

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF NEW SMYRNA BEACH, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2010

Prepared By:

City of New Smyrna Beach Finance Department

Cover photograph provided by Renee Richards

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Introductory Section

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City of New Smyrna Beach, Florida
Comprehensive Annual Financial Report
For the fiscal year ended September 30, 2010

City Commission

Honorable Adam Barringer, Mayor

James W. Hathaway, Vice Mayor

Judith A. Reiker

J.S. Grasty

Lynn Plaskett

City Manager
Pam Brangaccio

City Attorney

Frank B. Gummey, III

Director of Finance

Althea Philord

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Letter of Transmittal

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March 22, 2011

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida

The comprehensive annual financial report of the City of New Smyrna Beach, Florida, for the fiscal year ended September 30, 2010, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and accounts of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management Representations and Internal Controls

The City's Finance Department is responsible for the content of this financial report and management's representations of the financial activity of the City of New Smyrna Beach. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. The cost of implementing these internal controls should not outweigh their benefits. Accordingly, the City's internal controls have been designed to provide reasonable, but not absolute, assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief we believe that this financial report is complete and in all respects, free from material misstatement.

Independent Audit

The City of New Smyrna Beach's financial statements have been audited by the independent certified public accounting firm of James Moore & Company, P.L., and they have issued an unqualified opinion on the financial statements for the fiscal year ended September 30, 2010.

The City is required to make the determination whether the audit of the City's participation in federal awards and state financial assistance will be conducted as single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 22, 2011

Audits of States, Local Governments, and Non-Profit Organizations and in conformity with the Florida Single Audit Act, Section 215.97, Florida Statutes. Based on the level of expenditures directly related to federal awards and state financial assistance the City was required to have its September 30, 2010 fiscal year-end audit conducted as a single audit. Accordingly, there are supplementary reports and a schedule of expenditures of federal awards and state financial assistance relative to a single audit presented in the last section of this report.

Financial Reporting Entity

This report includes all funds of the City. The City provides a full range of municipal services contemplated by statute or character. They include law enforcement and fire protection, development services, sanitation and solid waste control, stormwater management services, road and street facilities, airport services, employment opportunity, industry development, parks and recreation facilities, community redevelopment, and general administrative services. Included as part of this report is the fiscal information of the Utilities Commission, City of New Smyrna Beach, a component unit of the City, which has been discretely reported in accordance with the financial statement presentation requirements of Governmental Accounting Standards Board Statement of Governmental Accounting Standards No. 39 “*Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14.*” It was determined that the Housing Authority of New Smyrna Beach is not a part of this reporting entity because the City’s accountability for this organization does not extend beyond making appointments and the City cannot impose its will on the Housing Authority, nor does the City derive any financial benefit or burden from the relationship. Thus, their financial statements are not reported herein.

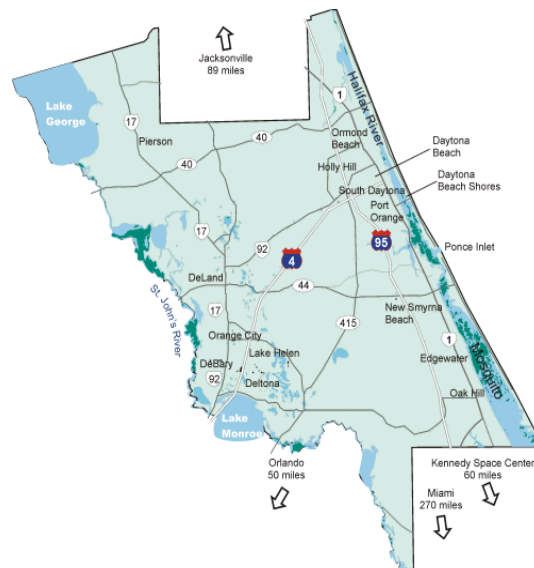
This letter of transmittal is designed to complement Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City of New Smyrna Beach’s MD&A can be found immediately following the report of the independent accountants.

City Profile

New Smyrna Beach is approximately 38 square miles in size and serves a population of 23,473. It is located on Florida’s east coast, in the County of Volusia, just north of Cape Canaveral with easy access to both Interstate 95 and Interstate 4.

- 15 miles south of Daytona Beach
- 56 miles east of Orlando
- 65 miles north of Kennedy Space Center
- 104 miles south of Jacksonville
- 250 miles north of Miami
- Estimated 7 miles of Beach property
- Estimated 8 miles of Riverfront property

The City was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.



Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 22, 2011

Economic Condition and Outlook

New Smyrna Beach prides itself on being a charming coastal community. It is rich in history, has a thriving artist community and is surrounded by many natural preserve areas. Based on current projections development is expected to continue its much slower pace as in the past two years. The city commission has approved the development of over 8,000 new homes over the next twenty years, and the number of residential construction permits has decreased significantly from the level in 2007. The challenge facing the City now is to continue to provide basic services to the community with the decline in revenue inflows for the foreseeable future. This presents significant challenges for city government leaders with respect to all aspects of service delivery, especially in light of legislative changes to the property tax structure and the expectation for continued decline in property values for several more years before the national and local economy recover and improvements can be seen. City leaders have already addressed these issues and take appropriate action for the last several years, and expect additional issues to emerge as the budget process begins for the new fiscal year 2011-2012.

Major Events and Initiatives

Projects accomplished and/or undertaken during the 2010 fiscal year covered a broad and diverse spectrum. These projects have been undertaken with careful consideration of resources and prioritized accordingly with grant funding obtained where possible to offset local funding. These projects are necessary to maintain the level of services provided to our citizens of New Smyrna Beach.

Projects started, continued or completed in the fiscal year include:

Public Safety:

- Construction of the new Public Safety complex is nearly completed with a scheduled completion date of November 2010. The new facility includes the new fire station 53 and new police station. This project was funded through a general obligation bond approved by voters.
- Purchase of a new Class A Pumper fire engine with delivery scheduled for December 2010. The trade-in value of an older engine was used towards the purchase of the new pumper.
- Fire Station 50 wind retrofit project completed this fiscal year – 75% funded through FEMA.

Stormwater Management:

- Central Beach Phase II was completed this fiscal year and was 75% funded through a FEMA Hazard Mitigation Grant.
- Other Projects Underway:
 - Central Beach Phase III Stormwater Mitigation Project
 - Islesboro/Fairmount Drainage Study
 - Fairmount/Westwood Drainage Improvements
 - Julia Street Outfall Water Quality Improvements
 - Westwood & Pine flood mitigation - FEMA/DCA grant funding will be used to purchase two residential properties which are repetitive flood loss properties.
 - North Atlantic Drainage Basin

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 22, 2011

Recreation/Parks/Golf Course:

- Manatee Park Playground – restored the wooden walking surfaces and railings throughout the playground
- New playground equipment installed at Detwiler Park and Inlet Shores Park.
- Pettis Park improvements are complete and include new racquetball courts, lighting, resurfaced basketball and tennis courts, and a picnic pavilion with kitchen. The project was 93% funded through CDBG grant funds.
- North Causeway Boat Ramp Improvements were completed this fiscal year and included the installation of six new boat ramps, floating docks and gangways. Project was 100% grant funded by FWC and FIND.
- Sports Complex renovations included new paint for all block buildings and irrigation system upgrades.
- Coronado Shuffleboard Improvements are scheduled for completion in FY 2011. Project includes new court lights, new restroom facilities, and resurfacing of shuffleboard courts and is partially funded by a FRDAP grant.

Airport:

- Construction of 15 Unit T-Hangar still under construction at the end of FY2010
- Precision Approach Path Indicator and Apron Security lighting added to Runway 7 & 25
- Taxiway A & E project underway and scheduled for construction in 2011

CRA:

- West Canal Streetscape project is nearing completion. Project includes new landscaping features, streetlights, street resurfacing, sidewalks, buried electric lines, stormwater lines, and new pipe under the north sidewalk.
- Chamber of Commerce Rehabilitation project is underway. Partially funded by a Volusia County ECHO grant.

Public Works:

- Fairway Drive Sidewalk project was 100% funded through an FHA Safe Route to School grant and was completed in September 2010.
- North Duss Street Improvements scheduled for completion in early 2011. Project includes widening of North Duss at Canal St., replacing the drainage culvert, and extending the sidewalk on the west side from Canal to Julia Street. This project is funded in total through CDBG grant funds.
- Resurfacing of South Riverside Drive completed this fiscal year. Project was jointly funded through ARRA federal stimulus funds and an FDOT LAP agreement.

Financial Information

Budgeting Controls The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all the governmental and proprietary funds are included in the annual appropriated budget.

Honorable Mayor Barringer, and
Members of the City Commission
City of New Smyrna Beach, Florida
March 22, 2011

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Any unencumbered balance of appropriations will revert to the General Fund and be subject to future appropriations. Open encumbrances are reported as reservations of fund balance at year end. As demonstrated by the financial statements and schedules included in the Financial Section of this comprehensive annual financial report, the City continues to meet its responsibility for sound financial management.

Risk Management The City contracts for all known risk elements through the purchase of insurance from outside insurance companies. In addition, various risk control techniques are in place to minimize accident related losses. These include the establishment of safety rules and procedures, accident prevention training, and the ongoing efforts of the safety committee, which is charged with (1) reviewing accident reports to identify and verify their causes; (2) recommending corrective actions; (3) reviewing employee safety suggestions; (4) hearing and investigating employee complaints; (5) investigating hazardous conditions, material or equipment; and (6) recommending awards or penalties.

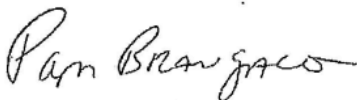
Debt Administration At September 30, 2010, the City had a number of debt obligations outstanding. This debt was comprised of \$14.6 million in general obligation bonds, \$6.6 million in capital improvement refunding revenue bonds and \$5.8 million in other long-term debt obligations.

Other Information

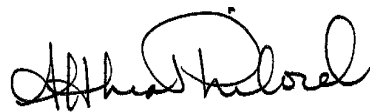
Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of New Smyrna Beach, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the requirements for this program and are submitting the 2010 report for another certificate.

Acknowledgments The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. In closing, we would also like to thank the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Pamela Brangaccio
City Manager



Althea Philord
Finance Director

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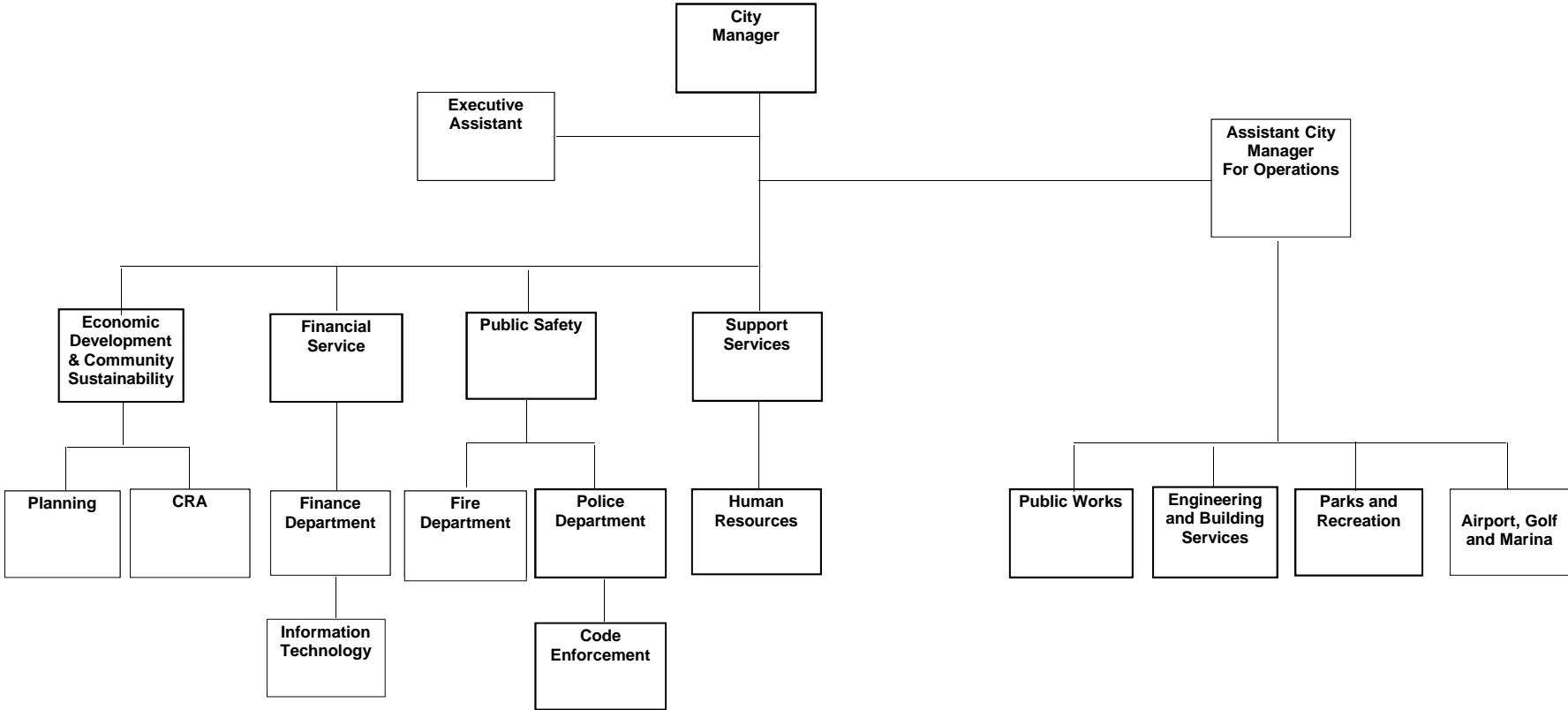
Organizational Chart

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City of New Smyrna Beach

Organizational Chart

September 30, 2010



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New Smyrna Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director

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Financial Section

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Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of New Smyrna Beach, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida, as of and for the year ended September 30, 2010, which collectively comprise City of New Smyrna Beach, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of New Smyrna Beach, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utilities Commission, City of New Smyrna Beach, Florida, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Community Redevelopment Agency, and Airport Industrial Park funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22 2011, on our consideration of City of New Smyrna Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 27 through 39 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of New Smyrna Beach, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Section 215.97, Florida Statutes, *Florida Single Audit Act*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Daytona Beach, Florida
March 22, 2011

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of New Smyrna Beach, Florida, (hereinafter referred to as the "City"), we offer the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year that ended on September 30, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

Financial Highlights

- General Fund unreserved fund balance was \$6,871,824 at year end, which is 38% of the budgeted FY2010/2011 General Fund expenditures. This is also above the required 25% reservation policy adopted in 2010.
- Government-wide the City's assets exceeded its liabilities by \$83 million at year end, which is an increase in net assets of \$4,373,720, or 5.5%, when compared to September 2009.
- Compared to 2009, total liabilities City-Wide decreased by \$2,872,884, or 7.9% at year end.
- At September 30, 2010, the City's total operating expenditures decreased by \$781,683 compared to the prior year expenditures.
- Capital assets increased in 2010 compared to 2009 by \$4.7 million, Government-Wide.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of New Smyrna's basic financial statements prepared in compliance with the pronouncements of the Governmental Accounting Standards Board. The City's basic financial statements are comprised of three separate components: (1) management's discussion and analysis (2) the basic financial statements (including government-wide financial statements, fund financial statements, and notes to the financial statements), and (3) required supplementary information, including budgetary comparisons and other selected financial and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The *basic financial statements* include two types of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid, are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial

information about the activities which the government operates like businesses, such as the City's municipal golf course and solid waste collection system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plan for the City's employees), to whom the resources in question belong.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net assets and a statement of activities, which are described as follows:

- The *statement of net assets* presents information on all of the City's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets, which indicates an improved financial condition.
- The *statement of activities* presents information showing how the government's net assets changed during the most recently completed fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unsaved vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government services, public safety (police, fire and building inspection), highways and streets, airport operations, stormwater management, economic development, and recreation and leisure services. The business-type activities of the City include its municipal golf course and solid waste utility operations. The government-wide financial statements include not only the City of New Smyrna Beach itself (known as the *primary government*), but also a legally separate electric, water, wastewater and telecommunications utility (Utilities Commission, City of New Smyrna Beach) for which the City of New Smyrna Beach is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 43 through 45.

Fund Financial Statements

A *fund financial statement* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash

and all other financial assets that can be readily converted into cash. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 47 and 48.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Community Redevelopment Agency (special revenue) Fund, and the Airport Industrial Park (special revenue) Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the eleven other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for each of its governmental funds in accordance with state statutes. Budgetary comparison statements have been provided for each fund to demonstrate compliance with the budget and are presented as other supplemental information. The basic governmental fund financial statements can be found on pages 43 to 49 of this report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities of the City's municipal golf course operations and solid waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City various functions. The City uses an internal service fund to account for its vehicle fleet maintenance operations.

Because services accounted for in the internal service fund are charged back to the appropriate fund/department on services provided, its activities are already included in the financial statements of the governmental and business-type funds. Individual fund data for the internal service fund is provided in the proprietary fund financial statement.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate financial information for the golf course and solid waste operations, both of which are considered to be major funds of the City. Conversely, the internal service fund's financial activities are presented separately in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 54 to 56 of this report.

Fiduciary funds. The City is the trustee, or fiduciary, for its public safety employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net assets and changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 57 to 58 of this report.

Notes to the Financial Statements. The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 60 to 89 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation to provide certain pension benefits to its employees and other information that further supports the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities. Required supplementary information can be found on pages 92 to 94 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 98 to 113.

Government-wide Financial Analysis

Reviewing the changes in assets, liabilities, resources and outlays during the fiscal period allows management to assess the City's current financial position and the results of operations for the last year. The following condensed information includes some of the basic data used to measure the City's progress over the past two years.

Assets – Government-wide Assets increased over the prior year by approximately \$1.5 million for a total balance at year-end of \$116.4 million in total assets. This increase was primarily due to the increase in Capital Assets (less depreciation) of \$4.7 million, or 6.6%. Cash and cash equivalents decreased by 11%, or \$4.1 million due to increased spending related to capital improvements city-wide, and the cash deficit reported in connection with the City's business-type activities. Receivables due from other government units increased by \$405,571, or 23%, which is primarily related to grant receipts associated with capital projects.

Liabilities - Total Government-wide Liabilities decreased by over \$2.8 million; this is mainly due to the payment of debt principal of over \$2,001,385 and the net reduction in Compensated Absences of \$509,665. The reduction of debt and Compensated Absences were due to regularly scheduled principal payments and the adoption of a new personnel policy setting a limit on banked personal leave hours. In addition, the City offered a voluntary retirement program. Personal leave and vacation hours were paid out in accordance with the new limit on banked hours, which further reduced total Compensated Absences. The only component of Long-term Liabilities increase is Net OPEB Obligations by \$52,000.

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities, Government-wide, at the end of the fiscal year by over \$83 million. Total Net Assets increased \$4.3 million from last year, which is slightly higher than the previous year, but considerably less than the three years prior to 2009, as revenue sources such as taxes, grants, revenue sharing, and investment earnings have decreased and capital expenditures increased Government-wide. Of the total change in Net Assets, Investment in Capital Assets have increased the most, while Restricted Net Assets decreased as funds were used for capital projects, since the City continues to expand its facilities to meet the its future infrastructure needs. Unrestricted Net Assets remained a healthy \$9.4 million, 11% of net assets, but decreased by \$210,107 when compared to the prior year.

Although the net assets of the City increased Government-wide, the net assets of the City's business-type activities decreased by \$288,621 in 2010 (decrease of \$398,443 in 2009), and totaled \$1,027,334 at the end of fiscal year 2010. The City's business-type activities continue to show a decline in net assets, as the Golf Course and Sanitation Fund continue to operate at a loss. The Golf Course has not reported operating income since 2001 and the Sanitation Fund has not reported an operating income since 2008. The City continues to review the operations of its Enterprise Funds to identify costs savings and revenue generating opportunities, to reverse the downward trend of its business-type activities operations.

The following is a summary of net assets for the years ended September 30, 2010 and 2009:

Net Assets						
As of September 30						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$ 40,735,195	43,818,091	(1,048,867)	(869,975)	39,686,328	42,948,116
Capital assets, net	74,052,051	69,082,877	2,748,890	2,955,440	76,800,941	72,038,317
Total Assets	114,787,246	112,900,968	1,700,023	2,085,465	116,487,269	114,986,433
Liabilities:						
Current liabilities	6,109,267	6,046,192	559,275	620,750	6,668,542	6,666,942
Long-term debt outstanding	26,134,915	29,026,471	83,307	117,235	26,218,222	29,143,706
Other liabilities	500,893	448,475	30,107	31,525	531,000	480,000
Total Liabilities	32,745,075	35,521,138	672,689	769,510	33,417,764	36,290,648
Net Assets:						
Invested in capital assets, net of related debt	54,002,170	50,935,317	2,748,890	2,955,440	56,751,060	53,890,757
Restricted	16,870,174	15,146,650	-	-	16,870,174	15,146,650
Unrestricted	11,169,827	11,297,863	(1,721,556)	(1,639,485)	9,448,271	9,658,378
Total net assets	\$ 82,042,171	77,379,830	1,027,334	1,315,955	83,069,505	78,695,785

Changes in Net Assets. While the statement of net assets shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net assets provides answers as to the nature and source of those changes. During 2010, the City's combined net assets totaled \$83 million, which is up \$4.7 million over last year's reported \$78.6 million. In fiscal year 2009, the City's combined net assets totaled \$78.6 million, which was up \$3.7 million over previous year's (2008) reported \$74.9 million. During fiscal year 2010, the City's total revenues decreased by approximately \$168,026 to a total of \$37.4 million.

In fiscal year 2009, the City's total revenues decreased by approximately \$4.6 million to a total of \$37.6 million. Approximately 35% of the City's combined activities revenue comes from property taxes (45% in 2009), and 22% (22% in 2009) of every dollar raised comes from some other type of tax or required payment in lieu of tax. Another 28% (25% in 2009) comes from fees charged for services and 8.6% (9.6% in 2009) is earned from grant contributions, while most of the remaining revenue is state and federal financial assistance and interest and other earnings.

Government-wide operating expenditures decreased by \$781,683 during the period.

The following is a summary of changes in net assets for the years ended September 30, 2010 and 2009:

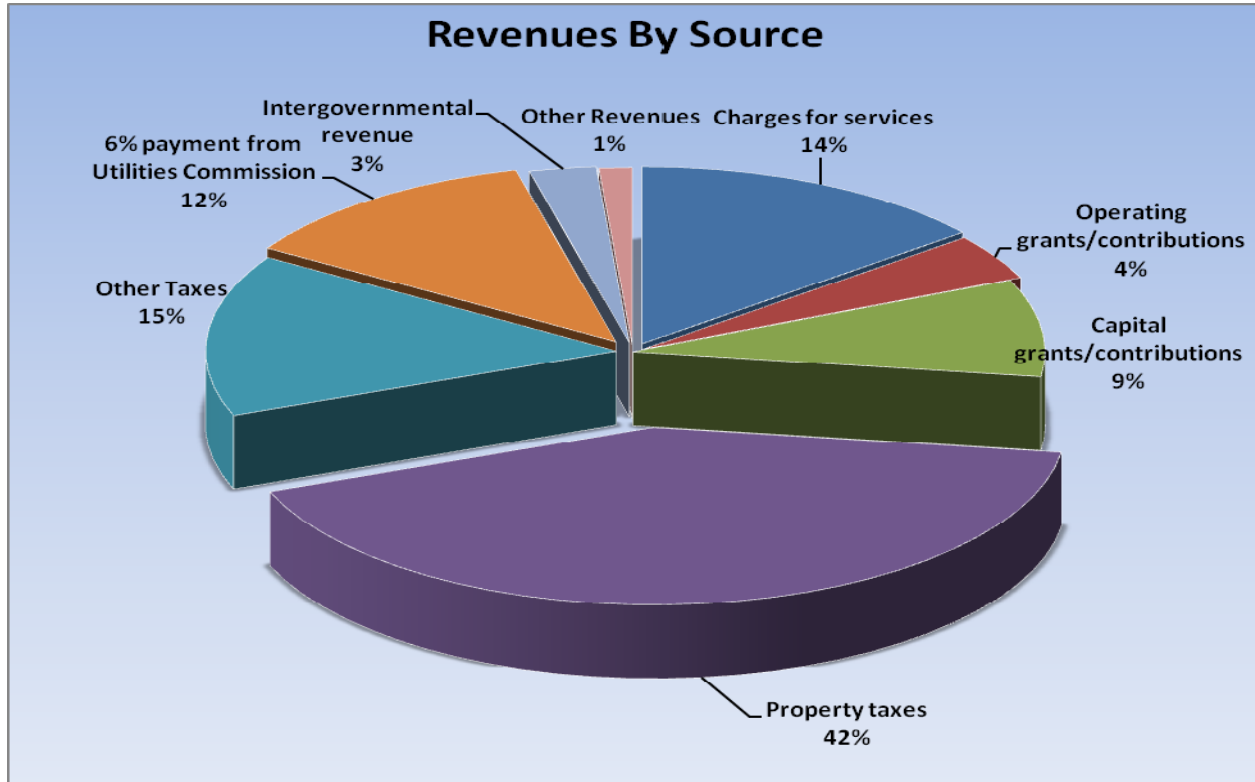
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues:						
Charges for Services	4,453,845	4,309,166	6,045,530	6,177,267	10,499,375	10,486,433
Operating grants/contributions	1,322,659	2,280,105			1,322,659	2,280,105
Capital grants/contributions	2,784,637	1,367,708			2,784,637	1,367,708
General Revenues						
Property taxes	13,119,859	14,056,637			13,119,859	14,056,637
Other taxes	4,645,208	4,529,013			4,645,208	4,529,013
6% payment from the					-	-
Utilities Commission	3,833,942	3,601,805			3,833,942	3,601,805
Intergovernmental Revenues	824,168	785,805			824,168	785,805
Other revenues	407,207	482,819	7,930	22,686	415,137	505,505
Total revenues	31,391,525	31,413,058	6,053,460	6,199,953	37,444,985	37,613,011
Expenses:						
General government	3,064,966	3,581,208			3,064,966	3,581,208
Public safety	10,501,207	13,049,015			10,501,207	13,049,015
Transportation	3,898,353	2,889,765			3,898,353	2,889,765
Economic environment	3,580,406	1,203,546			3,580,406	1,203,546
Physical environment	546,962	896,077			546,962	896,077
Human Services/health	-	-			-	-
Culture/recreation	3,444,935	3,580,298			3,444,935	3,580,298
Buildings & maintenance	509,468	522,213			509,468	522,213
Interest on long-term debt	1,182,887	1,532,430			1,182,887	1,532,430
Golf course operations	-	-	1,302,760	1,539,785	1,302,760	1,539,785
Solid waste operations	-	-	5,039,321	5,069,091	5,039,321	5,069,091
Total expenses	26,729,184	27,254,552	6,342,081	6,608,876	33,071,265	33,863,428
Increase in net assets before transfers	4,662,341	4,168,986	(288,621)	(408,923)	4,373,720	3,749,583
Transfers in (out)		(10,480)		10,480	-	-
Changes in net assets	4,662,341	4,158,506	(288,621)	(398,443)	4,373,720	3,749,583

Governmental Activities

In 2010, Net Assets for Governmental Activities improved by \$4.6 million or 12%. This is an increase of \$503,835 from the previous year's net assets of \$4,158,506. The major contributor to increased Net Assets was the overall decrease in departmental expenses by \$514,888 as management was aggressive in cutting cost. Revenues did not contribute to the net increase as overall revenues were down slightly, \$21,533, or less than 1 percent than last year's reported governmental revenue, when compared to 2009 total revenues of \$31,413,058. However, despite the decrease in property tax revenue in the amount of \$936,778, and decreased operating grants of \$957,446 (-42%) in 2010, the increases in capital grants of \$1.4 million and the 6% payment from the City's component unit of \$232,137, helped buffer the extent of decreased revenues. Other revenues that increased were charges for services by \$144,679 due to an increase in business tax receipts and permitting activity.

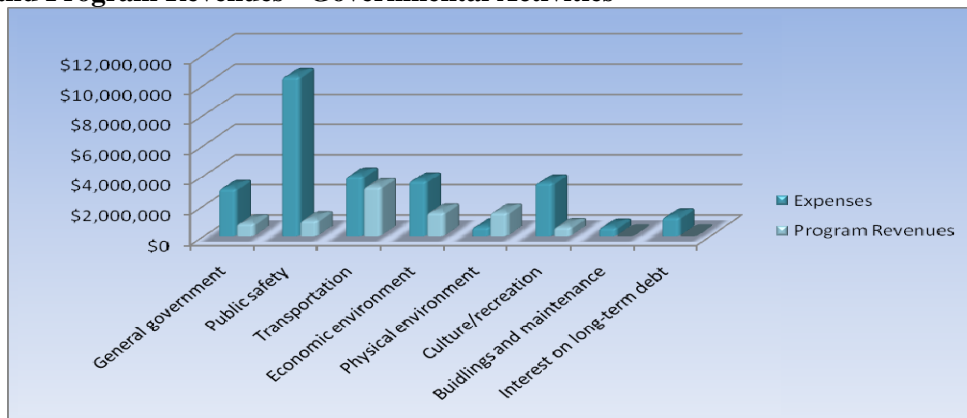
The following is a summary of the City's governmental revenues - by source for fiscal year 2010:

Revenues by Source - Governmental Activities



An individual comparison of the City's functional program revenues and costs of providing program services to its citizens in fiscal year 2010 is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are presented in the following graph:

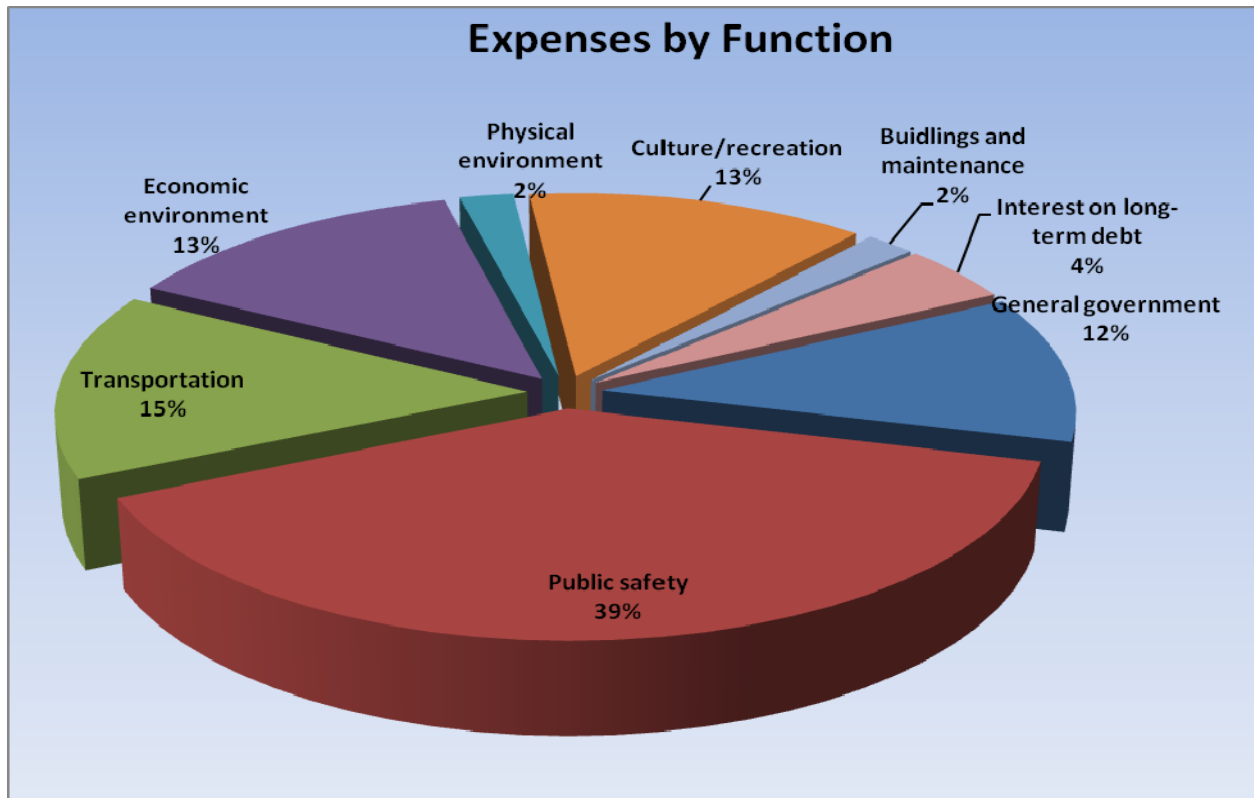
Expenses and Program Revenues - Governmental Activities



Combined governmental activities expenses for fiscal year 2010 totaled \$26,729,184, which represents a decrease of \$14,888 or -1.9% less than last year's expenses of \$27,244,072. The 2009 combined total expenses for the City's governmental activities totaled \$27,244,072, which represented an increase of \$1,552,386 or 6% over the prior year's (2008) expenses of \$25,702,166.

The following is a summary of the City's governmental expenses - by function for fiscal year 2010:

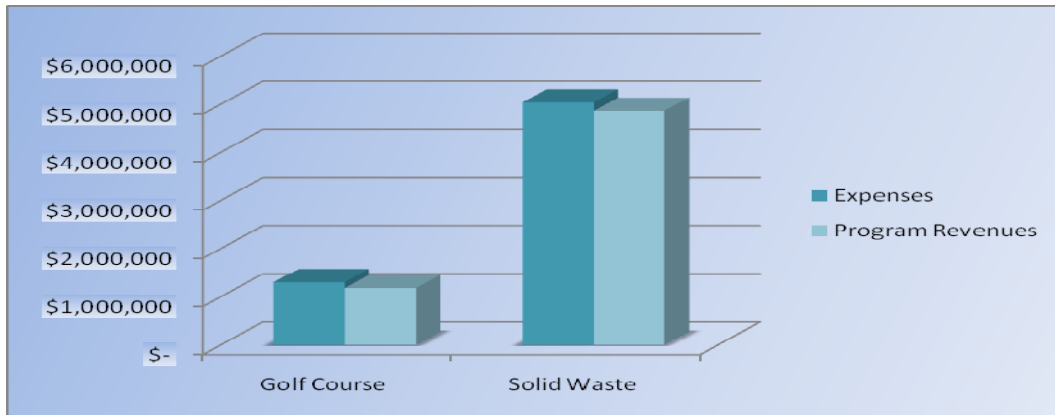
Expenses by Function - Governmental Activities



Business-type Activities

Business-type activities contributed to the decrease in the City's net assets by \$288,621 in 2010 and decreased by \$398,443 in 2009. Overall, net assets from the City's business-type activities (\$1,027,334 and \$1,315,955 at September 30, 2010 and 2009, respectively) account for only 1.2% and 1.7% of the City's combined total net assets at September 30, 2010 and 2009, respectively. The major sources of operating revenues for the City's business-type activities include charges for services for solid waste utilities (Municipal Sanitation Fund) and for use of the City-owned golf course facility (Municipal Golf Course Fund). Combined operating revenues from these two activities decreased in 2010 and totaled \$6,053,460 compared to \$6,199,953 generated in 2009 and \$6,426,337 reported in 2008. The overall decrease in the City's business-type net assets is attributed to a net loss from operations in the Municipal Golf Course Fund, and the Sanitation Fund. Expenses continue to outpace revenue growth in the Golf Course Fund. The Sanitation Fund is operating at a loss due to the increase in contractual services. In the coming year contractual services will be reviewed to identify any costs savings opportunities in the Sanitation Fund. A comparison of the City's functional program revenues and costs of providing business-type services to its customers in fiscal year 2010 is useful in identifying the capabilities of producing revenues sufficient to operate their programs. They are presented in the following graph:

Expenses and Program Revenues - Business-type Activities



Operating expenses of the business-type activities decreased in 2010 to \$6,342,081, as compared to \$6,598,396 incurred in 2009, and \$6,574,935 in 2008. The decrease in fiscal year 2010 was primarily attributed to reduction in personnel and operating costs in the Golf Course Fund.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the City completed the current fiscal year its governmental funds reported a combined fund balance of \$35,862,549, which was \$296,839 or .07% more than the \$38,565,710 reported in 2009. Approximately 60.9% of this amount (\$21,870,484) is comprised of unreserved fund balance, which is available for spending at the City's discretion. In 2009, the combined fund balance of governmental funds was \$38,565,710, or 7.4% less than the \$41,651,941, reported in 2008. The remainder of fund balance at the end of 2010 is reserved to indicate that it is not available for new spending because it has already been committed to: (1) liquidating contracts and purchase orders of the prior period (\$2,262,558) (2) financing capital improvements (\$6,734,587), (3) reflecting the costs for inventories and payments for prepaid expenses carried over to the subsequent year (\$377,853), (4) reservation on deposits of the prior period (\$402,545) (5) financing specialized law enforcement investigations (\$29,106), (6) advances to other funds (\$3,494,897), (7) tree replacement (\$437,216), and for other purposes (\$253,303). At the end of fiscal year 2009, approximately \$10,887,875 was comprised of unreserved fund balance, the remainder of the fund balance was reserved for: (1) liquidating contracts and purchase orders of the prior period (\$20,313,067), (2) financing capital improvements (\$6,338,944), (3) tree replacement (\$437,216) (4) reflecting the costs for inventories and payments for prepaid expenses carried over to the subsequent year (\$327,885), (5) financing specialized law enforcement investigations (\$26,445), (6) for other purposes (\$234,278).

As of September 30, 2010, the unreserved fund balance in the general fund totaled \$6,871,824, while total fund balance for the general fund reached \$11,983,774. At the end of fiscal year 2009, the unreserved fund balance in the general fund amounted to \$10,975,084, while total fund balance reached \$12,596,825. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance at the end of 2010 represents approximately 32.6% of the total general fund expenditures (\$21,023,511). At the end of 2009, unreserved fund balance represented 50.8% of the total general fund expenditures (\$21,595,709). The significant decrease in general fund unreserved fund balance of \$4.1 million, from 2009 to 2010 is primarily due to reclassifying the advance to the Golf Course (\$3,494,897) as reserved fund balance. City officials have established a target threshold of 25% in unreserved funds compared to General Fund expenditures. The current unreserved balance exceeds that target.

Fund balance in the general fund decreased by \$613,051 during the current fiscal year, compared to an increase of \$296,876 in the prior year. The decrease in 2010 is the result of a combination of the following factors: (1) reduced ad valorem tax revenue, (2) the reduction in rental income due to the lessee's business closing its doors as a result of the economic climate and (3) reduction in grant funding. The increase in 2009 is the result of a cost savings measures in response to continued reduction of ad valorem tax revenue.

The Community Redevelopment Agency trust fund is a major special revenue fund that accounts for tax increment revenue that is used to finance improvements in the community redevelopment district of the City. In 2010 the City's portion of the tax increment revenue decreased by \$131,982, from \$893,277 collected in 2009 to \$761,295 as reported in 2010. Intergovernmental revenue increased by \$1,096,933 in 2010, as a result of additional grant receipts related to West Canal Streetscape project. Although intergovernmental revenue increased in total, tax increment revenue received from overlapping taxing agencies reported as intergovernmental revenue decreased by \$198,496 in 2010, as compared to the amount collected in the prior year. Operating expenditures increased by \$1.3 million, due the increase in capital improvements in the CRA district. The CRA's fund balance remains strong as money is available for planned capital improvements and economic development in the CRA district.

The airport industrial park fund is a major special revenue fund that accounts for the City's airport operations and rents collected from commercial tenants at the adjacent industrial park complex. In 2010 this fund experienced an increase in fund balance of \$93,576, which is a slight increase compared to the prior year. The increase to Airport fund balance is attributable to the leasing of Airport properties to the General Fund due to the new Public Safety facilities located on Airport property.

Capital Projects Fund. In 2010 the City spent down funds provided through the issuance of Series 2005 General Obligation Bonds for planned public safety improvements. As of September 30, 2010 the unspent proceeds from the issuance of the Series 2005 General Obligation Bonds totaled \$6.1 million. These proceeds will be spent in the next fiscal year as the City completes the construction of the new police station and fire stations that were approved by voters that resulted in the issuance of this debt.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Please refer to the government-wide analysis on page 35 for more information on the City's Golf Course and Sanitation Funds.

General Fund Budgetary Highlights

Accurate revenue projection is critical to sound budgeting. The amount of resources available for appropriation is the foundation for any budget and should be the basis for decision-making in the budget process. In fiscal year 2010, the City Commission amended the General Fund budget on four separate occasions for changes in various departmental appropriations, to increase the amount of appropriated fund balance to cover estimated operating and capital expenditures. Actual expenditures in the General Fund

for the current fiscal year were \$1,676,192 less than the budgetary amounts appropriated. This savings is the result of management's control over expenditures and cost efficiency efforts instituted at the direction of the City Commission and in part as a response to the uncertainty of future revenue streams, due to the decline in the housing market and the general economy.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2010, the City's investment in capital assets for its governmental and business-type activities totaled \$76,800,941 (net of accumulated depreciation of \$30,751,251). This investment in capital assets, net of depreciation, for all activities is reflected in the following comparative schedule:

	Capital Assets					
	As of September 30					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Land	\$ 29,030,696	\$ 29,030,696	\$ 263,200	\$ 263,200	\$ 29,293,896	\$ 29,293,896
Capital Assets not being depreciated					-	-
Buildings	11,661,672	11,952,193	154,366	181,182	11,816,038	12,133,375
Improvements other than buildings	5,318,302	4,805,992	2,198,718	2,345,829	7,517,020	7,151,821
Machinery & equipment	3,199,998	3,950,712	132,606	165,230	3,332,604	4,115,942
Infrastructure	10,553,419	9,759,689	-	-	10,553,419	9,759,689
Construction in progress	14,287,964	9,583,595	-	-	14,287,964	9,583,595
Total net of accumulated depreciation	<u>\$ 74,052,051</u>	<u>\$ 69,082,877</u>	<u>\$ 2,748,890</u>	<u>\$ 2,955,440</u>	<u>\$ 76,800,941</u>	<u>\$ 72,038,318</u>

This year's major additions to capital assets are as follows:

General Government:

- City Hall Chambers Restoration..... 102,808
- Information Technology Upgrades..... 25,831

Public Safety Projects:

- Construction in progress on new police station and central fire station..... 3,763,104
- Purchase of police and fire equipment..... 85,849
- Wind retrofit for station #50..... 12,175

Transportation:

- Streets and sidewalk improvements..... 77,393
- Equipment..... 83,335
- Construction in progress for airport improvements..... 594,328
- Construction in progress for Duss Street..... 32,570

Physical Environment:

- Completion of Central Beach Phase II..... 102,163

Culture/Recreation:

• Equipment purchases.....	109,435
• Completion of Pettis Park, Detwiler Park & Boat Ramps.....	181,139
• Construction work in progress on shuffleboard courts, bathrooms , Manatee Park improvements.....	61,513

Economic Environment:

• Construction in progress on CRA projects.....	2,423,258
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Total significant capital asset additions during fiscal year 2010.....	7,654,901
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Additional information on the City’s capital assets can be found in Note 9 to the financial statements.

Long-term Debt. At year end, the City had \$27,164,047 in bonds, notes and other long-term obligations outstanding, all of which are secured solely by specified revenue sources. More detailed information about the City’s long-term debt is presented in Note 10 to the financial statements.

The City has outstanding a general obligation bond in the amount of \$14,640,000 at year end. The proceeds of these bonds were used to finance the construction of a police station, three fire stations, an emergency operations center and certain public sidewalks. These bonds constitute general obligations of the City, and the full faith, credit and taxing power of the City is pledged for the payment of the principal and interest on the bonds.

The City has outstanding revenue bond obligations in the amount of \$1,096,025 at year end. The proceeds of these bonds were used to finance public improvements in the City’s designated community redevelopment corridor. These bonds are payable from tax-increment revenues generated from the real property improvements made in these designated areas and are payable through 2013.

The City has five outstanding revenue note obligations totaling \$8,985,724 at year end. The proceeds from these obligations were used to consolidate several of the City’s existing debt obligations and to provide financing resources for several capital projects programs. These notes are payable from all of the City’s general revenues with the exception of its ad valorem tax revenue and are payable in varying amounts through 2015.

The City has four revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$2,442,298 at year end. The proceeds of these loans, were used to finance the construction of needed stormwater drainage improvements. These notes are secured by the City’s stormwater utility revenues and are payable in varying amounts through 2028.

Economic Factors and Next Year’s Budgets and Rates

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

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 12.5% at

the end of September 2010, which is significantly higher than the 7.2% rate experienced one year earlier. These estimates are consistent with the State of Florida 11.7% and 12.1% unemployment rate, at September 2010 and 2009, respectively.

- The City is facing many challenges in the fiscal year 2011 budget due to projected revenue decreases as a result of a continued decline in the economy and decrease in real estate property tax values. At the same time, the City is experiencing rising prices for many of the basic operating expenses, such as utilities, gas and fuel, and insurance costs. To meet these challenges management has taken various measures to reduce spending and prioritize its capital needs.
- Property tax revenue in fiscal year 2011 is expected to be \$1.1 million less than the ad valorem taxes collected in fiscal year 2010. In addition, the City Commission approved Southeast Volusia Hospital District TIF exemption which resulted in a loss of revenue to the CRA of approximately \$570,389.
- For the past four years the City has experienced a significant decrease in new home construction, resulting in a negative impact on building permit fees, impact fees, and planning fees. However, in fiscal year 2011 the City is anticipating an increase in permitting as two major commercial projects are scheduled for construction in 2011.
- The City has reduced its workforce by 42.25 positions from 2010 to 2011. Within the last five years, the total personnel count has been reduced from 287.50 to 214.50. Within the General Fund the count has been reduced from 238 to 176 positions.
- State mandates and voter approved ad valorem taxation reform, coupled with a distressed real estate market, resulted in a -11.8% decrease in the City's taxable property values from \$2.84 billion for fiscal year 2010 down to \$2.50 billion for fiscal year 2011. The City Commission voted to maintain the same operating millage rate (3.4793 mills) for fiscal year 2011 as approved for 2010. The City is did not appropriate any reserves to balance the general fund budget for 2011. In addition, the general fund budget decreased from \$23,308,484 for 2010 to \$17,713,906 for 2011.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Finance Director, City of New Smyrna Beach, 210 Sams Avenue, New Smyrna Beach, Florida 32168-9985.

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Basic Financial Statements

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**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Utilities Commission
Assets				
Equity in pooled cash and investments	\$ 24,616,089	\$ 1,994,754	\$ 26,610,843	\$ 592,344
Receivables, net:				
Accounts receivable	395,018	19,841	414,859	7,625,668
Delinquent taxes	13,357	-	13,357	-
Due from other governments	2,247,077	-	2,247,077	-
Due from component unit	795,750	405,528	1,201,278	-
Internal balances	3,494,897	(3,494,897)	-	-
Deposits	402,545	-	402,545	-
Inventories and prepaids	451,366	25,907	477,273	2,627,065
Unamortized bond issue costs	78,382	-	78,382	220,791
Unamortized regulatory and nonregulatory studies cost	-	-	-	47,391
Restricted equity in pooled cash and investments	7,272,048	-	7,272,048	33,454,602
Investment in joint venture	213,811	-	213,811	-
Net pension asset	760,198	-	760,198	-
Capital assets not being depreciated	43,318,660	263,200	43,581,860	22,195,563
Capital assets being depreciated, net of accumulated depreciation:	30,733,391	2,485,690	33,219,081	125,813,982
Total Assets	\$ 114,792,589	\$ 1,700,023	\$ 116,492,612	\$ 192,577,406
Liabilities				
Bank overdraft - unrestricted cash and investments	\$ -	\$ -	\$ -	\$ 2,331,619
Accounts payable and accrued liabilities	2,149,414	434,427	2,583,841	5,658,167
Due to other governments	602,627	-	602,627	70,765
Due to primary government	-	-	-	1,201,278
Unearned income	177,848	91,274	269,122	-
Payable from restricted assets:				
Deposits	83,119	-	83,119	3,799,730
Interest payable	395,266	-	395,266	1,125,991
Noncurrent liabilities:				
Due within one year:				
Bonds and notes payable	2,004,806	-	2,004,806	5,616,031
Compensated absences payable	701,530	33,574	735,104	437,186
Due in more than one year:				
Bonds and notes payable	25,159,241	-	25,159,241	55,954,464
Compensated absences payable	975,674	83,307	1,058,981	437,186
Net OPEB obligation	500,893	30,107	531,000	108,808
Asset retirement obligation	-	-	-	4,828,717
Total liabilities	32,750,418	672,689	33,423,107	81,569,942
Net Assets				
Invested in capital assets, net of related debt	54,002,170	2,748,890	56,751,060	86,635,550
Restricted for:				
Culture/ recreation	17,042	-	17,042	-
Capital projects	4,289,431	-	4,289,431	12,156,293
Debt service	-	-	-	6,308,994
Community redevelopment	11,120,485	-	11,120,485	-
Law enforcement	105,487	-	105,487	-
Building inspections	10,315	-	10,315	-
Net pension asset	760,198	-	760,198	-
Tree replacement	437,216	-	437,216	-
Unrestricted	11,299,827	(1,721,556)	9,578,271	5,906,627
Total net assets	82,042,171	1,027,334	83,069,505	111,007,464
Total Liabilities and Net Assets	\$ 114,792,589	\$ 1,700,023	\$ 116,492,612	\$ 192,577,406

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Program Revenue:</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Governmental activities				
General government	\$ 3,064,966	\$ 780,828	\$ 17,693	\$ -
Public safety	10,501,207	668,666	185,717	143,414
Transportation	3,461,647	1,246,117	991,710	955,031
Economic environment	3,580,406	5,550	-	1,507,988
Physical environment	983,668	1,198,614	127,539	178,204
Culture/recreation	3,444,935	554,070	-	-
Buildings and maintenance	509,468	-	-	-
Interest on long-term debt	1,182,887	-	-	-
Total governmental activities	<u>26,729,184</u>	<u>4,453,845</u>	<u>1,322,659</u>	<u>2,784,637</u>
Business-type activities				
Golf Course	1,302,760	1,182,596	-	-
Sanitation	5,039,321	4,862,934	-	-
Total business-type activities	<u>6,342,081</u>	<u>6,045,530</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 33,071,265</u>	<u>\$ 10,499,375</u>	<u>\$ 1,322,659</u>	<u>\$ 2,784,637</u>
Component Unit - Utilities Commission	<u>\$ 60,388,298</u>	<u>\$ 59,854,959</u>	<u>\$ -</u>	<u>\$ 618,593</u>

General revenues

Property taxes
Sales tax
Public service tax
State revenue sharing not restricted to specific program
Intergovernmental revenues not restricted to specific program
Franchise fees
Required payment from component unit
Interest revenue
Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year (as restated for component unit)

Net assets, end of year

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net (Expense) Revenue and Changes in Net Assets			
Primary Governmen			Component Unit
Governmenta Activities	Business-type Activities	Total	Utilities Commisior
\$ (2,266,445)	\$ -	\$ (2,266,445)	
(9,503,410)	-	(9,503,410)	
(268,789)	-	(268,789)	
(2,066,868)	-	(2,066,868)	
520,689	-	520,689	
(2,890,865)	-	(2,890,865)	
(509,468)	-	(509,468)	
(1,182,887)	-	(1,182,887)	
<u>(18,168,043)</u>	<u>-</u>	<u>(18,168,043)</u>	
-	(120,164)	(120,164)	
-	(176,387)	(176,387)	
-	(296,551)	(296,551)	
<u>(18,168,043)</u>	<u>(296,551)</u>	<u>(18,464,594)</u>	
			<u>\$ 85,254</u>
13,119,859	-	13,119,859	-
957,309	-	957,309	-
3,084,314	-	3,084,314	-
357,953	-	357,953	-
466,215	-	466,215	-
603,585	-	603,585	-
3,833,942	-	3,833,942	-
163,621	6,553	170,174	42,381
243,586	1,377	244,963	618,690
<u>22,830,384</u>	<u>7,930</u>	<u>22,838,314</u>	<u>661,071</u>
4,662,341	(288,621)	4,373,720	746,325
77,379,830	1,315,955	78,695,785	110,261,139
<u>\$ 82,042,171</u>	<u>\$ 1,027,334</u>	<u>\$ 83,069,505</u>	<u>\$ 111,007,464</u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	General	Community Redevelopment Agency	Airport Industrial Park	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in pooled cash and investments	\$ 7,280,379	\$ 11,116,033	\$ 1,230,758	\$ 7,035,785	\$ 4,775,530	\$ 31,438,485
Receivables, net:						
Accounts receivable	345,131	2,700	44,523	-	2,664	395,018
Delinquent taxes	13,357	-	-	-	-	13,357
Due from component unit	695,383	-	-	-	100,367	795,750
Due from other governments	1,229,059	393,813	436,079	-	188,126	2,247,077
Advances to other funds	3,494,897	-	-	-	-	3,494,897
Inventories	6,644	-	44,222	-	-	50,866
Deposits	402,545	-	-	-	-	402,545
Prepaid items	295,097	5,817	3,570	6,418	16,085	326,987
Total Assets	\$ 13,762,492	\$ 11,518,363	\$ 1,759,152	\$ 7,042,203	\$ 5,082,772	\$ 39,164,982
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 710,055	\$ 369,393	\$ 175,711	\$ 855,634	\$ 28,316	\$ 2,139,109
Deposits	34,850	-	32,975	-	15,294	83,119
Deferred revenue	431,186	28,485	-	-	17,907	477,578
Due to other Governments	602,627	-	-	-	-	602,627
Total liabilities	<u>1,778,718</u>	<u>397,878</u>	<u>208,686</u>	<u>855,634</u>	<u>61,517</u>	<u>3,302,433</u>
Fund balances:						
Reserved for:						
Encumbrances	261,348	1,196,848	414,619	375,133	14,610	2,262,558
Inventories and prepaids	301,741	5,817	47,792	6,418	16,085	377,853
Deposits	402,545	-	-	-	-	402,545
Advances	3,494,897	-	-	-	-	3,494,897
Tree Replacement	437,216	-	-	-	-	437,216
Law enforcement	29,106	-	-	-	-	29,106
Parks and Recreation	17,042	-	-	-	-	17,042
Capital projects	38,055	-	-	5,003,940	1,562,592	6,604,587
Debt service	-	-	-	-	236,261	236,261
Unreserved:						
Designated for:						
Capital projects	130,000	-	-	-	-	130,000
Undesignated, reported in:						
General fund	6,871,824	-	-	-	-	6,871,824
Special revenue funds	-	9,917,820	1,088,055	-	3,191,707	14,197,582
Capital project funds	-	-	-	801,078	-	801,078
Total fund balances	<u>11,983,774</u>	<u>11,120,485</u>	<u>1,550,466</u>	<u>6,186,569</u>	<u>5,021,255</u>	<u>35,862,549</u>
Total Liabilities and Fund Balances	\$ 13,762,492	\$ 11,518,363	\$ 1,759,152	\$ 7,042,203	\$ 5,082,772	\$ 39,164,982

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Fund Balances - Total Governmental Funds	\$ 35,862,549
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>	
Governmental capital assets	102,324,442
Accumulated depreciation	<u>(28,362,030)</u>
	73,962,412
<p>The cumulative effect of overfunding the actuarial required contributions to a pension fund does not represent a financial asset in the governmental funds. In the statement of net assets, which is presented on an accrual basis, an asset is reported since the adjustment to expense is fully recognized in the statement of activities.</p>	
	760,198
<p>The investment in joint venture asset is not available to pay for current period expenditures and is therefore not recorded in the fund statements</p>	
	213,811
<p>Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets</p>	
	563,804
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and non-current, are reported in the statement of net assets. Long term liabilities at year end consist of:</p>	
Bonds and notes payable	(27,164,047)
Unamortized bond issuance costs	78,382
Accrued interest payable	(395,266)
Compensated absences	(1,644,850)
Other post employment benefits	(494,552)
<p>Because some taxes (\$59,817) and special assessment revenues (\$239,913) will not be collected within 60 days after the close of the City's fiscal year-end, they are not considered as "available" revenue in the governmental funds, and therefore, reported as deferred revenue. In the statement of net assets, which is on the accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.</p>	
	299,730
Net Assets of Governmental Activities	<u><u>\$ 82,042,171</u></u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Airport Industrial Park</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 13,169,472	\$ 761,295	\$ -	\$ -	\$ 1,437,348	\$ 15,368,115
Licenses and permits	4,630,922	-	-	-	471,540	5,102,462
Intergovernmental	2,418,308	3,598,058	522,707	-	172,994	6,712,067
Charges for services	313,472	-	-	-	1,759,360	2,072,832
Fines and forfeitures	86,831	-	-	-	79,265	166,096
Investment income	77,253	35,563	3,997	28,612	15,200	160,625
Miscellaneous	292,290	93,383	1,164,005	-	306,058	1,855,736
Total revenues	<u>20,988,548</u>	<u>4,488,299</u>	<u>1,690,709</u>	<u>28,612</u>	<u>4,241,765</u>	<u>31,437,933</u>
Expenditures						
Current:						
General government	3,600,584	-	-	-	-	3,600,584
Public safety	11,787,880	-	-	3,896,107	544,919	16,228,906
Transportation	1,867,084	-	1,512,352	-	286,903	3,666,339
Economic environment	-	3,442,158	-	-	-	3,442,158
Physical environment	-	-	-	-	544,376	544,376
Culture/ recreation	2,894,113	-	-	-	241,200	3,135,313
Buildings and maintenance	463,709	-	-	-	-	463,709
Debt service:						
Principal	330,144	-	68,904	-	1,602,337	2,001,385
Interest	79,997	-	15,877	-	1,086,968	1,182,842
Total expenditures	<u>21,023,511</u>	<u>3,442,158</u>	<u>1,597,133</u>	<u>3,896,107</u>	<u>4,306,703</u>	<u>34,265,612</u>
Excess (deficiency) of revenues over expenditures	<u>(34,963)</u>	<u>1,046,141</u>	<u>93,576</u>	<u>(3,867,495)</u>	<u>(64,938)</u>	<u>(2,827,679)</u>
Other financing sources (uses)						
Transfers in	30,700	-	-	-	1,270,304	1,301,004
Transfers out	(608,788)	(342,065)	-	-	(350,151)	(1,301,004)
Debt proceeds	-	-	-	-	124,518	124,518
Total other financing sources (uses)	<u>(578,088)</u>	<u>(342,065)</u>	<u>-</u>	<u>-</u>	<u>1,044,671</u>	<u>124,518</u>
Net change in fund balances	<u>(613,051)</u>	<u>704,076</u>	<u>93,576</u>	<u>(3,867,495)</u>	<u>979,733</u>	<u>(2,703,161)</u>
Fund balances, beginning of year	12,596,825	10,416,409	1,456,890	10,054,064	4,041,522	38,565,710
Fund balances, end of year	<u>\$ 11,983,774</u>	<u>\$ 11,120,485</u>	<u>\$ 1,550,466</u>	<u>\$ 6,186,569</u>	<u>\$ 5,021,255</u>	<u>\$ 35,862,549</u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (2,703,161)

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	7,593,276	
Less: Current year depreciation	<u>(2,456,824)</u>	
		5,136,452

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is recorded for each disposal. (149,126)

The repayment of the principal of long-term debt consumes the financial resources of the governmental fund. However, it has no effect on net assets. 2,001,385

The issuance of long-term debt provides current financial resources to governmental funds. However, it has no effect on net assets. (124,518)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is as follows:

Compensated absences payable	501,287	
Other post employment benefits liability	(52,904)	
Accrued interest on debt	31,175	
Amortization of bond issuance costs	(3,099)	

Some taxes and special assessment revenues will not be collected within 60 days of year end, therefore they are not considered as available revenues in the governmental funds. In the statement of activities, presented on the accrual basis, these revenues are recognized.

Deferred taxes		(64,869)
Deferred special assessments		15,460

In the governmental funds, contributions made to a pension fund in excess of the actuarial required contribution amount are reported as an expenditure. In the statement of net assets, which is presented on the accrual basis, this amount is reported as an asset. Thus, the change in net assets, differs from fund balance by the amount contributed in excess of the actuary's requirement. (13,446)

An Internal service fund is used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 87,705

Change in Net Assets of Governmental Activities \$ 4,662,341

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,994,682	\$ 12,012,682	\$ 13,169,472	\$ 1,156,790
Licenses and permits	4,357,681	4,370,681	4,630,922	260,241
Intergovernmental revenue	2,668,362	2,961,447	2,418,308	(543,139)
Charges for services	348,100	355,700	313,472	(42,228)
Fines and forfeitures	88,000	89,500	86,831	(2,669)
Investment income	132,000	68,787	77,253	8,466
Miscellaneous	566,310	582,310	292,290	(290,020)
Total revenues	<u>20,155,135</u>	<u>20,441,107</u>	<u>20,988,548</u>	<u>547,441</u>
Expenditures				
Current:				
General government	4,017,727	4,197,514	3,600,584	596,930
Public safety	11,258,900	11,745,070	11,787,880	(42,810)
Transportation	1,623,944	2,430,184	1,867,084	563,100
Culture and recreation	3,286,273	4,031,359	2,894,113	1,137,246
Buildings and maintenance	464,911	466,911	463,709	3,202
Debt service:				
Principal	330,145	330,145	330,144	1
Interest	80,100	80,100	79,997	103
Total expenditures	<u>21,062,000</u>	<u>23,281,283</u>	<u>21,023,511</u>	<u>2,257,772</u>
Excess (deficiency) of revenues over expenditures	<u>(906,865)</u>	<u>(2,840,176)</u>	<u>(34,963)</u>	<u>2,805,213</u>
Other financing sources (uses)				
Transfers in	584,179	30,700	30,700	-
Transfers out	(645,867)	(635,727)	(608,788)	26,939
Total other financing sources (uses)	<u>(61,688)</u>	<u>(605,027)</u>	<u>(578,088)</u>	<u>26,939</u>
Net change in fund balances	<u>(968,553)</u>	<u>(3,445,203)</u>	<u>(613,051)</u>	<u>2,832,152</u>
Fund balances, beginning of year	12,596,825	12,596,825	12,596,825	-
Fund balances, end of year	<u><u>\$ 11,628,272</u></u>	<u><u>\$ 9,151,622</u></u>	<u><u>\$ 11,983,774</u></u>	<u><u>\$ 2,832,152</u></u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 793,587	\$ 761,295	\$ 761,295	\$ -
Intergovernmental revenue	1,678,037	2,313,211	3,598,058	1,284,847
Investment income	50,000	50,000	35,563	(14,437)
Miscellaneous	5,250	5,250	93,383	88,133
Total revenues	<u>2,526,874</u>	<u>3,129,756</u>	<u>4,488,299</u>	<u>1,358,543</u>
Expenditures				
Current:				
Economic environment	1,994,709	12,955,953	3,442,158	9,513,795
Excess (deficiency) of revenues over expenditures	<u>532,165</u>	<u>(9,826,197)</u>	<u>1,046,141</u>	<u>10,872,338</u>
Other financing sources (uses)				
Transfers in	9,100	-	-	-
Transfers out	<u>(541,265)</u>	<u>(341,265)</u>	<u>(342,065)</u>	<u>(800)</u>
Total other financing sources (uses)	<u>(532,165)</u>	<u>(341,265)</u>	<u>(342,065)</u>	<u>(800)</u>
Net change in fund balances	<u>-</u>	<u>(10,167,462)</u>	<u>704,076</u>	<u>10,871,538</u>
Fund balances, beginning of year	10,416,409	10,416,409	10,416,409	-
Fund balances, end of year	<u>\$ 10,416,409</u>	<u>\$ 248,947</u>	<u>\$ 11,120,485</u>	<u>\$ 10,871,538</u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
AIRPORT INDUSTRIAL PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 2,097,500	\$ 2,097,500	\$ 522,707	\$ (1,574,793)
Investment income	21,665	21,665	3,997	(17,668)
Miscellaneous	765,041	1,190,041	1,164,005	(26,036)
Total revenues	<u>2,884,206</u>	<u>3,309,206</u>	<u>1,690,709</u>	<u>(1,618,497)</u>
Expenditures				
Current:				
Transportation	2,773,138	4,959,117	1,512,352	3,446,765
Debt service:				
Principal	68,475	68,904	68,904	-
Interest	15,288	15,877	15,877	-
Total expenditures	<u>2,856,901</u>	<u>5,043,898</u>	<u>1,597,133</u>	<u>3,446,765</u>
Excess (deficiency) of revenues over expenditures	<u>27,305</u>	<u>(1,734,692)</u>	<u>93,576</u>	<u>1,828,268</u>
Other financing sources (uses)				
Transfers out	(36,507)	-	-	-
Net change in fund balances	<u>(9,202)</u>	<u>(1,734,692)</u>	<u>93,576</u>	<u>1,828,268</u>
Fund balances, beginning of year	1,456,890	1,456,890	1,456,890	-
Fund balances, end of year	<u>\$ 1,447,688</u>	<u>\$ (277,802)</u>	<u>\$ 1,550,466</u>	<u>\$ 1,828,268</u>

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

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**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Golf Course</u>	<u>Sanitation</u>	<u>Total</u>	<u>Garage</u>
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,000	\$ 1,993,754	\$ 1,994,754	\$ 449,652
Accounts receivable, net	19,841	-	19,841	-
Due from component unit	-	405,528	405,528	-
Inventories	22,855	-	22,855	73,133
Prepaid items	3,052	-	3,052	380
Total current assets	<u>46,748</u>	<u>2,399,282</u>	<u>2,446,030</u>	<u>523,165</u>
Capital assets, net:				
Land	22,254	-	22,254	-
Land improvements - golf course	240,946	-	240,946	-
Building and improvements	372,764	-	372,764	244,345
Improvements other than buildings	3,087,315	-	3,087,315	139,728
Equipment	442,632	518,223	960,855	159,544
Accumulated depreciation	(1,417,021)	(518,223)	(1,935,244)	(453,978)
Capital assets, net	<u>2,748,890</u>	<u>-</u>	<u>2,748,890</u>	<u>89,639</u>
Total Assets	<u>\$ 2,795,638</u>	<u>\$ 2,399,282</u>	<u>\$ 5,194,920</u>	<u>\$ 612,804</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 23,910	\$ 408,122	\$ 432,032	\$ 10,305
Compensated absences	33,574	-	33,574	11,890
Gift cards outstanding	2,395	-	2,395	-
Unearned income	91,274	-	91,274	-
Total current liabilities	<u>151,153</u>	<u>408,122</u>	<u>559,275</u>	<u>22,195</u>
Noncurrent liabilities:				
Compensated absences	83,307	-	83,307	20,464
Advances from other funds	3,494,897	-	3,494,897	-
Net OPEB liability	30,107	-	30,107	6,341
Total noncurrent liabilities	<u>3,608,311</u>	<u>-</u>	<u>3,608,311</u>	<u>26,805</u>
Total liabilities	<u>3,759,464</u>	<u>408,122</u>	<u>4,167,586</u>	<u>49,000</u>
Net Assets				
Invested in capital assets	2,748,890	-	2,748,890	89,639
Unrestricted	(3,712,716)	1,991,160	(1,721,556)	474,165
Total net assets	<u>(963,826)</u>	<u>1,991,160</u>	<u>1,027,334</u>	<u>563,804</u>
Total Liabilities and Net Assets	<u>\$ 2,795,638</u>	<u>\$ 2,399,282</u>	<u>\$ 5,194,920</u>	<u>\$ 612,804</u>

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

CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities- Internal Service Fund
	<u>Golf Course</u>	<u>Sanitation</u>	<u>Total</u>	<u>Garage</u>
Operating revenues				
Charges for services	\$ 1,182,596	\$ 4,862,934	\$ 6,045,530	\$ 936,204
Miscellaneous	1,377	-	1,377	2,775
	<u>1,183,973</u>	<u>4,862,934</u>	<u>6,046,907</u>	<u>938,979</u>
Operating expenses				
Personal services	644,573	-	644,573	203,480
Utilities	74,467	-	74,467	12,149
Supplies and materials	111,590	-	111,590	9,798
Consulting engineers and contractual services	21,346	5,039,321	5,060,667	1,640
Cost of sales - restaurant and pro shop	42,226	-	42,226	589,380
Depreciation and amortization	228,849	-	228,849	18,149
Repairs and maintenance	105,687	-	105,687	12,617
Other services and charges	56,288	-	56,288	5,181
Total operating expenses	<u>1,285,026</u>	<u>5,039,321</u>	<u>6,324,347</u>	<u>852,394</u>
Operating income (loss)	<u>(101,053)</u>	<u>(176,387)</u>	<u>(277,440)</u>	<u>86,585</u>
Nonoperating revenues (expenses)				
Interest revenue	34	6,519	6,553	1,120
Interest/amortization expense	(17,734)	-	(17,734)	-
Total nonoperating revenues (expenses)	<u>(17,700)</u>	<u>6,519</u>	<u>(11,181)</u>	<u>1,120</u>
Loss before capital contributions and transfers	<u>(118,753)</u>	<u>(169,868)</u>	<u>(288,621)</u>	<u>87,705</u>
Capital grants and contributions	-	-	-	-
Changes in net assets	<u>(118,753)</u>	<u>(169,868)</u>	<u>(288,621)</u>	<u>87,705</u>
Total net assets (deficit), beginning of year	(845,073)	2,161,028	1,315,955	476,099
Total net assets (deficit), end of year	<u>\$ (963,826)</u>	<u>\$ 1,991,160</u>	<u>\$ 1,027,334</u>	<u>\$ 563,804</u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Business-type Activities - Enterprise Fund			Governmenta Activities- Internal Service Fund
	Golf Course	Sanitation	Total	Garage
Cash flows from operating activities				
Cash received from customers	\$ 1,175,145	\$ 4,853,907	\$ 6,029,052	\$ 938,979
Cash paid to suppliers	(448,560)	(5,041,438)	(5,489,998)	(624,721)
Cash paid to employees	(678,331)	-	(678,331)	(222,762)
Net cash provided by (used in) operating activities	<u>48,254</u>	<u>(187,531)</u>	<u>(139,277)</u>	<u>91,496</u>
Cash flows from capital and related financing activities				
Proceeds from advances from other funds	107,841	-	107,841	-
Principal payments on advances from other fund:	(116,645)	-	(116,645)	-
Interest paid	(17,734)	-	(17,734)	-
Proceeds from capital grants and contribution:	-	-	-	-
Acquisition and construction of capital asset:	(22,299)	-	(22,299)	-
Net cash provided by (used in) capital and related financing activities	<u>(48,837)</u>	<u>-</u>	<u>(48,837)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	34	6,519	6,553	1,120
Net increase (decrease) in cash and cash equivalents	<u>(549)</u>	<u>(181,012)</u>	<u>(181,561)</u>	<u>92,616</u>
Cash and cash equivalents, beginning of year	1,549	2,174,766	2,176,315	357,035
Cash and cash equivalents, end of year	<u>\$ 1,000</u>	<u>\$ 1,993,754</u>	<u>\$ 1,994,754</u>	<u>\$ 449,651</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (101,053)	\$ (176,387)	\$ (277,440)	\$ 86,585
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	228,849	-	228,849	18,149
Decrease (increase) in certain assets				
Accounts receivable	25,443	(9,027)	16,416	-
Inventories	(7,568)	-	(7,568)	15,360
Prepaid expenses and other assets	(2,713)	-	(2,713)	(380)
Increase (decrease) in certain liabilities				
Compensated absences payable	(9,832)	-	(9,832)	(8,378)
Accounts payable and accrued liabilities:	(49,183)	(2,117)	(51,300)	(19,354)
Unearned income	(36,236)	-	(36,236)	-
Gift cards outstanding	1,965	-	1,965	-
Net OPEB liability	(1,418)	-	(1,418)	(486)
Net cash provided by (used in) operating activities:	<u>\$ 48,254</u>	<u>\$ (187,531)</u>	<u>\$ (139,277)</u>	<u>\$ 91,496</u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
SEPTEMBER 30, 2010**

	<u>Total Pension Trust Funds</u>
Assets	
Cash and short-term investments	\$ 4,678
Receivables:	
State subsidy	9,693
Accrued income	51,187
Total receivables	<u>60,880</u>
Investments:	
Annuity contract	12,517,176
Money funds	578,241
Common stocks	8,191,973
Government bonds	2,903,882
International bonds	108,205
Corporate bonds	2,280,865
Exchange traded and closed end funds	25,069
Total investments	<u>26,605,411</u>
Prepaid expenses	1,193
Total assets	<u>26,672,162</u>
Liabilities	
Deferred contribution	<u>70,794</u>
Net assets held in trust for pension benefits	<u><u>\$ 26,601,368</u></u>

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

**CITY OF NEW SMYRNA BEACH, FLORIDA
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Total Pension Trust Funds</u>
Additions	
Contributions	
Employees' contributions	\$ 221,595
Employer's contributions	1,309,247
State contributions	453,315
Total contributions	<u>1,984,157</u>
Investment earnings	
Net increase in fair value of investments	2,103,848
Interest income	328,077
Total investment earnings	<u>2,431,925</u>
Total additions	<u>4,416,082</u>
Deductions	
Benefits	1,407,233
Administrative expenses	191,321
Total deductions	<u>1,598,554</u>
Net increase	<u>2,817,528</u>
Net assets held in trust for pension benefits , beginning of year	23,783,840
Net assets held in trust for pension benefits , end of year	<u><u>\$ 26,601,368</u></u>

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

Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

The City of New Smyrna Beach, Florida, was created in 1887 by adoption of its first charter, which was eventually replaced by the present charter through Chapter 224.08, Special Acts of Florida, 1943. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Manager.

The financial statements of the City of New Smyrna Beach, Florida, have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

(a) **Reporting entity**—The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types controlled by or dependent on the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City's financial statements.

(b) **Discretely presented component unit**—The component unit column in the basic financial statements includes the financial data of the Utilities Commission, City of New Smyrna Beach (the "Utilities Commission"). The financial statements of the Utilities Commission, City of New Smyrna Beach, are discretely reported in separate columns to emphasize that it is legally separate from the City (primary government). The Utilities Commission provides electric, water, wastewater and telecommunications utility services to the City, its citizens, and surrounding service areas located outside of the City limits. It is included as a component unit because its exclusion from the financial reporting entity would render that City's financial statements misleading.

Complete financial statements of the component unit can be obtained directly from the Utilities Commission's administrative offices, which is as follows:

Administrative Office:
Utilities Commission
City of New Smyrna Beach
P.O. Box 100
New Smyrna Beach, FL 32170

(c) **Related organizations**—The City commission is also responsible for appointing the members of the board of directors for the Housing Authority of New Smyrna Beach. The City's accountability for this organization does not extend beyond making the appointments. The board members do not serve at the discretion of the Commission and can only be removed for cause. The City cannot impose its will on the Housing Authority and does not derive any financial benefit or burden from the relationship.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

(d) **Government-wide and fund financial statements**—The government-wide financial statements, comprised of the statement of net assets and the statement of activities, report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties for goods or services for support. Likewise, the *primary government* is reported separately from the legally separate *component unit*, for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other nonexchange revenues not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

(e) **Measurement focus, basis of accounting, and financial statement presentation**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City reports as *program revenues*: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Governmental Accounting Standards Board Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*", the City has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989, as it pertains to the accounting for enterprise fund activity.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

Community Redevelopment Agency Trust Fund—The Community Redevelopment Agency Trust Fund (CRA) is a special revenue fund established by the City as authorized under Chapter 163, Part III, Florida Statutes for the economic development of designated areas of the City that receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

Airport Industrial Park Fund—The Airport Industrial Park Fund is a special revenue fund used to account for user charges for those using the airport facilities and to account for user charges assessed for the use of industrial park area facilities. Federal awards and state financial assistance is also often a major source of revenue to assist with the maintenance and improvements of these facilities.

Capital Projects Fund—Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The City reports the following major proprietary funds:

Municipal Golf Course Fund—The Municipal Golf Course Fund accounts for the costs and recovery of costs in the form of user charges related to the use of the 18 hole golf course owned and operated by the City. The maintenance and improvement of the golf course required to provide these goods and services are financed primarily from user charges, existing cash resources, and other City funds.

Municipal Sanitation Fund—The Municipal Sanitation Fund provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

Additionally, the City reports the following fund types:

Special Revenue Funds—These funds account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the City.

Debt Service Funds—These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Internal Service Fund—The City's only internal service fund accounts for the financial activities of the Municipal garage that provides fleet management services to other departments and agencies of the City, or to other governments, on a cost reimbursement basis.

Pension Trust Funds—Pension trust funds are accounted for by the City to provide data on the accumulation of financial resources to pay pension benefits to qualified participants in the City's Police and Fire pension trust funds.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances due to and due from these different types of activities within the primary government.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activities. For the City, operating revenues come from municipal golf course greens fees and related charges and refuse and recycling collection fees for sanitation services, which are the principal ongoing operations of the city's Golf Course and Sanitation Fund. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(f) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (i) On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- (ii) Budget workshop sessions are scheduled by the City Manager as needed.
- (iii) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (iv) Prior to October 1, the budgets are legally enacted through passage of an ordinance.
- (v) The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

- (vi) The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
- (vii) Every appropriation lapses at the close of the fiscal year.
- (g) **Cash and cash equivalents**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.
- (h) **Deposits and investments**—The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, and certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. All of the City's investments are reported at fair market value.
- (i) **Interfund receivables and obligations**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”
- (j) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption method wherein inventories are charged as expenditures when used rather than when purchased. All inventories are valued at cost, which approximates market, by using the first-in, first-out valuation method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- (k) **Restricted assets**—Certain proceeds of the City's revenue note obligations, as well as certain resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements because their use is limited by applicable bond covenants or laws/regulations imposed by other governmental agencies. The restricted assets are used to report resources set aside to 1) provide a reserve for debt service, 2) provide a reserve for maintenance and replacement costs, and 3) acquire capital assets.
- (l) **Capital assets**—Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal \$5,000 and estimated useful lives of over one year are recorded as capital assets. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at fair market value as of the date received.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

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

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings	10 - 40
Improvements other than buildings	5 - 40
Equipment	2 - 30
Infrastructure	10 - 50

(m) **Deferred/ unearned income**—Deferred revenues are recorded on the governmental fund balance sheet in the amount of \$477,578. Of this amount, \$299,730 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, \$177,848 is shown as unearned income on the government-wide statement of net assets.

(n) **Long-term obligations**—In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are amortized over the life of the related debt.

(o) **Fund balance**—In the governmental fund financial statements, fund balance consists of reserved and unreserved amounts. Reservations of fund balance represent the portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved; however designations may be used to represent tentative management plans that are subject to change.

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

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**—Following the governmental fund balance sheet is a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. A detailed explanation of these differences is provided in the above referenced financial statement.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(2) **Reconciliation of Government-Wide and Fund Financial Statement:** (Continued)

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in the above referenced financial statement.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City on the tax roll certified on November 1, 2009 was 3.4793.

The property tax calendar is as follows:

Valuation Date	January 1	
Property Appraiser prepares the assessment roll with values as of January 1, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1	
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September	
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1	
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes may be paid November through March, with the following applicable discounts:	November 1	
<u>Month Paid</u>	<u>Discount Percent</u>	November 1, 2009
November	4	through
December	3	March 31, 2010
January	2	
February	1	
March	0	
All unpaid taxes on real and tangible personal property become delinquent.	April 1	
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April and May	
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	May 31	
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.	August 29	

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(4) **Deposits and Investments:**

The City maintains a cash pool that is used by all funds. This pool consists of an interest bearing checking account and a zero balance checking account.

Deposits: All bank balance deposit amounts are covered by federal depository insurance or collateral with the State of Florida under the Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act, establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, City deposits in qualified public depositories are fully insured. The qualified public depository must pledge 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

Investments: The City's investment policies are governed by state statutes and City Ordinances. As of September 30, 2010 no separate written investment policy had been adopted, and therefore, the City is restricted to investments as authorized under Section 218.415(17), Florida Statutes. Investments authorized under this provision of the state statutes are limited to: the Florida Local Government Surplus Funds Trust Fund (SBA), or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest bearing time deposits or savings accounts in state-certified qualified public depositories; direct obligations of the U.S. Treasury.

Investments administered by the trustees of the City's Municipal Firefighters' Pension Trust Fund Board and Municipal Police Officers' Pension Trust Fund Board are restricted to investments as defined under State statutes; specifically, Section 175.071(a) and (b), Florida Statutes, and Section 185.06(a) and (b), Florida Statutes, respectively. The provision under both statutes limit investments to: Investment in annuity and life insurance contracts of life insurance companies; Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or savings, building and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union with share accounts insured by the National Credit Union Share Insurance Fund; Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States; Bonds issued by the State of Israel; Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that: The corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in case of bonds only, holds a rating in one of the three highest classifications by a major rating service; and The board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5 percent of the outstanding capital stock of that company or the aggregate of its investments at cost exceeding 50 percent of the assets of the fund.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(4) **Deposits and Investments:** (Continued)

At the close of the fiscal year, the City held investments in United States government bonds, notes, money funds, international bonds, and corporate stocks and bonds, as well as an annuity contract.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. In accordance with the provisions of the state statutes governing allowable investments, the City manages its exposure to declines in fair values by limiting the maturity of specific investments to provide sufficient liquidity to pay obligations as they come due.

Credit Risk: Credit rate risk is the risk of losses due to the failure of the security issue or backer. This is mitigated by investing in the assets allowed under State Ordinance and by diversifying the portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2010, the City's investment in the guaranteed annuity contract is not subject to custodial credit risk. The City's investments are held in street name in the form of stock, corporate bonds, and U.S. Government bonds through a financial brokerage firm segregated out from the assets and investments held by other clients of the investment firm and their own assets.

Concentrations of Credit Risk: The provisions under Sections 218.415(17), 175.071 (b) and 185.06(b), Florida Statutes, for general investments, and investments held by the trustees for the Municipal Firefighters' and Municipal Police Officers' Pension Trust Funds, respectively, generally limit the City's investment to securities that by their nature are either guaranteed by a life insurance company or the United States, or have the highest credit rating. With respect to investments in common or capital stock the City is restricted to investing not more than 5% of its total assets held in the pension trust funds in any one issuing company. These provisions exist to limit the concentration of credit risk that can arise from the failure to adequately diversify investments.

At September 30, 2010 the city had the following deposits and investments:

<u>Investment Type</u>	<u>Credit Quality</u>	<u>Fair Value</u>	<u>Maturity within 1 year</u>	<u>Maturity from 1-5 years</u>	<u>Maturity from 5-10 years</u>
Insurance group annuity contract	N/A	\$12,517,176	\$ 12,517,176	\$ -	\$ -
Money funds	N/A	578,241	578,241	-	-
Government bonds	N/A	2,903,882	446,375	1,799,157	658,350
Domestic corporate bonds	AAA/A-	2,280,864	152,737	1,751,684	376,443
International bonds	AAA/A	108,205	-	108,205	-
Domestic corporate equities	N/A	6,472,818	6,472,818	-	-
International equities	N/A	1,744,225	1,744,225	-	-
Total fiduciary fund investments		<u>26,605,411</u>	<u>\$21,911,572</u>	<u>\$ 3,659,046</u>	<u>\$ 1,034,793</u>
Cash and cash equivalents		26,610,843	N/A	N/A	N/A
Restricted cash and cash equivalents		7,272,048	N/A	N/A	N/A
Fiduciary fund cash		4,678	N/A	N/A	N/A
Total carrying value of cash and investments		<u>\$60,492,980</u>			

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(5) **Restricted Assets:**

A summary of restricted cash of the City at September 30, 2010, is as follows:

Debt service funds	\$ 236,263
Capital projects funds - Series 2005 GOB proceeds	<u>7,035,785</u>
Total restricted assets	<u><u>\$ 7,272,048</u></u>

(6) **Receivables:**

The City's receivables at September 30, 2010, consist of the following:

	Accounts Receivable	Special Assessments Receivable	Allowance for Doubtful Accounts	Accounts Receivable, net
Governmental Activities:				
General Fund	\$ 36,186	\$ 303,602	\$ -	\$ 339,788
Special Revenue Funds:				
Community Redevelopment Agency	2,700	-	-	2,700
Airport/Industrial Park	140,346	-	(95,823)	44,523
Marina	781	-	-	781
Debt Service Fund	<u>1,883</u>	<u>-</u>	<u>-</u>	<u>1,883</u>
Total Governmental Activities	181,896	303,602	(95,823)	389,675
Business-Type Activities:				
Municipal Golf Course	<u>19,841</u>	<u>-</u>	<u>-</u>	<u>19,841</u>
Totals	<u><u>\$ 201,737</u></u>	<u><u>\$ 303,602</u></u>	<u><u>\$ (95,823)</u></u>	<u><u>\$ 409,516</u></u>

(7) **Interfund Accounts:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system and when payments between funds are made. Individual fund interfund receivables and payables, at September 30, 2010, consist of the following:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 3,494,897	\$ -
Enterprise Funds:		
Golf Course Fund	<u>-</u>	<u>3,494,897</u>
	<u><u>\$ 3,494,897</u></u>	<u><u>\$ 3,494,897</u></u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(7) **Interfund Accounts:** (Continued)

	Due from Component Unit	Due to Primary Government
Primary Government:		
General Fund	\$ 695,383	\$ -
Nonmajor - Stormwater Improvement Fund	100,367	-
Sanitation Fund	405,528	-
Component Unit:		
Utilities Commission, City of New Smyrna Beach	-	1,201,278
	\$ 1,201,278	\$ 1,201,278

The interfund loan from the General Fund to the Golf Course Fund was made to provide funding for planned capital expenditures incurred for renovation of the golf course. The loan payable by the Golf Course Fund to the General Fund bears interest at a variable rate, based on the average annual yield of the City's invested cash and cash equivalents. For the year ended September 30, 2010, the applicable interest rate on the loan was .51% per annum and total interest charged on the loan was \$17,734. Assuming no additional monies are borrowed from the general fund, the loan has an estimated maturity date of September 2037. Additionally, during the year, the golf course made principal payments of \$116,645 and drew an additional \$107,841 against the advance balance, for a net decrease on the advance balance of \$8,804.

(8) **Interfund Transfers:**

Transfers occur to move monies from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the City must account for in other funds in accordance with budgetary authorizations.

During the fiscal year ended September 30, 2010, the City made the following transfers.

	General Fund	Nonmajor Debt Service Funds	Total Transfers In
Nonmajor Funds:			
Nonmajor – Marina Fund	\$ 30,700	\$ -	\$ 30,700
Nonmajor – Stormwater Utility Fund	-	319,451	319,451
Total Nonmajor Funds	30,700	319,451	350,151
General Fund	-	608,788	608,788
Community Redevelopment Agency Fund	-	342,065	342,065
Total transfers out	\$ 30,700	\$ 1,270,304	\$ 1,301,004

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(8) **Interfund Transfers:** (Continued)

The Marina transferred \$30,700 to the General Fund for reimbursement of repair and maintenance costs incurred during a prior year. The Community Redevelopment Fund, Stormwater Utility Fund, and the General Fund transferred monies to the Debt service funds for debt service payments.

(9) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,030,696	\$ -	\$ -	\$ 29,030,696
Construction in progress	9,583,595	7,289,352	(2,584,983)	14,287,964
Total capital assets, not being depreciated	<u>38,614,291</u>	<u>7,289,352</u>	<u>(2,584,983)</u>	<u>43,318,660</u>
Capital assets, being depreciated:				
Buildings and improvements	20,193,120	115,104	-	20,308,224
Improvements other than buildings	13,990,532	1,114,244	(3,233)	15,101,543
Machinery and equipment	11,269,310	276,728	(930,734)	10,615,304
Infrastructure	12,141,496	1,382,831	-	13,524,327
Total capital assets, being depreciated	<u>57,594,458</u>	<u>2,888,907</u>	<u>(933,967)</u>	<u>59,549,398</u>
Accumulated depreciation for:				
Buildings and improvements	(8,240,927)	(405,625)	-	(8,646,552)
Improvements other than buildings	(9,184,540)	(599,186)	485	(9,783,241)
Machinery and equipment	(7,318,598)	(879,029)	782,321	(7,415,306)
Infrastructure	(2,381,807)	(589,101)	-	(2,970,908)
Total accumulated depreciation	<u>(27,125,872)</u>	<u>(2,472,941)</u>	<u>782,806</u>	<u>(28,816,007)</u>
Total capital assets, being depreciated, net	<u>30,468,586</u>	<u>415,966</u>	<u>(151,161)</u>	<u>30,733,391</u>
Governmental activities capital assets, net	<u>\$ 69,082,877</u>	<u>\$ 7,705,318</u>	<u>\$ (2,736,144)</u>	<u>\$ 74,052,051</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(9) **Capital Assets:** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,254	\$ -	\$ -	\$ 22,254
Improvements - golf course	240,946	-	-	240,946
Total capital assets, not being depreciated	<u>263,200</u>	<u>-</u>	<u>-</u>	<u>263,200</u>
Capital assets, being depreciated:				
Buildings and improvements	389,709	-	(16,945)	372,764
Improvements other than buildings	3,224,334	-	(137,019)	3,087,315
Machinery equipment	1,296,534	22,298	(357,977)	960,855
Total capital assets, being depreciated	<u>4,910,577</u>	<u>22,298</u>	<u>(511,941)</u>	<u>4,420,934</u>
Accumulated depreciation for –				
Buildings and improvements	(208,527)	(26,794)	16,923	(218,398)
Improvements other than buildings	(878,505)	(147,525)	137,433	(888,597)
Machinery and equipment	<u>(1,131,304)</u>	<u>(54,530)</u>	<u>357,585</u>	<u>(828,249)</u>
Total accumulated depreciation	<u>(2,218,336)</u>	<u>(228,849)</u>	<u>511,941</u>	<u>(1,935,244)</u>
Total capital assets, being depreciated, net	<u>2,692,241</u>	<u>(206,551)</u>	<u>-</u>	<u>2,485,690</u>
Business-type activities capital assets, net	<u>\$ 2,955,441</u>	<u>\$ (206,551)</u>	<u>\$ -</u>	<u>\$ 2,748,890</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 145,882
Public safety	552,824
Transportation	1,068,000
Economic environment	138,974
Culture and recreation	503,520
Buildings and maintenance	47,624
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>16,117</u>
Total depreciation expense-governmental activities	<u>\$ 2,472,941</u>

Business-type activities:

Municipal Golf Course	\$ 228,849
Municipal Sanitation	-
Total depreciation expense-business-type activities	<u>\$ 228,849</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(10) **Long-Term Debt:**

Governmental Activities—The City has entered into several long-term debt obligations where it pledges specific income streams or income derived from the acquired or constructed assets to pay debt service.

The City's revenue obligations outstanding at September 30, 2010 are summarized as follows:

General Obligation Revenue Bonds, Series 2005 - 2.75% to 5.00% dated February 1, 2005, due serially to 2024; general obligation of the city secured by full faith, credit and taxing power as pledged by the City	\$ 14,640,000
Capital Improvement Refunding Revenue Bonds, Series 2005 - 3.00% to 4.50% dated March 30, 2005, due serially to 2025, secured by a lien and pledge of the non-ad valorem tax revenues and any other revenues appropriated by the City	6,695,000
Public Improvement Refunding Revenue Bonds, Series 1998 - 4.46% fixed due serially to 2013, secured by a lien and pledge of the Community Redevelopment Agency's tax increment revenues, non-ad valorem tax revenues and any other revenue appropriated by the City	1,096,025
4.63% promissory note payable to Wachovia Bank dated August 27, 1999; various maturities and amortization through April, 2024; secured by general revenue of the City	1,542,472
4.46% promissory note payable to Wachovia Bank dated April 30, 1998; various maturities and amortization through April, 2013; secured by general revenue of the City	146,577
4.60% promissory note payable to Wachovia Bank dated April 25, 1997; various maturities and amortization through April, 2012; secured by general revenue of the City	61,675
3.03% to 3.07% State Revolving Fund promissory note payable dated May 4, 2001; with various maturities and amortization; secured by the stormwater utility revenue of the City	1,366,350
3.09% State Revolving Fund promissory note payable dated August 12, 2002; with semiannual loan payments of \$20,204 beginning August 15, 2003 through 2022; secured by the stormwater utility revenue of the City	416,358
2.96% State Revolving Fund promissory note payable dated December 31, 2003; with semiannual loan payments of \$16,655 beginning November 15, 2004 through 2023; secured by the stormwater utility revenue of the City	379,530
2.47% State Revolving Fund promissory note payable dated December 31, 2008; with semiannual loan payments of \$10,000 beginning January 15, 2009 through 2028; secured by the stormwater utility revenue of the City	280,060
Florida Municipal Loan Council promissory note payable dated November 15, 2000; 4.25% to 5.75%, due serially to 2015; secured by general revenue of the City	540,000
Total debt obligation in form of bond and notes	27,164,047
Less: current maturities	2,004,806
Total governmental long-term debt	\$ 25,159,241

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(10) **Long-Term Debt:** (Continued)

The authorization for the General Obligation Bonds, Series 2005 (collectively referred to as the "GOB") was adopted by the City in Resolution No. 17-04 on August 10, 2004, whereby the City ordered a referendum election for the purpose of the issuance of debt not to exceed \$18,800,000 of general obligation bonds for the City to finance the construction and equipping of a police station, three fire stations, an emergency operations center and certain public sidewalks. On October 5, 2004, the qualified electors of the City authorized the City to issue the GOB up to \$18,800,000. On February 1, 2005, the City issued \$18,330,000, General Obligation Bonds, Series 2005. The estimated costs of the projects total \$18,260,000. An arbitrage valuation was completed during the fiscal year, at which no rebate amount is required as of September 30, 2010.

On March 8, 2005, the City adopted Resolution No. 12-05 authorizing issuance of not to exceed \$7,500,000 in principal amount for the purpose of refunding the City's outstanding line of credit that was originally established pursuant to Resolution No. 40-03, adopted by the City on November 25, 2003. On March 30, 2005, the City issued \$7,335,000 Capital Improvement Refunding Revenue Bonds, Series 2005 for this purpose.

The authorization for the Public Improvement Revenue Bonds outstanding (collectively referred to as the "Bonds") was adopted by the City in Resolution No. 11-92 on August 11, 1992, as supplemented by Resolution No. 23-98 on April 28, 1998. The Series 1992 Bonds were issued for the purpose of construction of certain capital improvements within the City's Community Redevelopment Agency district. The Series 1992 bonds were subsequently redeemed. The Series 1998 Bonds were issued as additional bonds on parity with the Series 1992 Bonds for the purpose of refunding Series 1992 bonds maturing on October 1, 2003 or thereafter subject to call on or after October 1, 2002. The Bonds are payable from and secured by a lien and pledge of the Community Redevelopment Agency's tax increment revenues, non-ad valorem tax revenues and any other revenue appropriated by the City. The Bonds do not constitute general indebtedness of the City of New Smyrna Beach, Florida, and the City is not obligated to levy any taxes for the payment thereof.

On June 30, 1999, the City executed a Master Plan Improvements Loan Agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of stormwater system improvements. The loan proceeds were disbursed on a reimbursement basis with loans made at various interest rates. The original award of \$959,000 was loaned at a fixed interest rate of 3.03%, with the first amendment award of \$1,010,000 loaned at a fixed interest rate of 3.05%, and the final amendment award of \$285,670 loaned at a fixed interest rate of 3.07%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on November 15th and May 15th with principal and interest payments of \$76,516 each period.

On April 30, 1997, the City executed a 4.6% fixed rate promissory note payable to Wachovia Bank in the original amount of \$1,639,000 to finance the acquisition of various equipment and rolling stock. Various principal maturities on the obligation were structured to be funded over periods from three to fifteen years based on the useful lives of the equipment items acquired. The loan is secured by a pledge of the City's non-ad valorem revenues.

On April 30, 1998, the City executed a 4.46% fixed rate promissory note payable to Wachovia Bank in the original amount of \$1,170,686 to refinance several existing installment note obligations originally issued to finance the acquisition of various capital projects. Various principal maturities on the obligation were structured to be funded over periods from three to fifteen years based on the useful lives of the equipment items acquired. The loan is secured by a pledge of the City's non-ad valorem revenues.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(10) **Long-Term Debt:** (Continued)

On August 27, 1999, the City executed a 4.63% fixed rate promissory note payable to Wachovia Bank in the original amount of \$5,000,000 to finance the construction of several governmental capital projects. The note is payable in 30 separate semi-annual installments (ranging from \$270,409 to \$213,311) with various principal maturities based on the City's existing scheduled debt service requirements through 2014. The loan is secured by a pledge of the City's non-ad valorem revenues.

On August 12, 2002, the City executed a separate loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The total amount disbursed under this agreement was \$603,945. The loan terms require 40 semiannual payments at a fixed interest rate of 3.09%. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannually on August 15th and February 15th with principal and interest payments of \$20,204 each period.

On November 15, 2000, the City executed a loan agreement with the Florida Municipal Loan Council to provide funds for capital projects. The amount borrowed under this agreement was \$1,985,000. The terms of the loan require repayments at 4.25% to 5.75% through November 1, 2015. Interest is payable semiannually on May 1 and November 1. Principal is payable annually on November 1. This loan is secured by the non-ad valorem revenues of the City.

On December 31, 2003, the City executed a loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The loan terms require 40 semiannual payments at a fixed interest rate of 2.96%. Repayments are made semiannually on November 15th and May 15th, with principal and interest payments of \$16,655 each period.

On September 19, 2006, the City executed a Clean Water State Revolving Fund Loan Agreement with the Florida Department of Environmental Protection to borrow \$3,194,333 to finance costs related to the Central Beach Phase 2 Flood Mitigation Improvements project. Repayments are made semiannually on January 15th and July 15th, with principal and interest payments of \$10,000 each period until the payment amount is adjusted by a final amendment upon completion of the project.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(10) **Long-Term Debt:** (Continued)

Business-Type Activities—The City had no outstanding long-term indebtedness in its business-type activities.

A summary of the changes in the City's total long-term debt for the year ended September 30, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds, Series 2005	\$ 15,420,000	\$ -	\$ (780,000)	\$ 14,640,000	\$ 815,000
Capital Improvement Refunding Revenue Bonds, Series 2005	6,915,000	-	(220,000)	6,695,000	230,000
Public Improvement refunding Revenue Bonds, Series 1998	1,378,909	-	(282,884)	1,096,025	295,833
Promissory notes	5,327,005	124,518	(718,501)	4,733,022	663,973
Total bonds and notes payable	29,040,914	124,518	(2,001,385)	27,164,047	2,004,806
Compensated absences payable	2,186,869	808,531	(1,318,196)	1,677,204	701,530
Net OPEB Obligation	448,475	52,418	-	500,893	-
Total Governmental Activities	<u>\$31,676,258</u>	<u>\$ 985,467</u>	<u>\$ (3,319,581)</u>	<u>\$ 29,342,144</u>	<u>\$ 2,201,312</u>
Business-Type Activities					
Compensated absences payable	\$ 126,713	\$ 35,058	\$ (44,890)	\$ 116,881	\$ 33,574
Net OPEB Obligation	31,525	-	(1,418)	30,107	-
Total Business-Type Activities	<u>\$ 158,238</u>	<u>\$ 35,058</u>	<u>\$ (46,308)</u>	<u>\$ 146,988</u>	<u>\$ 33,574</u>

Aggregate long-term debt obligation debt service requirements in each of the next five years and to maturity is as follows:

<u>Fiscal Year Ending September 30</u>	<u>General Obligation Bonds Series 2005</u>		<u>Capital Improvement Refunding Series 2005</u>		<u>Public Improvement Refunding Series 1998</u>		<u>Notes Payable</u>		<u>Total Principal and Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 815,000	\$ 608,136	\$ 230,000	\$ 277,909	\$ 295,833	\$ 45,621	\$ 663,972	\$ 184,733	\$3,121,204
2012	835,000	583,686	235,000	270,721	309,375	32,278	703,048	146,665	3,115,773
2013	865,000	557,593	245,000	262,966	323,537	18,683	728,639	115,773	3,117,191
2014	890,000	529,048	250,000	254,391	167,280	3,730	719,064	84,513	2,898,026
2015	920,000	498,788	260,000	245,391	-	-	292,344	58,175	2,274,698
2016-2020	5,215,000	1,888,513	1,460,000	1,064,916	-	-	1,184,921	156,848	10,970,198
2021-2025	5,100,000	585,750	1,790,000	738,888	-	-	383,545	27,230	8,625,413
2026-2030	-	-	2,225,000	309,375	-	-	57,489	2,510	2,594,374
Totals	<u>\$14,640,000</u>	<u>\$5,251,514</u>	<u>\$6,695,000</u>	<u>\$3,424,557</u>	<u>\$1,096,025</u>	<u>\$ 100,312</u>	<u>\$4,733,022</u>	<u>\$ 776,447</u>	<u>36,716,877</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(10) **Long-Term Debt:** (Continued)

Internal service funds predominately serve the governmental funds. Accordingly, \$30,769 of internal service fund compensated absences and \$6,341 of net OPEB liability are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Utilities Commission, City of New Smyrna Beach, Florida (a discretely presented component unit):

A summary of long term debt activity for the year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Utilities revenue certificates	\$ 55,295,000	\$ -	\$ (3,510,000)	\$ 51,785,000	\$ 4,645,000
Notes payable	10,884,945	-	(940,958)	9,943,987	971,031
Total	66,179,945	-	(4,450,958)	61,728,987	5,616,031
Unamortized debt premium	141,171	-	(42,169)	99,002	-
Deferred amount on refunding	(377,244)	-	119,750	(257,494)	-
Total bonds and notes payable	<u>\$ 65,943,872</u>	<u>\$ -</u>	<u>\$ (4,373,377)</u>	<u>\$ 61,570,495</u>	<u>\$ 5,616,031</u>

The above Utilities Commission, City of New Smyrna Beach, Florida (the Commission) long-term debt presentation contains highly summarized select data. A more detailed debt presentation is available in the Commission's separately issued financial report, which may be obtained by contacting the administrative office of the Commission at P.O. Box 100, New Smyrna Beach, Florida 32170.

(11) **Employees' Pension Plans:**

Florida Retirement System—The City's employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined benefit public employee retirement system, administered by the State of Florida, Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121, as may be amended from time to time by the state legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to:

State of Florida Department of Administration
Division of Retirement
1317 Winewood Boulevard, Building B
Tallahassee, FL 32399-1560

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(11) **Employees' Pension Plans:** (Continued)

Funding Policy—The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2010 as follows (contribution rates are in agreement with the actuarially determined rates):

<u>Regular Class</u> - Members who are eligible to participate in the plan, but do not qualify for membership in other classes.	9.85%
<u>Senior Management Service Class</u> - Members of senior management.	13.12%
<u>Special Risk Class</u> - Members employed as law enforcement officers or firefighters.	20.92%
<u>Special Risk Administrative Support Class</u> - Special risk members who are transferred or reassigned to non-special risk law enforcement or firefighting administrative support positions.	12.55%
<u>Elected Officer's Class</u> - Elected City officials.	16.53%
<u>Deferred Retirement Option Program (DROP)</u> - Members who have reached eligible retirement age and have elected to defer the receipt of benefits, allowing them to accumulate benefits within the FRS Trust Fund, while continuing their employment.	10.94%

The contribution rate of current year covered payroll is 11.11 percent. For the years ended September 30, 2010, 2009, and 2008, total contributions were \$202,594, \$221,682, and \$224,992, respectively. The City made 100% of its required contributions for each year.

General Employees - Defined Contribution Plan—The City contributes to a defined contribution plan which is administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. The City established the plan for all regular full time and regular part time employees hired on or after January 1, 1996 by revoking its participation in the FRS, with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the employee gross wages. Employees may make supplemental contributions to the extent permitted by law.

Employer contributions to the defined contribution plan for the years ended September 30, 2010, 2009, and 2008 were \$288,348, \$313,157, and \$296,367, respectively. Employee contributions to the defined contribution plan for the years ended September 30, 2010, 2009, and 2008 were \$26,834, \$34,219, and \$34,087, respectively.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(11) **Employees' Pension Plans:** (Continued)

Municipal Police Officers and Firefighters - Defined Benefit Pension Plans—The City maintains and administers separate single-employer pension plans for all eligible police officers and firefighters, which assets are included in the Municipal Police Officers' Retirement Trust Fund (the "Police Plan") and Municipal Firefighters' Pension Trust Fund (the "Fire Plan").

All certified police officers and firefighters are eligible to participate in the respective systems after a six-month probationary period. Benefits vest with eligible employees after ten years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The statutes also provide that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the two funds are administered, managed, and operated by their respective boards of trustees using the services of the City staff and local financial institutions.

For police officers, the normal retirement age is the earlier of attained age 55 with ten years of service, or the completion of 20 years of service. An early retirement benefit is available for those police officers having attained age 50 with at least ten years of plan participation. The normal retirement benefit for police officers is 3% of average compensation multiplied by the number of years of service. The early retirement benefit for police officers is the accrued benefit on early retirement reduced by 3% for each year that the early retirement precedes the normal retirement date.

For firefighters, the normal retirement age is earlier of age 55 with ten years of service, or the completion of 25 years of credited service, regardless of age. An early retirement benefit is available for those firefighters having attained age 50 with at least ten years of service. The normal retirement benefit for firefighters is 3% of average compensation multiplied by the number of years of service. The early retirement benefit for firefighters is the accrued benefit on early retirement reduced by 3% for each year that the early retirement precedes the normal retirement date.

The Plans also provide death and disability benefits. The survivor's death benefit is 50% of the earned benefit which is payable monthly for as long as the spouse lives. The disability benefit is the greater of 42% (25% if not incurred in the line of duty) of the average monthly pay or the earned benefit for as long as there is a total disability.

Basis of Accounting. The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Plan investments are reported at fair value and are managed by an independent third party money manager. Investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the City's asset valuation are based on the custodians' determination of value. Administrative costs of the Plan are financed through investment earnings or, at the exclusive annual option of the City, from expense reimbursements made by the City.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(11) **Employees' Pension Plans:** (Continued)

Funding Policy. Authority to establish and amend benefits rests with the City Commission. The contribution requirements are actuarially determined and employees covered under the plans are required to make contributions of 8.1% (Police Plan) and 1% (Fire Plan) of their eligible compensation.

Annual Pension Cost and Net Pension Obligation. The City's contributions to the plans were made in accordance with actuarially determined requirements computed through independent actuarial valuations performed as of October 1, 2009 for both the Firefighter's Pension Trust and Police Officers' Pension Trust Fund. The required contribution represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over periods not to exceed 20 years for the Police Plan and 30 years for the Fire Plan.

The City's annual pension cost and net pension obligations to the pension plans for the current year were as follows:

Municipal Police Officers' Retirement Trust Fund	
Annual Pension Cost – Net Pension (Asset) Obligation	
Pension Obligation	
Annual required contribution (ARC)	\$ 754,482
Interest accrued on net pension obligation (NPO)	(49,884)
ARC Adjustment	78,892
Annual Pension Cost	783,490
Contributions made	789,047
Increase in Net Pension Asset	(5,557)
Net Pension (Asset) Obligation, 9/30/09	(623,546)
Net Pension (Asset) Obligation, 9/30/10	\$ (629,103)

Municipal Fire Fighters' Retirement Trust Fund	
Annual Pension Cost – Net Pension (Asset) Obligation	
Pension Obligation	
Annual required contribution (ARC)	\$ 677,227
Interest accrued on net pension obligation (NPO)	(12,018)
ARC Adjustment	31,021
Annual Pension Cost	696,230
Contributions made	677,227
Decrease in Net Pension Asset	19,003
Net Pension (Asset) Obligation, 9/30/09	(150,098)
Net Pension (Asset) Obligation, 9/30/10	\$ (131,095)

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(11) **Employees' Pension Plans:** (Continued)

Based on the available information provided by the actuaries for both plans the City's annual pension cost and net pension obligations to funds were as follows:

Municipal Police Officers' Retirement Trust Fund			
Annual Pension Cost - Trend Information			
Year Ended September 30,	Annual Pension Cost (APC)	Pension of APC Contributed	Net Pension Obligation
2010	\$783,490	100.1%	\$(629,103)
2009	658,083	100.2%	(623,546)
2008	585,294	100.7%	(622,375)

Municipal Firefighters' Retirement Trust Fund			
Annual Pension Cost - Trend Information			
Year Ended September 30,	Annual Pension Cost (APC)	Pension of APC Contributed	Net Pension Obligation
2010	\$696,230	100%	\$(131,095)
2009	939,557	100%	(150,098)
2008	753,403	100%	(171,877)

State Contributions - The City of New Smyrna Beach, Florida participates under Chapters 175 and 185, Florida Statutes in establishing its own Municipal Police Officers' and Firefighters' Retirement Trust Funds. As a participating city, the City of New Smyrna Beach, Florida receives annual distributions of fire insurance premium tax and casualty insurance premium tax on property and casualty insurance policies written within the City's legal limits. The tax monies are collected by the Florida Department of Revenue and disbursed by the Florida Division of Retirement to each participating city or district. Amounts received by the City are legally restricted to be deposited directly into the respective retirement trust funds. These contributions are recorded and recognized in the General Fund as intergovernmental revenue with a corresponding expenditure reported in Public Safety personal service costs.

Actuarial Methods and Assumptions – Contributions for the current year were determined as part of the October 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included an 8 percent investment rate of return. Assets are valued at market value. The unfunded actuarial accrued liability is to be amortized by a series of level payments over time. The Police Plan has provisions to fund the unfunded liability over a twenty year period, whereas the Fire Plan has provisions to fund the unfunded liability over a thirty year period.

Funded Status and Funding Progress - Based on the October 1, 2009 actuarial valuation, the Police Officers' Plan was 93.99% funded. The actuarial accrued liability for benefits was \$14,457,647 and the actuarial value of assets was \$13,589,178 resulting in an unfunded actuarial accrued liability (UAAL) of \$868,469. Based on the October 1, 2009 actuarial valuation, the Firefighters' Plan was 61.93% funded. The actuarial accrued liability for benefits was \$21,319,291 and the actuarial value of assets was \$13,203,809 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,115,482.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(11) **Employees' Pension Plans:** (Continued)

The summary valuation information pertinent to the required supplementary information schedules is provided above. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Concentration of Investments. There were no individual investments in any one organization held in either of the pension trust funds that represent 5% or more of plan net assets held at year end.

(12) **Fiduciary Fund Financial Statements – Police and Fire Pension Trust Funds:**

The City does not issue separate financial statements for the Municipal Police Officers' Retirement Trust Fund or the Municipal Firefighters' Retirement Trust Fund. The basic financial statements of the City include a statement of fiduciary net assets and a statement of changes in fiduciary net assets that presents a single column presented by fund type for both pension trust funds.

Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2010:

Statements of Fiduciary Net Assets

	Police Officers'	Firefighters'
Assets		
Cash and short-term investments	\$ 100	\$ 4,578
Receivables:		
State subsidy	-	9,693
Accrued income	-	51,187
Total receivables	-	60,880
Investments:		
Annuity contract	12,517,176	-
Money funds	-	578,241
Common stocks	-	8,191,973
Government bonds	-	2,903,882
International bonds	-	108,205
Corporate bonds	-	2,280,865
Exchange traded and closed end funds	-	25,069
Total investments	12,517,176	\$14,088,235
Prepaid expenses	-	1,193
Total assets	12,517,276	14,154,886
Liabilities		
Deferred contribution	-	70,794
Net assets held in trust for pension benefits	\$ 12,517,276	\$14,084,092

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(12) **Fiduciary Fund Financial Statements – Police and Fire Pension Trust Funds:** (Continued)

Statements of Changes in Fiduciary Net Assets

	Police Officers'	Firefighters'
Additions		
Contributions		
Employees' contributions	\$ 198,568	\$ 23,027
Employer's contributions	632,020	677,227
State contributions	157,027	296,288
Total contributions	987,615	996,542
Investment earnings		
Net increase in fair value of investments	1,216,697	887,151
Interest income	-	328,077
Total investment earnings (loss)	1,216,697	1,215,228
Total additions	2,204,312	2,211,770
Deductions		
Benefits	971,728	435,505
Administrative expenses	43,050	148,271
Total deductions	1,014,778	583,776
Net increase	1,189,534	1,627,994
Net assets held in trust for pension benefits, beginning of year	11,327,742	12,456,098
Net assets held in trust for pension benefits, end of year	\$12,517,276	\$14,084,092

(13) **Deferred Employee Benefits:**

The City provides its employees with a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of these plans are administered by the International City Managers Association Retirement Corporation. The plans have been amended to include provisions changed by the Economic Growth and Tax Relief Reconciliation Act of 2001. Annual contributions, determined by the participant, may not exceed the lesser of \$16,500 or 100% of gross annual compensation for plan years beginning in 2009. Deferred compensation withheld from a participating employee's pay is not taxable as current income until withdrawn from the plan. Such compensation is not available to the employees until employment termination, retirement, or death. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(14) Other Post-Employment Benefits (OPEB):

Plan Description—Effective October 1, 2008, the City implemented GASB Statement No. 45, *Accounting and Reporting for Post Employment Benefits Other Than Pensions* (OPEB), for certain post employment healthcare benefits provided by the City. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$534,000 at October 1, 2008, the date of transition, amortized over 15 years. Accordingly, for financial reporting purposes, no liability is reported for the post employment healthcare benefit liability at the date of transition.

The OPEB Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverages elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 45 calls this the “implicit rate subsidy.”

Retirees and their dependents are permitted to remain covered under the City’s respective health care plans as long as they pay a full premium applicable to the coverages elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes. The OPEB Plan does not issue a stand-alone report.

At July 1, 2010, the date of the latest actuarial valuation, plan participation consisted of:

Active Employees	214
Inactive Employees	<u>12</u>
	<u><u>226</u></u>

Funding Policy—For the OPEB Plan, contribution requirements of the City are established and may be amended through action from the City Commission. Currently, the City’s OPEB Benefits are unfunded. The required contributions are based on pay-as-you-go financing requirements. There is no separate Trust fund or equivalent into which the City would make contributions to advance-fund the obligation. Therefore, ultimate subsidies which are provided over time are financed directly by general assets of the City, which are invested in very short-term fixed income instruments according to its current investment policy. The interest rate used to calculate the present value and costs of OPEB must be the long-range expected return on such short-term fixed income instruments. The City selected an interest discount of 4.00% for this purpose.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(14) **Other Post-Employment Benefits (OPEB):** (Continued)

Annual OPEB Cost and Net OPEB Obligation—The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed thirty years. The unfunded actuarial accrued liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City’s OPEB is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree’s own payments for the year). The components of the annual OPEB cost for the current year, the total contributions and the changes in the net obligation are as follows:

	2010 Fiscal Year Valuation as of 7/1/2010
Normal Cost (service cost for one year)	\$ 15,000
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	37,000
Amortization of Net OPEB Obligation	57,000
Annual Required Contribution (ARC)	109,000
Interest on Net OPEB Obligation	19,000
Adjustment to ARC	(57,000)
Annual OPEB Cost (Expense)	71,000
Less: Employer Contributions Made	(20,000)
Increase in Net OPEB Obligation	51,000
Net OPEB Obligation at beginning of year	480,000
Net OPEB Obligation at end of year	\$ 531,000

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 with no applicable preceding years were as follows:

Year Ended September 30,	Annual OPEB Cost	City Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 71,000	\$ 20,000	0%	\$ 531,000
2009	\$ 534,000	\$ 54,000	0%	\$ 480,000

In the Statement of Net Assets, the City reports a Net OPEB Obligation of \$500,893 in governmental activities and \$30,107 in business-type activities.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(14) **Other Post-Employment Benefits (OPEB):** (Continued)

Funding Status and Funding Progress—The funding status of the plan as of July 1, 2010, the most recent actuarial valuation date, was as follows:

	2010 Fiscal Year Valuation as of 7/1/10
Actuarial Accrued Liability (AAL)	\$ 777,000
Actuarial Value of Plan Assets	N/A
Unfunded Actuarial Accrued Liability (UAAL)	\$ 777,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	N/A
Covered Payroll (Active Plan Members)	\$ 9,127,000
UAAL as a Percentage of Covered Payroll	8.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, termination, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the City are subject to continual revision and actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit cost method is used to determine the Plan’s liabilities and costs. For each participant, benefits earned to date are calculated using projected benefits based on accrual to the date of expected retirement and the participant’s benefit service, when eligible. Costs are attributed from the date of hire to the date first eligible for full benefits. The individual’s service cost is the actuarial present value of the benefit earned at the end of the plan year less the actuarial present value of benefits earned at the beginning of the plan year. The individual’s actuarial accrued liability is the actuarial present value of benefits earned as of the beginning of the plan year.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(14) **Other Post-Employment Benefits (OPEB):** (Continued)

The following is a summary of the significant actuarial methods and assumptions:

Actuarial Valuation:	
Frequency	Bi-Annual
Latest Date	7/1/2010
Cost Method	Projected Unit Cost
UAAL Amortization:	
Method	Level Dollar Payment
Open/Closed	Open
Remaining Amortization Period	15 Years
Asset Valuation	
	N/A
Actuarial Assumptions:	
Investment Earnings	4.00%
Salary Increases	3.00%
Healthcare Inflation Rate	9.50% Initial 5.00% Ultimate

(15) **Legal Matters:**

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

During 2010, a contractor brought suit against the City, seeking \$250,000 in additional compensation for construction delays and lost profits. The City has denied the claim, and will vigorously defend the suit. The ultimate resolution of this claim cannot be determined at this time.

(16) **Commitments and Contingencies:**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(16) **Commitments and Contingencies:** (Continued)

The City has active construction projects as of September 30, 2010. At year-end, the City's commitments with contractors are as follows:

	Remaining Commitment
Park related projects	\$ 202,838
Airport related construction	414,618
CRA streetscape projects	1,196,848
Public safety construction projects	375,133
Total	\$ 2,189,437

The commitments for park-related projects are financed by revenues derived from grants and user fees. Airport improvements are mainly funded by federal and state matching grants. CRA streetscape projects are funded via incremental tax revenues and federal grants. Public safety construction projects are funded through the issuance of bonds.

(17) **Risk Management:**

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

(18) **Fund Deficits:**

The golf course proprietary fund has a deficit of \$963,826 at September 30, 2010. This deficit is primarily a result of cumulative costs associated with golf course renovations and capital improvements totaling \$3,494,897, which were financed by the general fund and shown as an advance due to the general fund in the accompanying statement of net assets.

(19) **Investment in Joint Venture:**

On January 11, 2002, the cities of New Smyrna Beach, Port Orange and Edgewater entered into an interlocal agreement to provide a consolidated dispatch communications and records system servicing law enforcement, fire, rescue and emergency communications for each of the cities. This entity, known as the Communications Interlocal Agency (CI), was established pursuant to Florida Statutes, Section 163.01(7). The CI Agency operates as a public entity using the same fiscal year as the City of New Smyrna Beach, ending on September 30th.

The CI Agency is an instrumentality of the municipal parties and is entitled to sovereign immunity, except where waived by general law. It operates pursuant to direction from its governing board. The governing board is comprised of three mayors from the respective cities mentioned above. Operating guidelines, procedures, designations and restrictions are determined by this governing body.

**NOTES TO FINANCIAL STATEMENTS
CITY OF NEW SMYRNA BEACH, FLORIDA
SEPTEMBER 30, 2010**

(19) **Investment in Joint Venture:** (Continued)

Substantially all costs of the CI Agency are allocated to Port Orange, New Smyrna Beach, and Edgewater in the respective amounts of 44%, 33%, and 23%. The books and records are maintained using accounting principles generally accepted in the United States of America. The City of Port Orange, as agent, performs all cash and accounting transactions.

The financial statements of the joint venture can be obtained by contacting the Finance Director of the City of Port Orange, Florida, at the following address:

John A. Shelley, Finance Director
City of Port Orange
1000 City Center Circle
Port Orange, FL 32129

Summarized audited information of the Communications Interlocal Agency for the year ended September 30, 2010 is as follows:

Operating revenues	\$ 2,292,804
Operating expenses	(2,117,399)
Non-operating revenues	6,021
Net income	<u>\$ 181,426</u>
Total assets	<u>\$ 909,339</u>
Total liabilities	<u>\$ 212,733</u>
Total net assets	<u>\$ 696,606</u>

A summary of the changes in the City's investment in the Communications Interlocal Agency for the year ended September 30, 2010 is as follows:

September 30, 2009 balance	\$ 213,811
Fiscal year 2010 activity	-
Total investment at September 30, 2010	<u>\$ 213,811</u>

(20) **Major Discretely Presented Component Unit and Related Net Asset Restatement:**

The legislation that created the Utilities Commission (a component unit) requires it to pay to the General Fund of the City of New Smyrna Beach a sum equal to six percent of the gross revenue from utilities under Utilities Commission control. This payment is subordinate to the debt service requirement of all utilities revenue certificates. The amount required to be paid to the City totaled \$3,833,942 for the year ended September 30, 2010. This payment is recorded as franchise fee-equivalent revenue in the General Fund and as an operating expense by the Utilities Commission. The balance due from the Utilities Commission at September 30, 2010 was \$695,383.

During the year ended September 30, 2010, the Utilities Commission implemented GASB 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes when intangible assets are considered capital assets for financial reporting purposes. Net assets for fiscal year 2009 have been restated for comparative purposes, in the component unit government-wide financial statements.

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Required Supplementary Information

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS (1)
OTHER POST EMPLOYMENT BENEFITS FUNDING PROGRESS
SEPTEMBER 30, 2010**

Actuarial Valuation Date 1-Oct	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2009	\$ -	\$ 777,000	\$ 777,000	0.00%	\$ 9,127,000	8.51%
2008	-	3,409,000	3,409,000	0.00%	9,603,000	35.50%

(1) For information regarding contribution percentage rates, assumptions, amortization method, etc. see Note 1.

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS (1)
PENSION TRUST FUNDS
SEPTEMBER 30, 2010**

Actuarial Valuation Date 1-Oct	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
<u>Police Officers' Pension Plan Fund</u>						
2009	\$ 13,589,178	\$ 14,457,647	\$ 868,469	93.99%	\$ 2,213,393	39.24%
2008	13,381,225	14,291,699	910,474	93.63%	2,362,936	38.53%
2007	12,530,465	13,482,256	951,791	92.94%	2,382,382	39.95%
2006	11,008,244	12,038,174	1,029,930	91.44%	2,004,095	51.39%
2005	9,656,339	10,745,413	1,089,074	89.86%	1,904,799	57.18%
2004	8,657,348	10,552,971	1,895,623	82.04%	1,582,871	119.76%
<u>Firefighters' Pension Plan Fund</u>						
2010	\$ 13,203,809	\$ 21,319,291	\$ 8,115,482	61.93%	\$ 1,756,147	462.12%
2009	12,853,518	20,626,459	7,772,941	62.32%	2,131,439	364.68%
2008	12,177,061	19,428,815	7,251,754	62.68%	2,822,370	256.94%
2007	10,954,066	18,584,037	7,629,971	58.94%	2,626,590	290.49%
2006	9,449,255	17,125,834	7,676,579	55.18%	2,677,550	286.70%
2005	7,861,752	15,944,446	8,082,694	49.31%	2,555,426	316.30%

(1) For information regarding contribution percentage rates, assumptions, amortization method, etc. see Note 1.

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND
OTHER CONTRIBUTING ENTITIES
PENSION TRUST FUNDS
SEPTEMBER 30, 2010**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>City Contributions</u>	<u>State Contributions</u>	<u>Percentage Contributed</u>
<u>Police Officers' Pension Plan Fund</u>				
2010	\$ 754,482	\$ 632,020	\$ 157,027	104.58%
2009	625,287	502,825	156,429	105.43%
2008	556,534	434,072	155,377	105.91%
2007	441,401	196,477	303,955	113.37%
2006	491,315	491,000	-	99.94%
2005	541,340	394,338	147,002	100.00%
<u>Firefighters' Pension Plan Fund</u>				
2010	\$ 973,515	\$ 677,227	\$ 296,288	100.00%
2009	1,187,056	917,778	263,308	99.50%
2008	1,128,794	1,049,723	427,917	130.90%
2007	1,126,541	762,162	364,379	100.00%
2006	1,089,531	1,078,505	123,206	110.30%
2005	779,090	696,519	91,109	101.10%

Combining and Individual Fund Statements and Schedules

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Special Revenue Funds

Special Revenue Funds are used to account for specific taxes or other earmarked revenue sources that are legally restricted to expenditure for particular purposes.

Special Law Enforcement Trust Fund

This fund accounts for proceeds generated by confiscation activities of the Police Department. Expenditures are restricted for law enforcement purposes only.

Water Taxi Fund

This fund accounts for revenues designated by the City to finance and operate a water taxi between the City and the Town of Ponce Inlet. Revenues are derived from fees charged to customers.

Marina Fund

This fund accounts for revenues designated by the City to finance and operate the City's marina. Revenues are derived from fees charged to customers.

Special Events Fund

This fund accounts for revenues designated by the City from charges for services used to operate and finance special events sponsored by the City.

Building Inspections Fund

This fund accounts for revenues generated from licenses and permits charged by the City to enforce State and City building codes.

Stormwater Improvement Fund

This fund accounts for maintenance to the City's existing stormwater drainage system. Revenues are provided from user charges to the utility customers.

Law Enforcement Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of law enforcement facilities and services.

Fire and Emergency Service Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of fire and emergency facilities and services.

Parks and Recreation Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for construction or expansion of existing parks and recreation facilities.

Transportation Capital Fund

This fund accounts for impact fees assessed and collected against new construction activities. Use of these funds is restricted for expansion of existing local roadway links or construction of new local roadways.

Debt Service Funds

The City created a debt service fund to account for the payment of interest and principal on long term debt.

**CITY OF NEW SMYRNA BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Special Revenue Funds					
	Stormwater Improvement	Special Law Enforcement Trust	Water Taxi	Marina	Special Events	Building Inspections
Assets						
Equity in pooled cash and investments	\$ 2,413,915	\$ 76,476	\$ 19,868	\$ 385,213	\$ 63,626	\$ 17,577
Accounts receivable, net	-	-	-	781	-	-
Due from component unit	100,367	-	-	-	-	-
Due from other governments	188,126	-	-	-	-	-
Prepays	40	-	11,730	2,618	962	735
Total Assets	\$ 2,702,448	\$ 76,476	\$ 31,598	\$ 388,612	\$ 64,588	\$ 18,312
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 13,664	\$ 95	\$ 82	\$ 6,478	\$ -	\$ 7,997
Deposits	-	-	-	15,294	-	-
Deferred revenue	-	-	-	-	16,022	-
Total liabilities	13,664	95	82	21,772	16,022	7,997
Fund balances:						
Reserved for:						
Encumbrances	14,610	-	-	-	-	-
Inventories and prepaids	40	-	11,730	2,618	962	735
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Unreserved:						
Undesignated	2,674,134	76,381	19,786	364,222	47,604	9,580
Total fund balances	2,688,784	76,381	31,516	366,840	48,566	10,315
Total Liabilities and Fund Balances	\$ 2,702,448	\$ 76,476	\$ 31,598	\$ 388,612	\$ 64,588	\$ 18,312

Special Revenue Funds

Law Enforcement	Fire and Emergency Services	Parks and Recreation	Transportation	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 475,589	\$ 239,551	\$ 163,123	\$ 684,329	\$ 4,539,267	\$ 236,263	\$ 4,775,530
-	-	-	-	781	1,883	2,664
-	-	-	-	100,367	-	100,367
-	-	-	-	188,126	-	188,126
-	-	-	-	16,085	-	16,085
<u>\$ 475,589</u>	<u>\$ 239,551</u>	<u>\$ 163,123</u>	<u>\$ 684,329</u>	<u>\$ 4,844,626</u>	<u>\$ 238,146</u>	<u>\$ 5,082,772</u>
\$ -	\$ -	\$ -	\$ -	\$ 28,316	\$ -	\$ 28,316
-	-	-	-	15,294	-	15,294
-	-	-	-	16,022	1,885	17,907
-	-	-	-	59,632	1,885	61,517
-	-	-	-	14,610	-	14,610
-	-	-	-	16,085	-	16,085
-	-	-	-	-	236,261	236,261
475,589	239,551	163,123	684,329	1,562,592	-	1,562,592
-	-	-	-	-	-	-
-	-	-	-	3,191,707	-	3,191,707
<u>475,589</u>	<u>239,551</u>	<u>163,123</u>	<u>684,329</u>	<u>4,784,994</u>	<u>236,261</u>	<u>5,021,255</u>
<u>\$ 475,589</u>	<u>\$ 239,551</u>	<u>\$ 163,123</u>	<u>\$ 684,329</u>	<u>\$ 4,844,626</u>	<u>\$ 238,146</u>	<u>\$ 5,082,772</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Special Revenue Funds						
	Stormwater Improvement	Special Law Enforcement Trust	Water Taxi	Marina	Special Events	Building Inspections
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	471,540
Intergovernmental revenue	172,994	-	-	-	-	-
Charges for services	1,198,614	-	192,050	281,817	86,879	-
Fines and forfeitures	-	79,265	-	-	-	-
Investment income	6,135	423	189	1,105	157	10
Miscellaneous	-	-	1,695	1,891	-	1,078
Total revenues	<u>1,377,743</u>	<u>79,688</u>	<u>193,934</u>	<u>284,813</u>	<u>87,036</u>	<u>472,628</u>
Expenditures						
Current:						
Public safety	-	91,593	-	-	-	453,326
Transportation	-	-	286,903	-	-	-
Physical Environment	544,376	-	-	-	-	-
Culture and recreation	-	-	-	180,939	60,261	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>544,376</u>	<u>91,593</u>	<u>286,903</u>	<u>180,939</u>	<u>60,261</u>	<u>453,326</u>
Excess (deficiency) of revenues over expenditures	<u>833,367</u>	<u>(11,905)</u>	<u>(92,969)</u>	<u>103,874</u>	<u>26,775</u>	<u>19,302</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(319,451)	-	-	(30,700)	-	-
Debt proceeds	124,518	-	-	-	-	-
Total other financing sources (uses)	<u>(194,933)</u>	<u>-</u>	<u>-</u>	<u>(30,700)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>638,434</u>	<u>(11,905)</u>	<u>(92,969)</u>	<u>73,174</u>	<u>26,775</u>	<u>19,302</u>
Fund balances (deficit), beginning of year	2,050,350	88,286	124,485	293,666	21,791	(8,987)
Fund balances, end of year	<u>\$ 2,688,784</u>	<u>\$ 76,381</u>	<u>\$ 31,516</u>	<u>\$ 366,840</u>	<u>\$ 48,566</u>	<u>\$ 10,315</u>

Special Revenue Funds

Law Enforcement	Fire and Emergency Services	Parks and Recreation	Transportation	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,437,348	\$ 1,437,348
-	-	-	-	471,540	-	471,540
-	-	-	-	172,994	-	172,994
-	-	-	-	1,759,360	-	1,759,360
-	-	-	-	79,265	-	79,265
1,273	642	477	1,857	12,268	2,932	15,200
94,806	48,608	15,885	142,095	306,058	-	306,058
<u>96,079</u>	<u>49,250</u>	<u>16,362</u>	<u>143,952</u>	<u>2,801,485</u>	<u>1,440,280</u>	<u>4,241,765</u>
-	-	-	-	544,919	-	544,919
-	-	-	-	286,903	-	286,903
-	-	-	-	544,376	-	544,376
-	-	-	-	241,200	-	241,200
-	-	-	-	-	-	-
-	-	-	-	-	1,602,337	1,602,337
-	-	-	-	-	1,086,968	1,086,968
-	-	-	-	1,617,398	2,689,305	4,306,703
<u>96,079</u>	<u>49,250</u>	<u>16,362</u>	<u>143,952</u>	<u>1,184,087</u>	<u>(1,249,025)</u>	<u>(64,938)</u>
-	-	-	-	-	1,270,304	1,270,304
-	-	-	-	(350,151)	-	(350,151)
-	-	-	-	124,518	-	124,518
-	-	-	-	-	-	-
-	-	-	-	(225,633)	1,270,304	1,044,671
<u>96,079</u>	<u>49,250</u>	<u>16,362</u>	<u>143,952</u>	<u>958,454</u>	<u>21,279</u>	<u>979,733</u>
379,510	190,301	146,761	540,377	3,826,540	214,982	4,041,522
<u>\$ 475,589</u>	<u>\$ 239,551</u>	<u>\$ 163,123</u>	<u>\$ 684,329</u>	<u>\$ 4,784,994</u>	<u>\$ 236,261</u>	<u>\$ 5,021,255</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR STORMWATER IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenue	\$ 3,721,086	\$ 3,721,086	\$ 172,994	\$ (3,548,092)
Charges for services	1,200,000	1,200,000	1,198,614	(1,386)
Investment income	-	2,000	6,135	4,135
Total revenues	<u>4,921,086</u>	<u>4,923,086</u>	<u>1,377,743</u>	<u>(3,545,343)</u>
Expenditures				
Current:				
Physical environment	5,525,776	6,737,228	544,376	6,192,852
Excess (deficiency) of revenues over expenditures	<u>(604,690)</u>	<u>(1,814,142)</u>	<u>833,367</u>	<u>2,647,509</u>
Other financing sources (uses)				
Transfers out	(493,753)	(319,451)	(319,451)	-
Debt proceeds	-	-	124,518	124,518
Total other financing sources (uses)	<u>(493,753)</u>	<u>(319,451)</u>	<u>(194,933)</u>	<u>124,518</u>
Net change in fund balances	<u>(1,098,443)</u>	<u>(2,133,593)</u>	<u>638,434</u>	<u>2,772,027</u>
Fund balances, beginning of year	2,050,350	2,050,350	2,050,350	-
Fund balances, end of year	<u>\$ 951,907</u>	<u>\$ (83,243)</u>	<u>\$ 2,688,784</u>	<u>\$ 2,772,027</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL LAW ENFORCEMENT TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ -	\$ 78,765	\$ 79,265	\$ 500
Investment income	-	-	423	423
Total revenues	-	78,765	79,688	923
Expenditures				
Current:				
Public safety	66,290	145,055	91,593	53,462
Excess (deficiency) of revenues over expenditures	(66,290)	(66,290)	(11,905)	54,385
Net change in fund balances	(66,290)	(66,290)	(11,905)	54,385
Fund balances, beginning of year	88,286	88,286	88,286	-
Fund balances, end of year	<u>\$ 21,996</u>	<u>\$ 21,996</u>	<u>\$ 76,381</u>	<u>\$ 54,385</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR WATER TAXI FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 298,922	\$ 298,922	\$ 192,050	\$ (106,872)
Investment income	-	-	189	189
Miscellaneous	-	-	1,695	1,695
Total revenues	<u>298,922</u>	<u>298,922</u>	<u>193,934</u>	<u>(104,988)</u>
Expenditures				
Current:				
Transportation	305,554	326,120	286,903	39,217
Deficiency of revenues over expenditures	<u>(6,632)</u>	<u>(27,198)</u>	<u>(92,969)</u>	<u>(65,771)</u>
Net change in fund balances	<u>(6,632)</u>	<u>(27,198)</u>	<u>(92,969)</u>	<u>(65,771)</u>
Fund balances, beginning of year	124,485	124,485	124,485	-
Fund balances, end of year	<u><u>\$ 117,853</u></u>	<u><u>\$ 97,287</u></u>	<u><u>\$ 31,516</u></u>	<u><u>\$ (65,771)</u></u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR MARINA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 262,400	\$ 262,400	\$ 281,817	\$ 19,417
Investment income	-	-	1,105	1,105
Miscellaneous	1,200	1,200	1,891	691
Total revenues	<u>263,600</u>	<u>263,600</u>	<u>284,813</u>	<u>21,213</u>
Expenditures				
Current:				
Culture and recreation	206,570	232,900	180,939	51,961
Excess of revenues over over expenditures	<u>57,030</u>	<u>30,700</u>	<u>103,874</u>	<u>73,174</u>
Other financing sources (uses)				
Transfers out	(57,030)	(30,700)	(30,700)	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>73,174</u>	<u>73,174</u>
Fund balances, beginning of year	293,666	293,666	293,666	-
Fund balances, end of year	<u>\$ 293,666</u>	<u>\$ 293,666</u>	<u>\$ 366,840</u>	<u>\$ 73,174</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL EVENTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 61,500	\$ 61,500	\$ 86,879	\$ 25,379
Investment income	-	-	157	157
Total revenues	<u>61,500</u>	<u>61,500</u>	<u>87,036</u>	<u>25,536</u>
Expenditures				
Current:				
Culture and recreation	61,500	61,500	60,261	1,239
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>26,775</u>	<u>26,775</u>
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>26,775</u>	<u>26,775</u>
Fund balances, beginning of year	21,791	21,791	21,791	-
Fund balances, end of year	<u>\$ 21,791</u>	<u>\$ 21,791</u>	<u>\$ 48,566</u>	<u>\$ 26,775</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR BUILDING INSPECTIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 531,548	\$ 499,635	\$ 471,540	\$ (28,095)
Investment income	-	-	10	10
Miscellaneous	-	-	1,078	1,078
Total revenues	<u>531,548</u>	<u>499,635</u>	<u>472,628</u>	<u>(27,007)</u>
Expenditures				
Current:				
Public safety	490,208	499,635	453,326	46,309
Excess of revenues over expenditures	<u>41,340</u>	<u>-</u>	<u>19,302</u>	<u>19,302</u>
Other financing sources (uses)				
Transfers out	(41,340)	-	-	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>19,302</u>	<u>19,302</u>
Fund balances (deficit), beginning of year	(8,987)	(8,987)	(8,987)	-
Fund balances, end of year	<u>\$ (8,987)</u>	<u>\$ (8,987)</u>	<u>\$ 10,315</u>	<u>\$ 19,302</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR LAW ENFORCEMENT CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 3,600	\$ 3,600	\$ 1,273	\$ (2,327)
Miscellaneous	10,000	10,000	94,806	84,806
Total revenues	<u>13,600</u>	<u>13,600</u>	<u>96,079</u>	<u>82,479</u>
Expenditures				
Current:				
Public safety	13,600	13,600	-	13,600
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>96,079</u>	<u>96,079</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>96,079</u>	<u>96,079</u>
Fund balances, beginning of year	379,510	379,510	379,510	-
Fund balances, end of year	<u>\$ 379,510</u>	<u>\$ 379,510</u>	<u>\$ 475,589</u>	<u>\$ 96,079</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR FIRE AND EMERGENCY SERVICES CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 3,000	\$ 3,000	\$ 642	\$ (2,358)
Miscellaneous	2,500	2,500	48,608	46,108
Total revenues	<u>5,500</u>	<u>5,500</u>	<u>49,250</u>	<u>43,750</u>
Expenditures				
Current:				
Public safety	5,500	5,500	-	5,500
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>49,250</u>	<u>49,250</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>49,250</u>	<u>49,250</u>
Fund balances, beginning of year	190,301	190,301	190,301	-
Fund balances, end of year	<u>\$ 190,301</u>	<u>\$ 190,301</u>	<u>\$ 239,551</u>	<u>\$ 49,250</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR PARKS AND RECREATION CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 500	\$ 500	\$ 477	\$ (23)
Miscellaneous	-	-	15,885	15,885
Total revenues	<u>500</u>	<u>500</u>	<u>16,362</u>	<u>15,862</u>
Expenditures				
Current:				
Culture and recreation	500	500	-	500
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>16,362</u>	<u>16,362</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>16,362</u>	<u>16,362</u>
Fund balances, beginning of year	146,761	146,761	146,761	-
Fund balances, end of year	<u><u>\$ 146,761</u></u>	<u><u>\$ 146,761</u></u>	<u><u>\$ 163,123</u></u>	<u><u>\$ 16,362</u></u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR TRANSPORTATION CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 2,300	\$ 2,300	\$ 1,857	\$ (443)
Miscellaneous	30,000	30,000	142,095	112,095
Total revenues	<u>32,300</u>	<u>32,300</u>	<u>143,952</u>	<u>111,652</u>
Expenditures				
Current:				
Transportation	32,300	32,300	-	32,300
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>143,952</u>	<u>143,952</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>143,952</u>	<u>143,952</u>
Fund balances, beginning of year	540,377	540,377	540,377	-
Fund balances, end of year	<u>\$ 540,377</u>	<u>\$ 540,377</u>	<u>\$ 684,329</u>	<u>\$ 143,952</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,419,337	\$ 1,419,276	\$ 1,437,348	\$ 18,072
Investment income	-	-	2,932	2,932
Total revenues	<u>1,419,337</u>	<u>1,419,276</u>	<u>1,440,280</u>	<u>21,004</u>
Expenditures				
Debt service				
Principal	1,608,072	1,602,431	1,602,292	139
Interest and fiscal charges	<u>1,080,508</u>	<u>1,087,149</u>	<u>1,087,013</u>	<u>136</u>
Total expenditures	<u>2,688,580</u>	<u>2,689,580</u>	<u>2,689,305</u>	<u>275</u>
Excess (deficiency) of revenues over expenditures	<u>(1,269,243)</u>	<u>(1,270,304)</u>	<u>(1,249,025)</u>	<u>21,279</u>
Other financing sources				
Transfers in	1,269,243	1,270,304	1,270,304	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>21,279</u>	<u>21,279</u>
Fund balances, beginning of year	214,982	214,982	214,982	-
Fund balances, end of year	<u>\$ 214,982</u>	<u>\$ 214,982</u>	<u>\$ 236,261</u>	<u>\$ 21,279</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with Final budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 75,000	\$ 75,000	\$ 28,612	\$ (46,388)
Expenditures				
Current:				
Public safety	3,861,876	9,153,294	3,896,107	5,257,187
Transportation	750,000	760,706	-	760,706
Total expenditures	4,611,876	9,914,000	3,896,107	6,017,893
Excess (deficiency) of revenues over expenditures	(4,536,876)	(9,839,000)	(3,867,495)	5,971,505
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balances	(4,536,876)	(9,839,000)	(3,867,495)	5,971,505
Fund balances, beginning of year	10,054,064	10,054,064	10,054,064	-
Fund balances, end of year	<u>\$ 5,517,188</u>	<u>\$ 215,064</u>	<u>\$ 6,186,569</u>	<u>\$ 5,971,505</u>

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Statistical Section

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Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	123
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	127
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	132
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	134

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

TABLE 1

**CITY OF NEW SMYRNA BEACH, FLORIDA
NET ASSETS BY COMPONENT,
LAST SEVEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010**

	Fiscal Year Ending September 30,						
	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:							
Invested in capital assets, net of related deb	\$ 54,002,170	\$ 50,935,317	\$ 48,513,689	\$ 40,515,634	\$ 37,234,282	\$ 27,120,573	\$ 24,457,307
Restricted	16,870,174	15,146,650	12,938,547	12,221,370	7,898,924	5,608,588	7,359,780
Unrestricted	11,169,827	11,297,863	13,580,821	12,061,784	10,082,295	11,854,984	4,987,461
Total governmental activities net asset:	<u>\$ 82,042,171</u>	<u>\$ 77,379,830</u>	<u>\$ 75,033,057</u>	<u>\$ 64,798,788</u>	<u>\$ 55,215,501</u>	<u>\$ 44,584,145</u>	<u>\$ 36,804,548</u>
Business-type Activities:							
Invested in capital assets, net of related deb	\$ 2,748,890	\$ 2,955,440	\$ 3,111,596	\$ 3,305,043	\$ 3,088,419	\$ 439,518	\$ 501,741
Restricted	-	-	-	-	-	-	-
Unrestricted	(1,721,556)	(1,639,485)	(1,329,342)	(1,374,191)	(936,892)	2,037,314	1,692,123
Total business-type activities net asset:	<u>\$ 1,027,334</u>	<u>\$ 1,315,955</u>	<u>\$ 1,782,254</u>	<u>\$ 1,930,852</u>	<u>\$ 2,151,527</u>	<u>\$ 2,476,832</u>	<u>\$ 2,193,864</u>
Primary Government:							
Invested in capital assets, net of related deb	\$ 56,751,060	\$ 53,890,757	\$ 51,625,285	43,820,677	40,322,701	27,560,091	24,959,048
Restricted	16,870,174	15,146,650	12,938,547	12,221,370	7,898,924	5,608,588	7,359,780
Unrestricted	9,448,271	9,658,378	12,251,479	10,687,593	9,145,403	13,892,298	6,679,584
Total primary government net assets:	<u>\$ 83,069,505</u>	<u>\$ 78,695,785</u>	<u>\$ 76,815,311</u>	<u>\$ 66,729,640</u>	<u>\$ 57,367,028</u>	<u>\$ 47,060,977</u>	<u>\$ 38,998,412</u>

TABLE 2

**CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN NET ASSETS,
LAST SEVEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010**

	Fiscal Year Ending September 30,						
	2010	2009	2008	2007	2006	2005	2004
Expenses:							
Governmental Activities:							
General government	\$ 3,064,966	\$ 3,581,208	\$ 3,812,525	\$ 3,961,799	\$ 3,874,356	\$ 4,760,586	\$ 6,486,909
Public safety	10,501,207	13,049,015	12,916,101	13,304,055	12,119,668	10,796,109	9,801,504
Transportation	3,898,353	2,889,765	2,078,168	2,729,379	2,284,003	1,960,568	1,706,919
Economic environment	3,580,406	1,203,546	619,792	425,900	667,182	368,291	460,098
Physical environment	546,962	896,077	723,596	308,537	315,810	411,524	311,217
Human services	-	-	40,987	31,697	17,386	20,563	50,947
Culture/recreation	3,444,935	3,580,298	3,762,117	3,574,958	3,245,963	2,895,480	2,882,005
Intragovernmental services	509,468	522,213	464,316	510,380	478,161	475,361	465,743
Interest on long-term debt	1,182,887	1,532,430	1,284,564	1,363,934	1,421,610	1,028,424	512,383
Total governmental activities expenses	26,729,184	27,254,552	25,702,166	26,210,639	24,424,139	22,716,906	22,677,725
Business-Type Activities:							
Sanitation	5,039,321	5,069,091	4,921,802	4,736,063	2,788,909	2,663,664	2,584,714
Golf course	1,302,760	1,529,305	1,653,133	1,660,803	1,290,836	1,333,927	1,262,905
Total business-type activities expenses	6,342,081	6,598,396	6,574,935	6,396,866	4,079,745	3,997,591	3,847,619
Total primary government expenses	33,071,265	33,852,948	32,277,101	32,607,505	28,503,884	26,714,497	26,525,344
Program Revenues:							
Governmental Activities:							
Charges for Services:							
General government	780,828	1,037,598	665,878	864,884	486,319	1,676,167	996,083
Public safety	668,666	757,829	805,910	1,041,512	1,014,951	133,346	129,397
Transportation	1,246,117	732,791	888,723	922,218	23,872	713,635	636,472
Economic environment	5,550	3,600	2,550	58,702	-	-	2,550
Physical environment	1,198,614	1,201,382	1,243,564	1,211,454	1,188,726	1,025,892	578,030
Human services	-	-	-	-	-	-	-
Culture/recreation	554,070	575,966	590,331	569,220	414,847	320,746	487,906
Operating grants and contributions	1,322,659	2,280,105	2,599,531	2,164,836	1,027,960	2,885,820	2,647,088
Capital grants and contributions	2,784,637	1,367,708	4,229,658	2,866,560	1,544,021	1,024,766	1,701,897
Total governmental activities program revenues	8,561,141	7,956,979	11,026,145	9,699,386	5,700,696	7,780,372	7,179,423

TABLE 2
(Continued)

CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN NET ASSETS,
LAST SEVEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010
(Continued)

	Fiscal Year Ending September 30,						
	2010	2009	2008	2007	2006	2005	2004
Program Revenues (continued):							
Business-Type Activities:							
Charges for Services:							
Sanitation	4,862,934	4,943,920	5,031,777	4,828,073	2,945,739	3,061,665	2,723,961
Golf course	1,182,596	1,233,347	1,418,904	1,206,440	756,437	1,172,374	1,151,123
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
program revenues	<u>6,045,530</u>	<u>6,177,267</u>	<u>6,450,681</u>	<u>6,034,513</u>	<u>3,702,176</u>	<u>4,234,039</u>	<u>3,875,084</u>
Total primary government program revenues	<u>14,606,671</u>	<u>14,134,246</u>	<u>17,476,826</u>	<u>15,733,899</u>	<u>9,402,872</u>	<u>12,014,411</u>	<u>11,054,507</u>
Net (Expense)/Revenue:							
Governmental activities	(18,168,043)	(19,297,573)	(14,676,021)	-	(16,511,253)	-	(18,723,443)
Business-type activities	(296,551)	(421,129)	(124,254)	6,034,513	(2,694,690)	4,234,039	(204,661)
Total primary government net expense	<u>(18,464,594)</u>	<u>(19,718,702)</u>	<u>(14,800,275)</u>	<u>6,034,513</u>	<u>(19,205,943)</u>	<u>4,234,039</u>	<u>(18,928,104)</u>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Property taxes	13,119,859	14,056,637	14,698,046	15,807,235	15,030,956	12,311,158	11,001,222
Franchise fees	603,585	602,672	608,298	589,508	555,919	549,049	491,711
Public service taxes	3,084,314	2,963,642	3,074,281	2,833,413	2,800,596	2,642,187	2,493,967
Sales taxes	957,309	962,699	1,049,366	1,139,619	1,623,428	1,584,589	1,392,679
Intergovernmental revenues	824,168	785,805	456,556	698,332	403,341	314,184	311,975
Investment earnings	163,621	248,175	1,034,146	1,978,484	1,559,388	788,314	176,586
Required payment from component unit	3,833,942	3,601,805	3,612,083	3,670,560	3,665,315	3,328,647	3,262,441
Miscellaneous revenue	243,586	245,124	302,514	729,180	2,655,787	1,198,003	948,605
Transfers	-	(10,480)	75,000	(65,912)	-	-	163,250
Total governmental activities	<u>22,830,384</u>	<u>23,456,079</u>	<u>24,910,290</u>	<u>27,380,419</u>	<u>28,294,730</u>	<u>22,716,131</u>	<u>20,242,436</u>
Business-Type Activities:							
Investment earnings	6,553	10,969	44,651	75,766	52,264	46,520	23,596
Miscellaneous revenue	1,377	1,237	6,005	-	-	-	-
Transfers	-	10,480	(75,000)	65,912	-	-	-
Total business-type activities	<u>7,930</u>	<u>22,686</u>	<u>(24,344)</u>	<u>141,678</u>	<u>52,264</u>	<u>46,520</u>	<u>23,596</u>
Total primary government	<u>22,838,314</u>	<u>23,478,765</u>	<u>24,885,946</u>	<u>27,522,097</u>	<u>28,346,994</u>	<u>22,762,651</u>	<u>20,266,032</u>
Changes in Net Assets:							
Governmental activities	4,662,341	4,158,506	10,234,269	27,380,419	11,783,477	22,716,131	1,518,993
Business-type activities	(288,621)	(398,443)	(148,598)	6,176,191	(2,642,426)	4,280,559	(181,065)
Total primary government	<u>\$ 4,373,720</u>	<u>\$ 3,760,063</u>	<u>\$ 10,085,671</u>	<u>\$ 33,556,610</u>	<u>\$ 9,141,051</u>	<u>\$ 26,996,690</u>	<u>\$ 1,337,928</u>

TABLE 3

**CITY OF NEW SMYRNA BEACH, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010**

	Fiscal Year Ending September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund:										
Reserved	\$ 5,111,950	\$ 1,621,741	\$ 2,545,805	\$ 1,285,529	\$ 1,005,542	\$ 789,722	\$ 686,012	\$ 578,651	\$ 1,109,491	\$ 964,360
Unreserved	6,871,824	10,975,084	10,359,978	10,820,432	11,310,676	9,694,337	6,745,205	6,398,642	5,253,884	5,593,175
Total general fund	<u>\$ 11,983,774</u>	<u>\$ 12,596,825</u>	<u>\$ 12,905,783</u>	<u>\$ 12,105,961</u>	<u>\$ 12,316,218</u>	<u>\$ 10,484,059</u>	<u>\$ 7,431,217</u>	<u>\$ 6,977,293</u>	<u>\$ 6,363,375</u>	<u>\$ 6,557,535</u>
All Other Governmental Funds:										
Reserved	\$ 8,880,115	\$ 15,081,010	\$ 26,877,328	\$ 27,081,600	\$ 22,570,728	\$ 24,868,737	\$ 7,589,328	\$ 5,067,936	\$ 4,503,955	\$ 861,783
Unreserved, reported in:										
Special revenue funds	14,197,582	(87,209)	2,513,410	588,195	1,571,727	1,536,486	979,937	612,961	1,462,792	2,579,426
Capital projects funds	801,078	10,975,084	-	-	-	-	(2,415,540)	(3,076,071)	-	702,861
Total all other governmental funds	<u>\$ 23,878,775</u>	<u>\$ 25,968,885</u>	<u>\$ 29,390,738</u>	<u>\$ 27,669,795</u>	<u>\$ 24,142,455</u>	<u>\$ 26,405,223</u>	<u>\$ 6,153,725</u>	<u>\$ 2,604,826</u>	<u>\$ 5,966,747</u>	<u>\$ 4,144,070</u>

CITY OF NEW SMYRNA BEACH, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010

	Fiscal Year Ending September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenue:										
Taxes	\$ 15,368,115	\$ 16,005,076	\$ 16,918,936	\$ 18,937,619	\$ 17,019,585	\$ 15,866,708	\$ 15,053,794	\$ 13,129,927	\$ 10,903,233	\$ 10,291,363
Licenses and fees	5,102,462	4,815,826	4,841,622	4,186,289	5,056,126	3,877,696	3,754,152	3,212,010	3,147,877	3,012,295
Intergovernmental	6,712,067	6,877,843	8,796,901	7,369,500	5,663,846	6,155,920	5,270,679	3,271,678	2,650,709	1,654,587
Charges for services	2,072,832	2,173,721	2,213,707	2,442,509	1,886,258	1,518,528	1,057,132	1,002,473	934,640	899,447
Fines and forfeitures	166,096	99,907	150,551	257,428	162,458	113,021	103,571	105,331	159,247	149,245
Investment earnings	160,625	248,177	1,034,146	1,978,484	1,559,388	788,314	176,586	-	-	-
Other revenues	1,855,736	1,314,928	1,831,996	1,969,354	2,600,190	3,009,616	1,975,617	1,243,888	1,468,703	1,692,843
Total revenue	31,437,933	31,535,478	35,787,859	37,141,183	33,947,851	31,329,803	27,391,531	21,965,307	19,264,409	17,699,780
Expenditures:										
General government	3,288,748	3,359,370	3,632,105	3,924,339	3,809,217	5,243,231	5,479,311	2,934,148	2,939,158	2,878,621
Public safety	12,320,773	11,813,983	12,448,837	12,740,459	11,383,822	11,074,788	9,415,051	8,755,598	8,167,678	6,983,017
Transportation	2,905,667	2,242,232	1,471,523	2,029,280	1,500,753	1,481,594	2,381,923	476,067	1,208,008	1,626,616
Economic environment	1,020,431	1,463,951	485,273	437,636	519,667	444,118	256,306	329,813	281,797	298,762
Physical environment	544,376	480,875	511,301	96,242	103,515	85,792	62,370	993,157	24,199	1,465,559
Human services	-	-	40,987	31,697	17,386	20,563	50,947	27,856	34,158	3,840
Culture/recreation	2,944,409	3,094,062	3,008,388	3,079,144	3,476,514	1,775,775	2,680,174	2,341,279	2,130,069	2,386,132
Building and maintenance	463,709	472,110	413,857	432,352	616,627	423,879	430,966	342,339	319,191	396,022
Capital outlay	7,593,276	8,817,322	8,638,493	6,451,732	9,949,415	4,211,965	8,223,352	8,169,154	3,452,246	768,899
Debt Service:										
Principal retirement	2,001,385	1,961,541	1,596,541	1,760,183	1,713,059	1,014,993	1,035,837	1,142,501	1,246,397	1,036,435
Interest and fiscal charges	1,182,842	1,249,002	1,161,790	1,521,954	1,288,486	900,745	503,555	513,350	540,036	325,128
Total expenditures	34,265,616	34,954,448	33,409,095	32,505,018	34,378,461	26,677,443	30,519,792	26,025,262	20,342,937	18,169,031
Excess of revenue over (under) expenditures	(2,827,683)	(3,418,970)	2,378,764	4,636,165	(430,610)	4,652,360	(3,128,261)	(4,059,955)	(1,078,528)	(469,251)
Other Financing Sources (Uses):										
Transfers in (out)	-	-	142,001	(65,912)	-	-	(89,110)	760,400	500,000	210,192
Capital-related debt issued	124,518	-	-	32,709	-	25,665,000	7,220,194	551,552	1,882,037	2,488,800
Payment on refunding of debt	-	-	-	-	-	(6,720,000)	-	-	-	-
Bond issuance costs	-	332,739	-	-	-	(679,229)	-	-	-	-
Premium (discount) on debt issued	-	-	-	-	-	386,209	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	124,518	332,739	142,001	(33,203)	-	18,651,980	7,131,084	1,311,952	2,382,037	2,698,992
Net change in fund balances	\$ (2,703,165)	\$ (3,086,231)	\$ 2,520,765	\$ 4,602,962	\$ (430,610)	\$ 23,304,340	\$ 4,002,823	\$ (2,748,003)	\$ 1,303,509	\$ 2,229,741
Debt service as a percentage of noncapital expenditures	11.9%	12.3%	11.1%	12.6%	12.3%	8.5%	6.9%	9.3%	10.6%	7.8%

**CITY OF NEW SMYRNA BEACH, FLORIDA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
 LAST TEN FISCAL YEARS
 YEAR ENDING SEPTEMBER 30, 2010**

Fiscal Year² Ended September 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Vacant Land and Other	Tangible Personal Property	Total Market Value	Less: Tax-Exempt Property	Total Taxable Assessed Value¹	Total Direct Tax Rate¹
2001	1,324,619,454	177,391,660	21,382,143	740,812	11,005,642	564,193	85,852,513	63,516,007	1,685,072,424	337,962,705	1,347,109,719	4.99000
2002	1,478,437,496	185,125,918	22,583,471	1,018,379	16,580,547	116,039	83,447,816	65,218,426	1,852,528,092	371,515,445	1,481,012,647	4.60000
2003	1,767,545,799	202,742,638	29,792,833	1,088,414	9,049,475	164,999	97,229,705	64,047,746	2,171,661,609	507,965,614	1,663,695,995	5.10000
2004	2,089,132,856	169,456,074	23,963,123	3,565,031	37,119,898	100,761,572	111,342,598	64,966,542	2,600,307,694	648,259,413	1,952,048,281	5.10000
2005	2,402,037,606	187,107,734	24,993,183	3,785,479	44,081,130	111,526,525	134,115,499	63,375,983	2,971,023,139	761,834,716	2,209,188,423	5.10000
2006	3,194,973,902	211,775,243	26,667,315	8,673,388	49,020,272	122,181,480	218,140,595	66,342,093	3,897,774,288	1,052,366,297	2,845,407,991	4.31030
2007	4,257,914,487	264,371,984	30,700,167	38,285,480	59,426,704	157,768,843	361,036,976	73,607,463	5,243,112,104	1,499,636,807	3,743,475,297	3.36710
2008	4,173,803,718	271,571,334	34,143,264	42,039,565	55,915,233	169,220,896	301,699,421	96,460,839	5,144,854,270	1,394,368,462	3,750,485,808	3.10000
2009	3,783,955,083	269,255,809	33,299,369	43,238,395	54,813,362	157,526,521	308,301,735	101,635,480	4,752,025,754	1,308,797,668	3,443,228,086	3.10000
2010	2,981,883,021	297,965,122	32,268,238	23,458,197	48,242,937	135,514,423	192,608,005	100,120,016	3,812,059,959	966,870,208	2,845,189,751	3.47930

Source: Volusia County, Florida, Property Appraiser.

Note: ¹Property in The City of New Smyrna Beach is reassessed each year by the Volusia County Property Appraiser. Property is assessed at actual value. Tax rates are per \$1,000 of assessed value.

²All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2010 data was obtained from the 2009 calendar year tax roll).

**CITY OF NEW SMYRNA BEACH, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES,
LAST TEN FISCAL YEARS
YEAR ENDING SEPTEMBER 30, 2010**

Fiscal Year ¹	City of New Smyrna Beach			Overlapping Rates							Total-All Taxing Districts
	Operating	Debt Service	Total City of New Smyrna	Volusia County School District	Volusia County	Southeast Volusia Hospital District	Southeast Volusia Mosquito Control	Ponce Inlet and Port Authority	St. Johns Water Management District	Florida Inland Navigation District	
2001	4.99000	0.00000	4.99000	9.15800	6.36700	2.52830	0.23800	0.09000	0.47200	0.04100	23.88430
2002	4.60000	0.00000	4.60000	9.01500	6.60400	2.52830	0.23800	0.09000	0.46200	0.03850	23.57580
2003	5.10000	0.00000	5.10000	8.89900	6.60400	2.32000	0.23800	0.09000	0.46200	0.03850	23.75150
2004	5.10000	0.00000	5.10000	8.69900	6.60400	2.32000	0.23800	0.09000	0.46200	0.03850	23.55150
2005	5.10000	0.00000	5.10000	8.51700	6.60400	2.35000	0.23800	0.09000	0.46200	0.03850	23.39950
2006	4.31030	0.50159	4.81189	8.25900	6.29400	2.35000	0.23800	0.09000	0.46200	0.03850	22.54339
2007	3.36710	0.37593	3.74303	7.68500	5.13330	2.21620	0.19020	0.07190	0.46200	0.03850	19.54013
2008	3.10000	0.37811	3.47811	7.46700	4.70334	2.16878	0.17856	0.06750	0.41580	0.03450	18.51359
2009	3.10000	0.41304	3.51304	7.45900	5.40373	2.85294	0.20556	0.07771	0.41580	0.03450	19.96228
2010	3.47930	0.52060	3.99990	7.80500	6.37434	3.59870	0.20966	0.09360	0.41580	0.03450	22.53150

Source: County of Volusia Financial and Administrative Services

Note: Tax millage rates are per \$1,000 of assessed value.

¹All property valuations for the specified fiscal year ends are obtained from the previous year's tax roll (i.e. all fiscal 2009 data was obtained from the 2008 calendar year tax roll).

**CITY OF NEW SMYRNA BEACH, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT AND NINE YEARS AGO
SEPTEMBER 30, 2010**

Taxpayer	September 30, 2010			September 30, 2001		
	(2009 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value	(2000 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value
Ocean Development Group	\$ 27,326,447	1	0.96%	\$ 19,647,046	1	1.46%
Parkside Townhomes	13,623,272	2	0.48%	-		0.00%
Venetian Bay of New Smyrna Beach LLC	12,669,613	3	0.45%	-		0.00%
Islander Beach Resorts	11,221,210	4	0.39%	13,283,405	3	0.99%
Bellsouth Telecommunication Inc	11,065,536	5	0.39%	13,892,257	2	1.03%
JPJ Investments INC	10,152,690	6	0.36%	-		0.00%
Lyme Stone Rance Investors LTD	9,864,574	7	0.35%	-		0.00%
Tuscany Square LLC	9,034,745	8	0.32%	-		0.00%
Home Depot USA INC	8,999,404	9	0.32%	-		0.00%
New Smyrna Regency LLC	8,664,608	10	0.30%	-		0.00%
MMR Holdings LLC	-			9,304,275	4	0.69%
I.R.T. Property Co.	-			6,708,288	5	0.50%
811 Development Corporation	-			6,980,264	6	0.52%
Minorca, LTD	-			6,533,195	7	0.48%
Sea Villas Development Corporation	-			6,000,463	8	0.45%
Samuel R. Sutton, Trustee	-			4,883,341	9	0.36%
Wal-Mart Stores INC	-			4,437,538	10	0.33%
Total	<u>\$ 122,622,099</u>		<u>4.31%</u>	<u>\$ 91,670,072</u>		<u>6.80%</u>

Source: Volusia County Property Appraiser

**CITY OF NEW SMYRNA BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

Fiscal Year Ended September 30,	Taxes Levied For Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2001	6,722,077	6,859,102	102.04%	26,603	6,885,705	102.43%
2002	6,812,658	6,595,890	96.82%	11,418	6,607,308	96.99%
2003	8,484,850	8,191,263	96.54%	16,779	8,208,042	96.74%
2004	9,955,446	9,608,493	96.51%	24,191	9,632,684	96.76%
2005	11,266,504	10,853,561	96.33%	19,624	10,873,185	96.51%
2006	12,264,562	11,797,519	96.19%	48,945	11,846,464	96.59%
2007	12,604,656	12,103,935	96.03%	140,770	12,244,705	97.14%
2008	11,626,506	11,095,617	95.43%	45,477	11,141,094	95.82%
2009	10,674,007	10,330,207	96.78%	53,732	10,383,939	97.28%
2010	9,899,269	9,572,113	96.70%	-	9,572,113	96.70%

Source: The City of New Smyrna Beach Finance Department

Note: Tax collections are stated net of early payment discounts ranging from 1% to 4% based on the date of taxpayer payments. Actual tax collections received in each fiscal year are from the prior year's tax levy (i.e. 2010 collections are from the 2009 tax levy).

TABLE 9

**CITY OF NEW SMYRNA BEACH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

Fiscal Year Ended September 30,	Governmental Activities						Business Activities	Percent		
	General Obligation Bonds	Capital Revenue Bonds	Long Term Notes	State Revolving Fund Loans	FMLC Promissory Notes	Total	Long Term Notes	Total	of Personal Income ¹	Per Capita ²
2001	\$ -	\$ 3,388,881	\$ 5,714,965	\$ 459,399	\$ 1,985,000	\$ 11,548,245	\$ -	\$ 11,548,245	2.60%	\$ 573
2002	-	3,191,138	4,949,003	2,273,563	1,770,000	12,183,704	-	12,183,704	2.57%	599
2003	-	2,834,344	4,502,504	2,705,605	1,550,000	11,592,453	-	11,592,453	2.32%	563
2004	-	2,618,084	11,052,655	3,066,072	1,320,000	18,056,811	-	18,056,811	3.42%	846
2005	18,330,000	9,726,924	3,681,943	2,887,971	1,080,000	35,706,838	-	35,706,838	6.39%	1,621
2006	17,635,000	9,490,411	3,305,837	2,737,531	825,000	33,993,778	-	33,993,778	5.46%	1,487
2007	16,920,000	9,038,072	2,927,642	2,620,590	760,000	32,266,304	-	32,266,304	4.90%	1,386
2008	16,180,000	8,779,411	2,547,213	2,472,395	690,000	30,669,019	-	30,669,019	4.36%	1,293
2009	15,420,000	8,293,909	2,149,817	2,562,188	615,000	29,040,914	-	29,040,914	4.08%	1,238
2010	14,640,000	7,791,025	1,750,768	2,442,254	540,000	27,164,047	-	27,164,047	3.61%	1,157

Source:

¹ Amount computed by dividing Total Outstanding Debt by Personal Income as shown in Table 14

² Amount computed by dividing Total Outstanding Debt by Population as shown in Table 14

CITY OF NEW SMYRNA BEACH, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010

Fiscal Year Ended September 30,	Governmental Activities General Obligation Bonds	Percentage of Total Taxable Assessed Value of Property	Percent of Personal Income	Per Capita	Population
2001	\$ -	0.00%	0.00%	\$ -	20,167
2002	-	0.00%	0.00%	-	20,350
2003	-	0.00%	0.00%	-	20,595
2004	-	0.00%	0.00%	-	21,334
2005	18,330,000	0.83%	3.28%	832	22,025
2006	17,635,000	0.62%	2.84%	771	22,864
2007	16,920,000	0.45%	2.57%	727	23,286
2008	16,180,000	0.43%	2.30%	682	23,716
2009	15,420,000	0.45%	2.17%	658	23,449
2010	14,640,000	0.51%	1.94%	624	23,473

Source:

Percent of Personal Income is calculated by dividing the General Obligation bonds by the total Personal Income per Table 14

Per Capita is calculated by dividing the General Obligation Bonds by the Population

Population - Bureau of Economic and Business Research, University of Florida

CITY OF NEW SMYRNA BEACH, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
County of Volusia, Florida:			
General Obligation Bonds	\$ 29,985,000	8.5135%	\$ 2,552,773
Other Debt:			
District School Board of Volusia County, Florida:			
State School Bonds	13,035,000	8.5135%	1,109,735
Sales Tax Revenue Bonds	161,260,000	8.5135%	13,728,870
Certificates of participation	316,770,000	8.5135%	26,968,214
County of Volusia, Florida:			
Revenue bonds	222,607,000	8.5135%	18,951,647
Notes payable	40,308,800	8.5135%	3,431,690
Total overlapping debt			<u>66,742,929</u>
City direct debt			27,164,047
Total direct and overlapping debt			<u><u>\$ 93,906,976</u></u>

Source: Assessed valuation data used to estimate applicable percentages provided by Volusia County Property Appraiser. Debt outstanding data provided by each governmental unit.

**CITY OF NEW SMYRNA BEACH, FLORIDA
LEGAL DEBT MARGIN INFORMATION
YEAR ENDING SEPTEMBER 30, 2010**

The Constitution of the State of Florida, Section 200.181, Florida Statutes, and City of New Smyrna Beach, Florida have set no legal debt limit.

**CITY OF NEW SMYRNA BEACH, FLORIDA
PLEGDED REVENUE COVERAGE,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

	Fiscal Year Ending September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Community Redevelopment Agency Bonds:										
Tax increment revenues	2,851,365	3,181,663	3,055,359	3,467,345	2,914,306	2,293,180	2,035,511	1,692,573	1,427,735	1,240,365
Less: operating expenses	-	-	-	-	-	-	-	-	-	-
Net revenue available for debt service	<u><u>\$ 2,851,365</u></u>	<u><u>\$ 3,181,663</u></u>	<u><u>\$ 3,055,359</u></u>	<u><u>\$ 3,467,345</u></u>	<u><u>\$ 2,914,306</u></u>	<u><u>\$ 2,293,180</u></u>	<u><u>\$ 2,035,511</u></u>	<u><u>\$ 1,692,573</u></u>	<u><u>\$ 1,427,735</u></u>	<u><u>\$ 1,240,365</u></u>
Debt Service payments:										
Principal	\$ 282,884	\$ 270,502	\$ 258,661	\$ 247,339	\$ 236,513	\$ 226,160	\$ 216,260	\$ 356,794	\$ 197,743	\$ 240,601
Interest	59,131	71,407	83,368	94,964	104,072	114,273	124,028	141,605	142,273	260,009
Total debt service payments	<u><u>\$ 342,015</u></u>	<u><u>\$ 341,909</u></u>	<u><u>\$ 342,029</u></u>	<u><u>\$ 342,303</u></u>	<u><u>\$ 340,585</u></u>	<u><u>\$ 340,433</u></u>	<u><u>\$ 340,288</u></u>	<u><u>\$ 498,399</u></u>	<u><u>\$ 340,016</u></u>	<u><u>\$ 500,610</u></u>
Coverage (times)	<u><u>8.34</u></u>	<u><u>9.31</u></u>	<u><u>8.93</u></u>	<u><u>10.13</u></u>	<u><u>8.56</u></u>	<u><u>6.74</u></u>	<u><u>5.98</u></u>	<u><u>3.40</u></u>	<u><u>4.20</u></u>	<u><u>2.48</u></u>
Capital Revenue Bonds and Notes:										
Gross revenues	\$ 19,770,512	\$ 17,324,190	\$ 21,103,726	\$ 21,273,412	\$ 18,908,873	\$ 19,007,704	\$ 16,483,938	\$ 12,730,316	\$ 11,741,991	\$ 10,293,528
Less: operating expenses	-	-	-	-	-	-	-	-	-	-
Net revenue available for debt service	<u><u>\$ 19,770,512</u></u>	<u><u>\$ 17,324,190</u></u>	<u><u>\$ 21,103,726</u></u>	<u><u>\$ 21,273,412</u></u>	<u><u>\$ 18,908,873</u></u>	<u><u>\$ 19,007,704</u></u>	<u><u>\$ 16,483,938</u></u>	<u><u>\$ 12,730,316</u></u>	<u><u>\$ 11,741,991</u></u>	<u><u>\$ 10,293,528</u></u>
Debt Service payments:										
Principal	\$ 1,718,457	\$ 1,691,039	\$ 1,337,880	\$ 1,512,844	\$ 1,476,546	\$ 788,833	\$ 819,577	\$ 785,707	\$ 1,048,654	\$ 795,834
Interest	1,122,575	1,176,368	1,078,422	1,426,990	1,184,414	786,472	379,527	371,745	397,763	65,119
Total debt service payments	<u><u>\$ 2,841,032</u></u>	<u><u>\$ 2,867,407</u></u>	<u><u>\$ 2,416,302</u></u>	<u><u>\$ 2,939,834</u></u>	<u><u>\$ 2,660,960</u></u>	<u><u>\$ 1,575,305</u></u>	<u><u>\$ 1,199,104</u></u>	<u><u>\$ 1,157,452</u></u>	<u><u>\$ 1,446,417</u></u>	<u><u>\$ 860,953</u></u>
Coverage (times)	<u><u>6.96</u></u>	<u><u>6.04</u></u>	<u><u>8.73</u></u>	<u><u>7.24</u></u>	<u><u>7.11</u></u>	<u><u>12.07</u></u>	<u><u>13.75</u></u>	<u><u>11.00</u></u>	<u><u>8.12</u></u>	<u><u>11.96</u></u>

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The Community Redevelopment Agency Public Improvement Bonds and Public Improvement Refunding Revenue Bonds are secured in part by the pledge of Agency revenues, which include tax increment revenues. The City has covenanted in the Bond Resolutions that in the event the Agency revenues are not sufficient to pay the principal and interest on the Bonds the City would appropriate for payment from legally available non-ad valorem revenues amounts sufficient to provide for the payment of principal and interest on the Bonds.

Gross revenues pledged as security for the Capital Revenue Bonds and Notes are non-ad valorem revenues. "Non-ad valorem revenues" are defined in the Resolutions to mean all revenues and taxes from any source whatsoever, other than ad valorem taxation on real and personal property.

**CITY OF NEW SMYRNA BEACH, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

Fiscal Year Ended	Population¹	Personal Income²	County Per Capita Personal Income³	County Median Household Income³	County Median HUD Income³	County Unemployment Rate³
September 30,						
2001	20,167	443,431,996	21,988	34,740	n/a	4.00%
2002	20,350	474,704,450	23,327	35,010	n/a	5.30%
2003	20,595	499,840,650	24,270	36,100	46,600	5.10%
2004	21,334	528,720,522	24,783	37,247	n/a	4.60%
2005	22,025	558,531,975	25,359	38,457	n/a	3.50%
2006	22,864	622,037,984	27,206	40,857	n/a	3.30%
2007	23,286	658,248,648	28,268	42,268	n/a	4.30%
2008	23,716	704,033,176	29,686	45,831	52,300	7.20%
2009	23,449	712,239,926	30,374	n/a	n/a	11.70%
2010	23,473	753,436,354	32,098	n/a	n/a	12.50%

Source:

¹ Office of Economic and Demographic Research, Bureau of Economic and Business Research, University of Florida

² Amount computed by multiplying population and per capita personal income statistics for Volusia County, Florida.

³ Florida Research and Economic Database. Amounts indicated are for Volusia County, Florida.

**CITY OF NEW SMYRNA BEACH, FLORIDA
PRINCIPAL EMPLOYERS,
CURRENT AND NINE YEARS AGO
SEPTEMBER 30, 2010**

Employer	September 30, 2010			September 30, 2001		
	Total Employees	Rank	Percent to Total City Employment	Total Employees	Rank	Percent to Total City Employment
Bert Fish Medical Center	800	1	5.39%	n/a	-	n/a
Publix Supermarkets	303	2	2.04%	n/a	-	n/a
City of New Smyrna Beach	265	3	1.79%	n/a	-	n/a
Wal Mart	207	4	1.40%	n/a	-	n/a
Volusia County School District	185	5	1.25%	n/a	-	n/a
Utilities Commission of New Smyrna Beach	173	6	1.17%	n/a	-	n/a
Oceanview Nursing & Rehab Center	170	7	1.15%		-	
America's Best Caregivers, Inc.	150	8	1.01%	n/a	-	n/a
Winn Dixie Stores, Inc.	143	9	0.96%	n/a	-	n/a
Home Depot	121	10	0.82%	n/a	-	n/a
Total	<u>2,517</u>		<u>16.97%</u>			
Estimated Total Number of Employees in the City of New Smyrna Beach			<u>14,830</u>			

Source: InfoUSA Employer Database 2011 ed. 1

n/a - No known source for employment data for prior period exists.

CITY OF NEW SMYRNA BEACH, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010

Full-Time Equivalent Employees at September 30,										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government:										
Legislative	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Management	3.00	3.00	2.00	3.00	4.00	4.00	3.00	3.00	1.50	1.50
Legal	2.50	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Human Resources	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Development Services	12.00	11.50	11.50	13.50	12.50	10.50	10.50	10.50	10.50	10.00
Community Redevelopment	10.00	9.50	9.50	8.00	3.00	2.00	2.00	2.00	1.00	1.00
City Clerk	2.00	2.00	2.00	4.00	2.00	2.00	3.00	3.00	3.00	2.00
Finance	6.25	6.50	7.50	7.50	6.50	6.50	6.50	6.50	6.50	6.50
Information Systems	2.00	2.00	2.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00
Police:										
Chief of Police	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Patrol	40.00	40.00	39.00	40.00	34.00	32.00	32.00	32.00	32.00	30.00
Operations (Cmmdr & Detectives)	13.00	13.00	13.00	13.00	14.00	13.00	13.00	13.00	12.00	10.00
Support	13.00	12.75	12.75	11.50	13.00	10.00	9.00	9.00	9.00	9.00
Dispatch		-	-	-	-	-	-	8.00	8.00	8.00
Fire:										
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.50	5.50	5.50	4.50
Operations	45.00	44.00	46.00	46.00	47.00	44.00	42.00	42.00	42.00	40.00
Public Works:										
Administration	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Garage	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Airport	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building Maintenance and Streets	25.00	25.00	29.00	34.00	25.00	24.00	24.00	23.00	22.00	22.00
Leisure Services:										
Recreation	33.50	34.50	38.00	43.00	38.00	36.25	36.00	36.25	35.00	35.00
Golf course	15.50	20.50	21.00	22.50	19.00	19.00	19.00	19.00	18.00	18.00
Marina	2.00	2.00	2.00	3.00	2.00	-	-	-	-	-
Building & Permitting	9.00	9.00	9.00	9.00	9.00	9.00	7.50	7.00	6.00	6.00
Total	<u>256.75</u>	<u>260.75</u>	<u>270.75</u>	<u>287.50</u>	<u>258.00</u>	<u>241.25</u>	<u>236.00</u>	<u>242.75</u>	<u>234.00</u>	<u>225.50</u>

Source: The City of New Smyrna Beach Department of Human Resources

Note: Part-time and seasonal employees for all departments are assumed to be 0.5 FTEs for all reporting categories.

TABLE 17

**CITY OF NEW SMYRNA BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

Fiscal Year Ending September 30,

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police:										
Physical arrests (based on calendar year)	1,463	2,140	1,491	2,172	1,328	1,171	1,087	1,079	976	1,074
Parking violations (based on calendar year)	211	487	743	1,272	826	1,391	628	n/a	n/a	n/a
Traffic violations (based on calendar year)	10,897	10,472	9,297	5,599	4,382	3,731	4,068	3,874	5,055	5,782
Fire:										
Emergency responses	4,482	4,482	4,559	4,607	4,415	4,015	4,062	3,524	3,356	3,479
Non-fire/EMS	2,218	2,218	995	1,085	2,836	2,633	2,597	2,305	1,942	2,043
Inspections by Engine Companies	-	-	-	-	283	277	270	559	462	404
Inspections by Fire Inspectors	991	991	993	1,800	1,000	971	1,269	1,494	1,185	808
Solid Waste:										
Refuse collected (tons per week)	348.0	348.0	342.0	349.3	328.0	311.6	296.0	281.2	267.2	253.8
Yard trash (tons per week)	49.0	49.0	74.0	36.1	34.1	32.4	30.8	29.2	27.8	26.4
Recyclables collected (tons per week)	32.0	32.0	35.0	34.5	34.2	32.5	30.9	29.3	27.9	26.5
Public Works-Transportation										
Street construction (miles)	-	-	-	1.4	28.0	26.6	25.3	24.0	22.8	21.7
Street resurfacing (miles)	2.0	2.0	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.0
Potholes repaired	250	250	240	210	200	150	150	150	150	150
Building Development:										
Residential/single family permits issued	98	98	195	286	316	452	243	144	119	114
Commercial/multi-family permits issued	16	16	17	13	16	8	12	36	18	26
Miscellaneous permits issued	3,712	3,712	685	865	991	2,278	1,120	1,846	1,658	1,685

Source: Various City Departments

TABLE 18

**CITY OF NEW SMYRNA BEACH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2010**

	Fiscal Year Ending September 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government:										
Area (Sq. miles)	38.0	38.0	38.0	37.7	37.7	37.7	37.7	34.0	34.0	33.1
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone office	1	1	-	-	-	-	-	-	-	-
Patrol units	41	40	38	36	31	32	29	26	23	22
Fire stations	4	4	4	4	4	4	4	4	4	4
Public Works-Transportation										
Paved streets (miles)	198.0	198.0	198.0	206.8	183.0	130.1	130.1	108.0	108	92
Unpaved streets (miles)	22.0	22.0	17.0	14.2	14.2	14.7	14.7	14.5	14.5	13.7
Streetlights	2,863	2,863	2,660	2,664	2,618	2,587	2,596	2,596	2284	1559
Traffic signals	30	30	21	21	10	10	9	8	8	8
Parks and recreation										
Area (acres)	275.5	275.5	275.5	273.5	273.5	137.0	137.0	137.0	67.0	67.0
Tennis Courts	9	9	9	9	12	12	12	12	12	12
Playgrounds	10	10	10	10	11	11	11	11	11	11
Recreation (community) centers	3	3	3	3	2	2	2	2	2	2
Shuffleboard/lawn bowling courts	40	40	40	40	40	40	40	40	40	40
Soccer/football fields	6	6	6	6	5	5	5	5	1	1
Baseball/softball diamonds	9	9	9	9	9	9	9	9	7	7
Basketball courts	7	7	7	7	8	6	6	6	8	8
18 hole golf courses	1	1	1	1	1	1	1	1	1	1
Marina boat slips	42	42	42	42	42	42	42	42	42	42
Boat ramps	6	6	6	6	6	6	6	6	6	6
Parks and picnic areas	23	23	23	22	22	22	22	22	22	22

Source: Various City Departments

Other Reports

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor, Members of the City Commission, and City Manager
of the City of New Smyrna Beach, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of New Smyrna Beach, Florida (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated March 22, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, as described in our report on the City of New Smyrna Beach, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. [2010-1 through 2010-3]. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

Compliance and Other Matters


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

We noted certain other matters that we reported to management of the City of New Smyrna Beach, Florida in a separate letter dated March 22, 2011.

The City of New Smyrna Beach, Florida's responses to the findings identified in our audit described above are in the accompanying management response to internal control and management comments. We did not audit the City's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate the report is intended solely for the information and use of the City Commission, management, others within the City, The Auditor General of the State of Florida, and respective Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida
March 22, 2011

A handwritten signature in cursive script that reads "James Moore & Co." The signature is written in black ink and is positioned to the right of the date and location information.

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal/ State Agency Pass-Through Entity Federal Program/ State Project	CFDA Number	Contract/ Grant Number	Expenditures
FEDERAL AWARDS:			
<u>U.S. Office of National Drug Control Policy</u>			
Passed through Volusia County Sheriff's Office			
High Intensity Drug Trafficking Area Program	07.XXX	G09CF0003A	\$ 11,981
Organized Crime Drug Enforcement Task Force	07.XXX	FLM0768/GB06-0038	315
Total U.S. Office of National Drug Control Policy			<u>12,296</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Volusia County Department of Community Service			
Community Development Block Grant / Entitlement Grant	14.218	2006-2007 (Pettis Park)	52,198
Community Development Block Grant / Entitlement Grant	14.218	2009-2010 (Duss St)	31,851
Total CDBG Entitlement Grant Cluster			<u>84,049</u>
Total U.S. Department of Housing and Urban Development			<u>84,049</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Florida Department of Community Affairs			
Hazard Mitigation Grant - Fire Station 50 Wind Retrol	97.039	FEMA 09HM-45-06-74-02-00	8,743
Hazard Mitigation Grant - Central Beachside Phase	97.039	FEMA 09HM-41-06-74-02-02	172,994
Total U.S. Department of Homeland Security			<u>181,737</u>
<u>U.S. Department of Justice</u>			
Passed through Florida Office of the Attorney General			
Crime Victim Assistance - Victims Advocate	16.575	V09131	52,756
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0391	7,787
Direct:			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0678	23,387
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	2010-ARRC-VOLU-U-7-W	20,795
Total U.S. Department of Justice			<u>104,725</u>
<u>U.S. Department of Environmental Protection</u>			
Passed through Florida Department of Environmental Protection			
Capitalization Grant for State Revolving Fund	66.458	SW426110	124,518
Brownsfields Training, Research, and Technical Assistance Grant	66.814	BF-95447105	2,142
Total U.S. Department of Environmental Protection			<u>126,660</u>
<u>U.S. Department of Transportation</u>			
Passed through Florida Department of Transportation			
Highway Planning & Construction - West Canal Drainage	20.205	FPN: 411554-1-58-01	881,628
Highway Planning & Construction - West Canal Streetscape	20.205	FPN: 411077-1-58-01	498,985
Highway Planning & Construction - West Canal CCE	20.205	FPN: 411554-1-68-01	75,963
Highway Planning & Construction - Fairway Dr Sidewalk	20.205	FPN: 423384-1-58-01	76,772
			<u>1,533,348</u>
ARRA - Highway Planning & Construction - S. Riverside	20.205	FPN: 426351-1-58-01/ARRA-275-1	284,059
Total U.S. Department of Transportation			<u>1,817,407</u>
<u>Federal Aviation Authority</u>			
Direct:			
Airport Improvement Program - FAR Part 150 Noise Study	20.106	FAA AIP No. 418484 1 94 0	92,674
Airport Improvement Program - Taxiway A&	20.106	FAA AIP No. 3-12-0054-014-201	17,808
Total Federal Aviation Authority			<u>110,482</u>
Total Expenditures of Federal Awards			<u>\$ 2,437,356</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal/ State Agency Pass-Through Entity Federal Program/ State Project	CFDA Number	Contract/ Grant Number	Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Transportation</u>			
Direct:			
Aviation Development Grants - Airport Ramp (Apron) Security Lighti	55.004	FM No. 418483-1-94-01	\$ 85,039
Aviation Development Grants - PAPI's for Runway 7-2	55.004	FM No. 420823-1-94-01	77,132
Aviation Development Grants - Design & Construction of T-Hang	55.004	FM No. 420858-1-94-01	246,157
Aviation Development Grants - Construction of T-Hanga	55.004	FM No. 420860 1 94 01	-
Aviation Development Grants - FAR Part 150 Noise Stud	55.004	FM No. 418484-1-94-01	3,902
			<u>412,230</u>
State Highway Project Reimbursement - South Riverside Drive Resurfacing FDC	55.023	FPN: 426351-1-58-01	43,842
Total Florida Department of Transportatio			<u>456,072</u>
<u>Florida Department of Law Enforcement</u>			
Passed through Volusia County Sheriff's Office Victim or Witness Assistanc			
	71.006	VCDC 07/08-02	536
Total Florida Department of Law Enforcemer			<u>536</u>
<u>Florida Department of Environmental Protector</u>			
Direct:			
Florida Recreation Development Assistance Progran	37.017	FRDAP A09113	33,439
Total Florida Department of Environmenal Protectio			<u>33,439</u>
<u>Florida Fish and Wildlife Conservation Commissio</u>			
Direct:			
Florida Boating Improvement Grant - N. Causewa	77.006	08084	51,582
Total Florida Fish and Wildlife Conservation Commissio			<u>51,582</u>
Total Expenditures of State Financial Assistance			<u>541,629</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 2,978,985</u>

**CITY OF NEW SMYRNA BEACH, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

1. **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of New Smyrna Beach, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Sub-recipients:**

No federal funds were distributed to sub-recipient Organizations by the City of New Smyrna Beach, Florida during the year ended September 30, 2010.

3. **Loans Payable:**

The accompanying Schedule of Expenditures of Federal Awards includes expenditures from one of four Federal loans the City has through the Florida Department of Environment Protection (FDEP) under CFDA 66.458. The loans will be repaid over 40 semi-annual payments. As of September 30, 2010, the City owed the FDEP \$1,366,350, \$416,358, \$379,529, and \$280,060, respectively.

**CITY OF NEW SMYRNA BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

I. Summary of Auditors' Results:

- A. Type of audit report issued on the basic financial statements: Unqualified
- B. Internal control over financial reporting: There were four significant deficiencies, none of which were considered material weaknesses.
- C. Instances of noncompliance material to the financial statements noted: None
- D. Federal Awards:
 - 1. Internal Control over major programs: There were no significant deficiencies or material weaknesses.
 - 2. Type of report issued on compliance for major federal programs: Unqualified
 - 3. Audit Findings disclosed that are required to be reported in accordance with Section 510(a) of OMB A-133: None
- E. State Financial Assistance:
 - 1. Internal Control over major programs: There were no significant deficiencies or material weaknesses.
 - 2. Type of report issued on compliance for major state projects: Unqualified
 - 3. Audit Findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Florida Auditor General: None
- F. Major program identification:
 - Federal awards programs:
 - Highway Planning and Construction Grants, CFDA 20.205
 - State financial assistance projects:
 - Aviation Development Grants, CSFA 55.004
- G. Dollar threshold used to distinguish between Type A and Type B major federal programs and major state projects: \$300,000.
- H. The City of New Smyrna Beach, Florida, did not qualify as a low-risk auditee as defined in OMB Circular A-133.

II. **Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:**

2010-1 City View

City View is the software used to track permits and licenses issued within the City. During our audit we noted employees who have rights to enter information into the system, also have rights to edit and delete information from the system; the system does not provide for an audit trail of changes. Also, employees often enter information into City View to obtain a permit quote, then cancel it, which skips the permit number.

At a minimum, we recommend a log be maintained for each permit not applied for to ensure permits are not erroneously being deleted from the system after issuance. The numerical sequence of permits/licenses issued should be reconciled periodically to cash receipts detail. Discrepancies should be promptly investigated.

2010-2 Inventory

The City uses the first in-first out (FIFO) method of inventory valuation. This results in the costs of goods in inventory approximating current purchase costs. Currently, department directors for respective departments with inventory (garage and golf course) are responsible for determining the value of inventory at year end. Although audit procedures found the items in our testing to have a reasonable cost, we recommend someone from finance review the costs associated with inventory values at year end and compare them to the invoices associated with the year end quantities to ensure inventory is properly valued.

Additionally, we noted the following pertaining to the various locations throughout the City which maintain inventory:

Golf course pro shop – Currently, inventory purchased for the pro shop is expensed. When inventory is counted at year end, an adjustment is made to adjust the inventory value to the cost of the inventory on hand. The point of sale (POS) system used at the golf course has the ability to track inventory on a perpetual basis. Therefore, an inventory listing could be generated on demand and compared to physical inventory counts. Any variance between physical counts and what the POS system indicates should be on hand should be investigated as this could be indicative of theft, unrecorded sales or donated items, or unrecorded shipments of inventory. Additionally, we recommend the general ledger inventory balance be adjusted periodically (monthly, at a minimum) as this would provide finance with insight into adjustments made to/from cost of goods sold.

Garage - At present, there are no usage or perpetual inventory records available. Determining quantities on hand is time-consuming because all work orders must be accumulated and the amounts/parts used must be computed. We believe implementation of a perpetual inventory system would serve as a check on the employees with access to such easily saleable items, provide information essential to adequate purchasing control, and be particularly useful in taking of physical inventories and implementing the cycle inventory program (there is a module available for purchase through MUNIS which would interface with the general ledger). Currently, inventory is tracked on an excel spreadsheet. Purchases per shipment receipts and usage from work orders are updated in the spreadsheet by overriding the previous count shown. At a minimum, we recommend the spreadsheet be updated to show inventory at the beginning of the year, then purchases and uses in separate columns by month, with ending inventory levels subtotaled each month. We also recommend inventory be counted quarterly (or more often). Any variances between expected inventory on the spreadsheet and physical counts should be documented, explained, and maintained by finance. This will help show unusual trends and reduce opportunity for misappropriation of assets.

Airport – During the year, the airport took over the purchase of fuel for sale to the public, which had previously been handled by a commercial tenant. The airport has contracted with the commercial tenant to manage the receipt of fuel and sales to outside parties, for which the commercial tenant receives 80% of the markup. During the year ended September 30, 2010 this fee approximated \$56,000. While it is our understanding this was implemented on a short term basis, we recommend the contract be reviewed and ratified, or changed if needed, by the Commission to ensure this fee is reasonable and acceptable to the City.

The commercial tenant provides detail spreadsheets to the City, breaking out the usage of fuel between sales to outside parties (as discussed above) and their own usage (they pay based on a different markup structure than the sales to outside parties), on a bi-weekly basis. These spreadsheets are used to calculate their management fee. However, these spreadsheets also have detailed information that could easily be used to reconcile the fuel sales as reported to the City, to the cash received by the city and the usage of fuel over a specified time period (beginning fuel, less gallons sold, plus gallons purchased, should equal the inventory levels per the fuel tank readings). We recommend this be done at least monthly to ensure all sales are being properly recorded and the cost of goods sold is reasonable.

2010-3 Airport Accounts Receivable

During the course of our audit of Accounts Receivable, we noted several significant receivables in the Airport fund which have been outstanding for more than a year. Since several of the airport renters are currently experiencing serious financial difficulties, the expected realization of these receivables is uncertain. As a result, \$89,000 was recorded as bad debt expense to increase the allowance for these receivables. If management and the Commission decide to allow a tenant to pay past due balances over time, we recommend the City more formally secure the receivables with signed contracts outlining the payment terms for the satisfactory fulfillment of the obligations.

III. **Findings and Questioned Costs for Major Federal Program and Major State Projects:** None.

IV. **Summary Schedule of Prior Audit Findings:**

2009-1 Expenditures Erroneously Capitalized to Infrastructure: Corrective action taken.

2009-2 Compensated Absences: Corrective action taken.

2009-3 Centralization of Grants and Preparation of Schedule of Federal Awards: Corrective action taken.

2009-4 Accrued Payroll and Personal Leave Incentive Pay: Corrective action taken.

2009-5 Federal Emergency Management Agency (FEMA): Corrective action taken.

2009-6 Other Postemployment Benefit Liability (OPEB): Corrective action taken.

2009-7 Preparation of Financial Statements: Corrective action taken.

2009-8 Firefighter Pension Activity: Corrective action taken.

2009-9 Segregation of Duties: Corrective action taken.

2009-10 Recording of Special Assessments: Corrective action taken.

2009-11 Accounting for Capital Assets: Corrective action taken.

2009-12 Marina Controls: Corrective action substantially taken; see current year recommendation 2010-4.

2009-13 Accounts Payable Cutoff: Corrective action taken.

2009-14 City View: Corrective action not taken; see current year comment 2010-1.

2009-15 Inventory Observation: Corrective action not completely taken; see current year comment 2010-2.

2009-16 Transfers: Corrective action taken.

2009-17 Uniform Accounting Policies and Procedures Manual: Corrective action not taken, see current year recommendation 2010-5.

V. **Corrective Action Plan:** See Management Responses to Internal Control and Management Comments on page 155.

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager
of the City of New Smyrna Beach, Florida:

Compliance

We have audited City of New Smyrna Beach, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and major state projects, for the year ended September 30, 2010. The City's major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and major state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City of New Smyrna Beach, Florida's financial statements include the operations of the Utilities Commission, City of New Smyrna Beach, Florida (the discretely presented component unit). Our audit, as described below, did not include the operations of the component unit because the component unit engaged other auditors to perform an audit in accordance with *Government Auditing Standards*, Chapter 10.550, Rules of the Florida Auditor General, and OMB Circular A-133 (if required).

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended September 30, 2010.

Internal Control Over Compliance

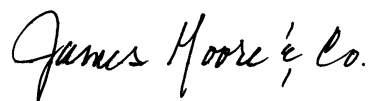
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or major state project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying management responses to internal control and management comments. We did not audit the City's responses and, accordingly, express no opinion on the responses.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the City Commission, management, others within the City, the Auditor General of the State of Florida, and Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
March 22, 2011

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager
of the City of New Smyrna Beach, Florida

We have audited the basic financial statements of City of New Smyrna Beach, Florida (the City), as of and for the year ended September 30, 2010, and have issued our report thereon dated March 22, 2011. We did not audit the financial statements of the Utilities Commission, City of New Smyrna Beach, Florida, the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utilities Commission, City of New Smyrna Beach, Florida, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and Major State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 22, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

Those rules (Section 10.554(1)(i) 1.) require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The prior year recommendations and their status is summarized in our report over financial reporting and on compliance and other matters. The following recommendations were not corrected during the current year:

2010-4 - Marina Controls Over Cash Receipts

Controls over cash receipts for transient slips as well as incidental items do not allow tracking of the sale of such items. Without a tracking mechanism in place, cash received for rentals of transient slips and sales of incidentals could go unreported and/or be misappropriated. We recommend the City implement a process for properly tracking cash receipts, such as installing a cash register that must be balanced out at the end of each day.

2010-5 – Uniform Accounting Policies and Procedures Manual

As reported in prior years, the City's Finance Department has never fully developed a formal, written, accounting policies and procedures manual. To achieve uniformity in financial reporting and to aid in the compilation of financial information for year end closing procedures, we recommend this manual be established. This manual should document, among other things, the following:

- a. An organization chart clearly defining lines of responsibility and reporting.
- b. The City's policy on such matters as capitalization of assets.
- c. Processes employed for all major transaction cycles.

As required by the Rules of the Auditor General (Section 10.554(1)(i) 2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, City of New Smyrna Beach, Florida, Florida has complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554 (1)(i) 3.) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have such recommendations, as discussed below.

2010-6 – Reservations of Fund Balance

The reservation of fund balance is necessary for two reasons: to disclose 1) Resources not available for spending (i.e. inventory), or 2) Legal restrictions on spending (i.e. tree replacement fund).

In the performance of our auditing procedures, we noted various reservations of fund balance because there were legal restrictions on spending. Most of these reservations date back to 2007 or prior. We recommend management revisit these reservations, and budget to spend them where appropriate.

The Rules of the Auditor General (Section 10.554(1)(i) 4.) require that we address violations of provisions of contracts and grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In conjunction with our audit, we did not have any such findings.

The Rules of the Auditor General (Section 10.554(1)(i) 5.) provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we noted the Water Taxi fund was overbudget by \$65,771.

2010-7 - Changes to Purchase Orders

Currently, changes to purchase orders are approved using a manual change form. Once a manual change form is received, the accounts payable clerk changes the purchase order amount in MUNIS. The finance director then reviews changes to purchase orders from the manual change forms. However, the accounts payable clerk could make a change to a purchase order in MUNIS and it would get caught unless a change form was present. We recommend, at a minimum, the finance director review changes to purchase orders from an "audit report" printed directly from MUNIS to ensure all changes are properly captured for review. We also recommend implementation of approval levels in MUNIS (as used for other transaction areas) for purchase orders.

2010-8 - Information Technology Systems

The City is in the process of developing and approving various information technology security, procedure and computer usage policies. However, at year end, those policies have not been implemented. In addition, we noted policies developed do not document certain procedures and processes that we believe should be addressed:

1. The City does not have a formal process for adding or deleting employees from the network domain and various applications utilized by the City. Due to the informality of the process, there could be time delays adding risk that a terminated employee could access the system and cause harm. We recommend a formal document be developed and submitted to the information technology department by Human Resources as soon as possible after the addition or termination of an employee. This process should also include procedures for terminating network access for information technology personnel due to their knowledge and previous access to the system.
2. The City has developed a formal process for computer usage, however, the policy does not indicate that downloading programs and executable files is prohibited. While user's workstations are setup so that it is not possible to install outside programs, we recommend formally documenting the City's position in this regard. Computer programs and other executable files could contain viruses or other unwanted and harmful software. Formally documenting this will reinforce the City's policy.
3. The City has started the process of developing a disaster recovery plan, however, this is in the very early stages of development. We recommend the City devote adequate resources to developing and testing this plan as soon as possible so that in the event of disaster, City personnel have been properly trained on the recovery process.
4. The City's currently developed documentation does not document the procedures related to backing up the City's various servers and data contained on them. The City's policies should document among other things: 1) The procedure for ensuring back up equipment is available, 2) How often the back up should occur, 3) Where the backup will be stored, 4) Procedures for testing the backup and how often that will occur. Such policies are also important not only to ensure the current procedures are adequate but also to ensure that the process can be repeated in the event of turnover in the information technology department.
5. We continue to recommend the City consider the development of a formal documented model for administration of the Information Technology Division where information and guidance are communicated and enforced. These policies should be developed, documented in writing, approved by senior management and implemented at the earliest convenience. We also recommend the IT Division create a formal set of security policies and procedures. A security policy should define user access to City computers and servers, as well as provide a policy to mandate that access levels should be altered when job duties change or an employee is dismissed. Furthermore the policy should also clarify what abuses are not permitted as well as provide for a list of subsequent repercussions to defined abuses. It is important that the policy clearly defines how incidents should be handled and administered.
6. We recommend the IT Division create a formalized data retention policy. The policy should define the method of data retainment, a description of the data being retained, as well as define a firm time period. With respect to the City's current internet usage policy, we recommend the Internet Usage Policy be updated annually to reflect current human resource guidelines. Additionally, it is prudent to review this policy in the initial training process of new employees. We also recommend the City modify existing procedures in the IT Division to make the entire organization more standardized and secure. The IT Division should consider applying a formalized password convention throughout the City. Users should be required to change their passwords every 90 days. Password conventions should also be set for optimal security. It is recommended that a password should be a minimum of 8 characters comprised of a mixture of alpha and numeric values.

2010-9 – Sanitation Fund

The Sanitation Fund experienced a net operating loss of \$176,387 for the year ended September 30, 2010, and fiscal year end September 30, 2009's loss was \$125,171.

The Sanitation Fund should be self-supporting. This can be achieved by raising rates, reducing operating expenses, or a combination of the two. It is imperative operations of this fund be adjusted immediately to ensure the fund remains profitable.

The Rules of the Auditor General (Section 10.554 (1)(i) 6.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 of the basic financial statements.

The Rules of the Auditor General (Section 10.554(1)(i) 7.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency have been met. In connection with our audit, we determined that the City of New Smyrna Beach, Florida did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the City of New Smyrna Beach, Florida reported deficit unrestricted net assets of \$3,712,716 in its golf course fund, as of September 30, 2010, the City of New Smyrna Beach, Florida had unreserved general fund balance and unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the City of New Smyrna Beach, Florida's ability to carry out its functions.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

As required by the Rules of the Auditor General (Sections 10.554 (1)(i) 7.c. and 10.556(7)), the scope of our audit included application of financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this management letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Commission, management, others within the City, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Daytona Beach, Florida
March 22, 2011

**MANAGEMENT RESPONSES TO THE AUDITORS REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON INTERNAL CONTROL OVER COMPLIANCE**

2010-1 City View - Management concurs. The City is in the process of replacing City View with a more efficient system that will address these issues.

2010-2 Inventory - Management agrees and procedures will be implemented to properly document inventory control and cost on a monthly and quarterly basis. Additionally, staff is in the process of revising the methodology in which inventory valuations are currently performed to comply with the audit recommendations.

2010-3 Airport Accounts Receivable - Management concurs. Management will allow current Airport tenants with past due amounts to pay off their respective balances over time through an official agreement. In addition, to improve the method in which outstanding balances are collected, staff is drafting procedures for adoption, which will alleviate and address the issues discussed.

2010-4 Marina Controls Over Cash Receipts - Management will comply with the recommendations and implement a mechanism to track daily cash transactions at the City Marina.

2010-5 Uniform Accounting Policies and Procedures Manual - Management concurs. As mentioned previously the framework for this manual has already been prepared. It will be completed and approved in the subsequent fiscal year.

2010-6 Reservations of Fund Balance - Management routinely reviews the reservation of fund balance. Several reservations have been appropriated for spending during the subsequent year and management will continue to revisit the reservation of fund balance periodically.

2010-7 Changes to Purchase Orders - Management agrees and will conduct monthly audits on Purchase Orders changes to ensure revisions are properly recorded per audit recommendations.

2010-8 Information Technology Systems - Management recognized the need for various IT protocols and employed a consultant firm to assess current IT procedures and securities. At the recommendation of the consultant, management hired an Information Technology Manager to assist with the institution of these policies and procedures. Additionally, City Staff is currently reviewing draft policies for implementation which will address these issues.

2010-9 Sanitation Fund - Management is considering a combination of increased rates and establishing new or renewed contracts for services that would balance revenues and expenditures.

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