943
2002	6.30	1,441,753	1,441,752	2,785,000	5,668,505
2003	6.70	1,354,025	1,354,025	2,955,000	5,663,050
2004	6.70	1,255,033	1,255,032	3,160,000	5,670,065
2005	6.70	1,149,173	1,149,172	3,370,000	5,668,345
2006	6.70	1,036,278	1,036,277	3,595,000	5,667,555
2007	6.70	915,845	915,845	3,630,000	5,461,690
2008	6.80	794,240	794,240	4,000,000	5,668,480
2009	6.80	655,520	655,520	4,345,000	5,656,040
2010	6.80	507,790	507,790	4,655,000	5,670,580
2011	6.80	349,520	349,520	4,970,000	5,669,040
2012	6.80	180,540	180,540	5,310,000	5,671,080
		\$ 36,195,369	\$ 36,195,363	\$ 65,445,000	\$ 137,835,732



KISSIMMEE UTILITY AUTHORITY  
 TABLE 8  
 TEN LARGEST NON-GOVERNMENT UTILITY CUSTOMERS  
 SEPTEMBER 30, 1987

CUSTOMER	ANNUAL ENERGY USAGE *	PERCENT OF TOTAL SYSTEM
1. HUMANA, INC.	5,719	1.21%
2. KISSIMMEE MEMORIAL HOSPITAL	5,693	1.21%
3. CUSTOM PLASTICS	4,729	1.00%
4. HOWARD JOHNSON MOTEL (WEST VINE)	2,781	0.59%
5. K-MART, INC. (EAST VINE)	2,774	0.59%
6. PUBLIX SUPER MARKET (WEST VINE)	2,758	0.58%
7. K-MART, INC. (WEST VINE)	2,250	0.48%
8. OKE dba QUALITY INN	2,212	0.47%
9. HOLIKISS, INC. dba HOLIDAY INN	2,112	0.45%
10. HOWARD JOHNSON MOTEL (EAST VINE)	2,041	0.43%
	----- 33,069 =====	----- 7.01% =====

\*MWH Sales for the 12 month period ending 9/30/87.

KISSIMMEE UTILITY AUTHORITY  
TABLE 9  
MISCELLANEOUS STATISTICAL DATA  
SEPTEMBER 30, 1987

SERVICE AREA

The KUA serves an area of approximately 85 square miles with 10,496 customers inside the City of Kissimmee and 11,767 outside the City limits.

RETAIL SALES

	Commercial &		Total
	Residential	Industrial	
	-----	-----	-----
Average Number of Customers	19,427	2,836	22,263
Percent of Total Customers	87.3	12.7	100.0
Energy Sales (MWH)	206,708	203,566	409,644
Revenues	\$18,018,156	\$17,373,443	\$35,391,599*

\*Excludes sales to other utilities of \$1,887, vapor light sales of \$268,315 and other revenues of \$580,517.

EMPLOYEES BY DEPARTMENT

Generation	44
Transmission	16
Distribution	33
Planning/Engineer	12
Customer Service	25
Executive	3
Finance	11
	-----
	144

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



**Financial Statements  
and  
Auditors' Report  
September 30, 1987 and 1986**

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

FINANCIAL STATEMENTS

AND

AUDITORS' REPORT

September 30, 1987 and 1986

OFFICIALS

H.J. Van Auken, Chairman

Dallas Alsup, Vice Chairman

Richard L. Higginbotham, Secretary-Treasurer

William R. Fay, Assistant Secretary-Treasurer

Albert J. Verick, Commissioner

DIRECTOR OF UTILITIES

R. Ronald Hagen

CONTROLLER

Valois Pagan, CPA

ATTORNEY

John F. Bolt, Esquire

INDEPENDENT AUDITORS

Brent Millikan & Co., P.A.

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

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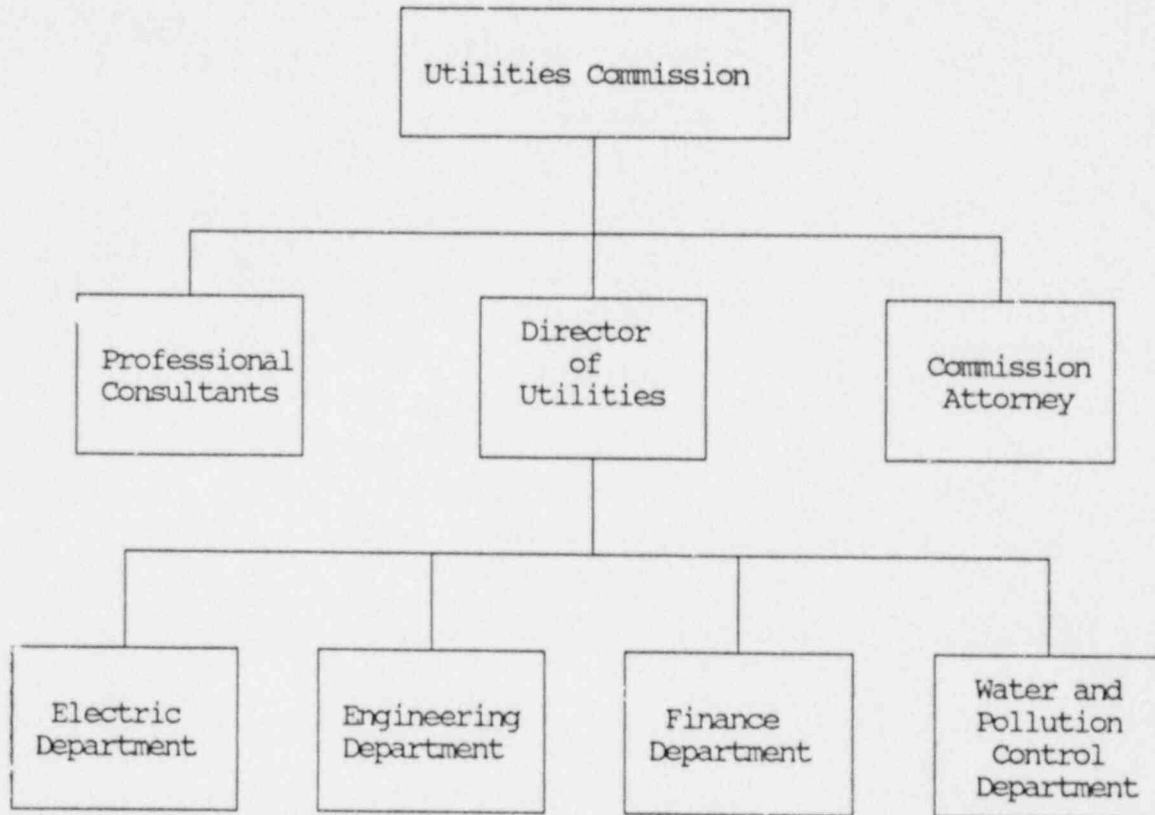
ORGANIZATION CHART



UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

ORGANIZATION CHART

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UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

CERTIFICATE OF ACHIEVEMENT  
for the year ended September 30, 1986

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 Comprehensive Annual Financial Report for the fiscal year ended September 30, 1986.

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

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Utilities Commission City of  
New Smyrna Beach, Florida

For its Component Unit  
Financial Report  
for the Fiscal Year Ended  
September 30, 1986

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose component unit financial reports (CUFR's) are judged to substantially conform to program standards.



*Patricia C. Ellison*

President

*Jeffrey L. Essler*

Executive Director

GENERAL LETTER OF TRANSMITTAL

DIRECTOR OF UTILITIES

# UTILITIES COMMISSION

CITY OF NEW SMYRNA BEACH, FLORIDA  
ELECTRIC, WATER, POLLUTION CONTROL

Post Office Box 519 • 120 Sams Ave.  
New Smyrna Beach, Florida 32070-0519  
(904) 427-1361

OFFICE OF R. RONALD HAGEN  
DIRECTOR OF UTILITIES



December 9, 1987

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

The comments found in this letter relate to the period and conditions existing as of September 30, 1987. In accordance with state statutes and Resolution Number 28-78, I hereby transmit the comprehensive annual financial report of the Utilities Commission, City of New Smyrna Beach, Florida, as of September 30, 1987, and for the fiscal year then ended. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the Utilities Commission. Management believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Utilities Commission as measured by the financial activity of its various functions; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

In developing and evaluating the Utilities Commission's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are discussed in the accompanying financial letter of transmittal, and within that framework, I believe that the Utilities Commission's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

This report has been prepared following the guidelines recommended by the Federal Energy Regulatory Commission, American Institute of Certified Public Accountants, Financial Accounting Standards Board, Governmental Accounting Standards Board, and the Government Finance Officers Association of the United States and Canada. The Government Finance Officers Association awards Certificates of Achievement for Excellence in Financial Reporting to those governmental entities whose annual financial reports are judged to conform substantially with high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Utilities Commission, City of New Smyrna Beach, Florida, has been awarded a Certificate of Achievement for its annual financial reports for fiscal years 1978 through 1986. It is my belief that the accompanying fiscal year 1987 financial report continues to meet program

Chairman and Members  
of the Utilities Commission  
City of New Smyrna Beach, Florida  
December 9, 1987  
Page Two

standards and it will be submitted to the Government Finance Officers Association for review.

In accordance with the above mentioned guidelines, the accompanying report consists of three parts:

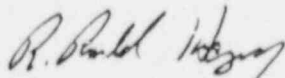
- (1) Introduction section, including the financial letter of transmittal,
- (2) Financial section, including the financial statements and supplemental data of the Utilities Commission accompanied by our independent auditors' opinion, and
- (3) Statistical section, including a number of tables of data depicting certain financial information of the Utilities Commission, information on revenue certificate debt coverage and other miscellaneous information.

State laws and Resolution Number 28-78 requires that the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, be audited by a certified public accountant selected by the Utilities Commission. This requirement has been complied with, and the auditors' opinion by the firm of Brent Millikan & Co., P.A., Certified Public Accountants, is included in the financial section of this report.

Our basic business is supplying adequate and reliable utilities service at a competitive cost. This objective requires long-term planning and construction activities spanning many years. These activities require a long-term commitment to the future of this area. This commitment requires financial resources and dedicated work of those who comprise the Utilities Commission. The employees of our system, the customers, and the Utilities Commission all have an important role in the accomplishments to be made within our system. In our community the basic interests of these three groups are not in conflict. Rather, they supplement each other.

The preparation of this annual financial report could not have been accomplished without the dedicated effort of the entire staff of the Finance Department. Their efforts over the past years toward upgrading the accounting and financial reporting systems of the Utilities Commission, City of New Smyrna Beach, Florida, have led substantially to the improved quality of the information being reported to the Utilities Commission, the New Smyrna Beach City Commission, and our customers whom we proudly service.

Respectfully submitted,



R. Ronald Hagen  
Director of Utilities

FINANCIAL LETTER OF TRANSMITTAL  
CONTROLLER



# UTILITIES COMMISSION

CITY OF NEW SMYRNA BEACH, FLORIDA  
ELECTRIC, WATER, POLLUTION CONTROL

Post Office Box 519 - 120 Saras Ave.  
New Smyrna Beach, Florida 32070-0519  
(904) 427-1361



OFFICE OF LOUIS PAGAN, CPA  
CONTROLLER

December 9, 1987

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

The Component Unit Financial Report of the Utilities Commission, City of New Smyrna Beach, Florida, for the fiscal year ended September 30, 1987, is submitted herewith. The preparation of this report is the responsibility of the Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the Utilities Commission. We believe that data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Utilities Commission as measured by the financial activity of its various functions; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Utilities Commission's financial affairs have been included.

## Internal Accounting Controls and Budgetary Control

In developing and evaluating the Utilities Commission's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. 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 evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that the Utilities Commission's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Utilities Commission's accounting records are maintained on a full accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when incurred, resulting in liabilities for benefits received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting period. Your attention is directed to the summary of significant accounting

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policies in Note 1 to the Financial Statements which states fully the accounting practices for the presentation of the report.

The electric, water and pollution control systems were combined into a single utilities enterprise fund originally by Resolution No. 16-75, passed in a special meeting of the Utilities Commission of the City of New Smyrna Beach, Florida, on May 28, 1975. This was done in the spirit of making these funds self-supporting and to provide a comparable basis with other public and privately owned utilities.

Budgetary control is maintained through the use of monthly financial reports and the use of purchase orders.

#### The Reporting Entity and Its Services

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, City of New Smyrna Beach. In a referendum held October 2, 1984, the voters of the City of New Smyrna Beach, Florida, approved amendments to the City Charter. The amendments limit a Utilities Commissioner's term to three years instead of five with no more than three consecutive terms, require City Commission approval for extensions of utility services outside the city limits, give the City Commission the right to review and approve the Utilities Commission budget, and require City Commission approval before issuing or refunding revenue certificates and entering into contracts exceeding four years.

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 Component Unit Financial Report of the Utilities Commission is issued separately to provide a comprehensive financial reporting summary and presentation for the Utilities Commission and its bondholders.

Audited financial statements of the City of New Smyrna Beach, Florida, which have also been awarded the Certificate of Achievement for Excellence in Financial Reporting, are available upon request from the City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida, 32069.

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

#### Electric, Water and Pollution Control System-Enterprise Fund

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, 1987, there were 17,025 accounts being actively billed for electric service, 8,828 being actively billed for water services, and 7,036

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accounts actively billed for pollution control services. Pre-1981 customer account tabulations contain the estimated and actual number of total accounts whether active or inactive. For 1981, and subsequent years, all accounts are tabulated on the basis of active operating accounts only. Service totals for the last ten years are summarized below:

<u>Fiscal Year</u>	<u>Electric Accounts</u>	<u>Water Accounts</u>	<u>Sewer Accounts</u>
1978	10,214	6,676	5,476
1979	10,455	6,842	5,694
1980	11,049	7,004	5,797
1981	11,178	7,103	5,296
1982	11,323	7,241	5,540
1983	11,640	7,460	6,026
1984	12,105	7,864	6,344
1985	12,468	8,122	6,539
1986	12,997	8,494	6,797
1987	17,025	8,828	7,036

The current year's operating revenues from the combined utilities systems totaled \$22,471,934, an increase of 11.07% over last year's \$20,233,013. The increase was caused by general economic growth and from the acquisition of approximately 3,000 electric customers throughout the year pursuant to a territorial acquisition project where these accounts and the related distribution facilities were purchased from Florida Power and Light Company. The amount of revenue from various sources and the increases over last year are shown in the following tabulation:

<u>Operating Revenue Source</u>	<u>Amount (000's)</u>	<u>Percent of Total</u>	<u>Increase Over 1986 (000's)</u>
Electric system	\$ 17,715	78.83%	\$ 1,972
Water system	2,926	13.07	191
Pollution control system	<u>1,831</u>	<u>8.15</u>	<u>76</u>
TOTALS	\$ 22,472	100.00%	\$ 2,239

The current year's operating expenses from the combined utilities system totaled \$21,293,848, an increase of 12.38% over last year's adjusted amount of \$18,946,565. Increases in the levels of expenses for the individual systems over the preceding year are shown in the following tabulation:

<u>Operating Expenses by Function</u>	<u>Amount (000's)</u>	<u>Percent of Total</u>	<u>Increase Over 1985 (000's)</u>
Electric system	\$ 16,831	79.04%	\$ 2,043
Water system	2,307	10.83	173
Pollution control system	<u>2,156</u>	<u>10.13</u>	<u>132</u>
	\$ 21,294	100.00%	\$ 2,348

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Debt Administration

The revenue certificate debt coverage is a useful indicator of the Utilities Commission's debt position. The current year's revenue certificate coverage is 2.03 times and is summarized in the following tabulation:

Operating revenues	\$ 22,471,934
Interest and other income (excluding gain on disposals of \$289,962)	813,360
Connection fees	1,180,590
Assessment collections	<u>101,891</u>
REVENUES PER CERTIFICATE RESOLUTION	24,567,775
Cost of Operation and Maintenance (net of depreciation and required payments to the City)	<u>18,106,895</u>
NET REVENUES PER CERTIFICATE RESOLUTION	<u>\$ 6,460,880</u>
Annual debt service requirement (net of accrued interest from issuance of Series 1986 and Series 1987 Certificates of \$67,876)	<u>\$ 3,175,317</u>
COVERAGE RATIO	<u>2.03 Times</u>

A summary of revenue certificate coverage for the last ten years is detailed below:

<u>Fiscal Year</u>	<u>Coverage</u>
1978	1.48x
1979	2.18x
1980	1.94x
1981	2.46x
1982	2.14x
1983	1.79x
1984	2.37x
1985	2.16x
1986	2.17x
1987	2.03x

In October 1986, the Utilities Commission issued \$6,500,000 Utilities System Revenue Improvement Certificates, Series 1986. Proceeds from the 1986 Certificates, net of certain issuance costs, were used to finance the acquisition of certain electric distribution facilities from Florida Power and Light Company (see Note 6 to the financial statements).



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On April 1, 1987, the Utilities Commission issued \$ 8,505,000 in Utilities System Refunding Revenue Certificates, Series 1987, to provide for the advance refunding of 7,315,000 outstanding Utilities System Refunding Revenue Certificates, Series 1985. From the proceeds of the sale of the 1987 Certificates, sufficient monies were deposited into an irrevocable escrow account invested in United States obligations that together with the interest earned thereon, will provide sufficient funds for the payment of maturing principal and interest on the refunded 1985 Certificates. The outstanding 1985 Certificates consisted of \$2,050,000 in 7.00% to 9.20% serial bonds maturing in various amounts from April 1, 1988 through April 1, 1999; \$2,135,000 in 9.375% term bonds subject to mandatory redemption in part, by lot, in various amounts from April 1, 2000, through April 1, 2005; and \$3,130,000 in 9.50% term bonds subject to mandatory redemption in part, by lot, in various amounts from April 1, 2006 through April 1, 2011. The refunded 1985 Certificates are treated as extinguished debts (in-substance defeasance) in accordance with generally accepted accounting principles.

As of September 30, 1987, the Utilities Commission had outstanding \$38,795,000 of revenue certificates payable. These obligations are secured by a first lien on and a pledge of the net revenues of the system. These revenue certificates continue to have the same ratings which they had when they were issued. These ratings are as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>
Utilities System Revenue Refunding and Improvement Certificates, Series 1978	A	BBB+
Utilities System Revenue Improvement Certificates, Series 1986	A	AAA (FGIC Insured)
Utilities System Refunding Revenue Certificates, Series 1987	A	AAA (AMBAC Insured)

The debt service requirements on these obligations are detailed in Note 6 to the financial statements.

#### Commitments

During 1983, the Utilities Commission and several Florida cities, acting through the Florida Municipal Power Agency (FMPA), participated in the purchase of a portion of Florida Power and Light Company's St. Lucie Unit No. 2, a nuclear generating unit with an estimated net capability rating of 802MW.

The Commission's participation provides for a 9.884% entitlement share of FMPA's 8.806% undivided ownership interest. Under the participation agreement, the Commission is obligated to provide approximately \$2.97 million annually.

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 interest rates and maturity dates of the Utilities Commission's investments are detailed in the Schedule Section of the financial statements. The amount of interest earned during the year was \$665,119.

The Utilities Commission is extremely proud of the banking service agreement consummated with a local bank. This agreement was obtained by a competitive bid procedure in which all local banks were allowed the opportunity to participate. The service agreement obtained provides the Utilities Commission many services free of charge and provides for the investment of all cash balances in money market accounts with automatic transfers to checking accounts to the extent of disbursements clearing the bank. The following table summarizes the interest income and rates received from the Utilities Commission's checking accounts as the result of the banking service agreement for fiscal year ended September 30, 1987.

	<u>Average Yield</u>	<u>Interest Income</u>
October	5.61%	\$ 31,289
November	5.45%	29,648
December	5.48%	35,329
January	5.48%	31,017
February	5.48%	28,494
March	5.48%	29,638
April	5.48%	26,948
May	5.48%	24,124
June	5.59%	25,474
July	5.57%	21,790
August	5.60%	22,309
September	5.79%	<u>20,230</u>
TOTAL		<u>\$ 326,290</u>

Utility Plant

The fixed assets of the Utilities Commission are used to provide its customers electric, water and pollution control utility services.

To the Chairman and Members  
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The utility plant at September 30, 1987, by department is summarized below:

	<u>Electric</u>	<u>Pollution Water</u>	<u>Control</u>	<u>Total</u>
Utility plant in service	\$ 39,102,122	\$ 14,382,369	\$ 17,921,301	\$ 71,405,792
Less: allowance for depreciation and amortization	<u>13,015,556</u>	<u>3,790,849</u>	<u>4,142,683</u>	<u>20,949,088</u>
	\$ 26,086,566	\$ 10,591,520	\$ 13,778,618	\$ 50,456,704
Construction work in progress	<u>426,454</u>	<u>891,707</u>	<u>374,085</u>	<u>1,692,246</u>
<b>NET UTILITY PLANT</b>	<u><u>\$ 26,513,020</u></u>	<u><u>\$ 11,483,227</u></u>	<u><u>\$ 14,152,703</u></u>	<u><u>\$ 52,148,950</u></u>

#### Prospects For Future

The Commission's power supply program is reviewed periodically by its engineering department in conjunction with its outside consulting engineers. The Commission feels that since it is interconnected with a 115kV transmission line with Florida Power and Light Company (FPL) which in turn is interconnected with the statewide transmission systems in Florida and Georgia, it is able to consider varied long range power supply alternatives ranging from its own generation to significant wholesale purchases of energy.

Last year, the Commission engaged consulting engineers to undertake a power supply study to determine its future power requirements and alternative means of meeting these requirements. In a report dated May 30, 1986, the engineers concluded that purchased power is the most economical means of providing electric power to supplement the Commission's diesel and nuclear capacity and purchased power contracts through about 1992. The year 1993 was found to be the optimal installation date for additional Commissionowned generation facilities. The report also concluded that both FPL and Florida Power Corporation (FPC) currently have sufficient excess generation capacity to provide economical purchased power to the Commission through about 1992.

The Commission has performed a detailed analysis of its projected capital improvements needs for the next five years. As a result of this analysis, it has been estimated that resources totaling \$12.5 million will be necessary to finance the cost of the Commission's five year capital improvements program which includes \$2.7 million in funding that is required for a proposed 1988 utilities relocation project which will be performed in conjunction with the construction of a high rise bridge within the City. Based on recent estimates, the five year plan consists of anticipated capital improvements of \$2.3 million for the electric system, \$6.2 million for the water system, \$3.4 million for the pollution control system and \$0.5 million for general utility plant improvements. It is anticipated that approximately \$12.0 million of these improvements will be funded from the issuance of revenue certificates in 1988 and later years.



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#### 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. This requirement has been complied with and the auditors' opinion by the firm Brent Millikan & Co., P.A., Certified Public Accountants, has been included in this report.

#### Certificate of Achievement

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 Comprehensive Annual Financial Report for the fiscal year ended September 30, 1986. We are also quite proud of the fact that we have been awarded with this Certificate for the ninth consecutive year.

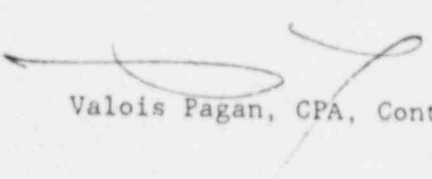
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable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

A Certificate of Achievement is valid for a period of one year only. 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 be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Utilities Commission's staff who assisted and contribute to its preparation. We would also like to thank the members of the Utilities Commission for their interest and support in planning and conducting the financial operations of the Utilities Commission in a most responsible and progressive manner.

Respectfully ~~submitted~~,

  
Valois Pagan, CPA, Controller

FINANCIAL SECTION

This section is composed of the following four parts:

AUDITORS' REPORT

BASIC GENERAL PURPOSE FINANCIAL STATEMENTS

SUPPLEMENTAL COMBINING DETAIL OF THE ELECTRIC,  
WATER AND POLLUTION CONTROL SYSTEMS

SUPPLEMENTAL SCHEDULES

AUDITORS' REPORT

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

CERTIFIED PUBLIC ACCOUNTANTS

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PRACTICE SECTION

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INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

AUDITORS' REPORT

We have examined the balance sheets of the Utilities Commission, City of New Smyrna Beach, Florida as of September 30, 1987 and 1986, and the related statements of revenues, expenses and changes in retained earnings, and changes in financial position for the years then ended appearing on pages 2 through 25. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Utilities Commission, City of New Smyrna Beach, as of September 30, 1987, and 1986, and the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental combining exhibits of individual utility systems, schedules, tables and supplemental five-year information listed on pages ii and iii of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Utilities Commission, City of New Smyrna Beach, Florida. The information has been subjected to the auditing procedures applied in the examination 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.

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

New Smyrna Beach, Florida  
December 9, 1987

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

BASIC GENERAL PURPOSE FINANCIAL STATEMENTS  
(Combined Statements - Overview)

These basic financial statements provide a summary overview of the financial position as well as the operating results of the Utilities Commission. They also serve as an introduction to the more detailed statements and schedules that follow.

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 1

COMPARATIVE BALANCE SHEETS  
September 30, 1987 and 1986

	1987	1986
<u>UTILITY PLANT:</u>		
In Service:		
Electric system	\$39,102,122	\$29,764,983
Water system	14,382,369	13,726,595
Pollution Control system	<u>17,921,301</u>	<u>17,516,011</u>
	71,405,792	61,007,589
Less: Allowance for depreciation and amortization	<u>20,949,088</u>	<u>19,164,023</u>
	50,456,704	41,843,566
Construction work in progress	<u>1,692,246</u>	<u>2,646,613</u>
UTILITY PLANT-NET	<u>52,148,950</u>	<u>44,490,179</u>
<u>RESTRICTED ASSETS:</u>		
Debt Service funds	4,974,756	4,282,877
Renewal and Replacement funds:		
Renewal and Replacement fund	1,735,570	2,991,558
Water and Pollution Control Connection Fee fund	1,851,205	1,848,519
Customer's deposits	887,456	764,268
CR-3 Decommissioning fund	<u>153,603</u>	<u>109,733</u>
TOTAL RESTRICTED ASSETS	<u>9,602,590</u>	<u>9,996,955</u>
<u>CURRENT ASSETS:</u>		
Cash	653,260	1,139,127
Accrued interest receivable	47,334	47,413
Accounts receivable (net of allowance of \$57,401 and \$70,898 for doubtful accounts)	1,209,442	918,271
Unbilled accounts receivable	1,969,057	1,360,322
Due from other governments	48,893	74,275
Inventories	1,297,140	1,272,477
Prepaid expenses and other assets	150,701	109,563
Assessments receivable	<u>102,639</u>	<u>114,355</u>
TOTAL CURRENT ASSETS	<u>5,478,466</u>	<u>5,035,803</u>
<u>DEFERRED CHARGES AND OTHER ASSETS:</u>		
Unamortized debt expense	631,730	546,456
Deferred charges and other assets	25,756	25,103
Assessments receivable - noncurrent	<u>217,541</u>	<u>308,597</u>
TOTAL DEFERRED CHARGES AND OTHER ASSETS	<u>875,027</u>	<u>880,156</u>
TOTAL ASSETS	\$68,105,033	\$60,403,093

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



LIABILITIES AND UTILITY EQUITY	1987	1986
<u>UTILITY EQUITY:</u>		
Contributed capital	\$16,878,706	\$15,607,920
Retained Earnings:		
Reserved for net restricted assets	6,250,672	7,155,961
Unreserved	<u>1,477,076</u>	<u>2,394,966</u>
	<u>7,727,748</u>	<u>9,550,927</u>
 TOTAL UTILITY EQUITY	 <u>24,606,454</u>	 <u>25,158,847</u>
<u>LONG-TERM DEBT:</u>		
Revenue certificates payable (net of current portion)	37,855,000	30,890,000
Less: Unamortized debt discount	<u>793,350</u>	<u>711,500</u>
 TOTAL LONG-TERM DEBT	 <u>37,061,650</u>	 <u>30,178,500</u>
<u>DEFERRED CREDITS AND OPERATING RESERVES:</u>		
Deferred compensated absences	329,214	299,404
Reserve for nuclear re-fueling and maintenance outage	106,864	63,007
Reserve for nuclear plant decommissioning costs	<u>153,603</u>	<u>109,733</u>
 TOTAL DEFERRED CREDITS AND OPERATING RESERVES	 <u>589,681</u>	 <u>472,144</u>
<u>CURRENT LIABILITIES (Payable from restricted assets):</u>		
Accounts payable	296,238	283,548
Customers' deposits	785,872	650,526
Revenue certificates payable (current portion)	940,000	730,000
Accrued interest payable	<u>1,329,808</u>	<u>1,176,920</u>
	<u>3,351,918</u>	<u>2,840,994</u>
<u>CURRENT LIABILITIES (Payable from current assets):</u>		
Accounts payable	1,481,512	1,034,491
Accrued liabilities	689,301	556,684
Due to other governments	<u>324,517</u>	<u>161,433</u>
	<u>2,495,330</u>	<u>1,752,608</u>
 TOTAL CURRENT LIABILITIES	 <u>5,847,248</u>	 <u>4,593,602</u>
 TOTAL LIABILITIES	 <u>43,498,579</u>	 <u>35,244,246</u>
<hr/>		
TOTAL LIABILITIES AND UTILITY EQUITY	\$68,105,033	\$60,403,093



UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>OPERATING REVENUES:</u>		
Sales	\$22,234,268	\$20,084,838
Other revenues	<u>237,666</u>	<u>148,175</u>
TOTAL OPERATING REVENUES	<u>22,471,934</u>	<u>20,233,013</u>
<u>OPERATING EXPENSES:</u>		
Production expenses	11,962,054	10,631,343
Transmission, distribution and sewage collection	2,430,767	2,044,229
Customer accounting	614,138	565,057
Administrative and general	2,856,752	2,581,264
Required payments to the City of New Smyrna Beach	1,301,571	1,209,499
State utilities tax	243,184	241,059
Depreciation	<u>1,885,382</u>	<u>1,674,114</u>
TOTAL OPERATING EXPENSES	<u>21,293,848</u>	<u>18,946,565</u>
OPERATING INCOME	<u>1,178,086</u>	<u>1,286,448</u>
<u>ADD: NONOPERATING REVENUE:</u>		
Interest earnings	665,119	818,337
Other income	148,241	151,326
Gain on disposal of fixed assets	<u>289,962</u>	<u>1,630</u>
TOTAL NONOPERATING REVENUE	<u>1,103,322</u>	<u>971,293</u>
TOTAL INCOME	<u>2,281,408</u>	<u>2,257,741</u>
<u>LESS: NONOPERATING EXPENSES:</u>		
Interest and debt expense	2,583,191	2,421,468
Other expenses	101,482	23,423
Loss on disposal of fixed assets	<u>34,369</u>	<u>59,961</u>
TOTAL NONOPERATING EXPENSES	<u>2,719,042</u>	<u>2,504,852</u>
NET (LOSS) BEFORE EXTRAORDINARY ITEM	(437,634)	(247,111)
<u>EXTRAORDINARY ITEM:</u>		
Loss from defeasance of debt	<u>1,385,545</u>	<u>-</u>
NET (LOSS)	(1,823,179)	(247,111)
<u>RETAINED EARNINGS - BEGINNING OF YEAR</u>	<u>9,550,927</u>	<u>9,798,038</u>
<u>RETAINED EARNINGS - END OF YEAR</u>	<u>\$ 7,727,748</u>	<u>\$ 9,550,927</u>

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

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 3

STATEMENT OF CHANGES IN FINANCIAL POSITION  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>SOURCES OF WORKING CAPITAL:</u>		
From operations:		
Net (loss) before extraordinary item	\$ (437,634)	\$ (247,111)
Items not requiring working capital:		
Depreciation and amortization	2,134,005	1,780,344
(Gain) loss on disposal of utility plant-net	(255,593)	58,331
Increase (Decrease) in unfunded nuclear re-fuel and outage reserve	43,857	48,074
Increase in deferred compensated absences	<u>29,810</u>	<u>41,453</u>
TOTAL FROM OPERATIONS BEFORE EXTRAORDINARY ITEM	1,514,445	1,681,091
Extraordinary loss from defeasance of debt	<u>1,385,545</u>	<u>-</u>
TOTAL FROM OPERATIONS AND EXTRAORDINARY ITEM	128,900	1,681,091
Contributions in aid of construction	1,270,786	1,027,004
Decrease in restricted assets	394,365	510,884
Increase in other liabilities payable from restricted assets	510,924	229,671
Decrease in other assets (net)	90,403	169,592
Increase in reserve nuclear plant decommissioning costs	43,870	41,560
Proceeds from sale of utility plant	333,985	4,693
Proceeds from sale of utilities system revenue certificates, Series 1986 (net of discount of \$176,570)	6,323,430	-
Proceeds from sale of utilities system refunding revenue certificates, Series 1987 (net of carrying value of refunded debt of \$6,904,011 and discount of \$194,488)	<u>1,456,633</u>	<u>-</u>
TOTAL SOURCES OF WORKING CAPITAL	<u>10,553,296</u>	<u>3,664,495</u>
<u>USES OF WORKING CAPITAL:</u>		
Additions to utility plant	9,773,409	2,896,711
Reduction of long-term debt	725,000	525,000
Expenses from sale of:		
Series 1986 revenue certificates	209,900	-
Series 1987 refunding revenue certificates	<u>145,046</u>	<u>-</u>
TOTAL USES OF WORKING CAPITAL	<u>10,853,355</u>	<u>3,421,711</u>
NET INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (300,059)</u>	<u>\$ 242,784</u>

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

UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
 STATEMENT OF CHANGES IN FINANCIAL POSITION  
 For the Fiscal Years Ended September 30, 1987 and 1986

Statement 3

	1987	1986
	Increase (Decrease)	Increase (Decrease)
<u>ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL</u>		
<u>EXCLUSIVE OF RESTRICTED ASSETS AND LIABILITIES:</u>		
Cash	\$ (485,867)	\$ 162,863
Accrued interest receivable	(79)	(16,317)
Accounts receivable (net)	291,171	(88,643)
Unbilled accounts receivable	608,735	(96,074)
Due from other governments	(25,382)	(87,399)
Inventories	24,663	230,741
Prepaid expenses	41,138	(6,546)
Assessments receivable (current)	(11,716)	(23,955)
Accounts payable	(447,021)	118,498
Accrued liabilities	(132,617)	(76,207)
Due to other governments	(163,084)	125,823
NET INCREASE (DECREASE) IN WORKING CAPITAL	\$ (300,059)	\$ 242,784

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

NOTES TO THE FINANCIAL STATEMENTS

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1987 and 1986

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. ORGANIZATION

The Utilities Commission, was created in 1967 through the passage of Chapter 67-1754, Laws of Florida, Special Acts of 1967 (House Bill 1669) which amended the Charter of the City of New Smyrna Beach, Florida, to create the Utilities Commission. In a referendum held October 2, 1984, the voters of the City of New Smyrna Beach, Florida, approved amendments to the City Charter. The amendments limit a Utilities Commissioner's term to three years instead of five with no more than three consecutive terms, require City Commission approval for extensions of utility services outside the city limits, give the City Commission the right to review and approve the Utilities Commission budget, and require City Commission approval before issuing or refunding revenue certificates and entering into contracts exceeding four years.

B. REPORTING ENTITY

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 basic financial statements are incorporated in the City's Comprehensive Annual Financial Report as an enterprise fund activity.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Utilities Commission utilizes the accrual basis of accounting. By utilizing this method, revenues are recognized when they are earned, and expenses are recognized as they are incurred. Unbilled utility service receivables are recorded at year end so as to provide a better matching of service revenues and the costs of providing the service.

D. BUDGET AND BUDGETARY ACCOUNTING

An annual budget was adopted for the electric, water and pollution control utility systems. The budget was prepared on the accrual basis for the period beginning October 1, and ending September 30. By use of the accrual method of budgeting, revenues and expenses are budgeted for specific periods of time and are recorded as incurred, along with acquired assets, without regard to the date of receipts, or payment of cash. Budget appropriations are prepared by the administrative staff and authorized by the Utilities Commission. Budgetary control is exercised at the departmental level. Budget amendments, if any, can be requested by the Director of Utilities. However, all budget amendments must be approved by the Utilities Commission. Unexpended appropriations for operations lapse at year end. During the recent fiscal year, the Utilities Commission made amendments to the approved budget in the form of supplemental appropriations totaling \$1,120,148 which were directly related to an electric territorial acquisition project.

E. CASH

The Utilities Commission invests all cash balances in money market accounts. Invested cash is automatically transferred to checking accounts to the extent of disbursements clearing the bank. The investments are classified for reporting purposes as cash rather than investments. 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.

F. 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RECEIVABLES

Allowance for uncollectible accounts

Accounts receivable have been reported net of the allowance for uncollectible accounts which has been provided based upon management's analysis of historical trends.

Estimated unbilled revenue

Utility Operating sales are recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued at September 30, to recognize the sales revenues earned between the last meter reading date made through the end of the fiscal year.

H. 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, water 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.

I. UNAMORTIZED DEBT DISCOUNT AND ISSUE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method. Unamortized bond discounts are presented in aggregate in the financial statements as a reduction of the carrying cost of the related long-term debt. Unamortized debt issuance costs are presented as other assets.

J. RESTRICTED ASSETS

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

K. UTILITY PLANT

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. UTILITY PLANT (Continued)

Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating expenses-maintenance. Construction period interest is capitalized in accordance with the applicable provisions of Financial Accounting Standard Number 62 and, therefore, depreciated over the remaining useful life of the related asset.

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

Electric System:

Production plant:

Nuclear production	27 years
Diesel production	20 - 40 years
Transmission plant	30 - 55 years
Distribution plant	28 - 45 years

General plant:

Structures and improvements	40 years
Other general plant	5 - 20 years

Water System:

Source of supply plant	25 - 50 years
Pumping plant	35 years
Water treatment plant	40 - 50 years
Transmission and distribution plant	25 - 50 years

General plant:

Structures and improvements	35 years
Other general plant	10 - 35 years

Pollution Control System:

Collection plant	35 - 50 years
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Pumping plant:

Structures and improvements	50 years
Pumping equipment	25 years

Treatment and disposal plant	25 - 40 years
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General plant	10 - 50 years
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Common Plant:

Structures and improvements	35 years
Other general plant	5 - 15 years

L. ACCRUED PAYROLL AND ACCUMULATED UNPAID VACATION AND SICK PAY

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 vacation leave at the rate of 80 hours per year for one through five years of service and 80 hours plus eight hours for each two years service over the first five years to a maximum of 160 hours per year. All outstanding vacation leave is payable upon termination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. ACCRUED PAYROLL AND ACCUMULATED UNPAID VACATION AND SICK PAY (Continued)

Employees accumulate ten hours (eight hours prior to July 1, 1986) of sick leave credit for each month on regular pay status. Generally, employees make an irrevocable election regarding the accumulation of credits and the amounts of credits which can be received upon termination. One option provides for the payment of all unused sick leave at 75% of the existing pay rate at termination. The second option requires the "banking" of at least 240 accumulated hours. Hours accumulated in excess of 240 hours will be paid annually at 75% of the preceding July 1st pay rate.

M. CONTRIBUTIONS

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

N. RESERVES

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

The reserve for nuclear re-fueling and maintenance outage is an F.E.R.C. operating reserve established to account for the estimated charges to be incurred for the removal and installation of nuclear fuel assemblies. Charges are made against the reserve at the time the actual re-fueling takes place. The reserve for nuclear plant decommissioning costs was established to account for the estimated costs of nuclear plant decommissioning. Charges against the reserve will be made at the actual time of decommissioning.

O. RATES, REVENUES AND FUEL EXPENSES

Revenues are recognized based on monthly cycle billings to customers. The rate schedules are approved by the Utilities Commission. The electric rate schedule contains an energy cost adjustment clause which reflects the cost of fuel as well as the energy and fuel components of purchased power. Generally, the effect of the increases and/or decreases in the cost of energy is recovered over a four 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.

2. FIXED ASSETS

A summary of utility plant at September 30, 1987 and 1986, is as follows:

				September 30,
	<u>Electric</u>	<u>Water</u>	<u>Pollution Control</u>	<u>1987 Total</u>
Land and land rights	\$ 1,234,156	\$ 99,830	\$ 119,465	\$ 1,453,451
Structures and improvements	2,738,164	2,497,081	4,339,373	9,574,618
Production plant, nuclear fuel and treatment plant	9,142,008	3,988,838	4,207,782	17,338,628
Transmission, distribution and collection plant	23,940,307	6,907,162	8,403,604	39,251,073
Other general plant and equipment	<u>2,047,487</u>	<u>889,458</u>	<u>851,077</u>	<u>3,788,022</u>
	39,102,122	14,382,369	17,921,301	71,405,792
Less: Accumulated depreciation	<u>13,015,556</u>	<u>3,790,849</u>	<u>4,142,683</u>	<u>20,949,088</u>
	26,086,566	10,591,520	13,778,618	50,456,704
Construction work in progress	<u>426,454</u>	<u>891,707</u>	<u>374,085</u>	<u>1,692,246</u>
UTILITY PLANT-NET	<u><u>\$26,513,020</u></u>	<u><u>\$11,483,227</u></u>	<u><u>\$14,152,703</u></u>	<u><u>\$52,148,950</u></u>

				September 30,
	<u>Electric</u>	<u>Water</u>	<u>Pollution Control</u>	<u>1986 Total</u>
Land and land rights	\$ 1,234,156	\$ 99,830	\$ 4,913	\$ 1,338,899
Structures and improvements	1,954,320	2,468,094	4,324,080	8,746,494
Production plant, nuclear fuel and treatment plant	9,060,563	3,580,602	4,218,769	17,259,934
Transmission, distribution and collection plant	16,146,582	6,310,322	8,355,163	30,812,067
Other general plant and equipment	<u>1,369,362</u>	<u>867,747</u>	<u>613,086</u>	<u>2,850,195</u>
	29,764,983	13,726,595	17,516,011	61,007,589
Less: Accumulated depreciation	<u>12,091,518</u>	<u>3,471,963</u>	<u>3,600,542</u>	<u>19,164,023</u>
	17,673,465	10,254,632	13,915,469	41,843,566
Construction work in progress	<u>1,814,186</u>	<u>726,753</u>	<u>105,674</u>	<u>2,646,613</u>
UTILITY PLANT-NET	<u><u>\$19,487,651</u></u>	<u><u>\$10,981,385</u></u>	<u><u>\$14,021,143</u></u>	<u><u>\$44,490,179</u></u>

During the years ended September 30, 1987 and 1986, construction period interest totaling \$86,013 and \$10,486, respectively, was capitalized based on average accumulated construction expenditures.

3. RESTRICTED ASSETS

Restricted assets consist of the following:

	<u>September 30, 1987</u>				<u>September 30, 1986</u>
	<u>Cash</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Total</u>	
<u>Debt Service Funds:</u>					
1978 Sinking Fund	\$ -	\$1,041,514	\$ 4,882	\$1,046,396	\$1,047,711
1978 Reserve Fund	-	2,049,032	43,744	2,092,776	2,114,090
1985 Sinking Fund	-	-	-	-	339,650
1985 Reserve Fund	-	-	-	-	781,426
1986 Sinking Fund	-	226,869	1,063	227,932	-
1986 Reserve Fund	-	564,836	12	564,848	-
1987 Sinking Fund	-	276,919	2,857	279,776	-
1987 Reserve Fund	-	740,223	22,805	763,028	-
	-	<u>4,899,393</u>	<u>75,363</u>	<u>4,974,756</u>	<u>4,282,877</u>
<u>Renewal and Replacement Funds:</u>					
1978 Certificates	1,731,415	-	4,155	1,735,570	2,991,558
Water and Pollution Control Connection Fee Fund	<u>1,851,205</u>	<u>-</u>	<u>-</u>	<u>1,851,205</u>	<u>1,848,519</u>
	<u>3,582,620</u>	<u>-</u>	<u>4,155</u>	<u>3,586,775</u>	<u>4,840,077</u>
<u>Customer deposits</u>	<u>887,456</u>	<u>-</u>	<u>-</u>	<u>887,456</u>	<u>764,268</u>
<u>CR-3 decommissioning Fund</u>	<u>153,603</u>	<u>-</u>	<u>-</u>	<u>153,603</u>	<u>109,733</u>
	<u>\$4,623,679</u>	<u>\$4,899,393</u>	<u>\$ 79,518</u>	<u>\$9,602,590</u>	<u>\$9,996,955</u>

4. CASH DEPOSITS AND INVESTMENTS

Pursuant to the applicable provisions of Chapter 280, F.S., the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to 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 public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof. Compliance with the provisions of Chapter 280, F.S., is monitored by the Department of Insurance.

4. CASH DEPOSITS AND INVESTMENTS (Continued)

Cash and time deposits owned by the Utilities Commission at September 30, 1987 totalled \$5,281,095. This balance is insured and collateralized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Petty cash and change funds	\$ 7,950	\$ 7,950
Insured by Federal Depository Insurance Corporation	200,000	200,000
Collateralized in accordance with Ch. 280, F.S.	<u>5,073,145</u>	<u>5,168,690</u>
	<u>\$5,281,095</u>	<u>\$5,376,640</u>

Investments held by the Utilities Commission are primarily comprised of funds which are restricted for the payment of subsequent years' debt service expenditures. All investments (with the exception of the U.S. Treasury Fund) are registered in the name of the Utilities Commission, but are held in trust by Florida National Bank, Jacksonville, Florida. As of September 30, 1987, the investments stated at amortized cost, plus accrued interest and their respective market values are as follows:

	<u>Amortized Cost</u>	<u>Market Value</u>
Investments in:		
U. S. Treasury Fund (Collateralized in accordance with Ch. 280, F.S.)	\$2,097,430	\$2,097,430
U. S. Treasury notes	1,401,891	1,408,310
U. S. Treasury SLGS/bonds	682,387	682,387
U. S. Treasury SLGS/notes	<u>793,048</u>	<u>793,048</u>
	<u>\$4,974,756</u>	<u>\$4,981,175</u>

5. ACCOUNTS RECEIVABLE

A summary of net accounts receivable at September 30, 1987 and 1986, is as follows:

	<u>1987</u>	<u>1986</u>
Billed customer accounts receivable	\$1,263,579	\$ 985,646
Customer notes receivable	<u>264</u>	<u>3,523</u>
	1,263,843	989,169
Less: allowance for doubtful accounts	<u>54,401</u>	<u>70,898</u>
	<u>\$1,209,442</u>	<u>\$ 918,271</u>



6. LONG-TERM DEBT

A. Revenue certificates outstanding at September 30, are as follows:

	<u>1987</u>	<u>1986</u>
Utilities System Revenue Refunding and Improvement Certificates, Series 1978--5.35% to 7.125% due serially to 1993, with \$9,075,000 and \$11,335,000 term certificates due in 2003 and 2010, respectively	\$23,790,000	\$24,205,000
Utilities System Refunding Revenue Certificates, Series 1985--5.75% to 9.50% due serially to 1999, with \$2,135,000 and \$3,130,000 term certificates due in 2005 and 2011, respectively	-	7,415,000
Utilities System Revenue Improvement Certificates, Series 1986--5.00% to 7.25% due serially to 2001, with \$4,670,000 term bonds due in 2015	6,500,000	-
Utilities System Refunding Revenue Certificates, Series 1987--4.25% to 7.10% due serially to 2001, with \$2,790,000 and \$2,080,000 term bonds due in 2007 and 2011, respectively	8,505,000	-
	38,795,000	31,620,000
	<u>793,350</u>	<u>711,500</u>
Less: unamortized debt discount		
	<u>\$38,001,650</u>	<u>\$30,908,500</u>

The authorization for the outstanding 1978 Certificates and all subsequent issues 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 conditions provided in the authorizing resolution.

The 1978 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 payment of the principal of and interest on the 1982, 1985, 1986, and 1987 Certificates referred to herein are secured ratably by a first lien on and a pledge of the net revenues of the system on a parity with the outstanding 1978 Certificates. These 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 the long-term debt agreements, the Utilities Commission has agreed to maintain certain restricted funds (see Note 3) and to comply with the covenants contained in such agreements. Certain of these agreements contain the following provision relating to the right of the obligation holder:

6. LONG-TERM DEBT (Continued)

"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."

B. The current maturities of long-term debt at September 30, were as follows:

	<u>1987</u>	<u>1986</u>
Series 1978 Certificates	\$ 665,000	\$ 630,000
Series 1985 Certificates	-	100,000
Series 1986 Certificates	90,000	-
Series 1987 Certificates	<u>185,000</u>	<u>-</u>
	<u>\$ 940,000</u>	<u>\$ 730,000</u>

C. The schedules of debt service to maturity on the outstanding revenue certificates at September 30, are as follows:

1978 Certificates

<u>Payment Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Total Requirements</u>
10-1-87	\$ 215,000	5.900%	\$ 826,513	\$ 1,041,513
04-1-88	220,000	6.000	820,171	1,040,171
10-1-88	230,000	6.000	813,571	1,043,571
04-1-89	235,000	6.100	806,671	1,041,671
10-1-89	245,000	6.100	799,503	1,044,503
04-1-90	250,000	6.200	792,031	1,042,031
10-1-90	260,000	6.200	784,281	1,044,281
04-1-91	265,000	6.300	776,221	1,041,221
10-1-91	275,000	6.300	767,873	1,042,873
04-1-92	285,000	6.350	759,211	1,044,211
10-1-92	290,000	6.350	750,162	1,040,162
04-1-93	300,000	6.400	740,954	1,040,954
10-1-93	310,000	6.400	731,354	1,041,354
04-1-94	320,000	7.000	721,434	1,041,434
10-1-94	330,000	7.000	710,234	1,040,234



UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
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6. LONG-TERM DEBT (Continued)

<u>Payment Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Total Requirements</u>
04-1-95	\$ 345,000	7.000%	\$ 698,684	\$ 1,043,684
10-1-95	355,000	7.000	686,609	1,041,609
04-1-96	370,000	7.000	674,184	1,044,184
10-1-96	380,000	7.000	661,234	1,041,234
04-1-97	395,000	7.000	647,934	1,042,934
10-1-97	410,000	7.000	634,109	1,044,109
04-1-98	425,000	7.000	619,759	1,044,759
10-1-98	435,000	7.000	604,884	1,039,884
04-1-99	455,000	7.000	589,659	1,044,659
10-1-99	470,000	7.000	573,734	1,043,734
04-1-00	485,000	7.000	557,284	1,042,284
10-1-00	500,000	7.000	540,309	1,040,309
04-1-01	520,000	7.000	522,809	1,042,809
10-1-01	540,000	7.000	504,609	1,044,609
04-1-02	555,000	7.000	485,709	1,040,709
10-1-02	575,000	7.000	466,285	1,041,285
04-1-03	595,000	7.000	446,160	1,041,160
10-1-03	615,000	7.000	425,335	1,040,335
04-1-04	640,000	7.125	403,810	1,043,810
10-1-04	660,000	7.125	381,010	1,041,010
04-1-05	685,000	7.125	357,497	1,042,497
10-1-05	710,000	7.125	333,094	1,043,094
04-1-06	735,000	7.125	307,800	1,042,800
10-1-06	760,000	7.125	281,616	1,041,616
04-1-07	790,000	7.125	254,541	1,044,541
10-1-07	815,000	7.125	226,397	1,041,397
04-1-08	845,000	7.125	197,363	1,042,363
10-1-08	875,000	7.125	167,259	1,042,259
04-1-09	905,000	7.125	136,088	1,041,088
10-1-09	940,000	7.125	103,847	1,043,847
04-1-10	970,000	7.125	70,359	1,040,359
10-1-10	<u>1,005,000</u>	7.125	<u>35,803</u>	<u>1,040,803</u>
	<u>\$23,790,000</u>		<u>\$25,195,958</u>	<u>\$48,985,958</u>

1986 Certificates

<u>Payment Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Total Requirements</u>
04-1-88			\$ 226,868	\$ 226,868
10-1-88	\$ 90,000	5.00%	226,867	316,867
04-1-89			224,618	224,618
10-1-89	95,000	5.20	224,617	319,617
04-1-90			222,148	222,148
10-1-90	95,000	5.40	222,147	317,147
04-1-91			219,583	219,583

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 September 30, 1987 and 1986

6. LONG-TERM DEBT (Continued)

<u>Payment Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Total Requirements</u>
10-1-91	\$ 105,000	5.60%	\$ 219,582	\$ 324,582
04-1-92			216,643	216,643
10-1-92	110,000	5.80	216,642	326,642
04-1-93			213,453	213,453
10-1-93	115,000	6.00	213,452	328,452
04-1-94			210,003	210,003
10-1-94	120,000	6.20	210,002	330,002
04-1-95			206,283	206,283
10-1-95	130,000	6.40	206,282	336,282
04-1-96			202,123	202,123
10-1-96	135,000	6.50	202,122	337,122
04-1-97			197,735	197,735
10-1-97	145,000	6.60	197,735	342,735
04-1-98			192,950	192,950
10-1-98	155,000	6.70	192,950	347,950
04-1-99			187,758	187,758
10-1-99	165,000	6.80	187,757	352,757
04-1-00			182,148	182,148
10-1-00	180,000	6.90	182,147	362,147
04-1-01			175,938	175,938
10-1-01	190,000	7.00	175,937	365,937
04-1-02			169,288	169,288
10-1-02	205,000	7.25	169,287	374,287
04-1-03			161,857	161,857
10-1-03	220,000	7.25	161,856	381,856
04-1-04			153,881	153,881
10-1-04	235,000	7.25	153,881	388,881
04-1-05			145,363	145,363
10-1-05	250,000	7.25	145,362	395,362
04-1-06			136,300	136,300
10-1-06	270,000	7.25	136,300	406,300
04-1-07			126,513	126,513
10-1-07	290,000	7.25	126,512	416,512
04-1-08			116,000	116,000
10-1-08	310,000	7.25	116,000	426,000
04-1-09			104,763	104,763
10-1-09	330,000	7.25	104,762	434,762
04-1-10			92,800	92,800
10-1-10	355,000	7.25	92,800	447,800
04-1-11			79,931	79,931
10-1-11	380,000	7.25	79,931	459,931
04-1-12			66,156	66,156
10-1-12	410,000	7.25	66,156	476,156
04-1-13			51,294	51,294
10-1-13	440,000	7.25	51,294	491,294
04-1-14			35,344	35,344
10-1-14	470,000	7.25	35,344	505,344
04-1-15			18,306	18,306
10-1-15	505,000	7.25	18,306	523,306
	<u>\$6,500,000</u>		<u>\$8,672,077</u>	<u>\$15,172,077</u>

UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 1987 and 1986

6. LONG-TERM DEBT (Continued)

<u>Payment Date</u>	<u>1987 Certificates</u>			<u>Total Requirements</u>
	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	
04-1-88	\$ 185,000	4.25%	\$ 276,919	\$ 461,919
10-1-88			272,988	272,988
04-1-89	190,000	4.50	272,987	462,987
10-1-89			268,713	268,713
04-1-90	200,000	4.75	268,712	468,712
10-1-90			263,963	263,963
04-1-91	210,000	5.00	263,962	473,962
10-1-91			258,713	258,713
04-1-92	220,000	5.20	258,712	478,712
10-1-92			252,993	252,993
04-1-93	230,000	5.40	252,992	482,992
10-1-93			246,783	246,783
04-1-94	245,000	5.60	246,782	491,782
10-1-94			239,923	239,923
04-1-95	255,000	5.80	239,922	494,922
10-1-95			232,528	232,528
04-1-96	270,000	6.00	232,527	502,527
10-1-96			224,428	224,428
04-1-97	285,000	6.20	224,427	509,427
10-1-97			215,593	215,593
04-1-98	305,000	6.40	215,592	520,592
10-1-98			205,833	205,833
04-1-99	325,000	6.50	205,832	530,832
10-1-99			195,270	195,270
04-1-00	345,000	6.60	195,270	540,270
10-1-00			183,885	183,885
04-1-01	370,000	6.70	183,885	553,885
10-1-01			171,490	171,490
04-1-02	390,000	7.00	171,490	561,490
10-1-02			157,840	157,840
04-1-03	420,000	7.00	157,840	577,840
10-1-03			143,140	143,140
04-1-04	445,000	7.00	143,140	588,140
10-1-04			127,565	127,565
04-1-05	480,000	7.00	127,565	607,565
10-1-05			110,765	110,765
04-1-06	510,000	7.00	110,765	620,765
10-1-06			92,915	92,915
04-1-07	545,000	7.00	92,915	637,915
10-1-07			73,840	73,840
04-1-08	585,000	7.10	73,840	658,840
10-1-08			53,073	53,073
04-1-09	630,000	7.10	53,072	683,072
10-1-09			30,708	30,708
04-1-10	670,000	7.10	30,707	700,707
10-1-10			6,923	6,923
04-1-11	195,000	7.10	6,922	201,922
	<u>\$8,505,000</u>		<u>\$8,336,649</u>	<u>\$16,841,649</u>

6. LONG-TERM DEBT (Continued)

D. The aggregate annual debt service requirements for the certificates in each of the next five years are as follows:

1988	\$ 3,362,384
1989	3,362,109
1990	3,358,282
1991	3,360,934
1992	3,359,363

E. Advance Refunding of 1985 Certificates

On April 23, 1987, The Utilities Commission issued \$8,505,000 in Utilities System Refunding Revenue Certificates, Series 1987 with an average coupon rate of 6.84% to advance refund \$7,310,000 of outstanding Utilities System Refunding Revenue Certificates, Series 1985, with an average coupon rate of 9.33%. The net proceeds of \$8,210,223 (after payment of \$294,777 in underwriting fees, insurance, and other issuance costs) plus an additional \$824,049 of Series 1985 Certificates sinking fund monies were used to purchase U.S. government securities. Those securities were deposited into an irrevocable escrow account with an escrow agent to provide for all future debt service payments on the Series 1985 Certificates. As a result, the Series 1985 Certificates are considered to be defeased and the liability for those certificates has been removed from the accounting records.

Although the advance refunding resulted in the recognition of an accounting loss of \$1,385,545 for the year ended September 30, 1987, the Utilities Commission in effect reduced its aggregate debt service payments by \$1,000,438 over the next twenty four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$586,589.

7. PRIOR YEARS' DEFEASANCE OF DEBT

In prior years, the Utilities Commission defeased certain outstanding utilities revenue certificates of the Commission and certain general obligation bonds of the City of New Smyrna Beach issued for the System payable out of revenues derived from the operation of the utilities system by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the old certificates/bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission's financial statements. At September 30, the following certificates/bonds are considered defeased:

	<u>1987</u>	<u>1986</u>
<u>1978 Refunding:</u>		
Waterworks and Electric:		
Series 1955--3.75% due serially to 1993	\$ 831,000	\$ 869,000
Series 1962 refunding--3.5% due serially to 1987 and \$35,000 in 1999	35,000	98,000

7. PRIOR YEARS' DEFEASANCE OF DEBT (Continued)

	<u>1987</u>	<u>1986</u>
Series 1962--3.9% to 4.2% due serially to 2000	\$ 1,725,000	\$ 1,765,000
Series 1965--4.2% and 4.25% due serially to 2004	1,925,000	1,955,000
Sewer:		
Series S-1963--3.9% due serially to 2002	345,000	365,000
Series T-1963--4.0% due 2003	818,000	853,000
Series B-1965--3.7% to 4.1% due serially to 2003	475,000	480,000
Utilities:		
Series 1975--3.75% to 6.2% due serially to 2004	2,450,000	2,550,000
Series 1975A--5.0% to 6.6% due serially to 2005	3,215,000	3,315,000
Water and Sewer Revenue General Obligation Bonds:		
Series 1976--4.5% to 6.2% due serially to 2001	5,095,000	5,335,000
<u>1985 Refunding:</u>		
Series 1982--12.625% due serially from 2012 to 2016	6,190,000	6,190,000
<u>1987 Refunding:</u>		
Series 1985--5.75% to 9.50% due serially to 1999 with \$2,135,000 and \$3,130,000 term certificates due in 2005 and 2011, respectively	7,315,000	7,415,000

8. COMPENSATED EMPLOYEE ABSENCES

Pursuant to the Utilities Commission's collective bargaining agreements and employment contracts, the Commission provides compensatory wages for accumulated vacation and sick leave credits that vest with employees. The Commission's liability for accumulated compensated absences at September 30, is as follows:

	<u>1987</u>		<u>1986</u>	
	<u>Current</u>	<u>Deferred</u>	<u>Current</u>	<u>Deferred</u>
Vacation credits	\$146,122	\$ 36,530	\$136,242	\$ 34,061
Sick leave credit	<u>114,422</u>	<u>292,684</u>	<u>97,615</u>	<u>265,343</u>
	<u>\$260,544</u>	<u>\$329,214</u>	<u>\$233,857</u>	<u>\$299,404</u>

9. REQUIRED PAYMENT TO THE CITY OF NEW SMYRNA BEACH, FLORIDA

The legislation that created the Utilities Commission requires the Commission to pay to the general fund of the City of New Smyrna Beach a sum equal to six percent (6%) of the gross revenues from utilities under Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates and is recorded as a quasi-external transaction for financial reporting purposes. The amount paid to the City totaled \$1,301,571 and \$1,209,499 for the years ended September 30, 1987 and 1986, respectively. The balance due to the City at September 30, 1987 and 1986, totaled \$279,224 and \$109,471, respectively.



10. EMPLOYEE PENSION PLAN

The Utilities Commission contributes to the Florida Retirement System of the State of Florida, an Agent Multiple-Employer Public Employee retirement system that acts as a common investment and administrative agent for municipalities in the State of Florida. The payroll for employees covered by the System for the year ended September 30, 1987 was \$3,972,415. Total payroll for the year was \$4,001,121.

All full-time employees are eligible to participate in the system. All participating employees, upon attaining their normal retirement date, will receive a monthly benefit based upon years of service and average monthly salary at retirement. The system also provides for disability benefits.

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. Recent amendments require that the plan be contributory for the employees. 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's contribution to the plan during the year ended September 30, 1987, totaled \$537,333, which was 13.14% of the qualifying employees' gross wages.

The most recent actuarial information available concerning the Florida Retirement System is set forth below:

Most recent valuation date	July 1, 1985
Actuarial cost method used	Entry age normal cost
Unfunded prior service cost	\$ 7,403,753,000
Total assets of fund	\$ 8,783,274,000
Valuation of assets	Bonds - Amortized value
	Stocks - Market value
Interest Rate Used	9%
Amortization period	30 years

11. SEGMENT INFORMATION

The Utilities Commission provides electric, water and pollution control services to the public. The following is a summary of the segment information for the electric, water, and pollution control systems:

11. SEGMENT INFORMATION (Continued)

	Electric System	Water System	Pollution Control System	Total
Operating revenue	\$17,714,974	\$ 2,925,916	\$ 1,831,044	\$22,471,934
Depreciation	1,034,223	337,457	513,702	1,885,382
Operating income (loss)	883,855	618,625	(324,394)	1,178,086
Required payments to City of New Smyrna Beach	1,020,323	173,449	107,799	1,301,571
Net income (loss)	(572,267)	(566,931)	(683,981)	(1,823,179)
Contribution in aid of Construction	410,904	4,989,643	11,478,159	16,878,706
Utility plant acquisitions	9,712,604	741,641	273,531	10,727,776
Utility plant retirements	292,121	13,229	24,223	329,573
Revenue bonds payable	21,801,167	10,493,805	6,500,028	38,795,000
Utility equity	6,533,557	7,036,566	11,036,331	24,606,454
Total assets	32,306,795	17,091,253	18,706,985	68,105,033

12. EXTRAORDINARY ITEM

In connection with the April 1987 advance refunding of the Utilities System Refunding Revenue Certificates, Series 1985 (1985 Certificates), explained in Notes 6 and 7, a loss was recognized in accordance with generally accepted accounting principles. The 1985 Certificates have been treated as fully defeased since the escrow account described in Note 7 is sufficient in amount so that operating revenues will not be needed to meet the future debt service requirements of the 1985 certificates. Accordingly, the transaction has been recognized as an in-substance defeasance.

The recorded loss of \$1,385,545 was computed as follows:

New securities issued:

Utilities System Refunding Revenue Certificates, Series 1987		\$8,505,000
Less discount and issue costs of new issue to be amortized over the life of the new issue		<u>294,777</u>
		8,210,223
Net carrying amount of refunded debt	\$7,315,000	
Less unamortized discount and issue costs	<u>410,989</u>	<u>6,904,011</u>
		1,306,212
Plus Utilities Commission contribution from sinking fund resources		<u>79,333</u>
LOSS FROM DEFEASANCE OF DEBT		<u><u>\$1,385,545</u></u>



13. LEGAL MATTERS

The Utilities Commission has been served in a case seeking to enjoin the collection by the Utilities Commission of the 6% required payment to the City of New Smyrna Beach (see Note 9). The Plaintiffs are also seeking a judgement against the Commission for the return of an amount equal to the sums collected by the Commission which are included in the base utility rates of the Commission. While the Commission considers the Plaintiffs claim to be without merit, an unexpected, unfavorable outcome to the case would not adversely affect the Utilities Commission since the subject funds are remitted directly to the City of New Smyrna Beach.

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

14. COMMITMENTS

Acting through the Florida Municipal Power Agency (FMPA), the Utilities Commission is a participant in a portion of Florida Power and Light Company's St. Lucie Unit No. 2, a nuclear generating unit with an original estimated net capability rating of 802 MW. St. Lucie Unit No. 2 was subsequently uprated and now has a seasonally adjusted rating of approximately 840 MW. FMPA issued St. Lucie Project Revenue Bonds, Series 1983, in the amount of \$290,000,000, which were subsequently partially refunded by \$284,810,000 St. Lucie Project Refunding Revenue Bonds, Series 1986 (together, the "St. Lucie Project Bonds"), for 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 8.806% undivided ownership interest.

A reliability exchange agreement provides for FMPA's exchanging 50% of its output from St. Lucie No. 2 for a like amount from St. Lucie No. 1 to mitigate the potential for economic loss resulting from an extended or permanent outage of St. Lucie No. 2.

The Utilities Commission is not directly obligated to pay the St. Lucie Project Bonds and neither the faith and credit nor the taxing power of the Utilities Commission and/or the City of New Smyrna Beach is pledged to payment of the St. Lucie Project Bonds.

The Utilities Commission, as a participant, has entered into a power sales contract which requires payment on a "take-and pay" basis for the Utilities Commission's entitlement share of the project capability for the St. Lucie Project for each month during any portion of which electric capacity and electric energy are available to the Utilities Commission from the St. Lucie Project, including electric capacity and electric energy under the reliability exchange agreement with FP&L. In the event payment is not

14. COMMITMENTS (Continued)

required for any month under the Utilities Commission's power sales contract, it is required to make payment for such month under its project support contract on a "take-or-pay" basis. The payment under the project support contract would be the amount the Utilities Commission would have been required to pay under its power sales contract for such month if any electric capacity and electric energy from the St. Lucie Project had been made available to them.

As a result of these agreements, the Utilities Commission is obligated to provide payments of approximately \$2,855,500 annually.

In the year 2008, the Utilities Commission's share of decommissioning costs applicable to its participation in Florida Power Corporation's Crystal River Unit No. 3, a nuclear generating unit, is expected to be approximately \$4.0 million. An operating reserve has been established to account for these estimated costs. Funding of the reserve began in 1985 and, based on currently revised estimates, the Commission is expected to fund the reserve with payments of approximately \$85,000 annually. Based on an assumed interest rate of 6% per annum, these annual payments, plus the interest earned thereon, is expected to be sufficient to meet the estimated future decommissioning costs.

At September 30, 1987, the Utilities Commission had additional unrecognized construction contract commitments of approximately \$2.7 million for utility plant expansion and upgrading.

SUPPLEMENTAL COMBINING DETAIL OF THE ELECTRIC,  
WATER AND POLLUTION CONTROL SYSTEMS

These financial statements provide a more detailed view of the "Basic General Purpose Financial Statements" presented in the preceding subsection.

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

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit A-1

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS

For the Fiscal Year Ended September 30, 1987

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 1986

	1987		
	Utilities Systems Allocations		
	Electric	Water	Pollution Control
<u>OPERATING REVENUES:</u>			
Sales	\$17,570,403	\$ 2,840,565	\$ 1,823,300
Other revenues	144,571	85,351	7,744
	<u>17,714,974</u>	<u>2,925,916</u>	<u>1,831,044</u>
<u>OPERATING EXPENSES:</u>			
Production expenses	11,268,860	693,194	-
Transmission, distribution and sewage collection	1,157,241	317,501	956,025
Customer accounting	375,624	148,757	89,757
Administrative and general	1,731,664	636,933	488,155
Required payments to the City of New Smyrna Beach	1,020,323	173,449	107,799
State utilities tax	243,184	-	-
Depreciation	1,034,223	337,457	513,702
	<u>16,831,119</u>	<u>2,307,291</u>	<u>2,155,438</u>
OPERATING INCOME (LOSS)	<u>883,855</u>	<u>618,625</u>	<u>(324,394)</u>
<u>ADD: NONOPERATING REVENUES:</u>			
Interest earnings	142,530	267,987	254,602
Other income	130,045	10,193	8,003
Gain on disposal of assets	289,962	-	-
	<u>562,537</u>	<u>278,180</u>	<u>262,605</u>
TOTAL INCOME (LOSS)	<u>1,446,392</u>	<u>896,805</u>	<u>(61,789)</u>
<u>LESS: NONOPERATING EXPENSES:</u>			
Interest and debt expense	1,354,807	758,391	469,993
Other expenses	21,876	39,659	39,947
Loss on disposal of assets	18,481	624	15,264
	<u>1,395,164</u>	<u>798,674</u>	<u>525,204</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	51,228	98,131	(586,993)
<u>EXTRAORDINARY ITEM:</u>			
Loss from defeasance of debt	623,495	665,062	96,988
NET INCOME (LOSS)	(572,267)	(566,931)	(683,981)
<u>RETAINED EARNINGS - BEGINNING OF YEAR</u>	<u>6,694,920</u>	<u>2,613,854</u>	<u>242,153</u>
<u>RETAINED EARNINGS - END OF YEAR</u>	<u>\$ 6,122,653</u>	<u>\$ 2,046,923</u>	<u>\$ (441,828)</u>

<u>1987</u> <u>Combined</u> <u>System</u>	<u>1986</u> <u>Combined</u> <u>System</u>
\$22,234,268	\$20,084,838
<u>237,666</u>	<u>148,175</u>
<u>22,471,934</u>	<u>20,233,013</u>
11,962,054	10,631,343
2,430,767	2,044,229
614,138	565,057
2,856,752	2,581,264
1,301,571	1,209,499
243,184	241,059
<u>1,885,382</u>	<u>1,674,114</u>
<u>21,293,848</u>	<u>18,946,565</u>
<u>1,178,086</u>	<u>1,286,448</u>
665,119	818,337
148,241	151,326
<u>289,962</u>	<u>1,630</u>
<u>1,103,322</u>	<u>971,293</u>
<u>2,281,408</u>	<u>2,257,741</u>
2,583,191	2,421,468
101,482	23,423
<u>34,369</u>	<u>59,961</u>
<u>2,719,042</u>	<u>2,504,852</u>
(437,634)	(247,111)
<u>1,385,545</u>	<u>-</u>
(1,823,179)	(247,111)
<u>9,550,927</u>	<u>9,798,038</u>
<u>\$ 7,727,748</u>	<u>\$ 9,550,927</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit A-2

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -  
ELECTRIC SYSTEM

For the Fiscal Year Ended September 30, 1987

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 1986

	1987		1986	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>OPERATING REVENUES:</u>				
Electric sales	\$17,312,924	\$17,570,403	\$ 257,479	\$15,627,117
Other revenues	<u>159,000</u>	<u>144,571</u>	<u>(14,429)</u>	<u>115,912</u>
TOTAL OPERATING REVENUES	<u>17,471,924</u>	<u>17,714,974</u>	<u>243,050</u>	<u>15,743,029</u>
<u>OPERATING EXPENSES:</u>				
Power production and fuel	11,069,442	11,268,860	(199,418)	9,916,258
Transmission and distribution	920,454	1,157,241	(236,787)	828,384
Customer accounting	398,701	375,624	23,077	354,358
Administrative and general	1,628,060	1,731,664	(103,604)	1,646,111
Required payments to the City of New Smyrna Beach	1,038,776	1,020,323	18,453	945,448
State utilities tax	267,562	243,184	24,378	241,059
Depreciation	<u>885,462</u>	<u>1,034,223</u>	<u>(148,761)</u>	<u>856,322</u>
TOTAL OPERATING EXPENSES	<u>16,208,457</u>	<u>16,831,119</u>	<u>(622,662)</u>	<u>14,787,940</u>
OPERATING INCOME	<u>1,263,467</u>	<u>883,855</u>	<u>(379,612)</u>	<u>955,089</u>
<u>ADD: NONOPERATING REVENUES:</u>				
Interest earnings	400,768	142,530	(258,238)	208,042
Other income	135,000	130,045	(4,955)	104,757
Gain on disposal of assets	<u>-</u>	<u>289,962</u>	<u>289,962</u>	<u>391</u>
TOTAL NONOPERATING REVENUE	<u>535,768</u>	<u>562,537</u>	<u>26,769</u>	<u>313,190</u>
TOTAL INCOME	<u>1,799,235</u>	<u>1,446,392</u>	<u>(352,843)</u>	<u>1,268,279</u>
<u>LESS: NONOPERATING EXPENSES:</u>				
Interest and debt expense	1,529,987	1,354,807	175,180	1,164,093
Other expense	-	21,876	(21,876)	23,405
Loss on disposal of assets	<u>-</u>	<u>18,481</u>	<u>(18,481)</u>	<u>57,335</u>
TOTAL NONOPERATING EXPENSE	<u>1,529,987</u>	<u>1,395,164</u>	<u>134,823</u>	<u>1,244,833</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	269,248	51,228	(218,020)	23,446
<u>EXTRAORDINARY ITEM:</u>				
Loss from defeasance of debt	<u>-</u>	<u>623,495</u>	<u>(623,495)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 269,248</u>	<u>\$ (572,267)</u>	<u>\$(841,515)</u>	<u>\$ 23,446</u>



UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit A-3

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -  
WATER SYSTEM

For the Fiscal Year Ended September 30, 1987

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 1986

	1987		1986	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>OPERATING REVENUES:</u>				
Metered water sales	\$ 2,731,708	\$ 2,840,565	\$ 108,857	\$ 2,705,503
Other revenues	<u>70,000</u>	<u>85,351</u>	<u>15,351</u>	<u>29,518</u>
TOTAL OPERATING REVENUES	<u>2,801,708</u>	<u>2,925,916</u>	<u>124,208</u>	<u>2,735,021</u>
<u>OPERATING EXPENSES:</u>				
Water production	750,814	693,194	57,620	715,085
Transmission and distribution	297,317	317,501	(20,184)	276,420
Customer accounting	146,203	148,757	(2,554)	129,283
Administrative and general	639,402	636,933	2,469	530,056
Required payments to the City of New Smyrna Beach	167,966	173,449	(5,483)	159,907
Depreciation	<u>303,481</u>	<u>337,457</u>	<u>(33,976)</u>	<u>323,705</u>
TOTAL OPERATING EXPENSES	<u>2,305,183</u>	<u>2,307,291</u>	<u>(2,108)</u>	<u>2,134,456</u>
OPERATING INCOME	<u>496,525</u>	<u>618,625</u>	<u>122,100</u>	<u>600,565</u>
<u>ADD: NONOPERATING REVENUES:</u>				
Interest earnings	266,397	267,987	1,590	324,736
Other income	40,000	10,193	(29,807)	36,803
Gain on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144</u>
TOTAL NONOPERATING REVENUE	<u>306,397</u>	<u>278,180</u>	<u>(28,217)</u>	<u>362,683</u>
TOTAL INCOME	<u>802,922</u>	<u>896,805</u>	<u>93,883</u>	<u>963,248</u>
<u>LESS: NONOPERATING EXPENSES:</u>				
Interest and debt expense	770,385	758,391	11,994	786,393
Other expenses	-	39,659	(39,659)	-
Loss on disposal of assets	<u>-</u>	<u>624</u>	<u>(624)</u>	<u>2,401</u>
TOTAL NONOPERATING EXPENSE	<u>770,385</u>	<u>798,674</u>	<u>(28,289)</u>	<u>788,794</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	32,537	98,131	65,594	174,454
<u>EXTRAORDINARY ITEM:</u>				
Loss from defeasance of debt	<u>-</u>	<u>665,062</u>	<u>(665,062)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 32,537</u>	<u>\$ (566,931)</u>	<u>\$ (599,468)</u>	<u>\$ 174,454</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit A-4

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -  
POLLUTION CONTROL SYSTEM

For the Fiscal Year Ended September 30, 1987

With Comparative Actual Amounts for the Fiscal Year Ended September 30, 1986

	1987		1986	
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>OPERATING REVENUES:</u>				
Pollution control charges	\$ 1,842,660	\$ 1,823,300	\$ (19,360)	\$ 1,752,218
Other revenues	<u>1,000</u>	<u>7,744</u>	<u>6,744</u>	<u>2,745</u>
TOTAL OPERATING REVENUES	<u>1,843,660</u>	<u>1,831,044</u>	<u>(12,616)</u>	<u>1,754,963</u>
<u>OPERATING EXPENSES:</u>				
Collection and treatment system	972,528	956,025	16,503	939,425
Customer accounting	90,521	89,757	764	81,416
Administrative and general	523,589	488,155	35,434	405,097
Required payments to the City of New Smyrna Beach	110,560	107,799	2,761	104,144
Depreciation	<u>115,736</u>	<u>513,702</u>	<u>(397,966)</u>	<u>494,087</u>
TOTAL OPERATING EXPENSES	<u>1,812,934</u>	<u>2,155,438</u>	<u>(342,504)</u>	<u>2,024,169</u>
OPERATING INCOME (LOSS)	<u>30,726</u>	<u>(324,394)</u>	<u>(355,120)</u>	<u>(269,206)</u>
<u>ADD: NONOPERATING REVENUES:</u>				
Interest earnings	276,815	254,602	(22,213)	285,559
Other income	5,000	8,003	3,003	9,766
Gain on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>95</u>
TOTAL NONOPERATING REVENUE	<u>281,815</u>	<u>262,605</u>	<u>(19,210)</u>	<u>295,420</u>
TOTAL INCOME (LOSS)	<u>312,541</u>	<u>(61,789)</u>	<u>(374,330)</u>	<u>26,214</u>
<u>LESS: NONOPERATING EXPENSES:</u>				
Interest and debt expense	458,956	469,993	(11,037)	470,982
Other expenses	-	39,947	(39,947)	18
Loss on disposal of assets	<u>-</u>	<u>15,264</u>	<u>(15,264)</u>	<u>225</u>
TOTAL NONOPERATING EXPENSE	<u>458,956</u>	<u>525,204</u>	<u>(66,248)</u>	<u>471,225</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(146,415)	(586,993)	(440,578)	(445,011)
<u>EXTRAORDINARY ITEM:</u>				
Loss from defeasance of debt	<u>-</u>	<u>96,988</u>	<u>(96,988)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ (146,415)</u>	<u>\$ (683,981)</u>	<u>\$ (537,566)</u>	<u>\$ (445,011)</u>

#### SUPPLEMENTARY SCHEDULES

Financial schedules are presented to provide greater detailed information than reported in the preceding financial statements. This information in many cases has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for a fair presentation in conformity with generally accepted accounting principles.

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Schedule 1

ELECTRIC SYSTEM  
SCHEDULE OF OPERATING EXPENSES  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>Power Production and Fuel:</u>		
Nuclear Power Generation:		
Fuel	\$ 175,837	\$ 102,406
Operation	226,637	201,615
Maintenance	367,317	308,897
Diesel Power Generation		
Fuel	462,947	409,195
Operation	461,746	416,483
Maintenance	49,557	53,135
Other Power Supply:		
Purchased power	9,259,645	8,187,327
System control and load dispatching	265,174	237,200
	<u>11,268,860</u>	<u>9,916,258</u>
<u>Transmission and Distribution:</u>		
Operation	934,695	673,645
Maintenance	222,546	154,739
	<u>1,157,241</u>	<u>828,384</u>
<u>Customer Accounting:</u>		
Operation	375,624	354,358
<u>Administrative and General:</u>		
Operation	1,633,591	1,559,292
Maintenance	98,073	86,819
	<u>1,731,664</u>	<u>1,646,111</u>
<u>Required Payments to the City of New Smyrna Beach</u>	<u>1,020,323</u>	<u>945,448</u>
<u>State Utilities Taxes</u>	<u>243,184</u>	<u>241,059</u>
<u>Depreciation</u>	<u>1,034,223</u>	<u>856,322</u>
TOTAL OPERATING EXPENSES	<u>\$16,831,119</u>	<u>\$14,787,940</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Schedule 2

WATER SYSTEM  
SCHEDULE OF OPERATING EXPENSES  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>Water Production:</u>		
<u>Source of Supply:</u>		
Operation	\$ 46,076	\$ 41,009
Maintenance	14,804	4,313
<u>Pumping:</u>		
Operation	137,755	167,969
Maintenance	9,308	6,653
<u>Water Treatment:</u>		
Operation	469,381	472,081
Maintenance	15,870	23,060
	<u>693,194</u>	<u>715,085</u>
<u>Transmission and Distribution:</u>		
Operation	292,955	242,666
Maintenance	24,546	33,754
	<u>317,501</u>	<u>276,420</u>
<u>Customer Accounting:</u>		
Operation	<u>148,757</u>	<u>129,283</u>
<u>Administrative and General:</u>		
Operation	602,444	497,818
Maintenance	34,489	32,238
	<u>636,933</u>	<u>530,056</u>
<u>Required Payments to the City of New Smyrna Beach</u>	<u>173,449</u>	<u>159,907</u>
<u>Depreciation</u>	<u>337,457</u>	<u>323,705</u>
 TOTAL OPERATING EXPENSES	 <u>\$2,307,291</u>	 <u>\$2,134,456</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Schedule 3

POLLUTION CONTROL SYSTEM  
SCHEDULE OF OPERATING EXPENSES  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>Collection and Treatment System:</u>		
Collection Expenses:		
Operation	\$ 183,882	\$ 149,014
Maintenance	19,475	34,519
Pumping Expenses:		
Operation	173,607	168,999
Maintenance	15,587	20,644
Treatment and Disposal Expenses:		
Operation	535,560	537,787
Maintenance	27,914	28,462
	<u>956,025</u>	<u>939,425</u>
<u>Customer Accounting:</u>		
Operation	<u>89,757</u>	<u>81,416</u>
<u>Administrative and General:</u>		
Operation	458,708	374,842
Maintenance	29,447	30,255
	<u>488,155</u>	<u>405,097</u>
<u>Required Payment to the City of New Smyrna Beach</u>	<u>107,799</u>	<u>104,144</u>
<u>Depreciation</u>	<u>513,702</u>	<u>494,087</u>
 TOTAL OPERATING EXPENSES	 \$2,155,438	 \$2,024,169
	<u><u>                    </u></u>	<u><u>                    </u></u>



UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Schedule 4

SCHEDULE OF INTEREST EARNINGS  
For the Fiscal Years Ended September 30, 1987 and 1986

	1987	1986
<u>INTEREST EARNINGS BY SOURCE:</u>		
From Investments:		
Sinking funds	\$ 296,372	\$ 322,319
Renewal and replacement funds	244,797	260,285
Construction funds	-	92,843
Customers' deposits	29,325	34,851
Other	<u>47,335</u>	<u>55,564</u>
	617,829	765,862
From Assessments	<u>47,290</u>	<u>52,475</u>
 TOTAL INTEREST EARNINGS	 <u>\$ 665,119</u>	 <u>\$ 818,337</u>
<u>INTEREST EARNINGS BY SYSTEM:</u>		
Electric system	\$ 142,530	\$ 208,042
Water system	267,987	324,736
Pollution control system	<u>254,602</u>	<u>285,559</u>
 TOTAL INTEREST EARNINGS	 <u>\$ 665,119</u>	 <u>\$ 818,337</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.

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table I

SCHEDULE OF EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS

Fiscal Year	Total Expenses	Production Expenses	Operating Expenses			Required Payments to City of New Smyrna Beach
			Transmission, Distribution and Collection	Customer Accounting	Administrative and General	
1978	\$ 8,205,483	\$ 3,650,129	\$ 802,469	\$ 206,113	\$ 964,959	\$ 440,795
1979	9,367,152	4,207,711	846,639	237,152	894,164	484,199
1980	11,121,048	5,347,656	980,960	259,025	1,213,890	598,205
1981	12,284,939	5,744,288	1,113,301	304,241	1,612,993	705,863
1982	14,921,572	7,297,762	1,409,742	315,595	1,776,286	826,719
1983	16,968,400	8,241,667	1,420,397	400,372	2,079,755	877,629
1984	18,388,070	8,686,618	1,710,284	496,921	2,214,716	1,047,779
1985	20,725,373	10,637,458	1,868,923	547,952	2,311,726	1,122,521
1986	21,451,417	10,631,343	2,044,229	565,057	2,581,264	1,209,499
1987	24,012,890	11,962,054	2,430,767	614,138	2,856,752	1,301,571

Operating Expenses			Nonoperating Expenses		
State Utilities Tax	Depreciation	Total Operating Expenses	Interest and Debt Expense	Other Nonoperating Expenses	Total Nonoperating Expenses
\$ 55,177	\$ 852,169	\$ 6,971,811	\$1,233,672	\$ -	\$1,233,672
54,645	911,124	7,635,634	1,731,518	-	1,731,518
55,155	962,197	9,417,088	1,703,960	-	1,703,960
57,196	1,008,326	10,546,213	1,527,731	210,993	1,738,726
84,350	1,284,052	12,994,506	1,927,066	-	1,927,066
84,181	1,515,523	14,619,524	2,314,563	34,313	2,348,876
145,297	1,604,757	15,906,372	2,465,284	16,414	2,481,698
170,406	1,625,220	18,284,206	2,376,681	64,486	2,441,167
241,059	1,674,114	18,946,565	2,421,468	83,384	2,504,852
243,184	1,885,382	21,293,848	2,583,191	135,851	2,719,042

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table II

SCHEDULE OF REVENUES BY SOURCE  
LAST TEN FISCAL YEARS

Fiscal Year	Total Revenues	Operating Revenues			Total
		Electric System	Water System	Pollution Control System	
1978	\$ 7,950,622	\$ 5,866,939	\$ 884,646	\$ 810,439	\$ 7,562,024
1979	9,536,222	6,480,325	955,378	862,521	8,298,224
1980	11,457,983	8,128,944	1,143,160	861,954	10,134,058
1981	13,218,442	9,810,642	1,154,600	1,020,688	11,985,788
1982	14,937,949	11,152,100	1,456,000	1,111,215	13,719,441
1983	16,541,534	12,026,330	1,980,000	1,178,922	15,185,863
1984	19,010,464	13,800,387	2,430,016	1,291,324	17,521,727
1985	20,792,509	15,473,671	2,615,605	1,446,702	19,535,978
1986	21,204,306	15,743,029	2,735,021	1,754,963	20,233,013
1987	23,575,256	17,714,974	2,925,916	1,831,044	22,471,934

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Nonoperating Revenues

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Interest Earnings	Other Income	Total
\$ 362,467	\$ 26,131	\$ 388,598
1,073,772	164,226	1,237,998
1,153,818	170,107	1,323,925
1,010,548	222,106	1,232,654
1,111,615	106,893	1,218,508
1,144,035	211,636	1,355,671
1,076,576	412,161	1,488,737
1,091,630	164,901	1,256,531
818,337	152,956	971,293
665,119	438,203	1,103,322

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table III

SCHEDULE OF REVENUE CERTIFICATES COVERAGE  
Last Ten Fiscal Years  
(000's Omitted)

Fiscal Year	Gross Revenue (1)	Expenses (2)	Net Revenue Available For Debt Service	Annual Debt Service Requirements		Less Funded Interest	Net Debt Service Payments	Times Coverage Ratio	
				Principal	Interest (3)				
1978	\$ 7,973	\$ 5,679	\$2,294	\$355	\$1,217	\$1,572	\$ 21	\$1,551	1.48x
1979	9,027	6,240	2,787	-	1,766	1,766	485	1,281	2.18x
1980	10,958	7,857	3,101	-	1,766	1,766	166	1,600	1.94x
1981	12,960	8,832	4,128	-	1,766	1,766	85	1,681	2.46x
1982	15,342	10,883	4,459	325	2,031	2,356	269	2,087	2.14x
1983	16,733	12,226	4,507	345	2,526	2,871	351	2,520	1.79x
1984	20,030	13,254	6,776	350	2,507	2,857	-	2,857	2.37x
1985	21,564	15,536	6,028	365	2,430	2,795	-	2,795	2.16x
1986	22,259	16,063	6,196	495	2,362	2,857	-	2,857	2.17x
1987	24,568	18,107	6,461	515	2,660	3,175	-	3,175	2.03x

- (1) Includes operating revenues, miscellaneous income including interest income (except on construction fund investments), penalty charges, special assessment collections, connection fees and rentals computed in accordance with the Certificate Resolution (Res. #28-78, as amended).
- (2) Includes current expenses paid and accrued of operation, maintenance and repair of the system except for required payments to the City and depreciation expense computed in accordance with the Certificate Resolution (Res. #28-78, as amended).
- (3) Excludes accrued interest received from the issuance of revenue certificates and refunding revenue certificates in the years of issuance.



UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table IV

DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	New Smyrna Beach's Estimated Population (1)	Per Capita Income (4)	County Unemployment Rate (5)	School (6)	
				Enrollment	Percent Attendance
1978	16,128	6,516	6.7	3,455	96
1979	16,500	7,277	7.6	3,412	96
1980	13,310 (2)	8,139	6.5	3,391	96
1981	13,634	9,057	4.8	3,375	96
1982	13,653	9,734 (5)	6.8	3,318	96
1983	13,829	10,220 (3)	6.7	3,665	97
1984	14,104 (3)	10,629 (3)	5.2	3,710	97
1985	14,697 (3)	11,593 (3)	4.4	3,862	97
1986	15,600 (3)	11,719 (3)	5.0	4,123	96
1987	16,000 (3)	11,719 (3)	4.9	4,219	96

- (1) Obtained from University of Florida, Bureau of Economics and Business Research.
- (2) Beginning with 1980, New Smyrna Beach's Estimated Population reflects only the estimated number of permanent residents based on the 1980 census data compiled by the U.S. Department of Commerce, Bureau of the Census. Prior to 1980, the Estimated Population included residents of New Smyrna Beach who were not considered permanent residents for census purposes.
- (3) Estimated, actual amounts not available.
- (4) Obtained from U.S. Department of Commerce, Bureau of Economic Analysis.
- (5) State of Florida, Department of Labor and Employment Security.
- (6) Volusia County School Board - includes grades K-12, Coronado Beach Elementary, Chisholm Elementary, New Smyrna Beach Middle School, New Smyrna Beach Senior High, Read-Pattillo Elementary and Sacred Heart, a private school.

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table V

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (1)  
LAST TEN FISCAL YEARS

Fiscal Year	Construction		Bank Deposits (000's)	Savings and Loan Deposits (000's)	Assessed Value
	Number of Permits	Value of Construction			
1978	582	\$10,405,696	\$ 71,334	\$122,525	\$224,439,769
1979	552	22,521,582	84,663	142,396	225,695,148
1980	582	21,103,303	93,460	167,018	246,627,345
1981	539	25,229,289	100,676	182,271	315,992,191
1982	550	11,111,417	104,324	192,305	421,495,317
1983	718	23,730,247	123,924	222,419	479,806,754
1984	937	35,666,534	144,154	260,142	550,410,029
1985	2,006	32,782,563	166 126	267,464	632,540,204
1986	2,286	26,095,656	192,712	251,404	711,561,352
1987	2,501	26,927,079	185,428	306,928	763,718,138

Sources:

Construction - City of New Smyrna Beach, Florida Building Department  
Deposits - Confirmed directly by banks and savings and loan  
associations Assessed value - Volusia County, Florida Finance  
Department

- (1) The above data is related exclusively to area within the municipal  
limits of the City of New Smyrna Beach, Florida

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table VI  
Page 1 of 2

SCHEDULE OF INSURANCE IN FORCE  
September 30, 1987

Coverage and Insuring Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
<u>Comprehensive General Liability</u>				
Nutmeg Insurance Co.	21CLNSP1917	12-01-86 12-01-87	Combined bodily injury and property damage	\$1,000,000
<u>Business Auto</u>				
Twin City Fire Insurance Company	21CESSN8882	12-01-86 12-01-87	Liability	\$1,000,000 bodily injury and property combined
			Comprehensive	Actual cash value less \$250 deductible
			Collision	Actual cash value less \$250 deductible
			Uninsured motorist	\$10,000
			No fault	Statutory
<u>Business Property</u>				
Zurich - American Insurance Co.	TOP 330-86-70-01	12-01-86 12-01-87	Buildings and contents	\$17,070,812 with \$10,000 deductible and 90% co-insurance
			Accounts receivable	\$850,000 with \$500 deductible
			Valuable papers and records	\$100,000 with \$500 deductible
			Contractors' equipment	\$394,628 with \$500 deductible
			Computer equipment	\$160,000 with \$500 deductible

UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
 SCHEDULE OF INSURANCE IN FORCE  
 September 30, 1987

Coverage and Insuring Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
<u>Crime</u>				
Aetna Casualty and Surety Company	35BY100211596	12-01-86	Employee crime	\$100,000
	BCA	12-01-87		
			Money and securities	\$ 50,000
			Counterfeit currency	\$ 5,000
			Depositors' forgery	\$100,000
<u>Boiler and Machinery</u>				
Great Northern Insurance Company	7874432	9-30-86	Breakdown due to	\$5,000,000 with
		9-30-87	accident	\$10,000 deduct- ible
<u>Nuclear Energy Damage</u>				
American Nuclear Insurance and Mutual Atomic Energy Liability Underwriters and Nuclear Electric Insurance Ltd.	501 & TA5053	10-09-86	Primary property	\$500 million
		10-09-87		
	X8548, XTA1642 & X85015	11-15-86	Excess property	\$645 million
		11-15-87		
	NF195 and MF91	12-31-86	Primary liability	\$160 million
		12-31-87		
	NS347 and MS65	12-31-86	Suppliers and	\$160 million
		12-31-87	transporters liability	
<u>Workers' Compensation</u>				
Florida Municipal Self-Insurers' Fund	109	10-01-86	Statutory coverage	Statutory
		10-01-87	Employers liability	\$100,000

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table VII

TEN LARGEST WATER CUSTOMERS  
September 30, 1987

	Consumption		Revenues Billed	
	Gallons (000's)	Percent of Total	Amount	Percent of Total
Brandywine Enterprises	21,945	1.90%	\$ 29,722	1.04%
Cedar Dunes Homeowners Association	14,347	1.24	17,621	.62
Rinker Materials	13,681	1.18	15,808	.55
Federal Housing Authority	12,465	1.08	18,016	.63
Islander Beach Lodge	11,903	1.03	19,011	.66
Riverwalk by Maxim	10,932	.94	13,113	.46
Del American Sun Beach Club	10,828	.94	17,321	.61
Broadway, Ltd.	10,228	.88	17,359	.61
Oceanview Nursing Home	9,843	.85	12,875	.45
Colony Beach Club	<u>9,354</u>	<u>.81</u>	<u>12,332</u>	<u>.43</u>
	<u>125,526</u>	<u>10.85%</u>	<u>\$ 173,178</u>	<u>6.06%</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

Table VIII

TEN OF THE LARGEST ELECTRIC CUSTOMERS AND  
THEIR TOTAL KILOWATT HOURS PURCHASED  
September 30, 1987

	<u>Kilowatt Hour Sales</u>		<u>Revenues Billed</u>	
	Amount (kWh)	Percent of Total	Amount	Percent of Total
Fish Memorial Hospital	3,441,725	1.61%	\$ 248,790	1.47%
Publix Supermarket	3,091,920	1.45	222,566	1.32
Utilities Commission Water Pollution Control Plant	2,510,400	1.18	180,142	1.07
Volusia County Junior High School	2,315,201	1.09	185,308	1.10
Winn Dixie Store #2302	1,898,160	.89	135,757	.80
Islander Beach Lodge	1,760,320	.83	134,592	.80
Super X Drug Store	1,749,120	.82	124,575	.74
Volusia County Senior High School	1,592,480	.75	132,164	.78
K-Mart	1,517,568	.71	113,655	.67
Winn Dixie Store #2204	<u>1,302,080</u>	<u>.61</u>	<u>93,316</u>	<u>.55</u>
	<u>21,178,974</u>	<u>9.94%</u>	<u>\$ 1,570,865</u>	<u>9.30%</u>

GENERAL UTILITIES COMMISSION INFORMATION

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THE COMMISSION

The Commission was established in 1965 and chartered in 1967 through the passage of Chapter 67-1754, Laws of Florida, (The Enabling Act) which amended the Charter of the City of New Smyrna Beach, Florida. Approved by referendum vote of the citizens of New Smyrna Beach on October 24, 1967, the Enabling Act created the Utilities Commission as an appointive body with full and exclusive authority to the extent permitted by law over the management, operation and control of the City's utilities.

The Commission consists of five members who are appointed by the City Commission. Members are paid a salary of \$100 each month. Officers of the Commission consist of a chairman, vice-chairman, secretary-treasurer and assistant secretary-treasurer elected by and from the membership which also appoints a Director of Utilities. The Commission has the duty to fix rates and the power to sell revenue certificates. All revenue certificates by the Commission are obligations of the Commission. The Commission has no power to pledge the full faith and credit of the City of New Smyrna Beach.

In a referendum held October 2, 1984, the voters of the City of New Smyrna Beach approved amendments to the City Charter. The amendments limit a Commissioner's term to three years instead of five with no more than three consecutive terms, require City Commission approval for extensions of utility services outside the city limits, give the City Commission the right to review and approve the Commission budget, and require City Commission approval before issuing or refunding revenue certificates and entering into contracts exceeding four years.

The following information describes the five current members of the Utilities Commission and the Director of Utilities.

H. J. Van Auken, Chairman (term expires September, 1988)

Mr. Van Auken was employed by GTE Sylvania for thirty-five years before retiring in New Smyrna Beach in 1976. As Plant Services Engineer, he was responsible for electric, water, waste treatment, gas and bulk chemicals services at a GTE Sylvania facility in Pennsylvania. His responsibilities included financial as well as engineering and operational management of these plant services and administration of a \$20 million annual budget. After his retirement, Mr. Van Auken managed a local New Smyrna Beach business for three and one-half years before his appointment to the Commission in September, 1983.

Dallas D. Alsup, Vice-Chairman (term expires September, 1989)

Mr. Alsup has over twenty years of electric utility experience in the areas of operations, accounting and management as an employee of Consumers Power Company in Michigan. He is a graduate of Kansas State College (now Kansas State University) and a World War II Army veteran with over five years service and five Battle Stars. Mr. Alsup has lived in New Smyrna Beach since 1976 and was appointed to the Commission in September, 1984.



Richard L. Higginbotham, Secretary-Treasurer (term expires September 1989)

Mr. Higginbotham is President of Higginbotham Chevrolet-Oldsmobile, Inc. and Higginbotham AMC-Jeep-Renault, Inc., both in New Smyrna Beach. He holds a B.S. Degree in Industrial Management from Georgia Tech and has held management positions in the automotive industry since 1964, including 18 years with the Chevrolet Division of General Motors. He was previously associated with IBM Corporation, and served for two years as an officer in the U. S. Army Artillery. He is a director of the United Way of Volusia County and also participates in several other industrial and community service organizations. Mr. Higginbotham was appointed to the Commission in September 1986.

William R. Fay, Assistant Secretary-Treasurer (term expires September, 1990)

Mr. Fay holds a Bachelor of Science degree in Electrical Engineering from the University of Minnesota and served three years as a pilot in the U.S. Army Air Force. He was employed by Honeywell, Inc. of Minneapolis, Minnesota for thirty-five years before retiring in New Smyrna Beach in 1980. He has held different operational and managerial positions with Honeywell, including Test and Field Engineer, Director of Engineering, Manager of Operations-Commercial and Manager of Operations-Residential. Mr. Fay was appointed to the Commission in September, 1987.

Albert J. Verick, Commissioner (term expires September, 1988)

Mr. Verick has over forty years experience in the utility business with Commonwealth-Edison Company of Chicago, Illinois which included operational and managerial positions, a working knowledge of electrical distribution, preparing five year budget planning for a 2,600 MW power plant, an operational understanding of sewage treatment, water treatment, deep wells and environmental rules. He also has experience in personnel supervision including time study surveys, salary reviews, training, safety, and union grievances. Mr. Verick served four years in the U.S. Navy. He retired in October, 1981 and moved to New Smyrna Beach in May, 1984. Mr. Verick was appointed to serve the unexpired term of a prior Commissioner in September, 1987.

R. Ronald Hagen, Director of Utilities

Mr. Hagen has over twenty-nine years of progressively responsible municipal utility management experience, including twenty years with the Jacksonville Electric Authority (JEA) and over nine years with the Utilities Commission. He has a degree from Jacksonville University and has substantially broadened his background through attendance and presentation of papers at industry seminars and conferences. During his tenure with the City of Jacksonville and the JEA, he headed the Statistical and Accounting Department and was Division Chief of the Budget and Cost Division and Director of Construction and Maintenance. Later he served as Director of Customer Service, a position he held until his retirement in 1976. In 1978 he was employed to fill the newly created position of Controller for the Utilities Commission. Mr. Hagen was appointed Director of Utilities in June, 1982.

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THE UTILITIES SYSTEM

The municipal utilities system has been serving residents of New Smyrna Beach since before 1920. Today the Commission serves approximately 17,000 electric customers, over 8,800 water customers and over 7,000 sewer customers. The electric utility is one of 33 municipal systems in Florida which together serve more than 750,000 customers.

Electric System

The Commission currently provides electric service to all incorporated areas of the City. The Commission's distribution lines also extend west and south from the City limits to serve unincorporated areas. The service area of the Commission's electric system is approximately 70 square miles.

Generation Resources

The system's power and energy requirements are met with a combination of self-generation and purchased power.

The Commission's generating facilities include the W.E. Swoope Generating Station which consists of three diesel engine generators with a combined nameplate rating of 5,235 kW; the Diesel Plant located on Smith Street which consists of four diesel engine generators with a combined nameplate capacity of 540 kW and three 2,000 kW quick-start remotely controlled peaking units; the North Causeway Plant 750 kW diesel peaking unit; and the Glencoe Road Plant 750 kW diesel peaking unit.

The Commission owns a 0.5608% undivided interest in Florida Power Corporation (FPC) Crystal River No. 3 Nuclear Unit (CR-3), with a maximum nameplate capacity of 4,991 kW available to the Commission. FPC operates CR-3 on behalf of itself, the Commission and ten other participants pursuant to a participation agreement. CR-3 is used as a primary base load resource of the Commission's electric system.

The Commission's total installed nameplate generation capacity, including CR-3, is 24,266 kW, which provided approximately 15% of the Commission's total energy requirements during Fiscal Year 1987.

Purchases from Florida Power and Light Company (FPL), Orlando Utilities Commission (OUC), Florida Municipal Power Agency (FMPA) and economy purchases under the Energy Broker system have provided the remainder for the Commission's power and energy requirements. The Commission has executed interchange agreements providing for the purchase and sale of economy energy with FPL and eighteen other investor owned and municipal utilities in Florida.

St. Lucie Nuclear Project

The Commission's electric system is currently one of twenty-eight individual municipal electric systems within the state which are members of

St. Lucie Nuclear Project (Continued)

the Florida Municipal Power Agency (FMPA). FMPA is a joint action power agency which was formed to provide bulk electric power to its members through joint cooperation with other electric utilities in Florida. The Commission has agreed to purchase 9.884 percent or approximately 7 megawatts, of FMPA's entitlement share in the St. Lucie Project. The Commission also has a reliability exchange agreement through the FMPA to exchange 50% of its output from St. Lucie No. 2 for a like amount from St. Lucie No. 1.

Energy Control Center

The Commission has operated an Energy Control Center since April, 1977, which is staffed around the clock by power coordinators who schedule the economic loading of its generating resources and the interchange of power over the interconnection with FPL using a supervisory control and data acquisition (SCADA) system. Telemetry of tie line energy is provided along with "hot line" voice communication and teletype circuits to all major power system control centers in Florida. A computer terminal provides access to the Florida energy broker system.

Transmission and Distribution Facilities

The Commission's transmission facilities consist of three major installations: the 115 kV/23 kV Smyrna and Field Street Substations and the 115 kV transmission line between the two. The distribution system is supplied from the Swoope Station and the Diesel Plant as well as from the Smyrna and Field Street Substations. There are eight 23 kV/4 kV and two 23 kV/13 kV substations on the Commission's distribution system. Energy is delivered to customers by a network of 23 kV/13 kV and 4 kV lines. A number of residential developments are now being served by underground electric facilities.

WATER SYSTEM

The current service area of the Commission's water system is an area of approximately 15 square miles, most of which is located within the City. The Commission also provides water service to the unincorporated south beachside area.

The raw water supply is derived from twelve wells drawing from the Floridian Aquifer. Seven wells, with a total capacity of 7.8 million gallons per day (MGD) are located at the Glencoe Road Water Treatment Plant site. During FY 1982, five additional wells were constructed and put in operation. In FY 1987, a sixth well was put in operation. These additional wells are located seven miles west of the Glencoe Treatment Plant and are over ten miles inland to mitigate salt water intrusion. The additional six wells increased total capacity from 7.8 MGD to 11.0 MGD.

The raw water supply is projected to be sufficient through 1995. The Commission has implemented both a salt water intrusion monitoring program and a water supply management program to ensure the continued cost effective use of existing facilities.

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Water System (continued)

Raw water is treated at the Glencoe Plant, which provides complete water treatment, including aeration, softening, pH adjustment, filtration, fluoridation and disinfection. The facility has a capacity of 6.2 MGD, and was designed for future expansion. Since its completion in 1977, this plant has received numerous top honors from the Florida Department of Environmental Regulation.

The storage, transmission and distribution system includes 4.62 million gallons of storage capacity, three pumping stations, and approximately 140 miles of transmission lines.

POLLUTION CONTROL SYSTEM

The present service area of the Commission's pollution control system includes approximately ten square miles, located primarily within the City limits. Major system facilities include the Pollution Control Plant and the collection system.

The Pollution Control Plant, located on the North Causeway, was originally constructed in 1964 as a 1.2 million gallon per day (MGD) plant. In 1981, the plant was expanded to a capacity of 4.0 MGD. The expanded facility utilizes the oxygenation activated sludge process whereby pure oxygen is used for biological stabilization of sewage waste. This process was designed to provide more than three times the previous treatment capacity and produce better quality effluent, with fewer plant additions and lower capital investment than a more conventional process would require.

The collection system includes approximately 130 miles of associated gravity sewers and force mains. There are presently more than 50 wastewater lift stations in service.

In the past few years substantial improvements have been made in order to expand availability of service, improve operation and curb infiltration and inflow sources. In 1981, sanitary sewer service was extended to five previously unsewered areas within the City. A major collection system extension into the unincorporated south beachside area was completed in 1984 to replace package treatment plants used by condominiums along the south beach.

SUPPLEMENTAL INFORMATION

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

COMPARATIVE BALANCE SHEETS  
September 30, 1987, 1986, 1985, 1984, and 1983

ASSETS	1987	1986
<u>UTILITY PLANT:</u>		
In Service:		
Electric system	\$ 39,102,122	\$ 29,764,983
Water system	14,382,369	13,726,595
Pollution Control system	<u>17,921,301</u>	<u>17,516,011</u>
	71,405,792	61,007,589
Less: Allowance for depreciation and amortization	<u>20,949,088</u>	<u>19,164,023</u>
	50,456,704	41,843,566
Construction work in progress	<u>1,692,246</u>	<u>2,646,613</u>
UTILITY PLANT-NET	<u>52,148,950</u>	<u>44,490,179</u>
<u>RESTRICTED ASSETS:</u>		
Debt Service funds	4,974,756	4,282,877
Renewal and Replacement funds:		
Renewal and Replacement fund	1,735,570	2,991,558
Water and Pollution Control Connection Fee fund	1,851,205	1,848,519
Construction funds	-	-
Customers' deposits	887,456	764,268
CR 3 decommissioning fund	<u>153,603</u>	<u>109,733</u>
TOTAL RESTRICTED ASSETS	<u>9,602,590</u>	<u>9,996,955</u>
<u>CURRENT ASSETS:</u>		
Cash	653,260	1,139,127
Investment	-	-
Accrued interest receivable	47,334	47,413
Accounts receivable (net of allowances of \$57,401 \$70,898, \$70,755, \$66,570, and \$80,016 for doubtful accounts)	1,209,442	918,271
Unbilled accounts receivable	1,969,057	1,360,322
Due from other governments	48,893	74,275
Inventories	1,297,140	1,272,477
Prepaid expenses and other assets	150,701	109,563
Assessments receivable	<u>102,639</u>	<u>114,355</u>
TOTAL CURRENT ASSETS	<u>5,478,466</u>	<u>5,035,803</u>
<u>DEFERRED CHARGES AND OTHER ASSETS:</u>		
Unamortized debt expense	631,730	546,456
Deferred charges and other assets	25,756	25,103
Assessments receivable - noncurrent	<u>217,541</u>	<u>308,597</u>
TOTAL DEFERRED CHARGES AND OTHER ASSETS	<u>875,027</u>	<u>880,156</u>
TOTAL ASSETS	\$68,105,033	\$ 60,403,093



1985	1984	1983
\$ 28,647,262	\$ 29,655,705	\$ 26,900,862
13,321,248	12,396,688	11,006,185
<u>17,368,078</u>	<u>16,472,265</u>	<u>15,942,561</u>
59,336,588	58,524,658	53,849,608
<u>17,575,992</u>	<u>17,394,821</u>	<u>15,734,884</u>
41,760,596	41,129,837	38,114,724
<u>1,656,018</u>	<u>2,306,190</u>	<u>4,339,379</u>
<u>43,416,614</u>	<u>43,436,027</u>	<u>42,454,103</u>
4,357,878	4,247,817	4,165,204
1,937,957	1,543,920	464,709
1,155,787	-	-
2,314,408	3,509,755	4,462,844
673,636	660,209	882,734
<u>68,172</u>	<u>-</u>	<u>-</u>
<u>10,507,839</u>	<u>9,961,701</u>	<u>9,975,491</u>
976,264	1,491,270	1,166,384
-	500,000	300,000
63,730	76,277	84,832
1,006,914	947,311	918,522
1,456,396	1,217,672	978,002
161,674	77,788	43,941
1,041,736	834,737	968,785
116,109	194,220	46,069
<u>138,310</u>	<u>166,662</u>	<u>190,661</u>
<u>4,961,133</u>	<u>5,505,937</u>	<u>4,697,196</u>
555,240	463,785	468,957
26,633	27,293	50,745
<u>476,659</u>	<u>655,214</u>	<u>852,338</u>
<u>1,058,532</u>	<u>1,146,292</u>	<u>1,372,040</u>
\$ 59,944,118	\$ 60,049,957	\$58,498,830



UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
 COMPARATIVE BALANCE SHEETS  
 September 30, 1987, 1986, 1985, 1984, and 1983

LIABILITIES AND UTILITY EQUITY	1987	1986
<u>UTILITY EQUITY:</u>		
Contributed capital	\$ 16,878,706	\$ 15,607,920
Retained Earnings:		
Reserved for net restricted assets	6,250,672	7,155,961
Unreserved	<u>1,477,076</u>	<u>2,394,966</u>
	<u>7,727,748</u>	<u>9,550,927</u>
 TOTAL UTILITY EQUITY	 <u>24,606,454</u>	 <u>25,158,847</u>
<u>LONG-TERM DEBT:</u>		
Revenue certificates payable (net of current portion)	37,855,000	30,890,000
Less: Unamortized debt discount	<u>793,350</u>	<u>711,500</u>
 TOTAL LONG-TERM DEBT	 <u>37,061,650</u>	 <u>30,178,500</u>
<u>DEFERRED CREDITS AND OPERATING RESERVES:</u>		
Deferred compensated absences	329,214	299,404
Reserve for nuclear re-fueling and maintenance outage	106,864	63,007
Reserve for nuclear plant decommissioning costs	<u>153,603</u>	<u>109,733</u>
 TOTAL DEFERRED CREDITS AND OPERATING RESERVES	 <u>589,681</u>	 <u>472,144</u>
<u>CURRENT LIABILITIES (Payable from restricted assets):</u>		
Accounts payable	296,238	283,548
Customers' deposits	785,872	650,526
Revenue certificates payable (current portion)	940,000	730,000
Accrued interest payable	<u>1,329,808</u>	<u>1,176,920</u>
	<u>3,351,918</u>	<u>2,840,994</u>
<u>CURRENT LIABILITIES (Payable from current assets):</u>		
Accounts payable	1,481,512	1,034,491
Accrued liabilities	689,301	556,684
Due to other governments	324,517	161,433
Energy cost adjustments payable	-	-
Nuclear fuel disposal fees payable	<u>-</u>	<u>-</u>
	<u>2,495,330</u>	<u>1,752,608</u>
 TOTAL CURRENT LIABILITIES	 <u>5,847,248</u>	 <u>4,593,602</u>
 TOTAL LIABILITIES	 <u>43,498,579</u>	 <u>35,244,246</u>
 <hr/>		
TOTAL LIABILITIES AND UTILITY EQUITY	\$ 68,105,033	\$60,403,093

1985	1984	1983
\$ 14,580,916	\$ 13,591,323	\$ 12,153,981
7,896,516	7,425,519	6,965,904
<u>1,901,522</u>	<u>4,044,432</u>	<u>3,881,653</u>
<u>9,798,038</u>	<u>11,469,951</u>	<u>10,847,557</u>
<u>24,378,954</u>	<u>25,061,274</u>	<u>23,001,538</u>
31,415,000	30,595,000	30,975,000
<u>722,938</u>	<u>702,283</u>	<u>710,331</u>
<u>30,692,062</u>	<u>29,892,717</u>	<u>30,264,669</u>
257,951	244,784	216,863
14,933	133,652	21,731
<u>68,173</u>	<u>36,000</u>	<u>-</u>
<u>341,057</u>	<u>414,436</u>	<u>238,594</u>
163,858	163,381	409,014
556,411	561,969	810,116
700,000	560,000	530,000
<u>1,191,054</u>	<u>1,250,832</u>	<u>1,260,457</u>
<u>2,611,323</u>	<u>2,536,182</u>	<u>3,009,587</u>
1,152,989	861,238	1,368,524
480,477	414,801	381,431
287,256	156,082	234,487
-	567,755	-
-	<u>145,472</u>	-
<u>1,920,722</u>	<u>2,145,348</u>	<u>1,984,442</u>
<u>4,532,045</u>	<u>4,681,530</u>	<u>4,994,029</u>
<u>35,565,164</u>	<u>34,988,683</u>	<u>35,497,292</u>
\$ 59,944,118	\$ 60,049,957	\$ 58,498,830

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
For the Fiscal Years Ended September 30, 1987, 1986, 1985, 1984, and 1983

	1987	1986
<u>OPERATING REVENUES:</u>		
Sales	\$22,234,268	\$20,084,838
Other revenues	<u>237,666</u>	<u>148,175</u>
	<u>22,471,934</u>	<u>20,233,013</u>
<u>OPERATING EXPENSES:</u>		
Production expenses	11,962,054	10,631,343
Transmission, distribution and sewage collection	2,430,767	2,044,229
Customer accounting	614,138	565,057
Administrative and general	2,856,752	2,581,264
Required payments to the City of New Smyrna Beach	1,301,571	1,209,499
State utilities tax	243,184	241,059
Depreciation	<u>1,885,382</u>	<u>1,674,114</u>
	<u>21,293,848</u>	<u>18,946,565</u>
OPERATING INCOME	<u>1,178,086</u>	<u>1,286,448</u>
<u>ADD: NONOPERATING REVENUE:</u>		
Interest earnings	665,119	818,337
Other income	148,241	151,326
Gain on disposal of fixed assets	<u>289,962</u>	<u>1,630</u>
	<u>1,103,322</u>	<u>971,293</u>
TOTAL INCOME	<u>2,281,408</u>	<u>2,257,741</u>
<u>LESS: NONOPERATING EXPENSES:</u>		
Interest and debt expense	2,583,191	2,421,468
Other expenses	101,482	23,423
Loss on disposal of fixed assets	<u>34,369</u>	<u>59,961</u>
	<u>2,719,042</u>	<u>2,504,852</u>
NET INCOME (LOSS) BEFORE INFREQUENT AND EXTRAORDINARY ITEMS	(437,634)	(247,111)
<u>INFREQUENT ITEM:</u>		
Loss from sale of steam generating plant	-	-
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(437,634)	(247,111)
<u>EXTRAORDINARY ITEM:</u>		
Loss from defeasance of debt	<u>1,385,545</u>	-
NET INCOME (LOSS)	(1,823,179)	(247,111)
<u>RETAINED EARNINGS - BEGINNING OF YEAR</u>	<u>9,550,927</u>	<u>9,799,038</u>
<u>RETAINED EARNINGS - END OF YEAR</u>	<u>\$ 7,727,748</u>	<u>\$ 9,550,927</u>

1985	1984	1983
\$19,395,812	\$17,380,658	\$15,061,672
<u>140,166</u>	<u>141,069</u>	<u>124,191</u>
<u>19,535,978</u>	<u>17,521,727</u>	<u>15,185,863</u>
10,637,458	8,686,618	8,241,667
1,868,923	1,710,284	1,420,397
547,952	496,921	400,372
2,311,726	2,214,716	2,079,755
1,122,521	1,047,779	877,629
170,406	145,297	84,181
<u>1,625,220</u>	<u>1,604,757</u>	<u>1,515,523</u>
<u>18,284,206</u>	<u>15,906,372</u>	<u>14,619,524</u>
<u>1,251,772</u>	<u>1,615,355</u>	<u>566,339</u>
1,091,630	1,076,576	1,144,035
161,610	411,860	211,636
<u>3,291</u>	<u>301</u>	<u>-</u>
<u>1,256,531</u>	<u>1,488,737</u>	<u>1,355,671</u>
<u>2,508,303</u>	<u>3,104,092</u>	<u>1,922,010</u>
2,376,681	2,465,284	2,314,563
63,926	-	-
<u>560</u>	<u>16,414</u>	<u>34,313</u>
<u>2,441,167</u>	<u>2,481,698</u>	<u>2,348,876</u>
67,136	622,394	(426,866)
<u>532,377</u>	<u>-</u>	<u>-</u>
(465,241)	622,394	(426,866)
<u>1,206,672</u>	<u>-</u>	<u>-</u>
(1,671,913)	622,394	(426,866)
<u>11,469,951</u>	<u>10,847,557</u>	<u>11,274,423</u>
<u>\$ 9,798,038</u>	<u>\$11,469,951</u>	<u>\$10,847,557</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

STATEMENT OF CHANGES IN FINANCIAL POSITION  
For the Fiscal Years Ended September 30, 1987, 1986, 1985, 1984, and 1983

	1987	1986
<u>SOURCES OF WORKING CAPITAL:</u>		
Operations:		
Net income (loss) before extraordinary item	\$ (437,634)	\$ (247,111)
Items not requiring working capital:		
Depreciation and amortization	2,134,005	1,780,344
Increase in deferred compensated absences	29,810	41,453
Increase (Decrease) in unfunded nuclear re-fuel and outage reserve	43,857	48,074
Increase (Decrease) in unfunded reserve for nuclear plant decommissioning costs	-	-
(Gain)/Loss on disposal of utility plant-net	<u>(255,593)</u>	<u>58,331</u>
TOTAL FROM OPERATIONS BEFORE EXTRAORDINARY ITEM	1,514,445	1,681,091
Extraordinary loss from defeasance of debt	<u>(1,385,545)</u>	<u>-</u>
TOTAL FROM OPERATIONS AND EXTRAORDINARY ITEM	128,900	1,681,091
Contributions in aid of construction	1,270,786	1,027,004
Decrease in other assets (net)	90,403	169,592
Increase in other liabilities payable from restricted assets	510,924	229,671
Proceeds from sale of utility plant	333,985	4,693
Increase in reserve nuclear plant decommissioning costs	43,870	41,560
Proceeds from sale of revenue certificates (net)	7,780,063	-
Decrease in restricted assets	<u>394,365</u>	<u>510,884</u>
TOTAL SOURCES OF WORKING CAPITAL	<u>10,553,296</u>	<u>3,664,495</u>
<u>USES OF WORKING CAPITAL:</u>		
Additions to utility plant	9,773,409	2,896,711
Increase in restricted assets	-	-
Reduction of long-term debt	725,000	525,000
Expenses of sale of refunding revenue certificates	354,946	-
Decrease in other liabilities payable from restricted assets	<u>-</u>	<u>-</u>
TOTAL USES OF WORKING CAPITAL	<u>10,853,355</u>	<u>3,421,711</u>
NET INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (300,059)</u>	<u>\$ 242,784</u>

1985	1984	1983
\$ (465,241)	\$ 622,394	\$ (426,866)
1,716,276	1,742,271	1,633,401
13,167	27,921	35,032
(118,719)	111,921	(9,671)
(36,000)	36,000	-
<u>529,646</u>	<u>16,113</u>	<u>34,313</u>
1,639,129	2,556,620	1,266,209
<u>(1,206,672)</u>	<u>-</u>	<u>-</u>
432,457	2,556,620	1,266,209
989,593	1,437,342	953,048
179,215	220,576	277,429
75,141	-	211,478
244,708	19,737	19,337
68,173	-	-
1,436,219	-	-
<u>-</u>	<u>1,175,614</u>	<u>2,680,403</u>
<u>3,425,506</u>	<u>5,409,889</u>	<u>5,407,904</u>
2,456,659	2,746,825	3,255,812
546,138	1,161,824	1,681,608
505,000	380,000	355,000
237,887	-	-
<u>-</u>	<u>473,405</u>	<u>-</u>
<u>3,745,684</u>	<u>4,762,054</u>	<u>5,292,420</u>
<u><u>\$ (320,178)</u></u>	<u><u>\$ 647,835</u></u>	<u><u>\$ 115,484</u></u>

UTILITIES COMMISSION  
 CITY OF NEW SMYRNA BEACH, FLORIDA  
 STATEMENT OF CHANGES IN FINANCIAL POSITION  
 For the Fiscal Years Ended September 30, 1987, 1986, 1985, 1984, and 1983

	1987	1986
	Increase (Decrease)	Increase (Decrease)
<u>ELEMENTS OF NET INCREASE (DECREASE)</u>		
<u>IN WORKING CAPITAL:</u>		
Cash	\$ (485,867)	\$ 162,863
Investments	-	-
Accrued interest receivable	(79)	(16,317)
Accounts receivable (net)	291,171	(88,643)
Unbilled accounts receivable	608,735	(96,074)
Due from other governments	(25,382)	(87,399)
Inventory	24,663	230,741
Prepaid expenses	41,138	(6,546)
Assessments receivable (current)	(11,716)	(23,955)
Accounts payable	(447,021)	118,498
Energy cost adjustments payable	-	-
Accrued liabilities	(132,617)	(76,207)
Due to other governments	(163,084)	125,823
Nuclear fuel disposal fees payable	-	-
	<u>                    </u>	<u>                    </u>
NET INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (300,059)</u>	<u>\$ 242,784</u>



1985	1984	1983
Increase (Decrease)	Increase (Decrease)	Increase (Decrease)
\$ (515,006)	\$ 324,886	\$ 752,888
(500,000)	200,000	(200,000)
(12,547)	(8,555)	(10,233)
59,603	28,789	32,386
238,724	239,670	456,513
83,886	33,847	5,295
206,999	(134,048)	(4,124)
(78,111)	148,151	14,964
(28,352)	(23,999)	45,250
(291,751)	507,286	(769,495)
567,755	(567,755)	-
(65,676)	(33,370)	(99,278)
(131,174)	78,405	(108,682)
<u>145,472</u>	<u>(145,472)</u>	<u>-</u>
<u>\$ (320,178)</u>	<u>\$ 647,835</u>	<u>\$ 115,484</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

SELECTED SEGMENT INFORMATION  
September 30, 1987, 1986, 1985, 1984, and 1983

	Electric System	Water System	Pollution Control System	Total
<u>September 30, 1987</u>				
Operating revenue	\$17,714,974	\$ 2,925,916	\$ 1,831,044	\$22,471,934
Depreciation	1,034,223	337,457	513,702	1,885,382
Operating income (loss)	883,855	618,625	(324,394)	1,178,086
Required payments to City of New Smyrna Beach	1,020,323	173,449	107,799	1,301,571
Net income (loss)	(572,267)	(566,931)	(683,981)	(1,823,179)
Contributions in aid of construction	410,904	4,989,643	11,478,159	16,878,705
Utility plant acquisitions	9,712,604	741,641	273,531	10,727,776
Utility plant retirements	292,121	13,229	24,223	329,573
Revenue certificates payable	21,801,167	10,493,805	6,500,028	38,795,000
Utility equity	6,533,557	7,036,566	11,036,331	24,606,454
<u>September 30, 1986</u>				
Operating revenue	\$15,743,029	\$ 2,735,021	\$ 1,754,963	\$20,233,013
Depreciation	856,322	323,705	494,087	1,674,114
Operating income (loss)	955,089	600,565	(269,206)	1,286,448
Required payments to City of New Smyrna Beach	945,448	159,907	104,144	1,209,499
Net income (loss)	23,446	174,454	(445,011)	(247,111)
Contributions in aid of construction	384,069	4,297,608	10,926,243	15,607,920
Utility plant acquisitions	1,316,215	434,503	153,051	1,903,769
Utility plant retirements	198,494	29,156	5,118	232,768
Revenue certificates payable	15,010,821	10,082,448	6,526,731	31,620,000
Utility equity	7,078,989	6,911,462	11,168,396	25,158,847
<u>September 30, 1985</u>				
Operating revenue	\$15,473,671	\$ 2,615,605	\$ 1,446,702	\$19,535,978
Depreciation	837,482	309,663	478,075	1,625,220
Operating income (loss)	1,134,359	584,151	(466,738)	1,251,772
Required payments to City of New Smyrna Beach	884,966	153,593	83,972	1,122,531
Net income (loss)	(685,780)	(354,042)	(632,091)	(1,671,913)
Contributions in aid of construction	340,617	3,754,527	10,485,772	14,580,916
Utility plant acquisitions	1,235,742	972,978	898,111	3,106,831
Utility plant retirements	2,244,185	48,646	2,070	2,294,901
Revenue certificates payable	15,246,330	10,236,900	6,631,770	32,115,000
Utility equity	7,012,091	6,193,927	11,172,936	24,378,954

	Electric System	Water System	Pollution Control System	Total
<u>September 30, 1984</u>				
Operating revenue	\$13,800,387	\$ 2,430,016	\$ 1,231,324	\$17,521,727
Depreciation	855,679	288,791	460,287	1,604,757
Operating income (loss)	1,503,949	601,921	(490,515)	1,615,355
Required payments to City of New Smyrna Beach	831,409	141,522	74,848	1,047,779
Net income (loss)	899,502	267,326	(544,434)	622,394
Contributions in aid of construction	302,273	3,191,546	10,097,504	13,591,323
Utility plant acquisitions	2,857,807	1,391,979	530,229	4,780,015
Utility plant retirements	102,959	2,005	-	104,964
Revenue certificates payable	14,825,501	9,699,886	6,629,613	31,155,000
Utility equity	7,659,527	5,984,988	11,416,759	25,061,274

<u>September 30, 1983</u>				
Operating revenue	\$12,026,330	\$ 1,980,611	\$ 1,178,922	\$15,185,863
Depreciation	794,560	268,117	452,846	1,515,523
Operating income (loss)	611,392	352,852	(397,905)	566,339
Required payments to City of New Smyrna Beach	694,580	113,909	69,140	877,629
Net income (loss)	(23,530)	41,587	(444,923)	(426,866)
Contributions in aid of construction	264,161	2,485,925	9,403,895	12,153,981
Utility plant acquisitions	1,140,396	1,315,508	798,908	3,255,812
Utility plant retirements	95,943	28,323	4,181	128,447
Revenue certificates payable	14,994,925	9,793,592	6,716,483	31,505,000
Utility equity	6,721,913	5,012,041	11,267,584	23,001,538

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

SCHEDULE OF REVENUE CERTIFICATE COVERAGE  
For the Fiscal Years Ended September 30, 1987, 1986, 1985, 1984, and 1983

	1987	1986
<u>Gross Revenue Per Certificate Resolution</u>		
Operating revenues	\$22,471,934	\$20,233,013
Interest and other income (excluding construction fund interest earnings)	813,360	876,820
Connection fees	1,180,590	958,390
Assessment collections	<u>101,891</u>	<u>190,943</u>
	<u>24,567,775</u>	<u>22,259,166</u>
<u>Expenses Per Certificate Resolution</u>		
Operating expenses	21,293,848	18,946,565
Less: Depreciation expense	(1,885,382)	(1,674,114)
Required payments to the City	<u>(1,301,571)</u>	<u>(1,209,499)</u>
	<u>18,106,895</u>	<u>16,062,952</u>
INCOME AVAILABLE FOR DEBT SERVICE	<u>6,460,880</u>	<u>6,196,214</u>
<u>Annual Debt Service Requirements</u>		
Principal	515,000	495,000
Interest (less accrued interest from issuance)	2,660,317	2,362,465
Less: Interest funded from construction fund monies	<u>-</u>	<u>-</u>
	<u>3,175,317</u>	<u>2,857,465</u>
COVERAGE RATIO (TIMES)	<u>2.03</u>	<u>2.17</u>

1985	1984	1983
\$19,535,978	\$17,521,727	\$15,185,863
1,010,940	1,100,738	837,868
806,705	1,216,240	448,832
<u>210,910</u>	<u>191,210</u>	<u>260,404</u>
<u>21,564,533</u>	<u>20,029,915</u>	<u>16,732,967</u>
18,284,206	15,906,372	14,619,524
(1,122,521)	(1,604,757)	(1,515,523)
<u>(1,625,220)</u>	<u>(1,047,779)</u>	<u>(877,629)</u>
<u>15,536,465</u>	<u>13,253,836</u>	<u>12,226,372</u>
<u>6,028,068</u>	<u>6,776,079</u>	<u>4,506,595</u>
365,000	350,000	345,000
2,429,728	2,506,508	2,525,534
<u>-</u>	<u>-</u>	<u>(351,125)</u>
<u>2,794,728</u>	<u>2,856,508</u>	<u>2,519,409</u>
<u>2.16</u>	<u>2.37</u>	<u>1.79</u>

UTILITIES COMMISSION  
CITY OF NEW SMYRNA BEACH, FLORIDA

SCHEDULE OF SELECTED FINANCIAL RATIOS  
For the Fiscal Years Ended September 30, 1987, 1986, 1985, 1984, and 1983

	1987	1986
Current ratio - current assets (unrestricted) divided by current liabilities (for unrestricted) (Times)	2.20	2.87
Quick ratio - current assets (unrestricted) less inventories divided by current liabilities (for unrestricted) (Times)	1.68	2.15
Current assets (unrestricted) divided by total assets (Percent)	8.04%	8.34%
Current liabilities (total) divided by total liabilities (Percent)	13.44%	13.03%
Current liabilities (unrestricted) divided by total liabilities (Percent)	5.74%	4.97%
Current liabilities (total) divided by utility equity (Percent)	23.70%	18.26%
Contributed capital divided by utility equity (Percent)	63.59%	62.04%
Total liabilities divided by utility equity (Times)	1.77	1.40
Revenue certificate debt (net) divided by utility equity (Times)	1.51	1.20
Current liabilities (total) divided by total assets (Percent)	8.59%	7.60%
Long-term debt divided by total assets (Percent)	54.42%	49.96%
Total liabilities divided by total assets (Percent)	63.87%	58.35%
Sales divided by average accounts receivable (Times)	21.12	21.02
Average collection period - average billed accounts receivable divided by average daily sales (Days)	17.04	17.13

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1985	1984	1983
2.58	2.57	2.37
2.04	2.18	1.88
8.28%	9.17%	8.03%
12.74%	13.38%	14.07%
5.40%	6.13%	5.59%
18.59%	18.68%	21.71%
59.81%	54.23%	52.84%
1.46	1.40	1.54
1.26	1.19	1.32
7.56%	7.80%	8.54%
51.20%	50.47%	52.14%
59.33%	58.27%	60.68%
19.99	18.78	16.98
18.01	19.17	21.20



SEMINOLE ELECTRIC COOPERATIVE, INC.

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REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
for the years ended December 31, 1987 and 1986

Coopers  
& Lybrand

Certified Public Accountants

C O N T E N T S

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Board of Trustees  
Seminole Electric Cooperative, Inc.:

We have examined the balance sheets of Seminole Electric Cooperative, Inc. as of December 31, 1987 and 1986, and the related statements of revenue and expenses and patronage capital, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Seminole Electric Cooperative, Inc. as of December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Tampa, Florida  
February 26, 1988

SEMINOLE ELECTRIC COOPERATIVE, INC.  
BALANCE SHEETS, December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>	EQUITY AND LIABILITIES	<u>1987</u>	<u>1986</u>
<b>ASSETS</b>					
Utility plant:			Equity:		
Plant in service	\$1,064,351,550	\$1,059,309,225	Memberships	1,100	1,100
Construction work in progress	1,857,328	7,506,308	Patronage capital	23,617,816	18,405,150
Less accumulated depreciation and amortization	(83,803,062)	(62,007,506)	Donated capital	31,615	31,615
Nuclear fuel, less amortization	982,405,836	1,004,806,027	Total equity	23,450,531	18,437,865
Utility plant, net	984,183,516	1,006,556,221	Long-term liabilities:		
Investments, at cost:			Construction payables	559,188	5,196,499
Investments in associated organizations			Long-term debt	639,335,819	666,156,174
Cash investments restricted for payment of long-term liabilities including accrued interest of \$6,496 in 1987 and \$166,370 in 1986	13,395,761	13,029,713	Obligations under capital leases	405,202,144	407,615,000
Pollution control funds held by trustee including accrued interest of \$249,595 in 1987 and \$248,186 in 1986	962,314	28,104,112	Other	-	318,092
Total investments	15,290,755	15,301,225	Total long-term liabilities	1,065,097,151	1,079,285,765
Current assets:			Current liabilities:		
Cash	354,719	61,696	Notes payable	-	47,888,759
Receivables, principally for sales of electricity	8,295,689	-	Current portion of long-term debt	2,139,344	1,527,982
Inventories, at average cost:	31,279,463	25,114,301	Obligations under capital leases	2,576,014	2,352,508
Materials and supplies	14,227,438	13,537,484	Accounts payable and accrued liabilities	31,464,641	35,485,439
Fuel	34,152,919	37,367,399	Accrued interest and taxes, other than income	1,817,698	2,084,378
Prepayments and other	1,894,028	1,960,052	Total current liabilities	37,997,697	89,339,066
Total current assets	90,204,236	78,020,932	Deferred gain on sale of tax benefits and sale/leaseback of plant	39,307,433	62,468,455
Deferred charges	65,242,778	116,143,214	Other deferred credits	23,406,548	7,624,316
			Commitments (Note 10)		
	<b>\$1,169,259,360</b>	<b>\$1,257,155,462</b>		<b>\$1,169,259,360</b>	<b>\$1,257,155,462</b>

See accompanying notes.

STATEMENTS OF REVENUE AND EXPENSES AND PATRONAGE CAPITAL  
for the years ended December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
Operating revenue	<u>\$368,372,877</u>	<u>\$363,892,965</u>
Operating expenses:		
Operation:		
Fuel	161,047,011	158,109,131
Other production expenses	23,474,306	23,271,260
Purchased power	36,225,455	30,432,376
Transmission	31,268,991	32,017,590
Administrative and general	15,470,403	15,735,932
Depreciation and amortization of plant	23,697,480	24,344,537
Lease of coal-fired plant	28,920,686	31,627,122
Taxes other than income	10,050,491	10,082,886
Federal and state income taxes	600,000	-
Write-off of deferred charges	42,703	896,406
	<u>330,797,526</u>	<u>326,517,240</u>
Operating margins before interest charges	<u>37,575,351</u>	<u>37,375,725</u>
Interest charges:		
Long-term obligations	57,240,962	58,318,194
Current obligations	231,366	1,699,624
Less interest capitalized	(41,520)	(379,394)
	<u>57,430,808</u>	<u>59,638,424</u>
Operating deficits	(19,855,457)	(22,262,699)
Patronage capital credits	<u>439,836</u>	<u>556,411</u>
Net operating deficits	(19,415,621)	(21,706,288)
Nonoperating margins:		
Amortization of deferred gain on sale of tax benefits, net	20,685,221	20,938,344
Interest income	4,620,308	4,682,576
Other income	130,375	115,836
Net margins	6,020,283	4,030,468
Patronage capital, beginning of year	18,405,150	14,374,682
Patronage capital retirements	(1,007,617)	-
Patronage capital, end of year	<u>\$ 23,417,816</u>	<u>\$ 18,405,150</u>

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION  
for the years ended December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
Funds provided by:		
Operations:		
Net margins	\$ 6,020,283	\$ 4,030,468
Add (deduct) items not affecting working capital:		
Depreciation and amortization	25,445,743	26,529,769
1987 precollected revenue	6,358,630	-
Lease expense not requiring working capital	3,569,293	3,560,955
Write-off of deferred charges	42,703	896,406
Amortization of deferred gain on sale of tax benefits	(21,506,174)	(21,833,692)
Amortization of deferred gain on sale/leaseback of plant	(1,388,355)	(1,409,200)
Patronage capital credits	(439,836)	(556,411)
Total funds provided by operations	<u>18,102,287</u>	<u>11,218,295</u>
Decrease in leased assets	2,309,061	6,313,847
Decrease in investments	27,317,030	-
Decrease in deferred charges	45,861,706	-
Increase in long-term debt	-	35,187,701
Increase in deferred credits/gain	<u>5,587,816</u>	<u>842,654</u>
Total funds provided	<u>\$ 99,177,900</u>	<u>\$ 53,562,497</u>
 Funds used for:		
Increase in utility plant	\$ 456,996	\$ 11,358,135
Increase in investments	-	93,282
Increase in deferred charges	-	6,050,434
Payments of patronage capital credits	1,007,617	-
Payments of long-term debt	1,535,866	446,761
Decrease in construction payables	4,637,311	9,597,467
Decrease in long-term debt, primarily prepayments	25,284,489	-
Decrease in capital lease obligations	2,412,856	6,541,489
Decrease in other long-term liabilities	318,092	715,438
Increase in working capital	<u>63,524,673</u>	<u>18,759,491</u>
Total funds used	<u>\$ 99,177,900</u>	<u>\$ 53,562,497</u>

See accompanying notes.

(Continued)

STATEMENTS OF CHANGES IN FINANCIAL POSITION, Continued  
for the years ended December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	\$ 293,023	\$ (1,164)
Cash investments	8,295,689	-
Receivables	6,165,142	(14,753,194)
Unbilled revenues	-	(5,323,915)
Inventories	(2,504,526)	10,070,452
Prepayments and other	(66,024)	(1,665,160)
	<u>12,183,304</u>	<u>(11,672,981)</u>
Increase (decrease) in current liabilities:		
Notes payable	(47,888,759)	(28,654,474)
Current portion of long-term debt	611,362	1,316,425
Obligations under capital leases	223,506	199,949
Accounts payable and accrued liabilities	(4,020,798)	(788,672)
Accrued interest and taxes	(266,680)	(2,505,700)
	<u>(51,341,369)</u>	<u>(30,432,472)</u>
Increase in working capital	<u>\$ 63,524,673</u>	<u>\$ 18,759,491</u>

See accompanying notes.



## NOTES TO FINANCIAL STATEMENTS

### 1. The Cooperative:

Seminole Electric Cooperative, Inc. (Seminole) is a generation and transmission cooperative. It is responsible for meeting the electric power and energy needs of its eleven distribution cooperative members operating within the State of Florida. Seminole's rates are established by its Board of Trustees, which is composed of representatives from each member cooperative.

Seminole constructed and operates two coal-fired generating facilities (Seminole Unit No. 1 and Unit No. 2) near Palatka, Florida with approximately 600 megawatts of output per unit. These units are connected to the Florida bulk power supply grid through Seminole's 230 KV transmission lines and associated facilities. On January 31, 1984, Unit No. 1 commenced commercial operation. Unit No. 2 began commercial operation on December 31, 1984.

In addition, Seminole holds a 1.6994% undivided ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant operated by Florida Power Corporation. Seminole also owns various transmission lines connecting individual members to the Florida bulk power grid.

### 2. Summary of Significant Accounting Policies:

Seminole maintains its accounts in accordance with policies prescribed or permitted by the Rural Electrification Administration (REA), whose policies conform with generally accepted accounting principles in all material respects. The more significant accounting policies are as follows:

Utility Plant - Utility plant owned by Seminole is stated at original cost. Such cost includes applicable supervisory and overhead cost, plus net interest charged during construction. The cost of maintenance and repairs including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Leased utility plant and transportation equipment is valued at the total net present value of minimum lease payments, less related amortization.

Operating Revenue - Seminole has wholesale power contracts with each of its members, whereby the members must purchase all electric power and energy which the member shall require for its system within the State of Florida from Seminole to the extent that Seminole shall have such power and energy and facilities available. Members may continue to purchase from other suppliers under existing contracts, unless Seminole shall request that the member terminate such contracts, subject to the approval of REA. Subsequent to January 31, 1984, the only power supplier other than Seminole has been the Southeastern Power Administration, which provides approximately 2% of the total energy required by all members.

(Continued)

NOTES TO FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, continued:

Operating revenue consists primarily of sales of electric power and energy by Seminole and a facilities use charge for Seminole's transmission lines serving a single member cooperative. Member revenues include amounts resulting from a fuel adjustment clause which provides for billings to reflect increases or decreases in fuel and fuel related purchased power costs. The adjustment factor is based on costs projected by Seminole for a twelve-month period. Any overrecovery or underrecovery of costs plus an interest factor are to be refunded or billed to the members semi-annually. Overrecoveries of \$1,522,520 at December 31, 1987 and \$2,862,198 at December 31, 1986 are recorded as accounts payable and accrued liabilities until refunded.

During 1987, Seminole's Board of Trustees adopted revenue precollection riders to member rate schedules. These riders, approved by REA, provided for the precollection of revenues for the cycle billing months of January through December 1987 for costs to be incurred in 1988. As a result, in 1987 operating revenue has been reduced and deferred credits increased by \$6,358,630.

Included in operating revenue for the years ended December 31, 1987 and 1986 are approximately \$337 and \$338 million of revenue from members, of which approximately \$28 and \$24 million are included in receivables at December 31, 1987 and 1986.

Depreciation and Amortization - Seminole provides for depreciation on owned utility plant using the straight-line method at annual composite rates which will amortize the original cost of depreciable property over its estimated useful service life. The rates for 1987 and 1986 were as follows:

	<u>1987</u>	<u>1986</u>
Coal-fired production plant	3.10%	3.10%
Nuclear production plant	3.20%	3.20%
Transmission plant	2.75%	2.75%
General plant	6.62%	5.27%

Amortization of leased assets under capital leases amounted to \$2,375,395 and \$2,078,265 in 1987 and 1986, respectively. These amounts, adjusted for timing differences of \$421,609 in 1987 and \$301,898 in 1986, equal the reduction in the related obligation during the respective periods.

(Continued)

NOTES TO FINANCIAL STATEMENTS, Continued

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2. Summary of Significant Accounting Policies, continued:

During 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 92 (SFAS 92), "Regulated Enterprises - Accounting for Phase-in Plans." SFAS 92, which is effective in 1988, specifies criteria for deferral of allowable costs under phase-in plans, which include certain capitalized leases. The applicability and impact of SFAS 92 cannot be determined as of year-end.

Estimated costs of removal and disposal of nuclear production plant to be incurred in the year 2022 are being provided for on an unfunded sinking fund basis.

Amortization of Deferred Gain - Deferred gain on sale of tax benefits is being amortized on a straight-line basis over five years ending in 1988 and is net of fees in the amount of \$820,953 and \$895,348 in 1987 and 1986, respectively. Deferred gain on sale/leaseback of plant is being amortized over the base lease term of 25 years commencing in 1985 and is reflected as a reduction of operating expenses.

Capitalization of Interest - In accordance with procedures permitted under the Uniform System of Accounts prescribed by the REA, a portion of interest on borrowed funds, at average rates of approximately 9.69% and 9.65% for 1987 and 1986, respectively, is capitalized as a component of the cost of construction work in progress, and is reflected as a reduction of interest expense. Total interest costs incurred in 1987 and 1986 amounted to \$93 million and \$97 million, respectively, which includes the implicit interest portion of lease payments for capital leases.

Deferred Charges - At December 31, 1987 and 1986 deferred charges consisted of unamortized debt expense and related prepayment penalties, pre-commercial operating costs of owned production plant, depreciation and interest expense on certain transmission lines and production common facilities prior to commercial operation of Unit No. 2, and other miscellaneous deferred debits. These costs will be recovered primarily through rates over various amortization periods. Certain costs of forced outages experienced in 1983 and 1985 included at December 31, 1986 were recovered through litigation settled in 1987.

Deferred Credits - At December 31, 1987 and 1986, deferred credits included deferred lease expense and a reserve for CR3 decommissioning costs. Additionally, precollected revenue and a reserve for costs related to certain generating facilities were included at December 31, 1987.

NOTES TO FINANCIAL STATEMENTS, Continued

3. Utility Plant:

Utility plant at December 31, 1987 and 1986 was as follows:

	<u>1987</u>	<u>1986</u>
Owned property:		
Coal-fired plant	\$541,133,094	\$ 542,802,274
Ownership (1.6994%) in nuclear plant	9,463,959	9,308,929
Transmission plant	79,593,313	79,355,413
General plant	18,650,861	12,398,620
Acquisition adjustment	557,902	557,902
	<u>649,399,129</u>	<u>644,423,138</u>
Leased property under capital leases:		
Coal-fired plant	332,761,609	332,695,275
Transportation equipment	82,190,812	82,190,812
	<u>1,064,351,550</u>	<u>1,059,309,225</u>
Construction work in progress	1,857,328	7,504,308
	<u>1,066,208,878</u>	<u>1,066,813,533</u>
Accumulated depreciation	(76,207,170)	(56,787,029)
Accumulated amortization of leased assets	(7,595,872)	(5,220,477)
	<u>(83,803,042)</u>	<u>(62,007,506)</u>
	<u>\$ 982,405,836</u>	<u>\$1,004,806,027</u>

4. Investments in Associated Organizations:

Investments in associated organizations at December 31, 1987 and 1986 consisted of the following:

	<u>1987</u>	<u>1986</u>
Florida Rural Electric Cooperative Association	\$ 10,017	\$ 10,017
National Rural Utilities Cooperative Finance Corporation (CFC):		
Membership	1,000	1,000
Capital Term Certificates	1,403,264	1,403,264
Subordinated Term Certificates	9,031,456	9,031,456
Patronage Capital Certificates	2,275,534	2,024,063
Columbia Bank for Cooperatives (CBC)	552,984	459,365
Other	121,506	100,548
	<u>\$13,395,761</u>	<u>\$13,029,713</u>

5. Long-Term Liabilities:

Construction Payables - In 1987 and 1986, construction payables consisted of unsecured obligations due vendors and contractors. Such amounts are generally financed through long-term borrowings or investments; accordingly, construction payables are classified as long-term liabilities.

(Continued)

NOTES TO FINANCIAL STATEMENTS, Continued

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5. Long-Term Liabilities, continued:

Long-Term Debt - At December 31, 1987 and 1986, long-term debt consisted of:

	<u>1987</u>	<u>1986</u>
First mortgage notes payable to Federal Financing Bank (FFB), guaranteed by REA, principal due in various installments through 2020, interest at 7.221% to 10.983%.	\$466,380,479	\$491,349,490
First mortgage notes payable to REA, principal due in various installments through 2010, interest at 5%	5,757,415	5,834,757
Pollution control revenue bonds, payable to the Putnam County Development Authority, guaranteed by CFC, principal due in various installments through 2014, interest at adjustable rates, currently 5.10% and 6.05%	161,000,000	162,100,000
First mortgage notes payable to CFC, principal due in various installments through 2019, interest at adjustable rates, currently 8% and 11%	8,337,269	8,399,909
	<u>641,475,163</u>	<u>667,684,156</u>
Less current portion	<u>(2,139,344)</u>	<u>(1,527,982)</u>
	<u>\$639,335,819</u>	<u>\$666,156,174</u>

The estimated maturities and annual sinking fund requirements of all long-term debt for the four years subsequent to December 31, 1988, are presented below:

<u>Year ending December 31,</u>	<u>Annual Maturities and Sinking Fund Requirements</u>
1989	\$2,920,000
1990	\$4,610,000
1991	\$5,804,000
1992	\$6,459,000

Obligations Under Capital Leases - The following is a schedule of future lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 1987:

(Continued)

NOTES TO FINANCIAL STATEMENTS, Continued

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5. Long-Term Liabilities, continued:

Year ending December 31,

1988	\$ 39,828,210
1989	39,828,210
1990	44,442,940
1991	45,146,228
1992	45,146,228
Later years	<u>727,127,725</u>
Total minimum lease payments	941,519,541
Less: Amount representing interest	<u>(533,741,383)</u>
Present value of minimum lease payments	<u>\$ 407,778,158</u>

The utility plant and transportation equipment leases provide for renewals and options to purchase at fair market value at various dates or upon expiration. The Unit No. 2 lease contains a variable interest component which could affect future lease payments.

Substantially all owned assets and leasehold interests are pledged as collateral for the above mentioned debt to the United States of America (REA and FFB), CFC and CBC.

6. Net Margins and Equity Restrictions:

Under provisions of the agreements relating to the REA mortgage notes, until the total of equities and margins equals or exceeds forty percent of total assets, the distribution of capital contributed by members is limited generally to twenty-five percent of patronage capital and margins of the next preceding year where, after giving effect to such distribution, the total equity will equal or exceed twenty percent of total assets. Distribution may be made, however, in such amounts as may be approved by the REA through waiver of the aforementioned restrictions. During fiscal year 1987, such distributions to members totaled \$1,007,617.

The REA mortgage requires Seminole to maintain, on a calendar year basis, a Times Interest Earned Ratio (as defined) of not less than 1.0 and a Debt Service Coverage Ratio (as defined) of not less than 1.0, in each case using an average of the two best years of the last three. An REA stipulation arising from the sale of tax benefits requires Seminole to design its wholesale rates to provide an annual Times Interest Earned Ratio (as defined) of not less than 1.05.



NOTES TO FINANCIAL STATEMENTS, Continued

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7. Notes Payable:

Seminole had available lines of credit of \$84,000,000 of which none was drawn at December 31, 1987. The interest rate is approximately the prime rate, as defined. REA policy governs use of these funds.

8. Income Taxes:

Seminole is subject to state and federal income taxes on the amount of nonmember income earned. Seminole's ratemaking methods provide that income taxes are recognized as expense and are recovered through rates when currently payable. In addition, income tax credits are accounted for as a reduction of taxes currently payable in the period utilized. Differences in certain items of income and expense for tax and financial reporting purposes result primarily from depreciation, amortization and write-off of deferred charges, and amortization of deferred gains on sale of tax benefits and sale/leaseback of plant. In 1987 and 1986, income tax losses resulted after application of net operating loss carryforwards. However, due to the new alternative minimum tax provisions enacted by the Tax Reform Act of 1986, Seminole was limited in 1987 in utilizing net operating loss carryovers, which resulted in alternative minimum tax liabilities for federal and state purposes in the amounts of approximately \$510,000 and \$90,000, respectively. This amount is included in accrued liabilities at December 31, 1987. The \$600,000 of alternative minimum taxes charged to operations in 1987 will be available as a tax credit to offset regular income taxes in future years.

Since Seminole became taxable in 1981, deferred taxes have not been provided on approximately \$148 million of timing differences. Current ratemaking practices provide future recovery of taxes related to timing differences previously flowed through. Approximately \$148 million and \$13 million of net operating losses and income tax credits, respectively, are available to offset future taxable income and resulting tax liabilities through the year 2001. However, Seminole may be subject to alternative minimum tax in future periods due to limitations on utilization of such net operating loss and income tax credit carryovers.

During 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." This standard, which is effective in 1989, adopts the liability method of accounting for deferred income taxes. The effect on Seminole's financial statements has not been determined.



NOTES TO FINANCIAL STATEMENTS, Continued

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9. Retirement Plan:

Substantially all employees of the cooperative participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program (the Program), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Seminole makes annual contributions to the program equal to the amounts accrued for pension expense except for the period since July 1, 1987, when a moratorium on contributions has been in effect due to reaching full funding limitation. In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension expense for 1987 and 1986 was \$431,000 and \$973,000, respectively.

10. Commitments:

Seminole is purchasing coal for the plant under long-term contracts expiring in 2010. Contract terms specify minimum annual purchase commitments and prices, which are subject to adjustment for changes in costs. In addition, Seminole has long-term contracts for coal transportation. Contract terms include a minimum cost as determined by a base quantity of tons shipped and prices, which are subject to adjustment for changes in costs. Total charges under these agreements were approximately \$118,000,000 in 1987 and \$121,000,000 in 1986.

**SEBRING UTILITIES COMMISSION  
SEBRING, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 1987 AND 1986**

Certified Public Accountants

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

SEBRING UTILITIES COMMISSION  
SEBRING, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 1987 AND 1986

Certified Public Accountants

# Wicks, Brown, Williams & Co.

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Sebring Utilities Commission  
Sebring, Florida

We have examined the balance sheets of Sebring Utilities Commission as of September 30, 1987 and 1986, and the related statements of retained earnings, source of funds used for construction, and income for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Sebring Utilities Commission as of September 30, 1987 and 1986 and the results of its operations and source of funds used for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

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

November 17, 1987

SEBRING UTILITIES COMMISSION  
BALANCE SHEETS  
SEPTEMBER 30, 1987 AND 1986

ASSETS	<u>1987</u>	<u>1986</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Property, plant and equipment in service	\$ 92,252,678	\$ 91,040,470
Less: Accumulated depreciation	21,087,279	18,085,957
Total	<u>71,165,399</u>	<u>72,954,513</u>
Construction work in progress	471,911	284,417
Nuclear fuel, at amortized cost	431,002	450,833
Total property, plant and equipment	<u>72,068,312</u>	<u>73,689,763</u>
RESTRICTED ASSETS:		
Bond service account	3,129,243	3,365,523
Sinking fund reserve	10,500,000	10,526,323
Renewal and replacement fund	365,544	-
Total restricted assets	<u>13,994,787</u>	<u>13,891,846</u>
CURRENT ASSETS:		
Cash and temporary investments:		
Operation and maintenance fund	4,129,148	1,779,205
Residual working capital account	1,867,822	2,013,826
Accounts receivable, net of allowance for doubtful		
accounts of \$42,116 for 1987 and \$228,231 for 1986	2,164,574	1,839,097
Inventories of fuel and materials	939,923	1,070,741
Prepaid expenses	123,298	157,508
Total current assets	<u>9,224,765</u>	<u>6,860,377</u>
DEFERRED CHARGES:		
Unamortized bond expense	2,190,200	2,301,559
Total deferred charges	<u>2,190,200</u>	<u>2,301,559</u>
 TOTAL ASSETS	 <u>\$ 97,478,064</u>	 <u>\$ 96,743,545</u>

LIABILITIES AND CAPITALIZATION	<u>1987</u>	<u>1986</u>
CAPITALIZATION:		
Long-term debt:		
Revenue bonds payable	\$ 123,103,372	\$ 119,307,234
Customer deposits	787,821	712,305
Notes payable	124,525	128,165
Total long-term debt	<u>124,015,718</u>	<u>120,147,704</u>
Equity:		
Contributed by City of Sebring	712,647	712,647
Retained earnings (deficit)	( 34,568,977)	( 30,773,926)
Total equity	<u>( 33,856,330)</u>	<u>( 30,061,279)</u>
Contributions in aid of construction	3,127,001	2,632,247
Total capitalization	<u>93,286,389</u>	<u>92,718,672</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Bond principal and accrued interest	3,129,243	3,365,524
Total liabilities payable from restricted assets	<u>3,129,243</u>	<u>3,365,524</u>
CURRENT LIABILITIES:		
Revenue certificate payable - current portion	-	30,000
Accounts payable	659,055	222,615
Notes payable - current portion	36,657	23,951
Accrued expenses	366,720	382,783
Total current liabilities	<u>1,062,432</u>	<u>659,349</u>
 TOTAL LIABILITIES AND CAPITALIZATION	 <u>\$ 97,478,064</u>	 <u>\$ 96,743,545</u>

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

SEBRING UTILITIES COMMISSION  
STATEMENTS OF RETAINED EARNINGS  
FOR THE YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR	\$(30,773,926)	\$( 9,250,091)
Net loss	<u>( 3,795,051)</u>	<u>(21,523,835)</u>
RETAINED EARNINGS (DEFICIT) - END OF YEAR	<u><u>\$(34,568,977)</u></u>	<u><u>\$(30,773,926)</u></u>

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



SEBRING UTILITIES COMMISSION  
STATEMENTS OF SOURCE OF FUNDS USED FOR CONSTRUCTION  
FOR THE YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
SOURCE OF FUNDS:		
Funds derived from operations:		
Net income (loss)	\$( 3,790,051)	\$( 21,523,835)
Items included in net income not requiring (providing) funds:		
Extraordinary loss on refunding bonds	-	16,418,583
Depreciation	3,028,714	2,974,408
Amortization of nuclear fuel	91,886	92,226
Bond discount amortization	4,011,827	2,078,500
Bond expense amortization	262,599	425,345
Total funds derived from operations	<u>3,599,975</u>	<u>465,227</u>
Decrease (increase) in net current assets	<u>( 1,961,305)</u>	<u>( 96,508,485)</u>
Funds from financing and other sources (uses):		
Increase (decrease) in accrued interest	-	( 208,280)
Bonds redeemed or funded	( 360,000)	( 10,659,474)
Repayment of revenue certificate	-	( 30,000)
Decrease (increase) in deferred charges	( 6,929)	477,698
Net decrease (increase) in net restricted assets	( 339,222)	( 2,430,439)
Contributions in aid of construction	494,754	566,956
Customer deposits	75,516	72,745
Proceeds from long-term debt	34,847	126,180,383
Repayment of notes payable	( 38,487)	( 30,543)
Extraordinary loss on refunding bonds	-	( 16,418,583)
	<u>( 139,521)</u>	<u>97,520,463</u>
FUNDS USED FOR CONSTRUCTION	<u>\$ 1,499,149</u>	<u>\$ 1,477,205</u>
CHANGES IN NET CURRENT ASSETS:		
Increase (decrease) in current assets:		
Cash and temporary investments	\$ 2,203,939	\$ 3,642,027
Accounts receivable	325,477	72,238
Inventories of fuel and materials	( 130,818)	169,578
Prepaid expenses	( 34,210)	91,296
Decrease (increase) in current liabilities:		
Revenue bonds payable - current portion	-	89,966,815
Revenue certificate payable	30,000	-
Accounts payable	( 436,440)	451,887
Notes payable - current portion	( 12,706)	2,345,615
Accrued expenses	<u>16,063</u>	<u>( 86,495)</u>
INCREASE (DECREASE) IN NET CURRENT ASSETS	<u>\$ 1,961,305</u>	<u>\$ 96,508,485</u>

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

SEBRING UTILITIES COMMISSION  
 STATEMENTS OF INCOME  
 FOR THE YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	1987	1986
OPERATING REVENUE:		
Sales	\$ 17,524,129	\$ 16,449,987
Other	297,570	311,328
Total operating revenue	17,821,699	16,761,315
OPERATING EXPENSES	12,670,876	12,344,336
OPERATING INCOME	5,150,823	4,416,979
INTEREST INCOME	1,243,310	1,157,664
	6,394,133	5,574,643
INTEREST EXPENSE	10,189,184	10,679,895
LOSS BEFORE EXTRAORDINARY ITEM	( 3,795,051)	( 5,105,252)
EXTRAORDINARY ITEM:		
Loss on refunding bonds	-	(16,418,583)
NET LOSS	\$( 3,795,051)	\$(21,523,835)

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

SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - The Sebring Utilities Commission is an independent special district that is incorporated under the laws of the State of Florida.

Note 2 - Summary of Significant Accounting Policies:

The financial statements have been prepared on the accrual basis of accounting based upon the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission and upon the Uniform System of Accounts for Water Utilities issued by the National Association of Regulatory Utility Commissioners.

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. The amount of interest cost capitalized in 1987 and 1986 was not material. The assets are depreciated over estimated useful lives ranging from 5 to 50 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.

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.

Restricted fund investments and cash and temporary investments are carried at cost, which approximates market.

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.

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.

SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Debt:

Aggregate amounts of debt maturing and sinking fund requirements during each of the next five years ending September 30 are as follows:

	Maturities	Sinking Fund	Combined
1988	\$ 1,576,657	\$ -	\$ 1,576,657
1989	2,516,679	181,000	2,697,679
1990	4,031,152	820,000	4,851,152
1991	5,258,000	930,000	6,188,000
1992	6,078,000	1,120,000	7,198,000
Later years	107,721,130	(16,680,243)	91,040,887
	<u>\$127,181,618</u>	<u>\$(13,629,243)</u>	<u>\$113,552,375</u>

Following is a summary of notes payable at September 30, 1987:

	Current Portion	Long-Term Portion
Mortgage notes payable, bear interest at 8% and 12% annually, due in 1992 and 1998	\$ 7,406	\$ 87,122
Equipment notes payable, bear interest at 8.3% to 10.5%, due in 1990 and 1998	<u>29,251</u>	<u>37,403</u>
	<u>\$36,657</u>	<u>\$ 124,525</u>

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 was 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 was 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, 1987 amounts to \$105,822,970.

The \$16,418,583 extraordinary loss results from the 1986 transaction refunding all outstanding bond issues.

SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Debt (Continued):

The Series 1978 Bonds, the Series 1981 Bonds, the Series 1984 Bonds, the Series 1986 Bonds, and the 1986 Notes are secured by a pledge of the net revenues of the Commission. The pledge of net revenues for the Series 1984 Bonds and Series 1986 Notes is junior and subordinate to the pledge of net revenues for the Series 1981 and Series 1986 Bonds.

Series of 1986 Revenue Bonds outstanding at September 30, 1987:

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	\$ 29,425,000
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	75,215,000
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	83,000,000
Capital Appreciation/Current Interest Series 1986B Term Bonds, uninsured, due October 1, 2020, zero coupon rate until October 1, 2000, current interest commences October 1, 2000, 11.5% effective rate	60,800,000
Series 1986C, insured as to principal and interest, maturing semi-annually from April 1, 1988 through October 1, 1990, 9.25% coupon rate and effective rate	5,050,000
	<u>253,490,000</u>
Unamortized discount	(130,386,628)
Total Long-term Portion	123,103,372
Amount payable from restricted assets	<u>3,129,243</u>
Total	<u>\$ 126,232,615</u>

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 aggregate debt service for the forthcoming twelve-month period. At September 30, 1987, the Commission has complied with these requirements and there are no events of default as defined in the bond resolutions. The resolutions also provide for issuing additional parity bonds.

SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 3 - Debt (Continued):

The 1981 Series Bonds became callable during fiscal 1985 and were reclassified as a current liability at September 30, 1985. Accordingly, the 1986 statement of source of funds used for construction includes a \$89,966,815 increase in net current assets related to the current portion of revenue bonds payable.

Note 4 - Employee Pension Plan:

The Commission has a pension plan covering the majority of its employees. Pension expense amounted to \$95,979 and \$116,066 in 1987 and 1986, respectively, including amortization of prior service cost over forty years. The Commission's policy is to fund all pension costs on a current basis. Unfunded prior service cost is zero at September 30, 1987 and 1986. All information is as of October 1, 1986, the most recent plan valuation date. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for 1987 and 1986.

The plan had accumulated benefits and net assets as of the most recent valuation date as follows:

	September 30, 1987	1986
Actuarial present value of accumulated benefits:		
Vested	\$1,745,144	\$1,583,382
Nonvested	41,593	57,018
Total	\$1,786,743	\$1,640,400
Net assets available for benefits	\$2,994,785	\$2,692,210

Note 5 - Insurance in Force:

	<u>Coverage</u>	<u>Limits</u>
Workmen's Compensation & Employers Liability		\$ 100,000
Automobile		
Bodily Injury & Property Damage Combined Single Limit		\$ 750,000
General Liability		
Bodily Injury & Property Damage Combined Single Limit		\$ 750,000
Fire, Lightning and Extended Coverages		
Buildings & Personal Property		\$89,542,239
Fuels		\$ 2,486,740
Boiler & Machinery		\$10,000,000



SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 6 - Budget Analysis:

	1987		1986	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Operating revenue	\$ 17,243,605	\$ 17,821,699	\$ 16,670,520	\$ 16,761,313
Interest income	1,175,000	1,243,310	1,500,000	1,157,664
Operating expense	( 9,694,499)	( 9,550,276)	(10,182,063)	( 9,369,927)
Income before depreciation and amortization, extraordinary loss, and debt service	<u>\$ 8,724,106</u>	<u>\$ 9,514,733</u>	<u>\$ 7,988,457</u>	<u>\$ 8,549,050</u>
Variance over (under)		<u>\$ 790,627</u>		<u>\$ 560,593</u>

Note 7 - Contingencies, Commitments and Subsequent Events:

The Commission charged to income during the year ended September 30, 1986 losses amounting to \$270,837 resulting from two lawsuits arising in prior years. During the fiscal year ended September 30, 1987, the Commission successfully appealed both cases and recovered and credited to income the full amount of prior losses.

The Commission is a defendant in other lawsuits and party to other proceedings which have arisen in the normal course of business. In the opinion of the Commission's legal counsel, any monetary liability or financial impact of such lawsuit and proceedings would not be material to the financial position of the Commission.

Note 8 - Rate Revisions:

Electric and water rates were raised effective June 1, 1986, and electric rates raised and revised May 1, 1987, in accordance with adopted rate schedules.



SEBRING UTILITIES COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS

Note 9 - Property, Plant and Equipment in Service:

	September 30,			
	1987		1986	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 218,250	\$ -	\$ 218,250	\$ -
Electric generation plants	72,182,738	13,584,859	72,095,122	11,227,104
Electric transmission system	2,875,409	752,753	3,059,335	662,903
Electric distribution system	10,279,594	3,262,500	9,331,456	2,906,921
Water system	4,984,727	2,309,293	4,755,848	2,174,972
Equipment	1,362,537	1,062,740	1,248,780	1,014,882
Storage buildings	349,423	115,134	331,679	99,175
	\$92,252,678	\$21,087,279	\$91,040,470	\$18,085,957

Certified Public Accountants

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Sebring Utilities Commission  
Sebring, Florida

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of income for the electric and water systems are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 17, 1987

SEBRING UTILITIES COMMISSION  
 SUPPLEMENTARY SCHEDULES OF INCOME  
 ELECTRIC SYSTEM  
 FOR THE YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	1987	1986
OPERATING REVENUE:		
Sale of electricity	\$15,086,974	\$14,159,713
Interdepartmental sales	206,086	205,190
Miscellaneous sales and service	297,570	311,328
Total operating revenue	15,590,630	14,676,231
OPERATING EXPENSES:		
Generation and transmission:		
Fuel	2,960,207	3,798,785
Purchased power	1,769,519	831,922
Operation and maintenance	2,149,704	1,956,770
Transmission system operation and maintenance	188,072	198,710
Distribution system operation and maintenance:		
Operating expenses	189,458	143,321
Maintenance expenses	251,887	179,024
Depreciation	2,870,225	2,817,429
General and administrative expenses	1,070,184	1,181,429
State taxes	254,061	268,063
Total operating expenses	11,703,317	11,375,453
OPERATING INCOME	\$ 3,887,313	\$ 3,300,778

SEBRING UTILITIES COMMISSION  
 SUPPLEMENTARY SCHEDULES OF INCOME  
 WATER SYSTEM  
 FOR THE YEARS ENDED SEPTEMBER 30, 1987 AND 1986

	<u>1987</u>	<u>1986</u>
OPERATING REVENUE:		
Sale of water	\$2,199,513	\$2,060,528
Interdepartmental sales	31,556	24,556
Total operating revenue	<u>2,231,069</u>	<u>2,085,084</u>
OPERATING EXPENSES:		
Production operation and maintenance:		
Electricity for pumping	170,121	169,089
Operating expenses-other	82,286	79,745
Maintenance expenses	14,574	8,201
Transmission and distribution operation and maintenance:		
Operating expenses	23,977	20,367
Maintenance expenses	161,384	140,692
Depreciation	158,489	156,979
General and administrative expenses	356,728	393,810
Total operating expenses	<u>967,559</u>	<u>968,883</u>
OPERATING INCOME	<u>\$1,263,510</u>	<u>\$1,116,201</u>

Audited Financial Statements

# Orlando Utilities Commission

September 30, 1987

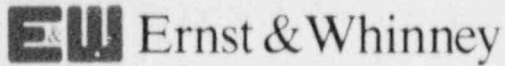
**EW** Ernst & Whinney

Audited Financial Statements

ORLANDO UTILITIES COMMISSION

September 30, 1987

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Certified Public Accountants  
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Orlando Utilities Commission  
Orlando, Florida

We have examined the balance sheets of the Orlando Utilities Commission as of September 30, 1987 and 1986, and the related statements of income and accumulated retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Orlando Utilities Commission at September 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Whinney*

Orlando, Florida  
December 18, 1987



## BALANCE SHEETS

## ORLANDO UTILITIES COMMISSION

	September 30	
	1987	1986
ASSETS		
UTILITY PLANT--Note F		
In service:		
Electric--Notes G and I	\$ 906,729,640	\$ 481,532,608
Water	93,865,221	85,421,056
Common	20,665,643	19,364,761
Allowances for depreciation and amortization (deduction)	<u>(192,003,448)</u>	<u>(172,826,910)</u>
	829,257,056	413,491,515
Construction work in progress--Note I	<u>29,040,560</u>	<u>355,734,732</u>
	858,297,616	769,226,247
RESTRICTED ASSETS--Notes B and D		
Debt service funds	174,443,564	182,373,524
Construction and related funds	71,188,673	122,545,591
Other	<u>4,578,797</u>	<u>1,021,524</u>
	250,211,034	305,940,639
CURRENT ASSETS		
Cash	1,320,540	1,275,158
Pooled investments--Note D	13,565,014	32,858,109
Customer accounts receivable, less allowance for doubtful accounts (1987--\$644,078; 1986--\$518,895)	18,030,559	15,230,395
Accrued utility revenues	13,262,492	12,435,027
Fuel for generation	6,251,354	8,542,009
Margin deposit on futures contracts		3,536,000
Materials and supplies	9,075,778	4,711,437
Accrued interest receivable	887,115	119,664
Miscellaneous receivables and prepaid expenses	<u>4,370,629</u>	<u>809,397</u>
	66,763,481	79,517,196
OTHER ASSETS		
Self insurance fund--Notes C and D	5,153,216	
Unamortized debt expenses	78,945	188,718
Deferred compensation plan investments--Note H	<u>1,479,555</u>	<u>1,155,233</u>
	5,153,216	1,155,233
TOTAL ASSETS	<u>\$1,181,983,847</u>	<u>\$1,156,028,033</u>

	September 30	
	1987	1986
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Equity:		
Accumulated retained earnings:		
Appropriated for debt service	\$ 90,001,998	\$ 85,189,427
Invested in or appropriated for utility plant and working capital	147,590,712	133,143,825
	<u>237,592,710</u>	<u>218,333,252</u>
Contributed capital	40,671,918	30,853,074
	<u>278,264,628</u>	<u>249,186,326</u>
Long-term debt--Note E:		
Bond principal	557,585,000	561,735,000
Bond anticipation notes	294,600,000	294,600,000
Unamortized discount (deduction)	(22,196,809)	(23,990,784)
	<u>829,988,191</u>	<u>832,344,216</u>
TOTAL CAPITALIZATION	<u>1,108,252,819</u>	<u>1,081,530,542</u>
<b>CURRENT LIABILITIES--payable from restricted assets</b>		
Accrued interest payable on long-term debt	24,089,600	25,214,832
Current portion of long-term debt--Note E	4,150,000	3,305,000
Accounts payable--construction funds	9,928,936	9,484,798
	<u>38,168,536</u>	<u>38,004,630</u>
<b>CURRENT LIABILITIES--payable from current assets</b>		
Accounts payable and accrued expenses	16,897,501	19,131,758
Customer meter deposits and interest thereon	5,333,158	4,892,999
Collections on behalf of state and political subdivisions	4,883,896	3,570,921
Due to the General Fund of the City of Orlando	187,267	626,015
	<u>27,301,822</u>	<u>28,221,693</u>
<b>OTHER LIABILITIES</b>		
Customer water and electric line extension deposits	6,781,115	7,115,935
Deferred compensation plan liability--Note H	1,479,555	1,155,233
	<u>8,260,670</u>	<u>8,271,168</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$1,181,983,847</u>	<u>\$1,156,028,033</u>

See notes to financial statements.

## STATEMENTS OF INCOME AND ACCUMULATED RETAINED EARNINGS

## ORLANDO UTILITIES COMMISSION

	Year Ended September 30	
	1987	1986
Operating revenues	\$217,832,489	\$204,472,683
Operating expenses:		
Fuel for generation and purchased power	69,213,228	72,444,383
Production	23,415,744	20,828,091
Transmission and distribution	9,242,407	8,668,768
Depreciation and amortization	19,348,281	16,264,380
Customer accounting	5,158,382	4,756,672
Customer service and conservation	1,292,306	1,373,832
General and administrative	14,901,680	12,264,512
State utilities tax	2,564,587	2,691,366
Payments to the General Fund of the City of Orlando	7,262,359	6,231,000
	<u>152,398,974</u>	<u>145,523,004</u>
OPERATING INCOME	65,433,515	58,949,679
Interest income	23,761,490	34,803,017
Other income	657,720	2,777,310
	<u>89,852,725</u>	<u>96,530,006</u>
Interest expense	59,338,746	64,056,645
Other deductions	2,991,278	2,752,173
	<u>62,330,024</u>	<u>66,808,818</u>
INCOME BEFORE TRANSFERS TO THE GENERAL FUND OF THE CITY OF ORLANDO	27,522,701	29,721,188
Transfers to the General Fund of the City of Orlando	9,066,000	7,941,000
NET INCOME	18,456,701	21,780,188
Depreciation of contributed utility plant	802,757	672,503
INCREASE IN ACCUMULATED RETAINED EARNINGS	<u>19,259,458</u>	<u>22,452,691</u>
Accumulated retained earnings at beginning of year	<u>218,333,252</u>	<u>195,880,561</u>
ACCUMULATED RETAINED EARNINGS AT END OF YEAR	<u>\$237,592,710</u>	<u>\$218,333,252</u>

See notes to financial statements.

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

## ORLANDO UTILITIES COMMISSION

	Year Ended September 30	
	1987	1986
SOURCE OF FUNDS		
Net income	\$ 18,456,701	\$ 21,780,188
Charges to operations not requiring current outlay of working capital:		
Depreciation and amortization of plant charged to operations	19,348,281	16,264,380
Depreciation and amortization charged to fuel costs	3,371,694	2,660,477
Depreciation of vehicles and equipment charged to general and administrative costs	751,302	583,562
Amortization of bond discount and expenses	1,903,748	1,349,241
TOTAL FROM OPERATIONS	<u>43,831,726</u>	<u>42,637,848</u>
Proceeds from sales of bonds and bond anticipation notes		859,640,000
Contributed capital	10,621,601	4,427,896
Increase in restricted liabilities	163,906	
Increase in other liabilities		2,083,109
Decrease in restricted assets	<u>55,729,605</u>	<u>112,386,744</u>
	110,346,838	1,021,175,597
APPLICATION OF FUNDS		
Additions to utility plant--net	112,542,646	138,517,877
Reduction of long-term debt	4,150,000	859,620,000
Expenses attributable to sale of bonds and notes		14,218,327
Increase in self insurance fund	5,153,216	
Decrease in other liabilities	334,820	
Decrease in restricted liabilities		13,863,735
	<u>122,180,682</u>	<u>1,026,219,939</u>
DECREASE IN WORKING CAPITAL	<u>\$ (11,833,844)</u>	<u>\$ (5,044,342)</u>

## STATEMENTS OF CHANGES IN FINANCIAL POSITION--Continued

## ORLANDO UTILITIES COMMISSION

	Year Ended September 30	
	1987	1986
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	\$ 45,382	\$ (654,897)
Pooled investments	(19,293,095)	(4,407,971)
Customer accounts receivable	2,800,164	(1,142,822)
Accrued utility revenues	827,465	272,172
Fuel for generation	(2,290,655)	2,437,239
Margin deposit on futures contracts	(3,536,000)	3,536,000
Materials and supplies	4,364,341	383,287
Accrued interest receivable	767,451	(2,383,169)
Miscellaneous receivables and prepaid expenses	3,561,232	(249,178)
	<u>(12,753,715)</u>	<u>(2,209,339)</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	(2,234,257)	1,785,142
Customer meter deposits and interest thereon	440,159	864,208
Collections on behalf of state and political subdivisions	874,227	185,653
	<u>(919,871)</u>	<u>2,835,003</u>
DECREASE IN WORKING CAPITAL	<u>\$ (11,833,844)</u>	<u>\$ (5,047,342)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ORLANDO UTILITIES COMMISSION

September 30, 1987

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Orlando Utilities Commission are presented in conformity with generally accepted accounting principles and represent General Purpose Financial Statements as defined in Statement 1 - Governmental Accounting and Financial Reporting Principles promulgated by The National Council on Governmental Accounting (NCGA) and affirmed by the Governmental Accounting Standards Board (GASB). The statements are substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC) and other regulatory authorities except for the method of accounting for contributed capital described in the notes to financial statements.

Reporting Entity: Statement 3 of the NCGA requires that all funds and entities controlled by or dependent on the Orlando Utilities Commission be included in the Commission's financial statements. The Orlando Utilities Commission controls no other funds or entities.

The Orlando Utilities Commission was created by a Special Act of the Florida State Legislature and is a part of the government of the City of Orlando, Florida. The Commission consists of five members, including the Mayor of the City. Members, with the exception of the Mayor who is an ex-officio member of the Commission, serve without compensation, may serve no more than two consecutive four year terms and new members are selected in the following manner. The Nominating Board of the City of Orlando submits the names of three persons to the Commission for consideration. The Commission may nominate one of these persons or reject all three. The nominee is then subject to election by the City Council.

Designation of management, contractual and budgetary responsibility, and the funding of deficiencies and fiscal management of the affairs of the Commission are the exclusive responsibility of the Orlando Utilities Commission. In accordance with the criteria established by Statement 3 of the NCGA, these financial statements do not include the City of Orlando, Florida which is considered a separate governmental entity.

Utility Plant: Utility plant is stated at original cost which includes cost of contract work, labor, materials and allocated indirect charges for equipment, supervision and engineering and labor related costs. The Commission charges the cost of repairs and minor replacements to maintenance expense. The cost of electric or water plant retired or otherwise disposed of, together with removal costs less salvage, is charged to accumulated depreciation at such time as property is removed from service.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Depreciation: Utility plant is depreciated using the straight-line method for each of the various plant classifications at rates which will amortize the costs over the estimated economic useful lives of the assets. Depreciation of vehicles and other construction equipment is charged to departmental operating expenses or construction work in progress. Amounts for all other assets are charged to depreciation expense. The estimated useful lives of utility plant are as follows:

Electric Plant	
Generation Plant:	
Steam	30 - 40 years
Nuclear	31 - 35 years
Transmission Plant	30 - 50 years
Distribution Plant:	
Overhead	20 - 30 years
Underground	40 - 50 years
Water Plant	
Production Plant	25 - 50 years
Distribution Plant	40 - 67 years
Common Plant	
Structures and improvements	50 years
Office equipment	14 1/3 years
Vehicles and other construction equipment	5 - 30 years

Cash and Pooled Investments: At September 30, 1987, the carrying amount of the Commission's cash and cash deposits was \$1,320,540 and the bank balance was \$1,295,756. The bank balance was covered by federal depository insurance or collateralized by a pool of U.S. Government securities held in trust by another bank in the name of the Commission's banking institution.

Florida statutes and applicable debt resolutions authorize the Commission to invest its pooled investments in obligations of the U.S. Treasury, the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or its district banks, including Federal Home Loan Mortgage Corporation participation certificates, or obligations guaranteed by the Government National Mortgage Association. In addition, the Commission may invest in interest bearing time deposits or savings accounts of Florida or national banks and savings and loan associations provided the deposits are collateralized by federal government securities.



NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Additionally, Florida statutes and applicable debt resolutions permit the Commission's pooled investments to include repurchase agreements; that is, a purchase of securities from authorized dealers or banking institutions, with a simultaneous agreement that the dealers or banking institutions will repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying repurchase agreements normally exceeds the cash received, providing a margin against a decline in market value of the securities. If the dealers default on their obligations to repurchase these securities from the Commission, the Commission would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The Commission has established that authorized dealers are primary dealers as defined by the Federal Reserve Bank and report to the Securities Exchange Commission and authorized banking institutions are limited to the fifteen largest U.S. Banks.

The Commission maintains three pooled investment accounts which include all restricted and unrestricted investments except those in the Investment Account described in Note E. These investments, at cost (market value of \$259,163,221 and \$338,614,018 at September 30, 1987 and 1986, respectively) are classified as follows:

	September 30	
	1987	1986
Restricted assets	\$235,380,529	\$293,715,413
Current assets	13,565,014	32,858,109
Other assets	5,153,216	
TOTALS	<u>\$254,098,759</u>	<u>\$326,573,522</u>

Customer Accounts Receivable: The Commission bills customers monthly on a cyclical basis and accrues revenues at the end of the fiscal year for energy and water consumed but not billed.

Fuel for Generation and Materials and Supplies: Fuel oil, coal and materials and supplies inventories are stated at the lower of average cost or market. Nuclear fuel is included in electric utility plant and amortized over the estimated usage of the fuel.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Futures Contracts: During 1987 and 1986 the Commission entered into futures contracts to hedge against price fluctuations of anticipated future acquisitions of fossil fuels. As futures contracts were closed during the years ended September 30, 1987 and 1986, gains of \$11,026,765 and \$1,293,033, respectively were recognized as a reduction in fuel cost.

At September 30, 1987 all futures contracts had been settled and the margin deposit returned to the Commission.

Contributed Capital: The Commission considers amounts received for construction of utility plant as capital contributions. Accordingly, these capital contributions are added to plant assets and are treated as a separate component of Commission equity. Depreciation applicable to contributed utility plant is included as an operating expense in determining net income and is subsequently charged against contributed capital from accumulated retained earnings.

Debt Discount and Expenses: Debt discount and issue expenses are deferred and amortized to operations over the lives of the related issues using the bonds outstanding method of amortization.

Rates and Revenues: Each year, the Commission's staff performs a rate adequacy study to determine the electric and water revenue requirements. Based on this study, current cost of service studies, and regulations of the Florida Public Service Commission regarding electric "rate structure", the Commission's staff develops its electric and water rate schedules which are then presented to the Commission for their approval at a public hearing.

The Commission staff makes its determination of revenue requirements using the rate base method and includes construction work in progress in the rate base. Therefore, in accordance with proper ratemaking theory, the Commission does not use an allowance for funds used during construction (AFUDC) in determining revenue requirements. Since the Commission's level of revenue requirements and subsequent revenue is determined without regard to AFUDC, the Commission does not capitalize interest on construction work in progress.

Operating revenues are recorded based on actual billings to customers plus an accrued estimate for unbilled electric and water consumption at the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Pre-Commercial Plant Operations: In accordance with FERC accounting principles revenues and associated fuel costs arising from energy produced by the Stanton Energy Center prior to its commercial certification were capitalized. For the fiscal year ended September 30, 1987, the effect of this treatment on the Commission's prorata share of pre-commercial operations was to reduce operating revenues by \$5,727,910 and fuel operating expenses by \$1,435,955, resulting in a \$4,291,955 reduction of the capitalized cost of the Commission's share of the project. All operating and maintenance expenses prior to commercial operation were capitalized.

Payments and Transfers to the City of Orlando: The Commission voted to freeze the payments and transfers to the General Fund of the City of Orlando at an annual fixed amount of \$14,172,000 for the fiscal years ended September 30, 1984 through September 30, 1986. Prior to October 1, 1983 and subsequent to September 30, 1986 the Commission's payments are based on a percentage of gross revenues within the City of Orlando and transfers are based on the Commission's income before the transfer. Payments to the City of Orlando are considered an operating expense for financial reporting and rate making purposes.

Compensated Absences: The Commission records compensation for unused vacation and sick leave as an expense in the year in which the vacation and sick leave is earned in accordance with NCGA Statement 4. At September 30, 1987, annual vacation leave earned but not taken approximates \$637,000 and sick leave accumulated but not taken approximates \$1,679,000.

Reclassification: For comparability purposes, certain reclassifications have been made to the 1986 financial statements to conform with the 1987 financial statement presentation.

NOTE B--RESTRICTED ASSETS

Certain assets are restricted by bond resolution and consist of the following funds:

	September 30	
	1987	1986
Debt Service Funds--Note E:		
Investment Account	\$ 8,966,161	\$ 4,646,024
Principal and Interest Accounts	27,438,802	26,883,727
Debt Service Reserve Funds	80,902,834	80,207,231
1985B Bond Anticipation Note Interest Fund	57,135,767	70,636,542
	<u>174,443,564</u>	<u>182,373,524</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE B--RESTRICTED ASSETS--Continued

	September 30	
	<u>1987</u>	<u>1986</u>
Construction and Related Funds:		
1985B Bond Anticipation Note Construction Fund	51,276,502	104,058,115
Renewal and Replacement Fund	<u>19,912,171</u>	<u>18,487,476</u>
	71,188,673	122,545,591
Other:		
Retainage and Surety Funds	3,440,542	141,467
Nuclear Generation Facility Decommissioning Funds	<u>1,138,255</u>	<u>880,057</u>
	<u>4,578,797</u>	<u>1,021,524</u>
	<u>\$250,211,034</u>	<u>\$305,940,639</u>
The funds consist of:		
Cash	\$ 1,490	\$ 1,581
United States Treasury securities--at cost (market value: 1987--\$7,550,889; 1986--\$4,540,752)	8,718,953	4,524,822
Pooled investments--Note A	235,380,529	293,715,413
Interest receivable	<u>6,110,062</u>	<u>7,698,823</u>
	<u>\$250,211,034</u>	<u>\$305,940,639</u>

NOTE C--SELF-INSURANCE FUND

Effective November 1, 1986 the Commission implemented a self-insurance program to cover a portion of its workers' compensation, general liability and automobile liability exposures. In accordance with recommendations of the Commission's insurance consultants, an initial cash reserve of \$5 million was established to cover expenses and claims against the Commission. During 1987, \$50,177 was expended for claims and \$203,393 of interest income was added to the fund. Under the self-insurance program the Commission is liable for all claims up to certain maximum amounts. Claims in excess of the maximum amounts will be covered by insurance carriers. The maximum amounts are as follows:

Workers' compensation	\$250,000
General liability	500,000
Automobile liability	500,000

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE D--INVESTMENTS

The Commission's portfolios of pooled investments and investment account securities are summarized and categorized below to give an indication of the level of risk assumed by the Commission at September 30, 1987. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent but not in the Commission's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Investments:					
Repurchase					
Agreements	\$ 39,000,000		\$ 6,142,000	\$ 45,142,000	\$ 45,142,000
U.S. Government					
Securities	221,043,642			221,043,642	224,900,811
Other U.S. Backed					
Securities:					
Federal Farm					
Credit Bank	1,641,512			1,641,512	1,682,140
Federal Home					
Loan Bank	1,987,735			1,987,735	1,986,337
Non-investments				1,490	
	<u>\$263,672,889</u>	<u>\$ -</u>	<u>\$ 6,142,000</u>	<u>\$269,816,379</u>	<u>\$273,711,288</u>

These assets are held in the following accounts:

Restricted assets	\$250,211,034
Pooled investments	13,565,014
Self insurance fund	5,153,216
Accrued interest receivable	887,115
	<u>\$269,816,379</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE E--LONG-TERM DEBT

In December 1985, the Commission provided for the advance refunding of all of its water and electric revenue bonds then outstanding in the aggregate principal amount of \$577,730,000 (Refunded Bonds) by the sale of \$565,040,000 Water and Electric Revenue Refunding Bonds, Series 1985 (\$950 million authorized and validated and confirmed by the Supreme Court of Florida). Sale proceeds were invested in United States obligations in an irrevocable Escrow Deposit Trust Fund. Such United States obligations will mature at such time and in such amounts so as to provide sufficient funds for the payment of maturing principal and interest on the Refunded Bonds. The Refunded Bonds are treated as extinguished debt for financial reporting purposes, were removed from the balance sheets and have a remaining principal balance of \$571,985,000 at September 30, 1987.

Also, in December 1985 the Commission advance refunded its \$280,000,000 Series 1985A Water and Electric Revenue Bond Anticipation Notes (BAN's) through the issuance of \$294,600,000 Series 1985B BAN's. Proceeds of the Series 1985B BAN's, together with other available funds, were used to refund the principal and accrued interest of the Series 1985A BAN's, to fund all the interest requirements on the Series 1985B BAN's and to establish a debt service reserve fund for the Series 1985B BAN's. The interest rate on the BAN's is variable and has ranged between 3.8% to 8.25% during the year ended September 30, 1987.

The outstanding bonds and BAN's are payable from and secured by a first lien upon and pledge of the net revenues derived by the Commission from the operation of the water and electric system and from investment income earned on monies and obligations in certain sinking fund accounts. The lien of the holders of the BAN's on net revenues is subordinate to the lien of the holders of the bonds.

No gain was recognized from these advance refundings since the gains of approximately \$3,507,000 and \$71,000 on the bonds and the BAN's, respectively, were used to reduce debt issuance costs and bond discount.

During 1978, the Commission provided for the advance refunding of all of its \$123,325,000 water and electric revenue bonds (Refunded Bonds) outstanding at April 1, 1978 by the sale of \$110,330,000 Water and Electric Revenue Refunding and Improvement Bonds, Series 1978 and \$94,650,000 Special Obligation Bonds, Series 1978, subsequently advance refunded in December 1985. From the proceeds of the sale of the two issues, monies were invested in United States obligations in an irrevocable Escrow Deposit Trust Fund. Such United States obligations mature at such time so as to provide sufficient funds for the payment of maturing principal and interest on the Refunded Bonds. All interest earned or accrued on the United States obligations has been pledged and will be used for the payment of the principal and interest on the Special Obligation Bonds, Series 1978. The Refunded Bonds are treated as extinguished debt for financial reporting purposes, were removed from the balance sheets and have a remaining principal balance of \$83,955,000 at September 30, 1987.



NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE E--LONG-TERM DEBT--Continued

Bonds and Bond Anticipation Notes principal outstanding is as follows:

	September 30	
	1987	1986
Bonds:		
Series 1985, 5.25% - 8.625% due serially 1986 to 2000 and in term form from 2002 to 2010	\$561,735,000	\$565,040,000
Less current portion of long-term debt	<u>4,150,000</u>	<u>3,305,000</u>
	557,585,000	561,735,000
Bond Anticipation Notes:		
Series 1985B Unit Priced Demand Adjustable Notes due May 31, 1989	<u>294,600,000</u>	<u>294,600,000</u>
	<u>\$852,185,000</u>	<u>\$856,335,000</u>

Following is a schedule of annual long-term debt service requirements for the payment of principal and interest on the bonds and BAN's outstanding at September 30, 1987:

Year Ending September 30	Payment for Series 1985 Bonds		Payment for Series 1985B Bond Anticipation Notes		Total (2)
	Principal	Interest	Principal	Interest (1)	
1988	\$ 4,150,000	\$46,072,973		\$ 23,568,000	\$ 73,790,973
1989	4,380,000	45,799,223	\$294,600,000	9,820,000	354,599,223
1990	4,640,000	45,486,023			50,126,023
1991	4,955,000	45,139,173			50,094,173
1992	5,295,000	44,757,933			50,052,933
1993	5,595,000	44,343,903			49,938,903
1994	10,105,000	43,575,923			53,680,923
1995	13,895,000	42,499,060			56,394,060
1996	14,975,000	41,316,035			56,291,035
1997	16,150,000	40,007,885			56,157,885
1998	17,465,000	38,558,290			56,023,290
1999	18,910,000	36,969,850			55,879,850
2000	20,495,000	35,227,775			55,722,775
2001	22,245,000	33,336,950			55,581,950
2002	24,135,000	31,255,306			55,390,306
2003	26,210,000	28,994,694			55,204,694
2004	28,480,000	26,538,294			55,018,294



NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE E--LONG-TERM DEBT--Continued

Year Ending September 30	Payment for Series 1985 Bonds		Payment for Series 1985B Bond Anticipation Notes		Total (2)
	Principal	Interest	Principal	Interest (1)	
2005	30,930,000	23,870,581			54,800,581
2006	71,685,000	17,687,750			89,372,750
2007	36,640,000	14,573,350			51,213,350
2008	39,755,000	11,194,175			50,949,175
2009	43,135,000	7,527,700			50,662,700
2010	46,800,000	3,549,700			50,349,700
2011	50,710,000				50,710,000
	<u>\$561,735,000</u>	<u>\$748,282,546</u>	<u>\$294,600,000</u>	<u>\$33,388,000</u>	<u>\$1,638,005,546</u>

(1) Based upon an assumed interest rate of 8%.

(2) Additional annual payments to the Investment Account ranging from \$2,397,602 to \$6,523,280 plus interest earnings thereon will be used to reduce the debt service requirements by approximately \$78 million through 2005.

The Commission has covenanted to fix, establish and maintain rates and collect fees, rentals or other charges for the services and facilities as will always provide in each fiscal year net revenues which shall be adequate at all times to pay in each fiscal year the sum of at least one hundred twenty-five percent (125%) of the annual debt service requirement on the outstanding bonds and that net revenues shall be sufficient to make all other payments required by the terms of the bond and note resolutions.

The Series 1985 bond resolution establishes the Revenue Fund, Renewal and Replacement Fund and Sinking Fund, which is comprised of the Interest, Principal, Investment, Bond Redemption, Debt Service Reserve and Demand Charge Component accounts.

In accordance with the bond resolution, gross revenues derived from the operation of the water and electric system are to be deposited in the Revenue Fund and shall be applied only in the following manner:

1. Revenues are first to be used to pay the current operating expenses of the water and electric system and then all Sinking Fund and Renewal and Replacement Fund requirements.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE E--LONG-TERM DEBT--Continued

2. The balance of any revenues remaining in the Revenue Fund shall at the option of the Commission, be used (i) for any lawful purpose in connection with the water and electric system and (ii) to make any transfers of funds to the City of Orlando; provided however, that none of the revenues is ever to be used for the purposes described in (i) and (ii) unless all payments required in (1) above, including any deficiencies for prior payments, have been made in full to the date of such use, and the Commission shall have fully complied with all covenants and agreements contained in the bond resolution.

NOTE F--PARTICIPATION AGREEMENTS

In 1980 the Commission entered into a Participation Agreement with Florida Power and Light Company (FPL) to purchase a 6.08951% (52 net megawatts) undivided ownership interest in St. Lucie Unit No. 2 nuclear powered electric generating facility constructed by FPL. This unit is presently rated at 850 net megawatts (MW) and commenced commercial operation in 1983. The Commission has also entered into a Reliability Exchange Agreement with FPL. The Reliability Exchange Agreement results in the Commission exchanging 50% of its share of the output from St. Lucie Unit No. 2 for a like amount from St. Lucie Unit No. 1, a nuclear powered generating facility. FPL has operational control of this project.

The Commission also has a Participation Agreement with the City of Lakeland, Florida dated April 4, 1978. Under the terms of this Agreement the Commission has a 40% (136 net MW) interest in a 340 net MW refuse and coal-fired steam generating unit (McIntosh Unit No. 3) owned by the City of Lakeland. The City of Lakeland has operational control of this project.

Since 1975, the Commission has owned a 1.6015% (13 net MW) undivided interest in Florida Power Corporation's 846 net MW nuclear powered electric generating plant designated Crystal River Unit No. 3. This ownership interest was acquired under the terms of a Participation Agreement with Florida Power Corporation and ten other Florida utilities. Florida Power Corporation has operational control of this project.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE F--PARTICIPATION AGREEMENTS--Continued

In 1984 and 1985, the Commission entered into Participation Agreements with Florida Municipal Power Agency (FMPA) and the Kississmee Utility Authority to sell a portion of Stanton Energy Center Unit #1 (SEC 1) excluding common and external facilities. The Commission's coal fired electric generating plan is rated at 436 MW. Under the terms of these agreements, FMPA has a 26.6265% ownership interest and the Kississmee Utility Authority has a 4.8193% ownership interest. The Commission, which has a 68.5542% ownership interest, has operational control of this project.

The amounts of utility plant in service shown below do not include the cost of common and external facilities for which the participants pay user charges to the operating entity. Accumulated depreciation on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of the plant.

It has been determined that none of the participation agreements to which the Commission is a party meet the criteria of a joint venture as specified by the National Council on Governmental Accounting Statement 7. The Commission lacks operational control over the St. Lucie Unit No. 2, Crystal River Unit No. 3 and McIntosh Unit No. 3 projects. The SEC Unit No. 1 project is controlled by the Commission. Fiscal and budgetary control of the project remains with the Commission. No separate governing authority exists for any of the projects.

Below is a summary of the Commission's proportionate share of each jointly owned plant. SEC Unit No. 1 includes the cost of common and external facilities. According to the participation agreements, each participant must provide its own financing and each participant's share of expenses for the operations of the plants are included in the corresponding operating expenses of its own income statement.

	Plants			
	St. Lucie Unit No. 2	McIntosh Unit No. 3	Crystal River Unit No. 3	SEC Unit No. 1
Utility plant in service	\$100,448,834	\$94,786,816	\$12,275,290	\$398,770,345
Accumulated depreciation	16,590,823	15,724,692	5,054,924	2,471,399
Net utility plant in service	83,858,011	79,062,124	7,220,366	396,298,946

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE F--PARTICIPATION AGREEMENTS--Continued

The Commission also has an agreement with Orange County, Florida to share approximately 50% of the cost of a waste water treatment facility at the SEC plant site. The Commission operates the facility. Effective July 1, 1987, the County pays a \$475,000 annual fee for the operation and maintenance of the facility. The fee is subject to annual renegotiation and is classified as a reduction to SEC 1 project operating expenses.

NOTE G--CAPACITY COMMITMENT

In 1985 the Commission entered into an agreement with the Florida Municipal Power Agency (FMPA) to provide FMPA with a total of 130 MW of the Commission's 616 MW generating capacity of the Indian River plant on a take or pay basis. Payment to the Commission is based upon a 21.65% share of the cost of operation of this oil/gas fired plant. The contract's initial term began during 1986 and extends to 2001. FMPA has an option to renew the contract for an additional five years.

NOTE H--DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property and right of the Commission (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Commission's general creditors. Participants' rights under the plan are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Commission's legal counsel that the Commission has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Commission believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE I--COMMITMENTS AND CONTINGENT LIABILITIES

1. The SEC 1 project was substantially complete at September 30, 1987, with approximately \$488 million of the \$493 million in executed construction contracts paid as of that date. The cost of SEC 1 and certain land and related facilities including contractually agreed escalations and anticipated change orders and contingencies is expected to approximate \$515 million. The project participants, FMPA and Kississmee Utility Authority, will bear approximately \$100 million of the total project cost. The participants' contributions through September 30, 1987 totalled \$95 million.
2. Claims have been received from various contractors relating to the construction of SEC 1. It is anticipated that these claims will be settled by negotiation and will not result in a significant increase to the cost of SEC 1.
3. The Commission and the other project participants in SEC 1 have a coal supply contract with a 10 year primary term that began on July 1, 1987 with the option of two successive five year terms. The contract covers all of the coal requirements of SEC 1 during the life of the contract. The usage is estimated at 8,250,000 to 12,000,000 tons over the ten year contract period.
4. The Commission and the other SEC 1 project participants have also agreed to a twelve year contract for rail delivery of the unit's coal purchases.
5. In 1969, the Commission pledged \$480,000 of its annual revenues in connection with the issuance by the City of Orlando of \$5,500,000 Improvement Revenue Bonds. This pledge is for a period of 22 years from the date of issuance by the City of the Improvement Revenue Bonds or such longer period as shall be required to pay and retire all principal and interest on such bonds. This lien on the Commission's revenues shall be junior and subordinate to the lien of holders of any obligations of the Commission outstanding or pari passu obligations hereinafter issued for purposes of the Commission, but shall be prior and superior to any lien, pledge or encumbrance hereafter made of such revenues for any purposes other than said obligations of the Commission for water or electric purposes.
6. The Commission has been named in a number of lawsuits claiming discrimination or wrongful discharge by former employees. Management and legal counsel consider these lawsuits to be without merit and will not result in a material liability.
7. There are a number of bodily injury cases pending in which the Commission is named as a defendant. It is believed that any possible recoveries by the plaintiffs will be adequately covered by insurance and the Commission's self insurance fund.

NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE J--PENSION PLAN

The Orlando Utilities Commission has a defined benefit pension plan covering substantially all employees. Effective September 1, 1985 the Plan was modified to give recognition to certain requirements of the Tax Equity and Fiscal Responsibility Act of 1982, the Deficit Reduction Act of 1984 and the Retirement Equity Act of 1984. Effective January 1, 1986 the Plan was further modified as follows:

- a. Benefit service begins on date of participation instead of date of hire.
- b. Normal retirement age decreased from 65 to 62.
- c. Early retirement benefits are available after 25 years of vesting service or 10 years of vesting service and 55 years of age. (Previously it was available at age 55 with 25 years of vesting service or age 62 with 18 years of vesting service).

Employees with at least one year of service (previously it was two years of service before plan anniversary date) are required to contribute 4% of their regular time earnings. The Commission's contribution is determined by the actuary using the actuarial cost method.

Pension expense for the years 1987 and 1986 was \$2,066,525 and \$1,901,944, respectively, which includes normal costs plus amortization of past service costs over a period of approximately 30 years. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7 1/2%.

Plan data as developed by consulting actuaries as of September 1, 1986, the latest date for which actuarial data is available, is as follows:

Actuarial present value of accumulated plan benefits:	
Vested	\$23,374,034
Nonvested	<u>1,521,060</u>
	<u>\$24,895,094</u>
Net assets available for benefits	<u>\$42,459,970</u>



NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE K--REGULATION

According to existing laws of the State of Florida, the five members of the Orlando Utilities Commission act as the regulatory authority for the establishment of electric and water rates. The Florida Public Service Commission (FPSC) has authority to regulate the electric "rate structures" of municipal utilities in Florida. It is believed that "rate structures" are clearly distinguishable from the total amount of revenues which a particular utility may receive from rates, and that distinction has thus far been carefully made by the FPSC.

Prior to implementation of any rate change, the Commission has established the prerequisite of a Public Notice and the holding of a Public Hearing.

Florida Public Service Commission: As noted above, the FPSC has jurisdiction to regulate electric "rate structures" of municipal utilities. In addition, the Florida Energy Efficiency and Conservation Act has given the FPSC exclusive authority to approve the construction of new power plants under the Florida Electrical Power Plant Siting Act. The FPSC also exercises jurisdiction under the National Energy Act, including electric use conservation programs.

Environmental and Other Regulations: Operations of the Commission are subject to environmental regulation by Federal, State and local authorities and to zoning regulations by local authorities. Federal and State standards and procedures that govern control of the environment can change. These changes can arise from continuing legislative, regulatory, and judicial action respecting the standards and procedures. Therefore, there is no assurance that the units in operation, under construction, or contemplated will always remain subject to the regulations currently in effect, or will always be in compliance with future regulations.

An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual electric generating units or water plant facilities not in compliance. Furthermore, compliance with environmental standards or deadlines may substantially increase capital and operating costs.



NOTES TO FINANCIAL STATEMENTS--Continued

ORLANDO UTILITIES COMMISSION

NOTE L--BUSINESS SEGMENTS

The Commission operates in two business segments - the generation, transmission and distribution of electricity and the production, treatment, and distribution of water. A summary of the segment information follows:

	<u>Electric</u>	<u>Water</u>	<u>Total</u>
Year Ended September 30, 1987:			
Operating revenues	\$ 201,193,183	\$16,639,306	\$ 217,832,489
Depreciation and amortization	17,366,915	1,981,366	19,348,281
Operating income	59,597,175	5,836,340	65,433,515
Transfers to the City of Orlando			
General Fund	7,162,140	1,903,860	9,066,000
Net income	13,910,179	4,546,522	18,456,701
Contributed capital	9,093,115	31,578,803	40,671,918
Net capital additions	102,185,902	10,356,744	112,542,646
Net working capital	37,947,207	1,514,452	39,461,659
Total assets	1,091,245,904	90,737,943	1,181,983,847
Long-term debt	820,509,246	9,478,945	829,988,191
Total equity	203,222,877	75,041,751	278,264,628
Year Ended September 30, 1986:			
Operating revenues	\$ 189,024,731	\$15,447,952	\$ 204,472,683
Depreciation and amortization	14,468,913	1,795,467	16,264,380
Operating income	53,255,077	5,694,602	58,949,679
Transfers to the City of Orlando			
general fund	6,511,620	1,429,380	7,941,000
Net income	17,102,256	4,677,932	21,780,188
Contributed capital	5,029,624	25,823,450	30,853,074
Net capital additions	129,126,433	9,391,444	138,517,877
Net working capital	48,376,116	2,919,387	51,295,503
Total assets	1,072,999,349	83,028,684	1,156,028,033
Long-term debt	822,794,721	9,549,495	832,344,216
Total equity	183,565,469	65,620,857	249,186,326

There were no sales to any single customer in excess of 10% of operating revenues for the fiscal years 1987 and 1986.

NOTE M--INCOME TAXES

It is the opinion of the Commission and its counsel, that the Orlando Utilities Commission is exempt from federal and state income taxes.