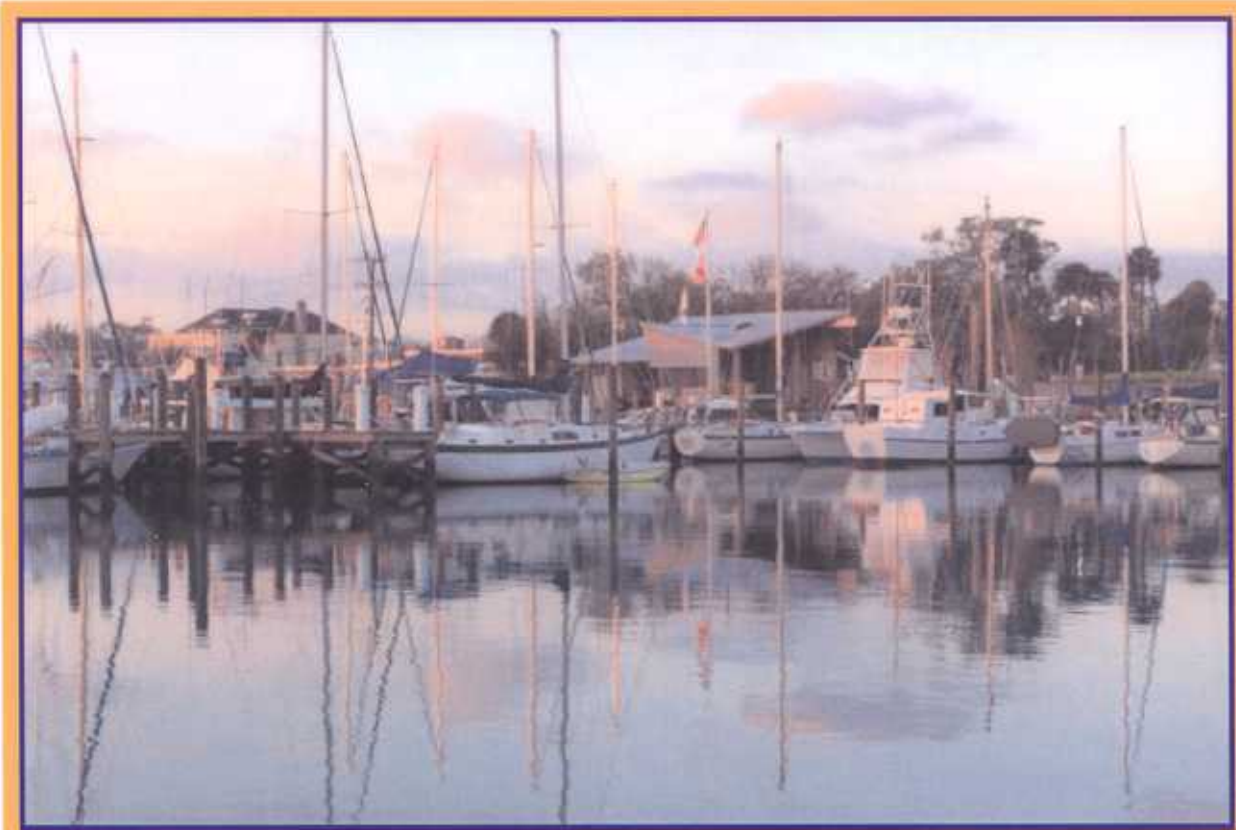




**City of
New Smyrna Beach
Florida**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

September 30, 2006



Cover photography
provided by
Renee Richards

CITY OF NEW SMYRNA BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006



CITY COMMISSION

HONORABLE JAMES L. VANDERGRIFT, MAYOR

JAMES W. HATHAWAY, VICE MAYOR

J.S. GRASTY

LYNNE PLASKETT

RANDY RICHENBERG

CITY MANAGER

JOHN HAGOOD

CITY ATTORNEY

FRANK B. GUMMEY III

DIRECTOR OF FINANCE

KATHLEEN EICHINGER, CPA

Prepared by:
New Smyrna Beach Finance Department

This Page Intentionally Left Blank.

TABLE OF CONTENTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

	<u>Reference</u>	<u>Pages</u>
INTRODUCTORY SECTION		
Title Page		i
Table of Contents		ii-iv
Organization Chart.....		v
Letter of Transmittal		vi-x
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Management's Discussion and Analysis		3-15
Basic Financial Statements:		
Statement of Net Assets.....	Statement 1	16
Statement of Activities	Statement 2	17-18
Fund Financial Statements:		
Balance Sheet-Governmental Funds	Statement 3	19-20
Reconciliation of Balance Sheet to the Statement of Net Assets	Statement 3A	21
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds	Statement 4	22-23
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances to the Statement of Activities	Statement 4A	24
Statement of Fund Net Assets-Proprietary Funds	Statement 5	25
Statement of Revenues, Expenses, and Changes in Fund		
Net Assets - Proprietary Funds	Statement 6	26
Statement of Cash Flows - Proprietary Funds	Statement 7	27-28
Statement of Fiduciary Net Assets- Fiduciary Funds.....	Statement 8	29
Statement of Changes in Fiduciary Net Assets	Statement 9	30
Notes to the Financial Statements		31-68
Required Supplementary Information:		
Budgetary Comparison Schedule-General Fund	Schedule 1	69-72
Budgetary Comparison Schedule-Community Redevelopment Agency.....	Schedule 2	73-74
Budgetary Comparison Schedule-Airport / Industrial Park Fund	Schedule 3	75
Schedules of Funding Progress	Schedule 4	76
Schedules of Employer Contributions	Schedule 5	77

TABLE OF CONTENTS (Continued)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	<u>Reference</u>	<u>Pages</u>
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet-Nonmajor Governmental Funds	Exhibit A-1	78-79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	Exhibit A-2	80-81
Special Revenue Funds:		
Budgetary Comparison Schedule-Nonmajor Special Law Enforcement Trust Fund.....	Exhibit B-1	82
Budgetary Comparison Schedule-Nonmajor Law Enforcement Capital Fund	Exhibit B-2	83
Budgetary Comparison Schedule-Nonmajor Fire/Emergency Services Capital Fund.....	Exhibit B-3	84
Budgetary Comparison Schedule-Nonmajor Parks/Recreation Capital Fund	Exhibit B-4	85
Budgetary Comparison Schedule-Nonmajor Stormwater Utility Fund	Exhibit B-5	86
Budgetary Comparison Schedule-Nonmajor Water Taxi Fund	Exhibit B-6	87
Budgetary Comparison Schedule-Nonmajor Marina Fund.....	Exhibit B-7	88
Budgetary Comparison Schedule-Nonmajor Special Events Fund.....	Exhibit B-8	89
Budgetary Comparison Schedule-Nonmajor Building Inspections Fund	Exhibit B-9	90
Debt Service Fund:		
Budgetary Comparison Schedule-Nonmajor Debt Service Fund.....	Exhibit C-1	91
Capital Projects Fund:		
Budgetary Comparison Schedule-Major Capital Projects Fund.....	Exhibit D-1	92
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	Exhibit E-1	93
Schedule by Function and Activity	Exhibit E-2	94-95
Schedule of Changes by Function and Activity	Exhibit E-3	96

STATISTICAL SECTION

Net Assets by Component, Last Five Fiscal Years.....	Table 1	97
Changes in Net Assets, Last Five Fiscal Years	Table 2	98-99
Fund Balances, Governmental Funds, Last Ten Fiscal Years	Table 3	100-101
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	Table 4	102-103
Assessed Value and Estimate Actual Value of Taxable Property, Last Ten Fiscal Years	Table 5	104-105
Direct and All Overlapping Property Tax Rates, Last Ten Fiscal Years.....	Table 6	106-107
Principal Property Taxpayers, Current and Nine Years Ago	Table 7	108-109
Property Tax Levies and Collections, Last Ten Fiscal Years.....	Table 8	110
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	Table 9	111-112
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	Table 10	113
Direct and Overlapping Governmental Activities Debt	Table 11	114
Legal Debt Margin Information	Table 12	115
Pledged Revenue Coverage, Last Ten Fiscal Years	Table 13	116-117

TABLE OF CONTENTS (Continued)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

	<u>Reference</u>	<u>Pages</u>
Demographic and Economic Statistics, Last Ten Years.....	Table 14	118
Principal Employers, Current and Nine Years Ago.....	Table 15	119-120
Full-Time Equivalent City Government Employees by Function/Program. Last Ten Years.....	Table 16	121-122
Operating Indicators by Function/Program, Last Ten Years.....	Table 17	123-124
Capital Asset Statistics by Function/Program, Last Ten Years.....	Table 18	125-126

SUPPLEMENTAL AUDIT REPORTS

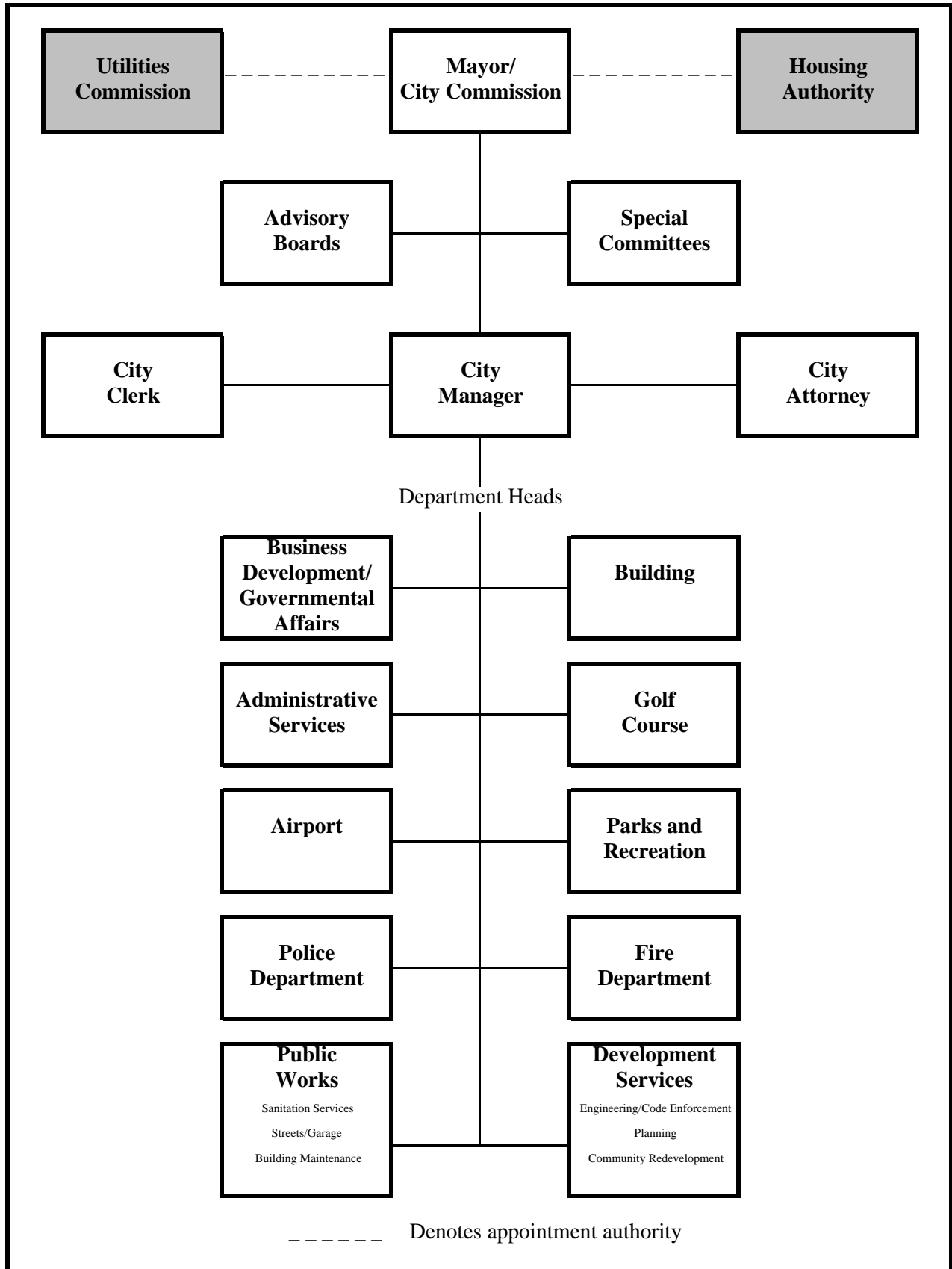
Schedule of Expenditures of Federal Awards.....	127-128
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.....	129
Schedule of Findings and Questioned Costs.....	130
Summary Schedule of Prior Audit Findings and Corrective Action Plan	131
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	132-133
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and State Project and Internal Control Over Compliance in Accordance With OMB Circular A-133	134-135
Management Letter	136-143
Management Response	144-145

This Page Intentionally Left Blank.

ORGANIZATION CHART

This Page Intentionally Left Blank.

ORGANIZATION CHART
 For the Year Ended September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA



This Page Intentionally Left Blank.

LETTER OF TRANSMITTAL

This Page Intentionally Left Blank.



City of New Smyrna Beach

February 16, 2007

Honorable Mayor Vandergriff, 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, 2006, 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 account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and supplemental reports pertaining to federal and state single audit requirement. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the independent auditors' report on the financial statements and schedules, management's discussion and analysis, the basic financial statements, required supplementary information, and the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Model

This is the fifth year in a row that the City is reporting its financial activity for the fiscal year ended September 30, 2006 under the guidance of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The new financial reporting model under GASB 34 represents a significant change in governmental financial reporting. The most significant changes required by GASB 34 are: (1) inclusion of Management's Discussion and Analysis as a required element of the financial statements, (2) requirement to report infrastructure assets, (3) requirement to report governmental funds on the economic resources measurement focus, (4) requirement to report government-wide financial statements, and (5) a switch in focus towards major funds and away from fund reporting. The objective of GASB 34 in providing emphasis on government-wide and major fund presentations is to enhance the understandability and usefulness of the basic external financial reports of state and local governments to the citizens, legislative and oversight bodies, investors, and creditors.

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 Brent Millikan and Company, P.A. and they have issued an unqualified opinion on the financial statements for the fiscal year ended September 30, 2006.

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, *Audits of States, Local Governments, and Non-Profit Organizations* and in conformity with the Florida Single Audit Act of 2001 under the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Based on the level of expenditures directly related to federal awards and state financial assistance the City was required to have its September 30, 2006 fiscal year end audit conducted as a single audit, but for federal awards only. Accordingly, there are supplementary reports and a schedule of expenditures of federal awards 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, health services, 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.

Accounting principles generally accepted in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the 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 22,870. 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
- 50 miles east of Orlando
- 60 miles north of Kennedy Space Center
- 89 miles south of Jacksonville
- 270 miles north of Miami
- Estimated 7 miles of Beach property
- Estimated 10 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.



Economic Condition and Outlook

New Smyrna Beach prides itself on being a laid back coastal community, free of crowds, pollution and noise. It is rich in history, has a thriving artist community and is surrounded by many natural preserve areas. Based on current projections, favorable growth is expected to continue for some time to come. The city commission has already approved the development of over 8,000 new homes over the next five to eight years, although currently the number of residential construction permits has decreased significantly from the level of 2005. More robust growth is expected to continue, however, during 2007 and 2008. This growth presents significant challenges for city government leaders with respect to all aspects of service delivery, especially in light of potential legislative changes to the property tax and sales tax structure for fiscal year 2008. City leaders are already addressing these issues as the budget process begins.

Major Events and Initiatives

Projects accomplished and/or undertaken during the 2006 fiscal year were not restricted to one specific operation or target group, but rather cover a broad and diverse spectrum. These projects are ambitious and consume significant resources, but are also needed to maintain the level of services provided to our citizens as New Smyrna Beach has continued to annex more land into the city.

Projects either started or completed in the fiscal year include:

Public Safety:

- Police station and three fire stations are still in the design phase due to unexpected cost increases. Land was purchased for the beachside and central fire stations.

Community Redevelopment Agency:

- Reconstruction of the downtown marina was completed with a grand opening in May.
- South Orange Street improvements and parking lot are in the design phase.
- Faulkner Street parking lot reconstruction has commenced.
- A LAP agreement was executed with FDOT for the West Canal Streetscape and the design/build bidding process will begin early in the 2007 fiscal year.
- Mary Avenue project for repaving, curbs, gutters, sidewalks and drainage improvements is in the design/engineering phase, which is approximately 50% complete.

Economic Development

- Water taxi service between the North Causeway Marine Discovery Center dock and Ponce Inlet began in August, with a second boat getting ready to launch in fiscal year 2007.

Stormwater Management:

- Central Beach Phase II conceptual design was completed.
- North Peninsula Phase II project was completed.
- Numerous stormwater street projects are in the design phase, including Isleboro/Fairmount, 27th Avenue, Brooks Street and Roper Street, among others.

Recreation/Parks/Golf Course:

- Sports Complex Phase IV was completed and includes four new baseball fields.
- Indian River Lagoon Park is nearing completion with a grand opening date of January 2007.
- Golf Course renovation project began in April and has an expected reopening date of December 2006.

Airport:

- Security fence and apron project completed.
- Airport entrance/signage, lighting and AWOS projects are ongoing.

Public Works:

- Faulkner/Turnbull and Sugar Mill sidewalk projects have commenced.

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.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the departmental 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, 2006, the City had a number of debt obligations outstanding. This debt was comprised of \$17.6 million in general obligation bonds, \$9.5 million in capital improvement refunding revenue bonds and \$8.6 million in other long-term debt obligations.

Other Information

Independent Audit The City Charter and State Statutes require an annual audit by independent certified public accountants. The accounting firm of Brent Millikan & Company, P.A., was selected by the City Commission to serve in this capacity. Their auditors' report on the basic financial statements is included in the financial section of this report. Their reports on compliance and other matters are contained in the *Supplemental Audit Reports* section at the end of the comprehensive annual financial report.

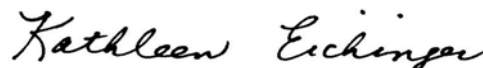
Awards The City was not able to receive the 2005 Certificate of Achievement for Excellence in Financial Reporting since it missed the deadline for submittal. We believe that our current CAFR meets the requirements for this program and are submitting the 2006 report for another certificate.

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,



John Hagood
City Manager



Kathleen Eichinger, CPA
Finance Director

This Page Intentionally Left Blank.

FINANCIAL SECTION

THIS SECTION IS COMPOSED OF THE FOLLOWING FIVE PARTS:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

This Page Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT

This Page Intentionally Left Blank.

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor,
City Commissioners, 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, 2006, which collectively comprise the City'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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 February 16, 2007, on our consideration of City of New Smyrna Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida
Page 2 of 2

The management's discussion and analysis and required supplementary information on pages 3 through 15 and pages 69 through 77, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of New Smyrna Beach, Florida's basic financial statements. The introductory section, combining financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brent Milliken & Co., P.A.

February 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Page Intentionally Left Blank.

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, 2006. 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

- The City's financial position overall remains strong. The City's combined net assets increased approximately \$9.2 million overall in 2006 as compared to an increase of \$7.4 million overall in 2005. Net assets of the City's governmental activities (General Fund, CRA, Airport Industrial Park, Stormwater Management, and other special revenue, capital projects and debt service funds) increased by approximately \$9.5 million (21.8%) in 2006 as compared to an increase of approximately \$7.1 million (19.2%) in 2005. The net assets of its business type activities (Golf Course and Solid Waste) decreased approximately \$325,000 (-13.19%) as compared to an increase of approximately \$283,000 (12.9%) in 2005.
- During fiscal year 2006, the City's total revenues generated in taxes and other revenues were \$9.5 million more than the \$24.5 million in expenses which were incurred in providing its various governmental program activities. This amount is higher than the excess generated in fiscal year 2005 when taxes and other revenues were \$7.1 million more than the \$23.4 million in expenses incurred in connection with its governmental activities.
- In the City's business-type activities (Municipal Golf Course and Solid Waste) combined operating revenues earned in fiscal year 2006 decreased by approximately \$532,000 as compared to fiscal year 2005. In fiscal year 2005, the level of combined operating revenues from business-type activities increased by approximately \$359,000, as compared to fiscal year 2004. Operating revenues in the golf course decreased by 35.5% overall in fiscal year 2006 because golf course was closed part of the year for renovations. Amounts earned from solid waste activities decreased by 3.8% in 2006. During fiscal year 2005, the operating revenues in the golf course increased by 1.9% overall, while amounts earned from solid waste activities increased by 12.4%. Overall operating expenses in these activities decreased by 12.6% in fiscal year 2006, as compared to an increase of 3.9% in 2005, when compared to the prior year's expenses.
- The total costs incurred by the City in providing its various programs increased in 2006 by approximately 4.0%, whereas in 2005 the total costs increased by approximately 2.2%. Operating costs totaled \$28.5 million in 2006 as compared to \$27.4 million in 2005 and \$26.5 million incurred in 2004.
- Unreserved fund equity in the General Fund increased from \$9.7 million in 2005 to \$11.3 million at the end of 2006. In fiscal year 2005, the unreserved fund equity in the General Fund had increased from \$6.7 million in 2004, to \$9.7 million at the end of 2005.
- Resources earned and available for appropriation in the current year were \$1.2 million more than were budgeted in the General Fund. In the prior year, resources earned and available for appropriation were \$2.0 million more than budgeted in the General Fund. The difference in fiscal year 2006 was attributed to higher than anticipated increase in taxes and miscellaneous revenue. For fiscal year 2005 the difference was primarily attributed to an increase in intergovernmental revenue

from public assistance grants for reimbursement of hurricane related expenditures. For the year ended September 30, 2006, total General Fund expenditures (the legal level of budgetary control) were contained within budget constraints and amounted to approximately \$1.3 million less than 2005 total appropriations of \$22.5 million. In fiscal year 2005, total General Fund expenditures (the legal level of budgetary control) were contained within budget constraints and amounted to approximately \$1.3 million less than 2005 total appropriations of \$22.5 million.

Overview of the Financial Statements

The City's basic financial statements are comprised of three parts: (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 kinds 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:

- A 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 the results of business operations over the course of the fiscal year and information as to how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal 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.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund 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 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 21 and 24.

The City maintains fourteen 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, the Airport Industrial Park (special revenue) Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the ten 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 these budgets.

The basic governmental fund financial statements can be found on pages 19 to 24 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used 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 departments and cost functions. The City uses an internal service fund to account for its vehicle fleet maintenance facilities and operations. Because this service predominantly benefits governmental rather than business-type functions, it is included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. 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 25 to 28 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 29 to 30 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 31 to 68 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide certain pension benefits to its employees and information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities. Required supplementary information can be found on pages 69 to 77 of this report.

Government-Wide Financial Analysis of the City as a Whole

Net Assets. In fiscal year 2006, the City's combined net assets increased from \$46,351,015 to \$55,570,493. In fiscal year 2005 the City's combined net assets increased from \$38,998,412 to \$46,351,015. Looking at the net assets of the City's governmental and business-type activities separately, the City experienced strong growth in net assets in its governmental activities for four years in a row; (21.8% in 2006, 19.2% in 2005, 12.9% in 2004, and 11.7% in 2003), while net assets decreased in the City's business-type activities in 2006 by 13.1%, increased in 2005 by 12.9%, and increased in 2004 by 2.3%.

Net assets of the City's governmental activities increased by \$9,544,783 in 2006 (\$7,069,635 in 2005) and totaled \$53,418,966 at the end of fiscal year 2006 (\$43,874,183 at the end of fiscal year 2005). Of these amounts, approximately 78% at the end of fiscal year 2006 and 74% at the end of fiscal year 2005, are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings and equipment). Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$11,790,683 and \$8,276,051 at the end of 2006 and 2005, respectively.

The net assets of the City's business-type activities decreased by \$325,305 in 2006 (increase of \$282,968 in 2005), at the end of fiscal year 2006. Approximately 20% of its total net assets (\$440,832) reflect its investment in capital assets, net of related debt used to acquire those assets that is still outstanding. At the end of fiscal year 2005 approximately 18% of its total net assets (\$439,518) were invested in capital assets, less that portion of related debt used to acquire those assets. These capital assets are used to provide golf course facilities and solid waste utility services to our customers; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that under normal circumstances the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There was no long-term debt in these funds at the end of 2006 or 2005.

The following is a summary of net assets as of September 30, 2006 and 2005:

Net Assets
As of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets:						
Current and other assets..... \$	36,800,221	38,726,312	2,372,233	2,763,605	39,172,454	41,489,917
Capital assets, net	<u>52,299,641</u>	<u>44,083,971</u>	<u>3,088,419</u>	<u>719,518</u>	<u>55,388,060</u>	<u>44,803,489</u>
Total assets	<u>89,099,862</u>	<u>82,810,283</u>	<u>5,460,652</u>	<u>3,483,123</u>	<u>94,560,514</u>	<u>86,293,406</u>
Liabilities:						
Current liabilities	(245,415)	1,222,162	3,124,256	747,797	2,878,841	1,969,959
Long-term debt outstanding.....	33,993,778	35,706,838	0	0	33,993,778	35,706,838
Other liabilities	<u>1,932,533</u>	<u>2,007,100</u>	<u>184,869</u>	<u>258,494</u>	<u>2,117,402</u>	<u>2,265,594</u>
Total liabilities	<u>35,680,896</u>	<u>38,936,100</u>	<u>3,309,125</u>	<u>1,006,291</u>	<u>38,990,021</u>	<u>39,942,391</u>
Net Assets:						
Invested in capital assets, net						
of related debt	18,305,863	8,377,133	440,832	439,518	18,746,695	8,816,651
Restricted	23,322,420	27,220,999	0	0	23,322,420	27,220,999
Unrestricted	<u>11,790,683</u>	<u>8,276,051</u>	<u>1,710,695</u>	<u>2,037,314</u>	<u>13,501,378</u>	<u>10,313,365</u>
Total net assets..... \$	<u>53,418,966</u>	<u>43,874,183</u>	<u>2,151,527</u>	<u>2,476,832</u>	<u>55,570,493</u>	<u>46,351,015</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior two fiscal years.

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 2006, the City's combined net assets totaled \$55.6 million, which is up \$9.2 million over last year's reported \$46.4 million. In fiscal year 2005, the City's combined net assets totaled \$46.4 million, which was up \$7.4 million over 2004's reported \$39.0 million. During fiscal year 2006, the City's total revenues increased by approximately \$3.6 million to a total of \$34.8 million. In fiscal year 2005, the City's total revenues increased by approximately \$3.6 million to a total of \$34.8 million. Approximately 40%

of the City's combined activities revenue comes from property taxes (35% in 2005), and 25% (26% in 2005) of every dollar raised comes from some other type of tax or required payment in lieu of tax. Another 18% (23% in 2005) comes from fees charged for services, while most of the remaining revenue is state and federal financial assistance and interest and other earnings.

The following is a summary of changes in net assets for the years ended September 30, 2006 and 2005:

Changes in Net Assets
Year Ended September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services..... \$	3,128,715	3,869,786	3,702,176	4,234,039	6,830,891	8,103,825
Operating grants/contributions.....	244,239	1,788,035	0	0	244,239	1,788,035
Capital grants/contributions.....	1,544,021	1,024,766	0	0	1,544,021	1,024,766
General revenues:						
Property taxes	15,030,956	12,311,158	0	0	15,030,956	12,311,158
Other Taxes.....	5,763,664	5,873,610	0	0	5,763,664	5,873,610
6% payment from the						
Utilities Commission	3,665,315	3,328,647	0	0	3,665,315	3,328,647
Intergovernmental revenues.....	403,341	314,184	0	0	403,341	314,184
Other revenues	<u>4,215,175</u>	<u>1,986,317</u>	<u>52,264</u>	<u>46,520</u>	<u>4,267,439</u>	<u>2,032,837</u>
Total revenues.....	<u>33,995,426</u>	<u>30,496,583</u>	<u>3,754,440</u>	<u>4,280,559</u>	<u>37,749,866</u>	<u>34,777,142</u>
Expenses:						
General government.....	3,874,356	4,760,586	0	0	3,874,356	4,760,586
Public safety	12,146,172	11,506,071	0	0	12,146,172	11,506,071
Transportation.....	2,284,003	1,960,568	0	0	2,284,003	1,960,568
Economic environment	667,182	368,291	0	0	667,182	368,291
Physical environment.....	315,810	411,524	0	0	315,810	411,524
Human services/health.....	17,386	20,563	0	0	17,386	20,563
Culture/recreation	3,245,963	2,895,480	0	0	3,245,963	2,895,480
Intra-governmental services.....	478,161	475,361	0	0	478,161	475,361
Interest on long-term debt.....	1,421,610	1,028,424	0	0	1,421,610	1,028,424
Golf course operations	0	0	1,290,836	1,333,927	1,290,836	1,333,927
Solid waste operations	<u>0</u>	<u>0</u>	<u>2,788,909</u>	<u>2,663,664</u>	<u>2,788,909</u>	<u>2,663,664</u>
Total expenses.....	<u>24,450,643</u>	<u>23,426,868</u>	<u>4,079,745</u>	<u>3,997,591</u>	<u>28,530,388</u>	<u>27,424,459</u>
Increase in net assets..... \$	<u>9,544,783</u>	<u>7,069,635</u>	<u>(325,305)</u>	<u>282,968</u>	<u>9,219,478</u>	<u>7,352,603</u>

Governmental Activities

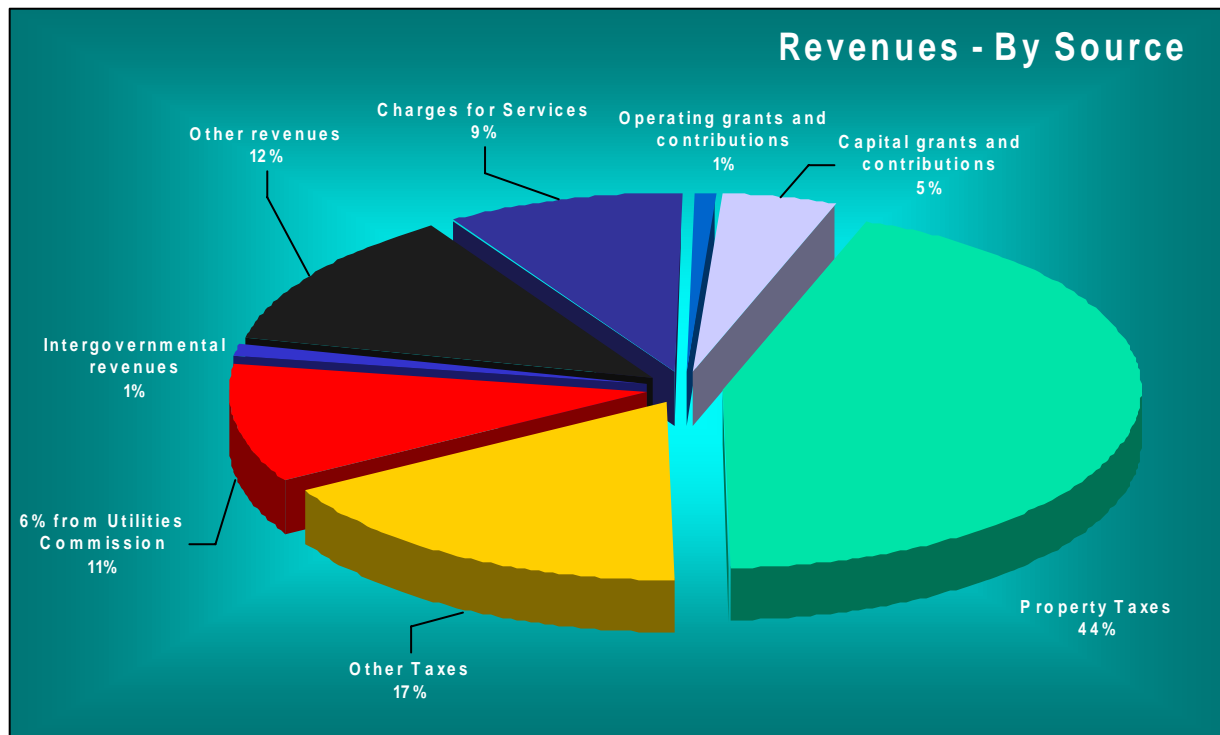
Revenues for the City's governmental activities experienced a steady increase during 2006. Overall, the City's governmental revenues generated in 2006 totaled \$33,995,426, which represents an increase of \$3,498,843, or 11.5% over last year's reported governmental revenues totaling \$30,496,503. The City's governmental revenues earned in 2005 totaled \$30,496,503, which represented an increase of \$3,237,354, or 11.9% over 2004's reported governmental revenues totaling \$27,258,609. The 2006 increase was primarily attributable to an increase of \$2,719,798 in property tax revenue. Other significant increases in governmental revenues for 2006 are attributed to an increase in investment earnings (\$771,074) and from an increase in other revenue reported by the General Fund related to special assessments of (\$494,920).

The increase in governmental revenues in fiscal year 2005 was primarily attributable to an increase of \$1,309,936 in property tax revenue. Other significant increases in governmental revenues for 2005 were attributed to an increase in charges for services of (\$1,039,348) and from increases in other revenue attributed to an increase in investment earnings (\$611,728) and from an increase in other revenue reported by the Airport Fund related to gains recognized on the sale of surplus real property (\$362,359).

While revenue growth experienced for the year was approximately 11.5% overall, revenues earned from the assessment of ad valorem taxes increased in 2006 with an increase of 22.1%. Ad valorem taxes totaling \$15,030,956 were collected in 2006, compared with \$12,311,158 in the prior year. The ad valorem millage rate for operating purposes was 4.3103 mills for fiscal year 2006 and 5.100 mills for fiscal year 2005.

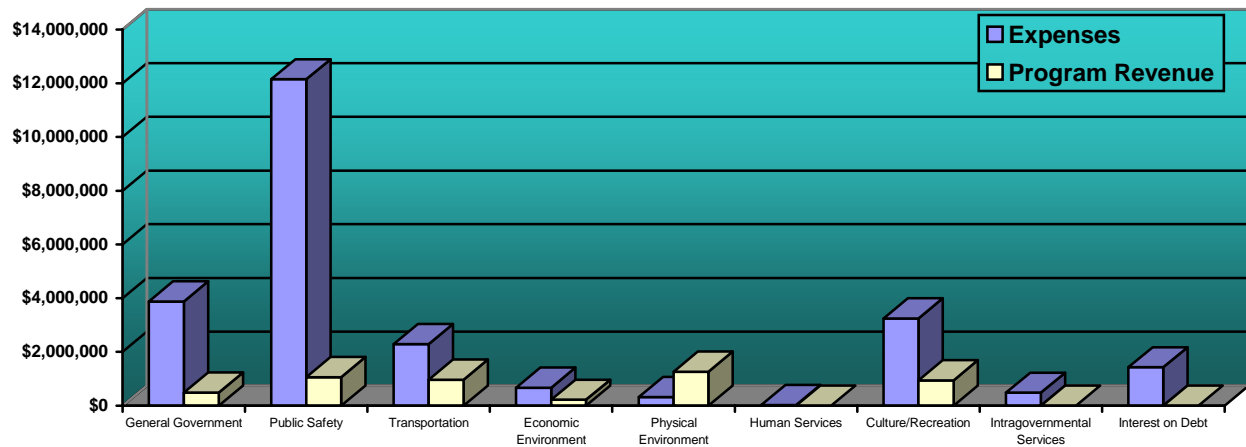
The following is a summary of the City's governmental revenues - by source for fiscal year 2006:

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 2006 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:

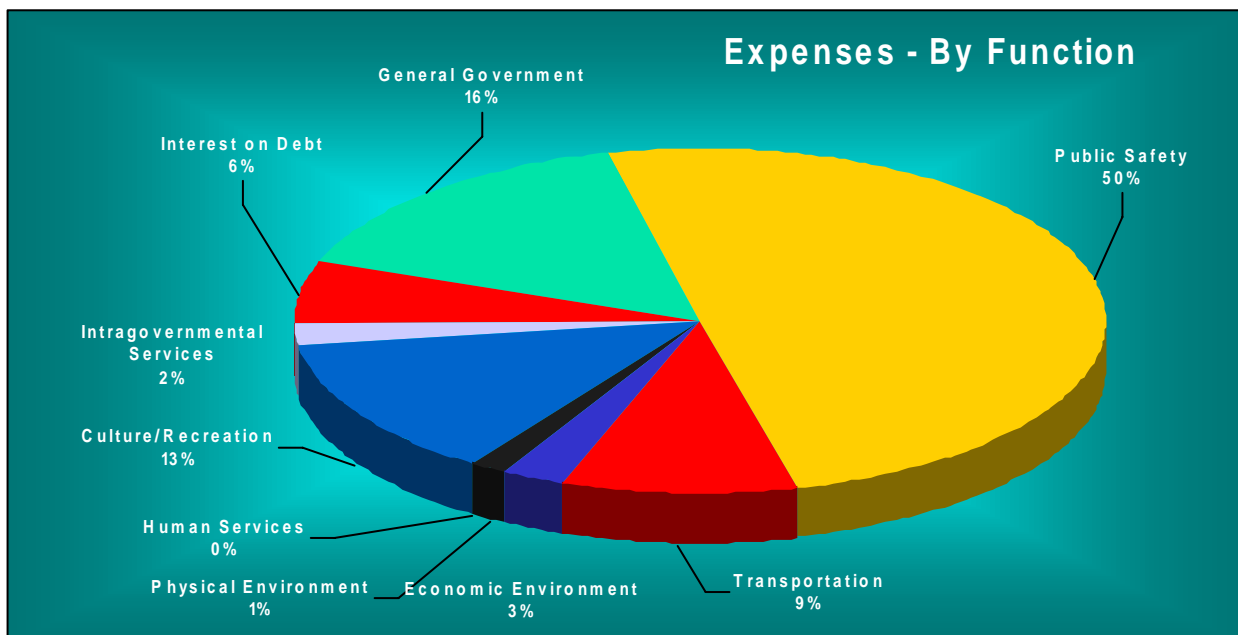
Expenses and Program Revenues - Governmental Activities



Combined governmental activities expenses for fiscal year 2006 totaled \$24,450,643, which represents an increase of \$1,023,775 or 4.4% over last year's expenses of \$23,426,838. The 2005 combined total expenses for the City's governmental activities totaled \$23,426,838, which represented an increase of \$749,143 or 3.3% over the prior year's (2004) expenses of \$22,677,725.

The following is a summary of the City's governmental expenses - by function for fiscal year 2006:

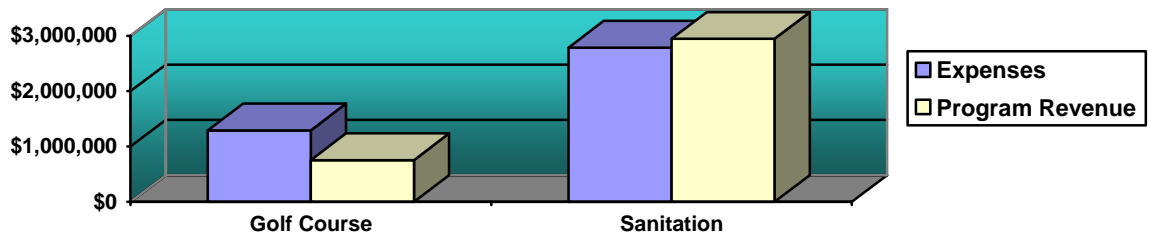
Expenses by Function - Governmental Activities



Business-type Activities

Business-type activities decreased the City's net assets by \$325,305 in 2006 and increased by \$282,968 in 2005. Overall, net assets from the City's business-type activities (\$2,151,527 and \$2,476,832 at September 30, 2006 and 2005, respectively) account for only 3.9% and 5.3% of the City's combined total net assets. 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 eighteen-hole golf course facilities (Municipal Golf Course Fund). Combined operating revenues from these two activities decreased in 2006 and totaled \$3,702,176 compared to \$4,234,039 generated in 2005 and \$3,875,084 reported in 2004. The overall decrease in the City's business-type net assets is attributed to a decrease in operating revenues of \$531,863, primarily attributed to the decrease in revenue generated by the Municipal Golf Course Fund, because the course was closed part of the year for major renovations. A comparison of the City's functional program revenues and costs of providing business-type services to its customers in fiscal year 2006 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 increased in 2006 to \$4,079,745, as compared to \$3,997,591 incurred in 2005, and \$3,847,619 in 2004. This increase, while nominal, closely paralleled inflation and growth in the demand for services.

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 \$36,458,673, which was \$430,610, or -1.2% less than the \$36,889,282 reported in 2005. In 2005, the combined fund balance of governmental funds was \$23,304,340, or 171.6%, more than the \$13,584,942 reported in 2004. Approximately 35.3% of this amount (\$12,882,403) is comprised of unreserved fund balance, which is available for spending at the City's discretion. At the end of fiscal year 2005, the unreserved fund balance (\$11,230,823) represented 30.4% of the combined fund balance. The remainder of fund balance at the end of 2006 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 (\$818,260), (2) financing capital improvements (\$14,025,351), (3) financing community redevelopment projects (\$7,429,900), (4) reflecting the costs for inventories and payments for prepaid expenses carried over to the subsequent year

(\$494,594), (5) paying debt service (\$207,570), (6) financing specialized law enforcement investigations (\$45,179), (7) reserved for building inspections (\$142,890), and (8) tree replacement (\$412,526). At the end of fiscal year 2005, the remainder of the fund balance was reserved for: (1) liquidating contracts and purchase orders of the prior period (\$2,890,031), (2) financing capital improvements (\$16,761,271), (3) financing community redevelopment projects (\$5,040,461), (4) reflecting the costs for inventories and payments for prepaid expenses carried over to the subsequent year (\$646,746), (5) paying debt service (\$207,689), (6) financing specialized law enforcement investigations (\$45,542), and (7) reserved for building inspections (\$66,719).

The general fund is the chief operating fund of the City. As of September 30, 2006, the unreserved fund balance in the general fund totaled \$11,310,676, while total fund balance reached \$12,316,218. At the end of fiscal year 2005, the unreserved fund balance in the general fund amounted to \$9,694,337, while total fund balance reached \$10,484,059. 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 2006 represents approximately 53.0% of the total general fund expenditures (\$21,330,049). At the end of 2005, unreserved fund balance represented 46.2% of the total general fund expenditures (\$20,963,947). Total fund balance represented 57.7% and 50.0% for 2006 and 2005, respectively, of the total general fund expenditure levels for each year. City officials have established a target threshold of 20-25% in unreserved funds compared to General Fund expenditures. The current unreserved balance exceeds that target.

Fund balance in the general fund increased by \$1,832,159 during the current fiscal year, compared to an increase of \$3,052,842 in the prior year. The increase in 2006 is the result of a combination of the following factors: (1) steady growth in tax revenue, and (2) spending less than the authorized amount of appropriations. The increase in 2005 was the result of a combination of the following factors: (1) steady growth in tax revenue, (2) generating more revenue than originally anticipated from hurricane related public assistance reimbursements that carried over from the previous fiscal period, and (3) controlling capital outlay expenditures by spending less than the approved amount of appropriations.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets in the Municipal Golf Course Fund at the end of the current fiscal year was a deficit of (\$394,256), compared to \$142,039 at the end of 2005, and \$231,320 at the end of 2004. The decrease in the Golf Course's unrestricted net assets was primarily attributable to an operating loss incurred during fiscal year 2006 as a result of the golf course being closed for part of the year for major renovations.

Unrestricted net assets in the Municipal Sanitation Fund totaled \$2,104,951 at the end of the current fiscal year, compared to \$1,895,275 at the end of 2005 and \$1,460,803 at the end of 2004. The increase in unrestricted net assets for 2006 is the result of continued positive operating income and increased interest earnings.

General Fund Budgetary Highlights

In fiscal year 2006, the City Commission amended the General Fund operating budget once for changes in various departmental appropriations; however, total appropriations remained unchanged from the total originally budgeted. The majority of the changes were made to reduce appropriations for specific departmental expenditures and to increase the amount appropriated for transfers to other funds.

Actual expenditures in the General Fund for the current fiscal year were \$751,956 less than the budgetary amounts appropriated. The largest factor for spending less than the legal level of budgetary control for the General Fund was related to management's control over capital outlay.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2006, the City's investment in capital assets for its governmental and business-type activities totaled \$55,388,060 (net of accumulated depreciation of \$24,365,208). 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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land.....	\$ 18,538,637	18,530,259	27,618	27,618	18,566,255	18,557,877
Capital assets not being depreciated	0	0	240,946	240,946	240,946	240,946
Buildings.....	10,573,712	10,669,029	27,259	36,185	10,600,971	10,705,214
Improvements other than buildings	6,204,784	3,666,721	261,638	290,949	6,466,422	3,957,670
Equipment and furniture	4,012,344	2,858,318	194,907	123,820	4,207,251	2,982,138
Infrastructure	5,703,186	4,354,706	0	0	5,703,186	4,354,706
Construction in progress	<u>7,266,978</u>	<u>4,004,938</u>	<u>2,336,051</u>	<u>0</u>	<u>9,603,029</u>	<u>4,004,938</u>
Total net of accumulated depreciation..	\$ <u>52,299,641</u>	<u>44,083,971</u>	<u>3,088,419</u>	<u>719,518</u>	<u>55,388,060</u>	<u>44,803,489</u>

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

Public Safety projects:

- Construction in progress on new Police Station, North Fire Station, Central Fire Station, and East (Beach) Fire Station..... \$ 4,289,388
- Purchase of Police vehicles and equipment..... 173,015
- Purchase of Fire Truck
- Purchase of Fire equipment

Transportation:

- Street improvements

Economic Development:

- Reconstruction of the downtown Marina

Physical Environment:

- Stormwater improvements.....

Recreation and Parks:

- Renovation of City Golf Course.....
- Indian River Lagoon Preserve (Saxon Drive)

Airport:

- Lighting/Signage/Security Fencing projects

Total of significant capital asset additions during fiscal year 2006..... \$ 11,701,869

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 \$33,993,778 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 \$17,635,000 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 \$2,155,411 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 \$11,465,837 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 three revenue note obligations payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan Program totaling \$2,737,530 at year end. The proceeds of these loans, which were drawn in increments over the last two years, 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 2023.

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 3.1% at the end of September 2006, which is lower than the 3.4% rate experienced one year earlier. These estimates compare favorably to the state's 3.4% and 3.7% unemployment rates at September 2006 and 2005, respectively. Statewide, Florida's unemployment rate has continued to be below the national average.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.
- Westward growth in our City through residential and commercial development, coupled with strong growth in the assessed taxable property values, will benefit the City by continuing to produce an increase in recurring revenues to keep pace with the growth in expenditures.

The City's budget for 2007 is based on a decrease in the operating property tax rate from 4.3103 mills to 3.3671 as a result of an increase in taxable assessed value from \$2.845 billion to \$3.743 billion. During the current fiscal year, unreserved, undesignated fund balance in the general fund increased to \$11,310,676. The City has appropriated \$1,445,131 of this amount for spending in the 2007 fiscal year budget. These two factors contributed to the City Commission approving a lower tax rate for the 2007 fiscal year.

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.

This Page Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

This Page Intentionally Left Blank.

STATEMENT OF NET ASSETS
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Utilities Commission
Assets:				
Cash and cash equivalents.....	\$ 31,686,579	1,843,248	33,529,827	-
Investments.....	-	-	-	1,010,000
Receivables, net of allowance for uncollectible accounts...	596,294	3,347	599,641	14,093,026
Due from component units.....	1,067,232	493,184	1,560,416	-
Due from other governments.....	2,299,034	-	2,299,034	-
Inventories.....	87,216	32,276	119,492	2,368,199
Prepaid items.....	483,558	178	483,736	106,142
Unamortized debt issuance costs.....	372,738	-	372,738	395,428
Restricted assets:				
Cash and cash equivalents.....	207,570	-	207,570	22,850,394
Investments.....	-	-	-	2,000,000
Accrued interest.....	-	-	-	36,737
Capital assets:				
Land, improvements and construction in progress.....	25,805,615	2,604,615	28,410,230	17,178,531
Other capital assets, net of depreciation.....	<u>26,494,026</u>	<u>483,804</u>	<u>26,977,830</u>	<u>108,942,672</u>
Total assets.....	<u>89,099,862</u>	<u>5,460,652</u>	<u>94,560,514</u>	<u>168,981,129</u>
Liabilities:				
Bank overdraft-unrestricted cash and cash equivalents.....	-	-	-	6,939,920
Accounts payable and accrued liabilities.....	852,584	466,900	1,319,484	3,935,456
Internal balances.....	(2,647,587)	2,647,587	-	-
Due to primary government.....	-	-	-	1,560,416
Due to other governments.....	-	-	-	207,041
Unearned revenue.....	865,532	-	865,532	-
Restricted fund liabilities:				
Customers' deposits.....	-	-	-	1,817,759
Accrued interest payable.....	469,516	-	469,516	735,807
Bonds, notes, and other payables:				
Due or payable within one year.....	1,560,624	-	1,560,624	5,008,214
Due or payable in more than one year.....	32,433,154	-	32,433,154	64,603,177
Compensated absences:				
Due or payable within one year.....	214,540	9,769	224,309	420,601
Due or payable in more than one year.....	1,807,350	184,869	1,992,219	420,601
Other noncurrent liabilities.....	<u>125,183</u>	-	<u>125,183</u>	-
Total liabilities.....	<u>35,680,896</u>	<u>3,309,125</u>	<u>38,990,021</u>	<u>85,648,992</u>
Net assets:				
Invested in capital assets net of related debt.....	18,305,863	440,832	18,746,695	65,216,366
Restricted for:				
Community redevelopment.....	7,503,285	-	7,503,285	-
Special law enforcement.....	45,179	-	45,179	-
Capital improvements.....	14,025,351	-	14,025,351	6,293,735
Stormwater operations.....	1,541,035	-	1,541,035	-
Debt service.....	207,570	-	207,570	539,839
Unrestricted	<u>11,790,683</u>	<u>1,710,695</u>	<u>13,501,378</u>	<u>11,282,197</u>
Total net assets.....	<u>\$ 53,418,966</u>	<u>2,151,527</u>	<u>55,570,493</u>	<u>83,332,137</u>

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

STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government.....	\$ 3,874,356	486,319	-	-
Public safety.....	12,146,172	1,014,951	44,187	-
Transportation.....	2,284,003	23,872	126,791	807,986
Economic environment.....	667,182	-	-	216,049
Physical environment.....	315,810	1,188,726	73,261	-
Human services/health.....	17,386	-	-	-
Culture/recreation.....	3,245,963	414,847	-	519,986
Intragovernmental services.....	478,161	-	-	-
Interest on long-term debt	1,421,610	-	-	-
Total governmental activities.....	<u>24,450,643</u>	<u>3,128,715</u>	<u>244,239</u>	<u>1,544,021</u>
Business-type activities:				
Golf Course.....	1,290,836	756,437	-	-
Sanitation.....	2,788,909	2,945,739	-	-
Total business-type activities.....	<u>4,079,745</u>	<u>3,702,176</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 28,530,388</u>	<u>6,830,891</u>	<u>244,239</u>	<u>1,544,021</u>
Component Unit - Utilities Commission.....	<u>\$ 62,986,342</u>	<u>63,950,363</u>	<u>-</u>	<u>7,522,464</u>
General revenues:				
Property taxes, levied for general purposes.....				
Property taxes, levied for tax increment district.....				
Property taxes, levied for general obligation bond repayment..				
Sales taxes.....				
Local option gas tax.....				
Franchise taxes.....				
Public service taxes.....				
State revenue sharing.....				
Other intergovernmental revenues.....				
Investment earnings.....				
Required payment from component unit.....				
Miscellaneous revenue.....				
Total general revenues and transfers.....				
Change in net assets.....				
Net assets - beginning.....				
Net assets - ending.....				

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

Statement 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-type		Unit
Activities	Activities	Total	Utilities Commission
		(3,388,037)	
		(11,087,034)	
		(1,325,354)	
		(451,133)	
		946,177	
		(17,386)	
		(2,311,130)	
		(478,161)	
		<u>(1,421,610)</u>	
		<u>(19,533,668)</u>	
	(534,399)	(534,399)	
	<u>156,830</u>	<u>156,830</u>	
	<u>(377,569)</u>	<u>(377,569)</u>	
	<u>(377,569)</u>	<u>(19,911,237)</u>	
			<u>8,486,485</u>
10,743,237	-	10,743,237	-
2,914,306	-	2,914,306	-
1,373,413	-	1,373,413	-
1,623,428	-	1,623,428	-
783,721	-	783,721	-
555,919	-	555,919	-
2,800,596	-	2,800,596	-
169,615	-	169,615	-
233,726	-	233,726	-
1,559,388	52,264	1,611,652	1,024,376
3,665,315	-	3,665,315	-
<u>2,655,787</u>	<u>-</u>	<u>2,655,787</u>	<u>901,493</u>
<u>29,078,451</u>	<u>52,264</u>	<u>29,130,715</u>	<u>1,925,869</u>
9,544,783	(325,305)	9,219,478	10,412,354
<u>43,874,183</u>	<u>2,476,832</u>	<u>46,351,015</u>	<u>72,919,783</u>
<u>\$ 53,418,966</u>	<u>2,151,527</u>	<u>55,570,493</u>	<u>83,332,137</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	General	Community Redevelopment Agency	Airport Industrial Park
Assets:			
Cash and cash equivalents.....	\$ 1,041,277	7,529,784	50
Receivables, net.....			
Accounts receivable.....	358,980	-	156,603
Delinquent taxes.....	80,711	-	-
Due from other funds.....	9,551,089	-	-
Due from component unit.....	871,498	-	-
Due from other governments.....	1,429,486	-	394,642
Inventories.....	11,036	-	-
Prepaid items.....	<u>385,885</u>	<u>-</u>	<u>333</u>
Total assets.....	<u>\$ 13,729,962</u>	<u>7,529,784</u>	<u>551,628</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities.....	\$ 605,982	26,499	111,536
Due to other funds.....	-	-	77,356
Unearned income.....	727,832	-	-
Other noncurrent liabilities.....	<u>79,930</u>	<u>-</u>	<u>31,926</u>
Total liabilities	<u>1,413,744</u>	<u>26,499</u>	<u>220,818</u>
Reserved for:			
Encumbrances.....	196,095	73,385	294,611
Inventories and prepaids.....	396,921	-	333
Tree replacement.....	412,526	-	-
Building inspections.....	-	-	-
Law enforcement.....	-	-	-
Debt service.....	-	-	-
Community redevelopment projects.....	-	7,429,900	-
Capital projects	-	-	-
Unreserved, reported in			
General fund.....	11,310,676	-	-
Special revenue funds.....	<u>-</u>	<u>-</u>	<u>35,866</u>
Total fund balances	<u>12,316,218</u>	<u>7,503,285</u>	<u>330,810</u>
Total liabilities and fund balances.....	<u>\$ 13,729,962</u>	<u>7,529,784</u>	<u>551,628</u>

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

Statement 3

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
18,601,615	4,418,238	31,590,964
-	-	515,583
-	-	80,711
-	-	9,551,089
-	195,734	1,067,232
326,213	148,693	2,299,034
-	-	11,036
<u>-</u>	<u>97,340</u>	<u>483,558</u>
<u>18,927,828</u>	<u>4,860,005</u>	<u>45,599,207</u>
77,786	161,450	983,253
6,596,646	229,500	6,903,502
323,688	77,076	1,128,596
<u>-</u>	<u>13,327</u>	<u>125,183</u>
<u>6,998,120</u>	<u>481,353</u>	<u>9,140,534</u>
142,363	111,806	818,260
-	97,340	494,594
-	-	412,526
-	142,890	142,890
-	45,179	45,179
-	207,570	207,570
-	-	7,429,900
11,787,345	2,238,006	14,025,351
-	-	11,310,676
<u>-</u>	<u>1,535,861</u>	<u>1,571,727</u>
<u>11,929,708</u>	<u>4,378,652</u>	<u>36,458,673</u>
<u>18,927,828</u>	<u>4,860,005</u>	<u>45,599,207</u>

This Page Intentionally Left Blank.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

Statement 3A

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Fund balances - total governmental funds..... \$ 36,458,673

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds..... 52,224,935

Other long-term assets are not available to pay for current-period expenditures and therefore deferred in the funds:

Unamortized bond issuance costs..... 372,738

Delinquent tax revenue deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of anticipated receipt..... 80,711

Special assessment revenue deferred in governmental activities are recognized in the period in which they are earned, regardless of the date of anticipated receipt..... 182,353

An internal service fund is used by management to charge the costs of fleet maintenance accounted for in the Municipal Garage Fund. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets..... 370,200

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities and other bond related deferred charges consist of:

Long-term obligations..... (33,993,778)
 Accrued interest payable..... (469,516)
 Compensated absences..... (1,807,350)

Net assets of governmental activities \$ 53,418,966

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

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	General	Community Redevelopment Agency	Airport Industrial Park
Revenue:			
Taxes.....	\$ 18,556,810	1,065,489	-
Licenses and permits.....	245,107	-	-
Intergovernmental	2,271,008	2,064,866	695,127
Charges for services	549,656	-	-
Fines and forfeitures.....	144,869	-	-
Miscellaneous	<u>1,510,584</u>	<u>263,799</u>	<u>706,440</u>
Total revenue	<u>23,278,034</u>	<u>3,394,154</u>	<u>1,401,567</u>
Expenditures:			
General government	3,891,400	-	-
Public safety.....	11,647,050	-	-
Transportation.....	1,818,920	-	1,465,618
Economic environment.....	-	738,216	-
Physical environment.....	-	-	-
Human services/health.....	17,386	-	-
Culture/recreation	3,074,923	-	-
Intragovernmental services	455,309	-	-
Debt Service:			
Principal retirement.....	288,498	-	87,608
Interest and fiscal charges.....	<u>136,563</u>	<u>-</u>	<u>31,818</u>
Total expenditures.....	<u>21,330,049</u>	<u>738,216</u>	<u>1,585,044</u>
Excess of revenue over (under) expenditures	<u>1,947,985</u>	<u>2,655,938</u>	<u>(183,477)</u>
Other Financing Sources (Uses):			
Transfers in (out).....	<u>(115,826)</u>	<u>(508,010)</u>	<u>-</u>
Total other financing sources (uses)	<u>(115,826)</u>	<u>(508,010)</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	1,832,159	2,147,928	(183,477)
Fund balances, beginning of year.....	<u>10,484,059</u>	<u>5,355,357</u>	<u>514,287</u>
Fund balances, end of year.....	<u>\$ 12,316,218</u>	<u>\$ 7,503,285</u>	<u>\$ 330,810</u>

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

Statement 4

Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	1,373,413	20,995,712
-	-	245,107
519,986	112,859	5,663,846
-	2,171,494	2,721,150
-	17,589	162,458
<u>680,575</u>	<u>998,180</u>	<u>4,159,578</u>
<u>1,200,561</u>	<u>4,673,535</u>	<u>33,947,851</u>
-	-	3,891,400
4,354,599	1,115,715	17,117,364
29,073	217,138	3,530,749
-	-	738,216
-	683,466	683,466
-	-	17,386
1,698,647	169,456	4,943,026
-	-	455,309
-	1,336,953	1,713,059
<u>-</u>	<u>1,120,105</u>	<u>1,288,486</u>
<u>6,082,319</u>	<u>4,642,833</u>	<u>34,378,461</u>
<u>(4,881,758)</u>	<u>30,702</u>	<u>(430,610)</u>
<u>-</u>	<u>623,836</u>	<u>-</u>
<u>-</u>	<u>623,836</u>	<u>-</u>
(4,881,758)	654,538	(430,610)
<u>16,811,466</u>	<u>3,724,114</u>	<u>36,889,283</u>
<u>\$ 11,929,708</u>	<u>\$ 4,378,652</u>	<u>\$ 36,458,673</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

Statement 4A

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Net change in fund balances - total governmental funds..... \$ (430,610)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation expense for the current period:

Capital outlay expenditures.....	9,949,415	
Depreciation expense.....	<u>(1,743,331)</u>	8,206,084

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Principal repayment in the current period.....		1,713,059
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Delinquent taxes.....	(8,022)	
Special assessments.....	<u>55,597</u>	47,575

Under the modified accrual basis of accounting used in the 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 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 when it accrues.

This adjustment is for the following:

Change in compensated absences liability.....	57,050	
Change in accrued interest on bonds and notes payable.....	<u>(133,124)</u>	(76,074)

An internal service fund is used by management to charge the costs of fleet maintenance accounted for in the Municipal Garage Fund to the individual funds. The net revenue (expense) of the internal service fund is reported in the statement of activities.....		<u>84,749</u>
--	--	---------------

Change in net assets of governmental activities..... \$ 9,544,783

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 5

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Municipal Golf Course	Municipal Sanitation	Total	Municipal Garage
Assets:				
Current Assets:				
Cash and cash equivalents.....	\$ 1,400	1,841,848	1,843,248	303,185
Accounts receivable.....	3,347	-	3,347	-
Due from component unit.....	-	493,184	493,184	-
Inventories.....	32,276	-	32,276	76,180
Prepaid expenses.....	178	-	178	-
Total current assets.....	37,201	2,335,032	2,372,233	379,365
Property and Equipment:				
Land.....	263,200	5,364	268,564	-
Buildings and improvements.....	927,116	52,038	979,154	331,084
Machinery and equipment.....	982,778	518,222	1,501,000	209,367
	2,173,094	575,624	2,748,718	540,451
Less: accumulated depreciation	(1,433,813)	(562,537)	(1,996,350)	(465,745)
	739,281	13,087	752,368	74,706
Construction in progress.....	2,336,051	-	2,336,051	-
Net property and equipment	3,075,332	13,087	3,088,419	74,706
Total assets	3,112,533	2,348,119	5,460,652	454,071
Liabilities:				
Current Liabilities:				
Accounts payable.....	241,972	230,081	472,053	46,948
Accrued liabilities	189,485	-	189,485	36,923
Total current liabilities.....	431,457	230,081	661,538	83,871
Noncurrent Liabilities:				
Due to other funds.....	2,647,587	-	2,647,587	-
Total liabilities.....	3,079,044	230,081	3,309,125	83,871
Net Assets:				
Invested in capital assets, net of related debt.....	427,745	13,087	440,832	74,706
Unrestricted.....	(394,256)	2,104,951	1,710,695	295,494
Total net assets.....	\$ 33,489	2,118,038	2,151,527	370,200

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

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS**

Statement 6

For the Fiscal Year Ended September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Municipal Golf Course	Municipal Sanitation	Total	Municipal Garage
Operating Revenue:				
Charges for services.....	\$ 756,437	2,945,739	3,702,176	1,069,465
Operating Expenses:				
Contractual services.....	17,991	2,777,897	2,795,888	4,059
Personal services.....	727,314	-	727,314	181,186
Materials and supplies.....	157,758	-	157,758	9,096
Depreciation.....	108,806	582	109,388	22,137
Cost of sales.....	107,432	-	107,432	736,858
Maintenance and repairs.....	80,466	-	80,466	20,214
Other charges.....	43,350	10,430	53,780	1,339
Utilities.....	47,719	-	47,719	11,726
Total operating expenses.....	1,290,836	2,788,909	4,079,745	986,615
Operating income (loss).....	(534,399)	156,830	(377,569)	82,850
Nonoperating Revenue:				
Interest earnings.....	-	52,264	52,264	1,899
Net nonoperating revenue.....	-	52,264	52,264	1,899
Net income (loss).....	(534,399)	209,094	(325,305)	84,749
Net assets, beginning of year.....	567,888	1,908,944	2,476,832	285,451
Net assets, end of year.....	\$ 33,489	\$ 2,118,038	\$ 2,151,527	\$ 370,200

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

Statement 7

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Municipal Golf Course	Municipal Sanitation	Total	Municipal Garage
Cash Flows From Operating Activities:				
Cash received from customers.....	\$ 547,549	2,928,752	3,476,301	1,069,465
Cash paid for personal services.....	(806,017)	-	(806,017)	(197,827)
Cash paid to suppliers.....	<u>(208,483)</u>	<u>(2,779,260)</u>	<u>(2,987,743)</u>	<u>(755,205)</u>
Net cash provided by operating activities.....	<u>(466,951)</u>	<u>149,492</u>	<u>(317,459)</u>	<u>116,433</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition of capital assets.....	(2,478,289)	-	(2,478,289)	(31,723)
Capital-related interfund debt issued.....	<u>2,367,587</u>	<u>-</u>	<u>2,367,587</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(110,702)</u>	<u>-</u>	<u>(110,702)</u>	<u>(31,723)</u>
Cash Flows From Investing Activities:				
Interest received.....	<u>-</u>	<u>52,264</u>	<u>52,264</u>	<u>1,899</u>
Net cash provided by (used in) investing activities.....	<u>-</u>	<u>52,264</u>	<u>52,264</u>	<u>1,899</u>
Net increase (decrease) in cash and cash equivalents.....	(577,653)	201,756	(375,897)	86,609
Cash and cash equivalents, beginning of year.	<u>579,053</u>	<u>1,640,092</u>	<u>2,219,145</u>	<u>216,576</u>
Cash and cash equivalents, end of year.....	<u>\$ 1,400</u>	<u>1,841,848</u>	<u>1,843,248</u>	<u>303,185</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - (Continued)
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Statement 7

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Municipal Golf Course	Municipal Sanitation	Total	Municipal Garage
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (534,399)	156,830	(377,569)	82,850
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	108,806	582	115,713	22,137
Changes in assets and liabilities:				
Accounts receivable	22,853	(16,987)	5,866	-
Prepaid expenses.....	1,614	-	1,614	-
Inventories.....	7,995	-	7,995	(11,728)
Accounts payable.....	236,624	9,067	245,691	39,815
Unearned income	(231,741)	-	(231,741)	-
Other liabilities.....	<u>(78,703)</u>	<u>-</u>	<u>(78,703)</u>	<u>(16,641)</u>
Net cash provided by operating activities.....	<u>\$ (466,951)</u>	<u>149,492</u>	<u>(311,134)</u>	<u>116,433</u>

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

Statement 8

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Assets:	
Cash and cash equivalents.....	\$ <u>4,678</u>
Contributions receivable from employees.....	<u>7,936</u>
Investments, at fair value:	
Investment in Insurance Company Group Annuity Contract:	
Flexible pension investment grouped accounts.....	11,322,393
Money funds.....	803,780
Government bonds.....	1,903,719
Corporate bonds.....	1,632,887
Common stocks and equity securities	<u>5,148,211</u>
Total investments.....	<u>20,810,990</u>
Total assets.....	<u>20,823,604</u>
Liabilities:	
Administration fees payable.....	<u>-</u>
Net assets:	
Held in trust for pension benefits.....	<u>\$ 20,823,604</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

Statement 9

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Additions:		
Contributions from:		
Employees.....	\$ 213,007	
City.....	1,569,505	
State - Casualty Insurance Premium taxes.....	<u>11,026</u>	
Total contributions.....		<u>1,793,538</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments.....	1,333,252	
Interest earnings.....	<u>254,072</u>	
Total investment income.....		<u>1,587,324</u>
Total additions.....		<u>3,380,862</u>
Deductions:		
Benefit payments	651,218	
Administrative expenses.....	<u>134,739</u>	
Total deductions.....		<u>785,957</u>
Net increase (decrease).....		2,594,905
Net assets held in trust for pension benefits:		
Beginning of year		<u>18,228,699</u>
End of year		<u>\$ 20,823,604</u>

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

NOTES TO THE FINANCIAL STATEMENTS

This Page Intentionally Left Blank.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 City's significant accounting policies:

A. Reporting Entity

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 accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds 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.

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.

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

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, Florida
Post Office Box 100
New Smyrna Beach, FL 32170

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Related Organizations. The City Commission is also responsible for appointing 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 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, nor does the City derive any financial benefit or burden from the relationship.

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 30.

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.

The CI Agency is currently located in a "designated area" of the Port Orange Police Department. This designated area is separately leased from the City of Port Orange, Florida, on an annual basis in the amount of \$43,843. The operating lease rate of this designated area includes all occupancy costs except maintenance, utilities and property insurance.

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 Generally Accepted Accounting Principles. The City of Port Orange, Florida, as agent for the CI Agency, performs all cash and accounting transactions. Equity in pooled cash is accounted with, but considered a separate component of, the City's Equity in Pooled Cash.

The majority of initial, first year charges to the respective cities were for the acquisition of capital purchases. These initial charges were made in accordance with the agreement. The different proportions of existing equipment and other capital already owned by the three participating cities caused a disproportionate allocation of net assets. In the second year (fiscal year 2003) ownership of capital assets was the basis for adjusting the allocation of the beginning year's equity. The reallocation placed assets with actual physical locations under the ownership of the respective jurisdictions.

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

The following is a summary of the statement of net assets and statement of revenues, expenses, and changes in fund net assets of Communications Interlocal Agency:

Statement of Net Assets
September 30, 2006

	Port Orange	New Smyrna Beach	Edgewater	Total
Equity in pooled cash and investments	\$ 189,926	0	177,930	367,856
Due from other governments	<u>7,142</u>	<u>214,643</u>	<u>2,848</u>	<u>24,633</u>
Total current assets	197,068	214,643	180,778	592,489
Total capital assets net of accumulated depreciation.....	<u>77,946</u>	<u>58,460</u>	<u>40,745</u>	<u>177,151</u>
Total assets.....	275,014	273,103	221,523	769,640
Total current liabilities	<u>85,650</u>	<u>81,585</u>	<u>44,772</u>	<u>212,007</u>
Net assets:				
Invested in capital assets	77,946	58,460	40,745	177,151
Unrestricted.....	<u>111,418</u>	<u>133,058</u>	<u>136,006</u>	<u>380,483</u>
Total net assets	\$ <u>189,364</u>	<u>191,518</u>	<u>176,751</u>	<u>557,633</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Period Ended September 30, 2006

	Port Orange	New Smyrna Beach	Edgewater	Total
Revenues:				
Charges for Services	\$ <u>1,111,159</u>	<u>888,176</u>	<u>640,890</u>	<u>2,640,225</u>
Expenses:				
Salary and related cost	806,120	604,590	421,381	1,832,091
Operating expenses	302,604	268,287	147,046	717,937
Depreciation expense	<u>32,379</u>	<u>17,902</u>	<u>18,731</u>	<u>69,012</u>
Total expenses.....	<u>1,141,103</u>	<u>890,779</u>	<u>587,158</u>	<u>2,619,040</u>
Operating income (loss).....	(29,944)	(2,603)	53,732	21,185
Non-operating revenue (expense):				
Miscellaneous	<u>5,881</u>	<u>(1,590)</u>	<u>3,074</u>	<u>7,365</u>
Net increase (decrease) in net assets	(24,063)	(4,193)	56,806	28,550
Total net assets - beginning.....	<u>213,427</u>	<u>195,711</u>	<u>119,945</u>	<u>529,083</u>
Total net assets - ending.....	\$ <u>189,364</u>	<u>191,518</u>	<u>176,751</u>	<u>557,633</u>

B. 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 units. The primary government is reported in two

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

columns to separately report governmental activities from business-type activities. Component unit data is aggregated into a single column. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements as is further disclosed below under the heading *Interfund Activity Eliminations and Reclassifications*.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The Statement of Net Assets presents the overall government's financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net assets for the period. 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 segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

C. 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.

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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions are grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

Derived Tax Revenues are defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.

Imposed Nonexchange Revenues result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.

Government-mandated Nonexchange Transactions establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (“expenditure-driven”) basis at the time the recipient has incurred allowable costs under the applicable program.

Voluntary Nonexchange Transactions result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

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 Government 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’s accounts are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

governmental and proprietary fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

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. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

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 industrial park area facilities, within the vicinity of the airport, that accommodates light manufacturing and high-tech industrial businesses. The airport is designated as a general aviation transport airport, consisting of hangars, asphalt runways and non-precision instrument approach capabilities. Federal awards and state financial assistance is also a major source of revenue to assistance with the maintenance and improvements of these facilities.

Capital Projects Funds - 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 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.

Additionally, the City reports the following fund types:

Special Revenue Funds - These funds are used to 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. These funds include the Special Law Enforcement Fund, Law Enforcement Impact Fee Fund, Fire/ Emergency Services Impact Fee Fund, Parks/Recreation Impact Fee Fund, the Stormwater Utility Fund, Water Taxi Fund, Marina Fund, Special Events Fund, and Building Inspection Fund.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt servicing of the Public Improvement Revenue Bonds, Series 1992, dated August 28, 1992, Public Improvement Refunding Revenue Bonds, Series 1998, dated April 30, 1998, State Revolving Fund Loans, dated June 30, 1999 and August 12, 2002, the Florida Municipal Loan Council, Series 2000B, dated November 15, 2000, the Capital Improvement Refunding Revenue Bond, Series 2005, dated March 30, 2005, and the General Obligation Revenue Bonds, Series 2005, dated February 1, 2005.

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

Pension Trust Funds - Pension trust funds (Municipal Police Officers' Retirement Fund and the Municipal Firefighters' Pension Trust Fund) 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. Amounts payable and receivable between the primary government and its discretely presented component unit are reported on a separate line in both columns. The effect of internal service fund activity and similar internal allocations of overhead expenses have been eliminated in the statement of activities for the primary government so that the allocated expenses are reported only by the function to which they are related. The City's policy for eliminating internal activity in the government-wide statement of activities is that interfund services provided and used are not eliminated in the process of consolidation.

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.

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 the 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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. All of the City's investments are reported at fair value, with the exception of investments in the 2a7-like pools (State Board of Administration Local Government Surplus Trust Fund Pool), which are stated at cost or amortized cost and are the same as the fair value of pool shares. All fiduciary (pension) fund investments are stated at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either as "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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading date made in mid-September through the end of the fiscal year.

3. Inventories and Prepaid Items

The cost of inventory is accounted for on the consumption basis 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. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value.

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.

4. 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 legal indentures imposed by applicable bond covenants and other legal indentures. 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.

5. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas, the terms capital assets and infrastructure assets relate to all such assets belonging to the City. To ease implementation efforts, GASB Statement No. 34, provides the City with an extended transition period for reporting existing general infrastructure assets. Accordingly, the City is only reporting general infrastructure

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

assets and related depreciation expense on these assets, for those assets acquired in the year of implementation of the pronouncement in the entity-wide statement of net assets and statement of activities.

Capital assets are defined by the City as assets with an initial individual cost of \$750 or more and an estimated useful life of more than one-year. The capitalization policy for building and improvements other than buildings require assets with an initial cost to be \$5,000 or greater before it is capitalized. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Such 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. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization.

Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds in accordance with the applicable provisions of Financial Accounting Standard Number 62, and therefore, depreciated over the remaining useful life of the related asset.

Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property, are charged to operating expenses.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40 years
Improvements other than buildings	10-30 years
Equipment	3 -30 years
Infrastructure.....	20-40 years

For the discretely presented component unit, the Utilities Commission reported substantially all depreciation of utility plant other than nuclear fuel computed on the straight-line method based on the estimated remaining useful life of the property, adjusted for estimated net salvage, which are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Transmission and distribution plant	25-50 years
General plant:	
Structures and improvements.....	35 years
Other general plant.....	10-35 years
Pollution Control System:	
Collection plant	35-50 years
Pumping plant:	
Structures and improvements.....	50 years
Pumping equipment	25 years
Treatment and disposal plant.....	25-40 years
General plant	10-50 years
Common Plant:	
Structures and improvements	35 years
Other general plant	5-15 years
Water Reuse System:	
Structures and improvements	50 years
Transmission and distribution plant	50 years
Communications System:	
Structures and improvements	30 years
Other general plant	5-20 years

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

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

Pursuant to GASB Statement No. 34, an extended period of deferral (fiscal year beginning October 1, 2006) is available before the requirement to record and depreciate infrastructure assets acquired before the implementation date becomes effective. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before October 1, 2001. However, they do reflect those assets that were completed during the fiscal year.

6. Compensated Absences

The portion of employee payroll costs paid subsequent to year-end attributable to services performed prior to year-end and accumulated unpaid vacation, sick-leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

City employees receive personal leave days to provide for all forms of leave as follows:

	<u>Annual Accrual</u>
Nonmanagement personnel:	
1 to 5 years service	18
6 to 13 years service	24
14 and over years service	30
Management personnel:	
All service	24 days per year base, plus 3/4 day for each year of service to a maximum 40 days per year

7. *Unearned Income*

Unearned income is reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned income also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned income is removed and revenue is recognized.

8. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the effective interest method. Unamortized bond discounts are presented in aggregate on the financial statements as a reduction of the carrying cost of the related long-term debt. Unamortized debt issuance costs are presented as other assets. In the fund financial statements, governmental fund types recognize premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. *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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 this reconciliation.

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 this reconciliation.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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 governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
2. Budget workshop sessions are scheduled by the City Commission, as needed.
3. A general summary of the budget and notice of public hearing is published in a local newspaper.
4. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
5. 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.
6. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
7. Every appropriation lapses at the close of the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2006, total fund (the legal level of budgetary control) expenditures exceeded budgetary appropriations in the nonmajor Water Taxi Special Revenue Fund by \$95,138 and in the nonmajor Debt Service Fund by \$151,705. The over-expenditure in the Water Taxi was related to capital outlay financed with a capital grant and an appropriation of fund balance. The over-expenditure in the Debt Service Fund was funded by additional transfers from the General Fund and the CRA Trust Fund.

C. Deficit Fund Equity

The nonmajor Special Events Fund had a deficit fund balance of \$46,403 as of September 30, 2006. The deficit fund balance arose from initial year operations requiring an interfund loan from the General Fund. Management will review the activity reported in this fund to determine appropriate fees to adequately recover costs incurred related to several special events held in the City.

NOTE 4 - 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 operating millage rate assessed by the City was 4.3103 mills for the year ended September 30, 2006.

The property tax calendar is as follows:

Valuation Date	January 1, 2005
Property Appraiser prepares the assessment roll with values as of January 1, 2005, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1, 2005
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 2005
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1, 2005
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2005 through March 2006, with the following applicable discounts:	November 1, 2005

<u>Month Paid</u>	<u>Discount Percent</u>
November	4
December	3
January	2
February	1
March	0

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2006

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). April/May 2006

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes June 1, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS

As of September 30, 2006, the City had the following deposits and investments:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and collateralized	\$15,168,545	16,746,321
Uninsured:		
Uncollateralized (1)	803,780	803,780
Cash funds	<u>17,489</u>	<u>17,489</u>
 Totals	 <u>\$15,989,814</u>	 <u>17,567,590</u>

(1) Money market funds held by trustees in the Municipal Firefighters' Pension Trust Fund are uninsured, uncollateralized funds.

<u>Investment Type</u>	<u>Investment Maturities (Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>From 1-5</u>	<u>From 6-10</u>
Local government surplus trust funds investment pool	\$18,556,041	18,556,041	-	-
Insurance group annuity contract	11,322,393	11,322,393	-	-
U.S. Treasuries	1,096,093	-	806,685	289,408
U.S. agencies	807,626	146,954	475,600	185,072
Domestic corporate bonds	1,632,887	482,071	917,831	232,985
Domestic corporate equities	<u>5,148,211</u>	<u>5,148,211</u>	<u>-</u>	<u>-</u>
 Totals	 <u>\$38,563,251</u>	 <u>35,655,670</u>	 <u>2,200,116</u>	 <u>707,465</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

A reconciliation of cash and investments to the financial statements of the primary government is as follows:

Carrying value of deposits.....	\$15,989,814	
Carrying value of investments.....	<u>38,563,251</u>	
Total per note detail		<u>\$54,553,065</u>
Cash and cash equivalents.....	\$ 33,529,827	
Restricted cash and cash equivalents.....	207,570	
Fiduciary fund cash and investments	<u>20,815,668</u>	
Total reported in statements of net assets		<u>\$54,553,065</u>

As of September 30, 2006, the Utilities Commission, a discretely presented component unit, had the following deposits and investments:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC) and collateralized.....	\$ 2,924,945	\$ 2,133,711
Uninsured and uncollateralized.....	15,948	15,948
Cash funds	<u>11,931</u>	<u>11,931</u>
Total deposits	<u>\$ 2,952,824</u>	<u>\$ 2,161,590</u>

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Maturities</u>
FHLB Unsecured Bond.....	\$ 1,000,000	993,440	2/23/2007
FNMA Bonds	2,000,000	1,995,573	3/14/2007
Repurchase agreements	<u>12,957,650</u>	<u>12,957,650</u>	3 months or less
Total investments	<u>\$15,967,650</u>	<u>15,946,663</u>	

Investment Policy. The City’s investment policies are governed by state statutes and local ordinance. Pursuant to the local ordinance the City will develop an investment policy. As of September 30, 2006 no separate written investment policy has been adopted by the City. 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:

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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 provisions under both statutes limit investments to:

1. Investment in annuity and life insurance contracts of life insurance companies.
2. 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.
3. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.
4. Bonds issued by the State of Israel.
5. 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:
 - a. 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 the case of bonds only, holds a rating in one of the three highest classifications by a major rating service; and
 - b. 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.

The Utilities Commission's investment policies are governed by state statutes and local resolution. Allowable investments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. At September 30, 2006, the Utilities Commission's investments included United States Agency Bonds and Repurchase Agreements that are invested in U.S. Government securities guaranteed by the U.S. Government.

Interest Rate Risk. 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.

In accordance with its investment policy, the Utilities Commission manages its exposure to declines in fair values by limiting the maturity of specific investments based on the following restrictions: (1) funds earmarked for operation and maintenance expenses, debt service sinking funds, and annually budgeted plant expansion cost and equipment purchases will be invested with a maturity of one year from date of purchase, and (2) construction funds are limited to being invested in securities maturing not more than five years from the date of purchase.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Credit Risk. The provisions under Section 218.415, Florida Statutes, require that investment activity by a unit of local government must be consistent with a written investment plan adopted by the governing body. On September 26, 1995 the City adopted Ordinance No. 82-95, *Investment Policy* that applies to all cash and investments under the control of the City. Provisions under this local ordinance allow the City to develop its own investment policy. In absence of a written policy the City defaults to the authorized investments specified 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. A description of the investments permissible under these sections of the state statutes is outlined under the heading *Investment Policy* above. The City specifically refrains from investing in derivative investment products. As of September 30, 2006, the City's investments in corporate bonds, held by trustees of the Municipal Firefighters' Pension Trust Fund, were rated from AAA to A3 by Standard & Poor's and rated by Moody's Investors Service from AAA to BBB-, in the amounts as indicated above. Credit ratings do not apply to the City's investments in U.S. Government bonds, and the guaranteed annuity contract held by the trustees of the Municipal Police Officers' Pension Trust Fund.

On September 20, 1995, the Utilities Commission adopted Resolution No. 52-95, *Investment Policy in Accordance with Florida Statute 218.415* that applies to all cash and investments under the control of the Commission. Under these provisions the Commission had identified the following permissible investments:

1. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act,
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency,
3. Interest-bearing time deposits and savings accounts in qualified public depositories,
4. Direct obligations of the U.S. Treasury
5. Obligations of U.S. Government instrumentalities, such as; Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Banks,
6. Mutual funds, provided that the portfolio of such investment companies or trusts is limited to U.S. Government obligations and to repurchase agreements fully collateralized by such U.S. government obligations,
7. Commercial paper of U.S. corporations, rated as "Prime -1" by Moody's and or "A-1" by Standard & Poor's.
8. State and local government taxable and tax exempt debt rated at least "Aa" by Moody's, "AA" by Standard & Poor's for long-term debt or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.
9. Bankers' Acceptances which are inventory-based and issued by a domestic bank which has as unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" and "A" by Moody's Investor Service and "A-1" and "A" by Standard & Poor's Corporation and ranked in the top fifty United States banks in terms of total assets by the American Banker's yearly report.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

The Utilities Commission specifically refrains from investing in derivative investment products.

As of September 30, 2006, the Utilities Commission's investment in a Federal Home Loan Bank Unsecured Bonds were rated AAA by Standard & Poor's and not rated by Moody's Investors Service. Investments in Federal National Mortgage Association Bonds were rated AAA by Standard and Poor's and not rated by Moody's Investors Service. Credit ratings do not apply to the Commission's investments in the U.S. Treasury State and Local Government Series (SLGS) Bonds and to the securities underlying the repurchase agreements, which are invested U.S. government securities guaranteed by the U.S. government.

Concentration 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.

Provisions in the Utilities Commission's policy limit the investment in specific investments to control the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. With the exception of Repurchase Agreement, Overnights, and Non-negotiable Certificate of Deposits, no more than 25% of the entire portfolio may be placed with any one bank, savings and loan or broker/dealer unless specifically authorized by the Commission.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's and Utilities Commission's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

At September 30, 2006, the carrying amount of the City's aggregate deposits (primary government), including money market funds held with financial institutions, was \$15,989,814. The September 30, 2006, bank balances totaled \$17,567,590, of which \$202,941 was covered by federal depository insurance, \$16,543,380 was secured in accordance with the statutory provisions of the Act, and \$803,780 was held in unsecured, uncollateralized money market mutual funds. Included in the carrying amount of the City's deposits is \$17,489 in petty cash, change funds, and undeposited receipts.

At September 30, 2006, the carrying amount of the Utilities Commission's (component unit) deposits, including money market funds held with financial institutions, was \$2,952,824. The September 30, 2006, bank balances totaled \$2,161,590, of which \$105,323 was covered by federal depository insurance, \$2,819,622 was

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

secured in accordance with the statutory provisions of the Act, and \$15,948 was held in unsecured, uncollateralized money market mutual funds. Included in the carrying amount of Utilities Commission deposits is \$11,931 in petty cash and change funds.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City (primary government) and the Utilities Commission (component unit) 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, 2006, the City’s investment in the guaranteed annuity contract is not subject to custodial credit risk. The City’s investments held in street name in the form of stock, corporate bonds, and U.S. Government bonds through a financial brokerage firm are uninsured, unregistered and held by the City’s brokerage firm which is also the counterparty for these particular securities. The carrying amount of the City’s investment in the Local Government Surplus Trust Funds Investment Pool totaling \$18,556,041 was covered by collateral securities in accordance with the provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act*.

As of September 30, 2006, the Utilities Commission has a custodial credit risk exposure of \$12,957,650 for investments in repurchase agreements and \$3,010,000 for one investment in a Federal Home Loan Bank Unsecured Bond and two investments in FNMA bonds, since these investments are uninsured, unregistered and held by the Commission’s bank’s securities department and brokerage firms who are also the counterparty for these particular securities.

NOTE 6 - RESTRICTED ASSETS

Primary Government. A summary of restricted assets of the City, at September 30, 2006, is as follows:

Debt Service funds	<u>\$ 207,570</u>
--------------------------	-------------------

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

Debt service and related funds:		
Principal and interest funds.....	\$ 5,588,270	
Debt service reserve funds	<u>539,839</u>	
Total debt service and related funds.....		6,128,109
Renewal and replacement funds.....		<u>7,529,244</u>
Total revenue certificate covenant funds.....		13,657,353
Nuclear generation facility decommissioning funds		3,118,284
Renewal and replacement service capacity fees.....		6,293,735
Developer infrastructure escrow.....		57,130
Customer deposits		<u>1,760,629</u>
Total restricted assets		<u>\$24,887,131</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Total restricted assets consist of:

Cash and cash equivalents	\$22,850,394	
Investments, at fair value	2,000,000	
Accrued interest receivable	<u>36,737</u>	
Total restricted funds		<u>\$24,887,131</u>

NOTE 7 - RECEIVABLES

Primary Government. The City's accounts receivable at September 30, 2006, consists of the following:

Governmental Activities:

General Fund:

Delinquent taxes receivable.....	\$ 80,711	
Accounts receivable	78,853	
Special assessments receivable.....	<u>280,127</u>	
Total receivables (gross)	439,691	
Less: allowance for doubtful accounts	<u>0</u>	
Total General Fund accounts receivable, net		\$ 439,691

Special Revenue Funds:

Airport/ Industrial Park:

Accounts receivable	\$ 156,603	
Less: allowance for doubtful accounts.....	<u>0</u>	
Total special revenue fund accounts receivable, net		<u>156,603</u>

Total governmental activities accounts receivable, net \$ 596,294

Business-Type Activities:

Municipal Golf Course:

Accounts receivable	\$ 3,347	
Less: allowance for doubtful accounts	<u>0</u>	
Total business-type activities accounts receivable, net		<u>\$ 3,347</u>

Discretely Presented Component Unit. The Utilities Commission's accounts receivable consist of trade accounts receivable from customers for utility system revenue and other revenue sources. At September 30, 2006, the accounts receivable, net of a provision for losses on uncollectible accounts, consisted of the following:

Accounts receivable	\$ 8,235,108	
Less: allowance for doubtful accounts.....	<u>(4,448,432)</u>	
Total accounts receivable, net		<u>\$ 3,786,676</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

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 for the primary government at September 30, 2006, are comprised of the following:

Fund	Interfund Receivables	Interfund Payables
Internal balances - due to/from other funds:		
General Fund.....	\$ 9,551,089	0
Special Revenue Funds:		
Airport Industrial Park Fund	0	77,356
Water Taxi Fund.....	0	188,097
Special Events Fund.....	0	41,403
Capital Projects Funds	0	6,596,646
Enterprise Funds:		
Golf Course Fund.....	<u>0</u>	<u>2,647,587</u>
Totals.....	<u>\$ 9,551,089</u>	<u>9,551,089</u>

The amount due to/from primary government and component units consists of the following:

Fund	Interfund Receivables	Interfund Payables
Primary Government:		
General Fund.....	\$ 871,498	0
Stormwater Utility Fund	195,734	
Municipal Sanitation Fund.....	493,184	0
Component Unit:		
Utilities Commission, City of New Smyrna Beach	<u>0</u>	<u>1,560,416</u>
Totals.....	<u>\$ 1,560,416</u>	<u>1,560,416</u>

The interfund loan from the General Fund to the Airport Industrial Park Fund was made to help the Airport Industrial Park Fund meet capital expenditures that will later be reimbursed by federal and state grants. The interfund loan from the General Fund to the Water Taxi Fund was made to provide funds to cover a cash shortfall due to the timing of grant related expenditures in the Water Taxi Fund. The interfund loan from the General Fund to the Special Events Fund was made to help cover the shortfall from operating expenditures exceeding revenue generated from user fees for City-wide events. The interfund loan from the General Fund to the Capital Projects Fund arose over a three-year period due to the phased-construction of the City's new public safety that are financed primarily from the issuance of a general obligation bond; however, actual costs are much greater than originally estimated and the short-term needs are being met by the interfund loan. Expenditures related to this large capital project were originally appropriated in the Capital Projects Fund. 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. It is anticipated that additional external financing will be secured in the next fiscal year to complete the golf course improvements and additional costs that will be incurred related to the construction of a new police station and fire houses.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
 September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

Transfers occur to move revenues 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, 2006, the City made the following transfers:

	Transfers Out	Transfers In		
		General Fund	Special Revenue Funds	Debt Service Funds
General Fund	\$ 578,410	0	75,820	502,590
Special Revenue Funds:				
Stormwater Utility Fund	387,128	150,000	0	237,128
Community Redevelopment Fund	517,110	174,858	0	342,252
Building Inspection Fund	<u>137,725</u>	<u>137,725</u>	<u>0</u>	<u>0</u>
Totals.....	<u>\$ 1,620,373</u>	<u>462,583</u>	<u>5,820</u>	<u>1,081,970</u>

NOTE 9 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2006, is as follows:

Primary Government	Balances			Balances
	9/30/2005	Additions	Deletions	9/30/2006
Governmental activities:				
Capital assets not being depreciated:				
Land.....	\$ 18,530,259	8,378	0	18,538,637
Construction work in progress	<u>4,004,938</u>	<u>7,724,963</u>	<u>(4,462,923)</u>	<u>7,266,978</u>
Total capital assets not being depreciated ..	<u>22,535,197</u>	<u>7,733,341</u>	<u>(4,462,923)</u>	<u>25,805,615</u>
Capital assets being depreciated:				
Buildings	17,607,514	187,608	0	17,795,122
Improvements other than buildings	10,539,883	3,026,717	0	13,566,600
Machinery and equipment	9,090,476	1,779,028	0	10,869,504
Infrastructure	<u>4,914,292</u>	<u>1,717,367</u>	<u>0</u>	<u>6,631,659</u>
Total capital assets being depreciated	<u>42,152,165</u>	<u>6,710,720</u>	<u>0</u>	<u>48,862,885</u>
Less accumulated depreciation for:				
Buildings	(6,938,485)	(282,925)	0	(7,221,410)
Improvements other than buildings	(6,873,162)	(488,654)	0	(7,361,816)
Machinery and equipment	(6,232,158)	(625,002)	0	(6,857,160)
Infrastructure	<u>(559,586)</u>	<u>(368,887)</u>	<u>0</u>	<u>(928,473)</u>
Total accumulated depreciation.....	<u>(20,603,391)</u>	<u>(1,765,468)</u>	<u>0</u>	<u>(22,368,859)</u>
Total capital assets being depreciated, net..	<u>21,548,774</u>	<u>4,945,252</u>	<u>0</u>	<u>26,494,026</u>
Governmental activities capital assets, net.	<u>\$ 44,083,971</u>	<u>12,678,593</u>	<u>(4,462,923)</u>	<u>52,299,641</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Primary Government	Balances 9/30/2005	Additions	Deletions	Balances 9/30/2006
Business-type activities:				
Capital assets not being depreciated:				
Land.....	\$ 27,618	0	0	27,618
Improvements - golf course.....	240,946	0	0	240,946
Construction in progress.....	<u>0</u>	<u>2,336,051</u>	<u>0</u>	<u>2,336,051</u>
Total capital assets not being depreciated ..	<u>268,564</u>	<u>2,336,051</u>	<u>0</u>	<u>2,604,615</u>
Capital assets being depreciated:				
Buildings	199,245	0	0	199,245
Improvements other than buildings	779,909	0	0	779,909
Machinery and equipment	<u>1,358,762</u>	<u>142,238</u>	<u>0</u>	<u>1,501,000</u>
Total capital assets being depreciated	<u>2,337,916</u>	<u>142,238</u>	<u>0</u>	<u>2,480,154</u>
Less accumulated depreciation for:				
Buildings	(163,060)	(8,926)	0	(171,986)
Improvements other than buildings	(488,960)	(29,311)	0	(518,271)
Machinery and equipment	<u>(1,234,942)</u>	<u>(71,151)</u>	<u>0</u>	<u>(1,306,093)</u>
Total accumulated depreciation.....	<u>(1,886,962)</u>	<u>(109,388)</u>	<u>0</u>	<u>(1,996,350)</u>
Total capital assets being depreciated, net..	<u>450,954</u>	<u>32,850</u>	<u>0</u>	<u>483,804</u>
Business-type capital assets, net.....	<u>\$ 719,518</u>	<u>2,368,901</u>	<u>0</u>	<u>3,088,419</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 130,476
Public safety	408,891
Transportation	489,561
Economic environment.....	75,625
Physical environment	212,295
Culture/recreation	416,697
Intragovernmental services.....	<u>31,923</u>
Total depreciation expense - governmental activities	<u>\$ 1,765,468</u>
Business-type activities:	
Municipal Golf Course	\$ 108,806
Municipal Sanitation	<u>582</u>
Total depreciation expense - business-type activities.....	<u>\$ 109,388</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

The capital asset activity for the Utilities Commission for the year ended September 30, 2006, is as follows:

Discretely Presented Component Unit	Balances			Balances
	9/30/2005	Additions	Deletions	9/30/2006
Capital assets not being depreciated:				
Land and land rights	\$ 3,271,679	0	0	3,271,679
Construction work in progress	3,166,792	6,511,107	(3,238,540)	6,439,359
Plant held for future use	7,467,493	0	0	7,467,493
Nuclear fuel, net of amortization.....	<u>222,869</u>	<u>75,659</u>	<u>(144,982)</u>	<u>222,869</u>
Total capital assets not being depreciated ..	<u>14,128,833</u>	<u>6,586,766</u>	<u>(3,352,609)</u>	<u>17,362,990</u>
Capital assets being depreciated:				
Structures and improvements	20,694,690	227,168	0	20,921,858
Production and treatment.....	45,085,005	499,146	0	45,584,151
Transmission, distribution and collection...	104,349,361	7,196,002	(87,842)	111,457,521
Other general plant and equipment.....	<u>12,447,329</u>	<u>1,105,309</u>	<u>(28,008)</u>	<u>13,524,630</u>
Total capital assets being depreciated	<u>182,576,385</u>	<u>9,027,625</u>	<u>(115,850)</u>	<u>191,488,160</u>
Less: accumulated depreciation for:				
Structures and improvements	(6,844,260)	(469,532)	0	(7,313,792)
Production and treatment.....	(16,484,565)	(1,401,071)	0	(17,886,636)
Transmission, distribution and collection...	(43,566,941)	(2,866,209)	49,122	(46,384,028)
Other general plant and equipment.....	<u>(7,233,580)</u>	<u>(821,637)</u>	<u>28,010</u>	<u>(8,027,207)</u>
Total accumulated depreciation.....	<u>(74,130,346)</u>	<u>(5,558,449)</u>	<u>77,132</u>	<u>(79,611,663)</u>
Allowance for decommissioning	<u>(2,885,737)</u>	<u>(232,547)</u>	<u>0</u>	<u>(3,118,284)</u>
Total accumulated depreciation.....	<u>(77,016,083)</u>	<u>(5,790,996)</u>	<u>77,132</u>	<u>(82,729,947)</u>
Total capital assets being depreciated, net..	<u>105,560,302</u>	<u>3,236,629</u>	<u>(38,718)</u>	<u>108,758,213</u>
Utility plant capital assets, net	\$ <u>119,689,135</u>	<u>9,823,395</u>	<u>(3,391,327)</u>	<u>126,121,203</u>

NOTE 10 - LONG-TERM DEBT

Primary Government

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, 2006 are summarized as follows:

General Obligation Revenue Bonds, Series 2005 -- 2.75% to 5.00% dated February 1, 2005, due serially to 2024; general obligations of the City secured by full faith, credit and taxing power as pledged by the City	\$ 17,635,000
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 revenue appropriated by the City	7,335,000

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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	2,155,411
4.63% promissory note payable to Wachovia Bank dated August 27, 1999; various maturities and amortization through April, 2014; secured by general revenue of the City	2,869,799
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	303,511
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	132,527
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	1,782,899
3.09% State Revolving Fund promissory note payable dated August 12, 2002; with semiannual loan payments of \$33,867 beginning August 15, 2003 through 2022; secured by the stormwater utility revenue of the City.....	519,246
2.96% State Revolving Fund promissory note payable dated December 31, 2003; with semiannual loan payments of \$21,844 beginning November 15, 2004 through 2023; secured by the stormwater utility revenue of the City.....	435,385
Florida Municipal Loan Council promissory note payable dated November 15, 2000; 4.25% to 4.75%, due serially to 2015; secured by general revenue of the City	<u>825,000</u>
Total debt obligation in form of bonds and notes.....	33,993,778
Less: current maturities	<u>(1,560,624)</u>
 Total governmental long-term debt.....	 <u>\$ 32,433,154</u>

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.

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 redeemed during the year. The Series 1998 Bonds were issued as additional bonds on a 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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%. As of September 30, 2003, all funds from this loan were disbursed to the City and with the final amendment to the loan agreement, the loan amount, excluding capitalized interest, was limited to \$2,389,000, as adjusted for actual costs incurred. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannual on November 15th and May 15th with principal and interest payments of \$76,515.98 each period.

On April 25, 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.

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 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 estimated principal amount of the loan is \$985,600 of which \$978,000 will be disbursed to the City for project costs and \$7,600 for estimated capitalized interest. The loan terms require 40 semiannual payments at a fixed interest rate of 3.09%, with the first payment due August 15, 2003. As of September 30, 2003, funds amounting to \$575,067 from this loan were disbursed to the City. The City has expended \$641,744 for actual costs incurred to date on this loan and as of September 30, 2003, was awaiting a reimbursement loan draw of \$66,677. The loan is secured by a pledge of the City's stormwater utility fees. Repayments are made semiannual on August 15th and February 15th with principal and interest payments of \$33,867 each period until the payment amount is adjusted by a final amendment upon completion of the project.

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 4.75% through November 1, 2015. Interest is payable semiannually on May 1 and November 1, with the first interest payment due May 1, 2001. Principal is payable annually on

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

November 1, with the first principal payment due November 1, 2001. This loan is secured by the non-ad valorem revenues of the City.

On December 31, 2003, the City executed another loan agreement with the Florida Department of Environmental Protection to provide State Revolving Fund assistance for the construction of additional stormwater system improvements. The estimated principal amount of the loan is \$642,948, of which \$639,649 will be disbursed to the City for project costs and \$3,300 is the estimated capitalized interest cost. The loan terms require 40 semiannual payments at a fixed interest rate of 2.96%, with the first payment due November 15, 2004. As of September 30, 2004, funds amounting to \$500,194 from this loan were disbursed to the City. Repayments are made semiannually on November 15th and May 15th with principal and interest payments of \$21,844 each period until the payment amount is adjusted by a final amendment upon completion of the project.

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. As of September 30, 2006 the City had not yet made any project loan draws.

A summary of the changes in the City's total long-term debt for the year ended September 30, 2006, is as follows:

	Balances 9/30/2005	Additions	Deletions	Balances 9/30/2006	Due Within One-Year
General Obligation Bonds, Series 2005.....	\$18,330,000	0	(695,000)	17,635,000	715,000
Capital Improvement Refunding					
Revenue Bonds, Series 2005	7,335,000	0	0	7,335,000	0
Public Improvement Refunding					
Revenue Bonds, Series 1998	2,391,924	0	(236,513)	2,155,411	247,339
Promissory notes.....	<u>7,649,914</u>	<u>0</u>	<u>(781,547)</u>	<u>6,868,367</u>	<u>962,339</u>
Total debt in bonds and notes	35,706,838	0	(1,713,060)	33,993,778	1,560,624
Employee compensated absences					
long-term portion only	<u>1,864,400</u>	<u>0</u>	<u>(57,050)</u>	<u>1,807,350</u>	<u>0</u>
Totals.....	<u>\$37,571,238</u>	<u>0</u>	<u>(1,770,110)</u>	<u>35,801,128</u>	<u>1,560,624</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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

	General Obligation Bonds Series 2005	Capital Improvement Refunding Series 2005	Public Improvement Refunding Series 1998	Notes Payable	Total
September 30, 2007	\$ 1,418,936	503,746	340,744	870,950	3,134,376
September 30, 2008	1,422,486	507,596	340,909	857,191	3,128,182
September 30, 2009	1,422,136	505,609	341,083	858,923	3,127,751
September 30, 2010	1,419,336	507,909	341,264	837,741	3,106,250
September 30, 2011	1,423,136	505,721	341,454	839,084	3,109,395
Thereafter	<u>18,468,378</u>	<u>9,105,928</u>	<u>854,884</u>	<u>4,189,029</u>	<u>32,618,219</u>
Total debt service requirements	25,574,408	11,636,509	2,560,338	8,452,918	48,224,173
Less amounts representing interest	<u>(7,939,408)</u>	<u>(4,301,509)</u>	<u>(404,927)</u>	<u>(1,584,551)</u>	<u>(14,230,395)</u>
Net principal amount	<u>\$ 17,635,000</u>	<u>7,335,000</u>	<u>2,155,411</u>	<u>6,868,367</u>	<u>33,993,778</u>

Business-Type Activities - There is no long-term debt associated with the City's business-type activities.

The total compensated absences for both governmental and business-type activities as of September 30, 2006 are as follows:

	Governmental Activities	Business- Type Activities	Total
Due and payable within one-year	\$ 214,540	9,769	224,309
Long-term portion	<u>1,807,350</u>	<u>184,869</u>	<u>1,992,219</u>
Total compensated absences	<u>\$ 2,021,890</u>	<u>194,638</u>	<u>2,216,528</u>

The total change in compensated absences for the year ended September 30, 2006 is as follows:

	Balances 9/30/2005	Additions	Deletions	Balances 9/30/2006
Due and payable within one-year	\$ 231,609	158,976	(166,276)	224,309
Long-term portion	<u>2,122,894</u>	<u>396,875</u>	<u>(527,550)</u>	<u>1,992,219</u>
Total compensated absences	<u>\$ 2,354,503</u>	<u>555,851</u>	<u>(693,826)</u>	<u>2,216,528</u>

Compensated absences are typically paid from the General Fund, Community Redevelopment Trust Fund, Municipal Golf Course Fund, and the Municipal Garage Fund. Approximately 85% of the City's General Fund revenue is used to liquidate compensated absences, with the remaining portion being paid by the Community Redevelopment Trust Fund (1.5%), Municipal Golf Course Fund (11.5%) and the Municipal Garage Fund (2%).

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Discretely Presented Component Unit

A summary of the Utilities Commission's long-term debt outstanding at September 30, 2006 is as follows:

Utilities System Refunding Revenue Certificates, Series 1993 - 4.75% due serially to 2011; called for redemption on October 1, 2002, with \$1,245,000 (5.00%) and \$185,000 (5.00%) term bonds due in 2018 and 2019, respectively	\$ 2,530,000
Utilities System Refunding Revenue Certificates, Series 2002 - 2.75% to 5.00% due serially to 2017	33,520,000
Utilities System Refunding Revenue Certificates, Series 20045A -2.895% due serially to 2011.....	<u>2,345,000</u>
 Total utilities revenue certificates outstanding	 <u>38,395,000</u>
 Less: current maturities:	
Series 2002 Certificates	(2,920,000)
Series 2004A Certificates	<u>(290,000)</u>
Total current maturities.....	<u>(3,210,000)</u>
 Long-term certificate debt.....	 35,185,000
 Plus: Unamortized debt premium.....	 409,365
Less: Deferred amount on advance refunding	(1,146,116)
Less: Unamortized debt discount	<u>(54,411)</u>
 Net long-term certificate debt.....	 \$ <u>34,393,838</u>

Notes Payable:

State Revolving Loan Fund - construction loans consisting of \$8,521,618, bearing interest at 3.22% per annum, \$1,778,378, bearing interest at 3.18% per annum, and \$7,135,931 bearing interest at 3.18% per annum; payable in equal semi-annual payments of \$639,359, and maturing in August, 2019.....	\$ 13,536,553
\$12,200,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on April 1, 2001 and maturing in April 2020	9,700,000
\$3,000,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on October 1, 2001 and maturing in October 2020	2,418,000
\$9,050,000 payable to Florida Municipal Power Agency, as agent for Initial Pooled Loan Project, at a variable interest rate; interest payable monthly with annual principal payments over 20 year term; repayment commencing on December 1, 2001 and maturing in December 2020	<u>6,353,000</u>
 Total notes payable.....	 <u>32,007,553</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Less: current maturities:	
State Revolving Fund Loan	\$ (856,214)
FMPA Pooled loans	<u>(942,000)</u>
Total current maturities	<u>(1,798,214)</u>
Long-term portion of note payable.....	<u>30,209,339</u>
Total long-term debt, net	<u>\$ 64,603,177</u>

A summary of borrowings and debt service activity for the year ended September 30, 2006 is as follows:

	Beginning of Year	Borrowings	Maturities/ Redemptions	End of Year
Utilities revenue certificates	\$ 41,800,000	0	(3,405,000)	38,395,000
Notes payable	<u>33,938,249</u>	<u>0</u>	<u>(1,930,696)</u>	<u>32,007,553</u>
Total outstanding debt.....	<u>\$ 75,738,249</u>	<u>0</u>	<u>(5,335,696)</u>	<u>70,402,553</u>

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

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

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

The notes payable to the State of Florida, Department of Environmental Protection, State Revolving Fund Loan are secured by pledged revenues of the Utilities Commission; however, the lien on the pledged revenues is subordinate to the right of payment and security to the Revenue Certificates Payable - Series 1993, 1996, and 2004A. The notes payable to the Florida Municipal Power Agency are secured by a pledge and lien upon the Utilities Commission's utility system revenues and are subordinate to the right of payment and security to the Revenue Certificates and are on a parity with the State Revolving Fund Loan.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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

Fiscal Year Ending	Revenue Certificates		Note Payable SRF Loan		Notes Payable FMPA		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
September 30,								
2007	\$ 3,210,000	1,518,136	856,214	422,504	825,000	717,822	4,891,214	2,658,462
2008	\$ 3,600,000	1,412,466	883,578	395,140	987,000	675,318	5,470,578	2,482,924
2009	\$ 3,700,000	1,300,573	911,816	366,903	1,034,000	630,385	5,645,816	2,297,861
2010	\$ 3,820,000	1,179,077	940,956	337,762	1,096,000	583,128	5,856,956	2,099,967
2011	\$ 3,745,000	1,046,312	971,031	307,687	1,148,000	533,582	5,864,031	1,887,581
2012-2016.....	\$ 15,445,000	2,569,785	5,340,997	1,052,596	6,741,000	1,950,025	27,526,997	5,572,406
2017-2021.....	\$ 4,875,000	483,137	3,631,960	204,192	6,640,000	567,665	15,146,960	1,254,994

Prior Year's Defeasance of Debt - In prior years, the Utilities Commission defeased certain of its outstanding utilities revenue certificates (and certain general obligation bonds of the City of New Smyrna Beach, Florida), originally issued for the System and payable from revenues derived from the operation of the utilities systems by placing the proceeds of new certificates in irrevocable trusts to provide for all future debt service payments on the defeased certificates/bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the accompanying financial statements. As of September 30, 2006, all prior year defeased certificates and bonds have been called and redeemed.

NOTE 11 - REQUIRED 6% PAYMENT TO CITY OF NEW SMYRNA BEACH

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 \$3,665,315 for the year ended September 30, 2006. This payment is recorded as a tax-equivalent revenue in the General Fund and as an operating expense by the Utilities Commission.

NOTE 12 - EMPLOYEES' PENSION PLANS

A. Florida Retirement System – (Primary Government and Component Unit)

Plan Description. The City and the Utilities Commission contribute to the Florida Retirement System of the State of Florida, a cost-sharing, multiple-employer public employee retirement system created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System,

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560.

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

The City made the required contributions to the plan for the fiscal years ended September 30, 2006, 2005, and 2004, as follows: \$219,975, \$188,612, and \$199,155, respectively. There were no employee contributions made during these years. The Utilities Commission made the required contributions to the plan for the fiscal years ended September 30, 2006, 2005, and 2004, as follows \$326,802, \$315,848, and \$300,766, respectively. The employer contribution rates for FRS members (which are examined and amended each year on July 1) were as follows:

Plan year beginning June 30, 2006	9.85%
Plan year beginning June 30, 2005	7.83%
Plan year beginning June 30, 2004	7.39%

B. General Employees - Defined Contribution Plan - (Primary Government and Component Unit)

The City and the Utilities Commission contribute to a defined contribution plan which is administered by the Principal Mutual Life Insurance Company, P. O. Box 9396, Des Moines, IA 50306-9396. Under Resolution No. 18-96 and Resolution No. 54-95, 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 Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. All qualifying employees at least 18 years of age participate in the plan on the date of employment. Normal retirement and disability benefits are available after 5 years of service and attaining age 62. Early retirement and disability benefits are available after 5 years of service and attaining age 55. Employer contributions to the plan are 8% of the gross employee wages. Employees may make supplemental contributions to the extent permitted by law.

The plan was amended to include the City Manager, who opted out of the Florida Retirement System in the fiscal year 2000. The contribution percentage for the City Manager was 15% of eligible wages for the fiscal year ended September 30, 2006.

Employer and employee contributions (no employee contributions were made by Utilities Commission employees during the periods) to the defined contribution plan for the years ended September 30, 2006, 2005, and 2004 are as follows:

Fiscal Year	<u>Primary Government</u>			<u>Component</u>
	City	Employees	Total	<u>Unit</u> Utilities Commission
September 30, 2006	\$ 224,697	35,938	260,635	337,595
September 30, 2005	192,413	35,972	228,385	306,742
September 30, 2004	171,146	30,818	201,964	186,250

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

C. Municipal Police Officers and Firefighters-Defined Benefit Pension Plans- (Primary Government)

Plan Description. 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. More information relating to the funding methods, determination of benefits, and permissible investments for the Police Plan and the Fire Plan can be found in Chapters 185 and 175, Florida Statutes, respectively. 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.

In fiscal year 1997, the City adopted Ordinance No. 55-96 amending the Police Plan and also adopted Ordinance No.43-97 amending the Fire Plan permitting employees under the age of 60 years to retire after 20 years and 25 years of service, respectively. Employees who retire at age 60 or later with 10 years of active service or have completed 20 years of service [Police Plan] or 25 years of service [Fire Plan] are entitled to an earned benefit, payable monthly for life, in an amount equal to 2% for service years up to October 1, 1996 for Police, and 3% for each year thereafter of the average monthly pay (for the ten latest years of average monthly pay determined on October 1st of each year) times the number of benefit years served. 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. Participants in both plans are required to contribute amounts necessary to fund the System, based upon actuarial valuations as required by State statutes and as amended by the City Ordinance Nos. 55-96 and 43-97.

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 THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Financial Reports. The plans do not issue stand-alone financial statements, but their financial statements are included as part of the basic financial statements of the City of New Smyrna Beach, Florida. This financial report may be obtained from the administrative offices of the City, which is as follows:

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

Funding Policy. The City provides contributions to the Police Plan and Fire Plan under the authority of Chapters 185 and 175, Florida Statutes, respectively and pursuant to Ordinance Nos. 55-96 and 43-97, amending the Police Plan and Fire Plan, respectively, 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, 2005 for both the Firefighter's Pension Trust and Police Officers' Pension Trust Fund. The contribution percentages are determined based on an actuarial valuation using the Entry Age Normal-Frozen Initial Liability method. This method spreads the total cost of the projected pension benefits for each employee from the date he or she is first eligible for the plan to normal retirement age. 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.

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 Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$ 517,739	94.8%	\$ 0
9/30/2004	600,495	90.1%	0
9/30/2003	328,121	104.7%	0

Municipal Firefighters' Retirement Trust Fund
Annual Pension Cost - Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$ 609,850	114.0%	\$ 0
9/30/2004	535,060	100.0%	\$ 0
9/30/2003	245,276	138.0%	\$ 0

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

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 pursuant to GASB Statement No. 24, paragraph 7.

The actuarial valuations for both plans were prepared in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuations for each plan are as follows:

Police Plan - a) an interest rate of 7.75% per annum, compounded annually, and, b) a salary scale that varies the rates of increase in earnings based on the age of the participant over their career, that ranges from 8.10% down to 4.88%, until retirement. The employer contribution rate as of October 1, 2005 was 23.46%.

Fire Plan - a) an interest rate of 8.0% per annum, compounded annually, and b) a projected salary increase of 6.5%. The employer contribution rate as of October 1, 2005 was 27.80%.

Based on the October 1, 2005 actuarial valuation, the Police Officer's Plan was 68.8% funded. Based on the October 1, 2005 actuarial valuation, the Firefighter's Plan was 49.3% funded. The summary valuation information pertinent to the Required Supplementary Information Schedules is provided above.

Required Supplementary Information. The supplementary information required pursuant to GASB No. 25 is contained in Schedules 4 and 5 presented immediately following these notes to the financial statements.

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.

NOTE 13 - 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 and the Municipal Firefighters' Pension 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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Presented below are the financial statements for each pension trust fund for the year ended September 30, 2006.

Statements of Fiduciary Plan Net Assets

	<u>Police</u>	<u>Fire</u>
Assets:		
Cash and cash equivalents	\$ 100	4,578
Contributions receivable - employees.....	<u>7,936</u>	<u>0</u>
Investments, at fair value:		
Money funds.....	0	803,780
Insurance Company Group Annuity contract.....	11,322,393	0
Government bonds	0	1,903,719
Corporate bonds	0	1,632,887
Common stocks and equity securities	<u>0</u>	<u>5,148,211</u>
Total investments	<u>11,322,393</u>	<u>9,488,597</u>
 Total assets.....	 <u>11,330,429</u>	 <u>9,493,175</u>
Liabilities:		
Administration fees payable	<u>0</u>	<u>0</u>
Net assets:		
Held in trust for pension benefits.....	<u>\$11,330,429</u>	<u>9,493,175</u>

Statements of Changes in Fiduciary Plan Net Assets

	<u>Police</u>	<u>Fire</u>
Additions:		
Contributions from:		
Employees	\$ 186,011	26,996
City	491,000	1,078,505
State-Casualty Insurance Premium taxes	<u>0</u>	<u>11,026</u>
Total contributions.....	<u>677,011</u>	<u>1,116,527</u>
Investment income:		
Net appreciation in fair value of investments.....	1,035,066	298,186
Interest earnings	<u>0</u>	<u>254,072</u>
Total investment income.....	<u>1,035,066</u>	<u>552,258</u>
Total additions	<u>1,712,077</u>	<u>1,668,785</u>
Deductions:		
Benefit payments	393,031	258,187
Administrative expenses	<u>41,237</u>	<u>93,502</u>
Total deductions.....	<u>434,268</u>	<u>351,689</u>
 Net increase.....	 1,277,809	 1,317,096
Net assets held in trust for pension benefits:		
Beginning of year.....	<u>10,052,620</u>	<u>8,176,079</u>
End of year.....	<u>\$11,330,429</u>	<u>9,493,175</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

NOTE 14 - DEFERRED EMPLOYEE BENEFITS- *(Primary Government and Component Unit)*

The City offers its City Manager participation in a Prototype Money Purchase Plan, created in accordance with Section 401(a) of the Internal Revenue Code. The assets of this plan are administered by the International City Managers Association Retirement Corporation. Upon separation from service for reasons of death, disability or attainment of age 65 (normal retirement age) the participant may elect to commence receiving benefits which equal accumulated employers' contributions plus earnings thereon. All benefits vest with the employee at the date of contribution. Effective with the amendment of the Defined Contribution Plan (see above) in Fiscal Year 2000, the City Manager opted out of the Florida Retirement System Plan and participation in this equivalent plan through ICMA, except for a 6% contributory provision that continued in this plan. For the year ended September 30, 2006, the City's covered payroll was \$78,554 and contributions were \$1,000.

Also, the City and the Utilities Commission provide 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 \$15,000 or 100% of gross annual compensation for plan years beginning in 2006. 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.

Pursuant to a contract of employment the Utilities Commission offers its current General Manager/Chief Executive Officer participation in the Utilities Commission of New Smyrna Beach Retirement Plan, with employer contributions to the plan at 16% of gross salary. The CEO may make supplemental contributions to the plan to the extent permitted by law. Employer contributions to the plan for the year ended September 30, 2006 were \$24,807. There were no employee contributions made during the year.

NOTE 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.

NOTE 16 - COMMITMENTS

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, if any, to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

NOTE 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 is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank.

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Schedule 1

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes	\$ 10,707,000	10,707,000	10,731,635	24,635
Delinquent ad valorem taxes	10,000	10,000	19,624	9,624
Local option gas tax.....	832,000	832,000	783,721	(48,279)
Franchise taxes.....	555,000	555,000	555,919	919
Utility service taxes	2,625,226	2,625,226	2,800,596	175,370
6% payment from Utilities Commission...	<u>3,420,055</u>	<u>3,420,055</u>	<u>3,665,315</u>	<u>245,260</u>
Total taxes.....	<u>18,149,281</u>	<u>18,149,281</u>	<u>18,556,810</u>	<u>407,529</u>
Licenses and permits:				
Business.....	176,400	176,400	190,800	14,400
Non business.....	<u>51,000</u>	<u>51,000</u>	<u>54,307</u>	<u>3,307</u>
Total licenses and permits.....	<u>227,400</u>	<u>227,400</u>	<u>245,107</u>	<u>17,707</u>
Intergovernmental Revenue:				
Federal Grants:				
Justice.....	34,000	34,000	44,187	10,187
Housing and Urban Development.....	144,958	144,958	102,408	(42,550)
Homeland Security.....	-	-	(29,147)	(29,147)
State Grants:				
Department of Community Affairs.....	138,000	138,000	-	(138,000)
Right-of-way maintenance.....	51,561	51,561	120,499	68,938
Law enforcement reimbursements.....	-	-	6,292	6,292
State Shared Revenues:				
State revenue sharing proceeds.....	165,000	165,000	169,615	4,615
Mobile home licenses.....	11,000	11,000	9,498	(1,502)
Alcoholic beverage licenses.....	27,000	27,000	25,575	(1,425)
Local half-cent sales tax.....	1,596,000	1,596,000	1,623,428	27,428
Motor fuel tax rebate.....	12,000	12,000	9,340	(2,660)
Firefighters' supplemental revenue.....	10,500	10,500	12,950	2,450
Other Shared Revenues:				
Witness fees.....	400	400	600	200
County shared revenues.....	18,000	18,000	158,750	140,750
Payment in lieu of taxes.....	<u>18,000</u>	<u>18,000</u>	<u>17,013</u>	<u>(987)</u>
Total intergovernmental revenue.....	<u>2,226,419</u>	<u>2,226,419</u>	<u>2,271,008</u>	<u>44,589</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - (Continued)

Schedule 1

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Charges for services:				
General government	\$ 154,000	154,000	241,212	87,212
Public safety	48,000	48,000	17,601	(30,399)
Physical environment	1,500	1,500	16,993	15,493
Culture/recreation.....	<u>409,500</u>	<u>409,500</u>	<u>273,850</u>	<u>(135,650)</u>
Total charges for services	<u>613,000</u>	<u>613,000</u>	<u>549,656</u>	<u>(63,344)</u>
Fines and forfeitures:				
Court cases.....	93,000	93,000	74,785	(18,215)
Local ordinance violations.....	<u>1,000</u>	<u>1,000</u>	<u>70,084</u>	<u>69,084</u>
Total fines and forfeitures.....	<u>94,000</u>	<u>94,000</u>	<u>144,869</u>	<u>50,869</u>
Miscellaneous Revenues:				
Interest earnings.....	208,000	538,000	631,425	93,425
Sale of fixed assets.....	35,000	20,000	-	(20,000)
Rents and royalties.....	152,790	152,790	300,372	147,582
Miscellaneous revenues.....	<u>10,000</u>	<u>10,000</u>	<u>578,787</u>	<u>568,787</u>
Total miscellaneous revenue.....	<u>405,790</u>	<u>720,790</u>	<u>1,510,584</u>	<u>789,794</u>
Total revenue.....	<u>21,715,890</u>	<u>22,030,890</u>	<u>23,278,034</u>	<u>1,247,144</u>
Expenditures:				
General Government:				
Legislative:				
Personal services	139,287	139,287	134,928	4,359
Operating expenditures	<u>36,101</u>	<u>46,101</u>	<u>51,764</u>	<u>(5,663)</u>
	<u>175,388</u>	<u>185,388</u>	<u>186,692</u>	<u>(1,304)</u>
Executive:				
Personal services	549,886	549,886	551,275	(1,389)
Operating expenditures.....	<u>126,215</u>	<u>131,215</u>	<u>120,908</u>	<u>10,307</u>
	<u>676,101</u>	<u>681,101</u>	<u>672,183</u>	<u>8,918</u>
Financial and Administrative:				
Personal services.....	686,455	661,455	627,167	34,288
Operating expenditures.....	258,636	223,636	242,673	(19,037)
Capital outlay.....	<u>126,241</u>	<u>122,741</u>	<u>113,846</u>	<u>8,895</u>
	<u>1,071,332</u>	<u>1,007,832</u>	<u>983,686</u>	<u>24,146</u>
Legal Counsel:				
Personal services.....	321,560	321,560	303,695	17,865
Operating expenditures	<u>162,105</u>	<u>162,105</u>	<u>51,593</u>	<u>110,512</u>
	<u>483,665</u>	<u>483,665</u>	<u>355,288</u>	<u>128,377</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - (Continued)

Schedule 1

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Development Services:				
Personal services.....	\$ 802,207	732,207	656,601	75,606
Operating expenditures.....	158,009	158,009	105,763	52,246
Capital outlay	<u>-</u>	<u>-</u>	<u>1,882</u>	<u>(1,882)</u>
	<u>960,216</u>	<u>890,216</u>	<u>764,246</u>	<u>125,970</u>
Other General Government:				
Personal services.....	223,401	223,401	216,012	7,389
Operating expenditures	401,370	401,370	670,489	(269,119)
Capital outlay	<u>134,000</u>	<u>134,000</u>	<u>42,804</u>	<u>91,196</u>
	<u>758,771</u>	<u>758,771</u>	<u>929,305</u>	<u>(170,534)</u>
 Total general government	 <u>4,125,473</u>	 <u>4,006,973</u>	 <u>3,891,400</u>	 <u>115,573</u>
Public Safety:				
Law Enforcement:				
Personal services	4,249,172	3,844,172	4,000,601	(156,429)
Operating expenditures	1,705,998	1,705,998	1,588,716	117,282
Capital outlay	<u>149,200</u>	<u>149,200</u>	<u>173,015</u>	<u>(23,815)</u>
	<u>6,104,370</u>	<u>5,699,370</u>	<u>5,762,332</u>	<u>(62,962)</u>
Fire Protection:				
Personal services.....	4,592,515	4,592,515	4,803,068	(210,553)
Operating expenditures	588,374	588,374	660,525	(72,151)
Capital outlay	<u>849,495</u>	<u>849,495</u>	<u>378,128</u>	<u>471,367</u>
	<u>6,030,384</u>	<u>6,030,384</u>	<u>5,841,721</u>	<u>188,663</u>
Emergency Operations:				
Operating expenditures	<u>22,500</u>	<u>45,000</u>	<u>42,997</u>	<u>2,003</u>
 Total public safety.....	 <u>12,157,254</u>	 <u>11,774,754</u>	 <u>11,647,050</u>	 <u>127,704</u>
Transportation:				
Road and Street Facilities:				
Personal services.....	804,954	697,454	597,803	99,651
Operating expenditures	780,531	780,531	884,757	(104,226)
Capital outlay	<u>550,700</u>	<u>550,700</u>	<u>336,360</u>	<u>214,340</u>
	<u>2,136,185</u>	<u>2,028,685</u>	<u>1,818,920</u>	<u>209,765</u>
Human Services/Health:				
Grants and aids	<u>-</u>	<u>-</u>	<u>17,386</u>	<u>(17,386)</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - (Continued)

Schedule 1

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Culture/Recreation:				
Parks and Recreation:				
Personal services.....	\$ 1,306,312	1,246,312	1,117,467	128,845
Operating expenditures.....	1,050,208	1,050,208	1,060,894	(10,686)
Capital outlay	<u>227,000</u>	<u>227,000</u>	<u>229,906</u>	<u>(2,906)</u>
	<u>2,583,520</u>	<u>2,523,520</u>	<u>2,408,267</u>	<u>115,253</u>
Special Recreation:				
Personal services	262,850	262,850	235,958	26,892
Operating expenditures.....	377,587	355,587	402,821	(47,234)
Capital outlay	<u>45,000</u>	<u>45,000</u>	<u>27,877</u>	<u>17,123</u>
	<u>685,437</u>	<u>663,437</u>	<u>666,656</u>	<u>(3,219)</u>
Total culture/recreation.....	<u>3,268,957</u>	<u>3,186,957</u>	<u>3,074,923</u>	<u>112,034</u>
Intragovernmental Services:				
Personal services.....	484,443	395,443	389,808	5,635
Operating expenditures.....	76,793	71,793	65,501	6,292
Capital outlay.....	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total intragovernmental services.....	<u>606,236</u>	<u>512,236</u>	<u>455,309</u>	<u>56,927</u>
Debt Service:				
Principal retirement	287,857	287,857	288,498	(641)
Interest charges.....	<u>284,545</u>	<u>284,545</u>	<u>136,563</u>	<u>147,982</u>
Total debt service.....	<u>572,402</u>	<u>572,402</u>	<u>425,061</u>	<u>147,341</u>
Total expenditures.....	<u>22,866,507</u>	<u>22,082,007</u>	<u>21,330,049</u>	<u>751,958</u>
Excess of revenue over (under) expenditures.....	<u>(1,150,617)</u>	<u>(51,117)</u>	<u>1,947,985</u>	<u>1,999,102</u>
Other Financing Sources (Uses):				
Transfers.....	<u>850,617</u>	<u>51,117</u>	<u>(115,826)</u>	<u>(166,943)</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	(300,000)	-	1,832,159	1,832,159
Fund balance, beginning of year.....	<u>10,484,059</u>	<u>10,484,059</u>	<u>10,484,059</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 10,484,059</u>	<u>10,484,059</u>	<u>12,316,218</u>	<u>1,832,159</u>

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY**

Schedule 2

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes:				
General property taxes:				
Current Ad Valorem Taxes:				
New Smyrna Beach (increment).....	\$ 846,700	846,700	1,065,489	218,789
Intergovernmental Revenue:				
Other Grants:				
Florida Inland Navigation District.....	-	-	216,049	216,049
Tax Increment Shared Revenues:				
Volusia County.....	1,048,500	1,048,500	1,255,831	207,331
Southeast Volusia Hospital District.....	410,700	410,700	520,357	109,657
Port Authority District.....	15,700	15,700	19,929	4,229
Mosquito Control District.....	41,600	41,600	52,700	11,100
	<u>1,516,500</u>	<u>1,516,500</u>	<u>2,064,866</u>	<u>548,366</u>
Miscellaneous:				
Interest earnings.....	40,400	40,400	263,799	223,399
Lease and rental earnings.....	2,500	2,500	-	(2,500)
	<u>42,900</u>	<u>42,900</u>	<u>263,799</u>	<u>220,899</u>
Total revenue.....	<u>2,406,100</u>	<u>2,406,100</u>	<u>3,394,154</u>	<u>988,054</u>
Expenditures:				
Economic Environment:				
Personal Services:				
Administration and overhead.....	263,724	263,724	243,058	20,666
Operating Expenditures:				
Administration and overhead.....	512,791	512,791	251,609	261,182
Capital Outlay:				
Administration and overhead.....	-	-	9,414	(9,414)
Redevelopment projects:				
Capital outlay.....	1,083,000	1,083,000	-	1,083,000
Land acquisition.....	-	-	8,378	(8,378)
Babe James Memorial.....	-	-	3,082	(3,082)
Flagler Avenue rehabilitation.....	-	-	5,400	(5,400)
Municipal Marina rehabilitation.....	-	-	7,886	(7,886)
Faulkner Street rehabilitation.....	-	-	119,178	(119,178)
Orange Street rehabilitation.....	-	-	9,227	(9,227)
Street lighting improvements.....	-	-	55,984	(55,984)
	<u>1,083,000</u>	<u>1,083,000</u>	<u>218,549</u>	<u>864,451</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMMUNITY REDEVELOPMENT AGENCY - (Continued)

Schedule 2

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Grants and Aids:				
Redevelopment projects:				
Facade improvements.....	\$ 60,000	60,000	25,000	35,000
Total expenditures.....	1,919,515	1,919,515	738,216	1,181,299
Excess of revenue over (under)				
expenditures.....	486,585	486,585	2,655,938	2,169,353
Other Financing Sources (Uses):				
Transfers In:				
General-Streetlight utility reimbursement	9,100	9,100	9,100	-
Transfers (Out):				
General-administrative overhead.....	(155,100)	(155,100)	(174,858)	(19,758)
Debt Service-principal.....	(340,585)	(340,585)	(236,512)	104,073
Debt Service-interest.....	-	-	(105,740)	(105,740)
Total other financing sources (uses).	(486,585)	(486,585)	(508,010)	(21,425)
Excess of revenue and other				
sources over (under)				
expenditures and other uses.....	-	-	2,147,928	2,147,928
Fund balances, beginning of year.....	5,355,357	5,355,357	5,355,357	-
Fund balances, end of year.....	\$ 5,355,357	5,355,357	7,503,285	2,147,928

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
AIRPORT / INDUSTRIAL PARK FUND

Schedule 3

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Federal Aviation Administration.....	\$ 943,105	943,105	394,642	(548,463)
State Grants:				
Department of Transportation.....	<u>392,395</u>	<u>392,395</u>	<u>300,485</u>	<u>(91,910)</u>
	<u>1,335,500</u>	<u>1,335,500</u>	<u>695,127</u>	<u>(640,373)</u>
Miscellaneous:				
Miscellaneous revenue.....	12,500	12,500	14,224	1,724
Rental and lease revenues.....	<u>684,568</u>	<u>684,568</u>	<u>692,216</u>	<u>7,648</u>
	<u>697,068</u>	<u>697,068</u>	<u>706,440</u>	<u>9,372</u>
Total revenue.....	<u>2,032,568</u>	<u>2,032,568</u>	<u>1,401,567</u>	<u>(631,001)</u>
Expenditures:				
Transportation:				
Airport/Industrial Park Facilities:				
Personal services.....	113,655	113,655	149,717	(36,062)
Operating expenditures.....	212,401	212,401	192,571	19,830
Capital outlay.....	<u>1,819,894</u>	<u>1,819,894</u>	<u>1,123,330</u>	<u>696,564</u>
	<u>2,145,950</u>	<u>2,145,950</u>	<u>1,465,618</u>	<u>680,332</u>
Debt Service:				
Principal retirement.....	89,290	89,290	87,608	1,682
Interest and fiscal charges	<u>29,691</u>	<u>29,691</u>	<u>31,818</u>	<u>(2,127)</u>
	<u>118,981</u>	<u>118,981</u>	<u>119,426</u>	<u>(445)</u>
Total expenditures	<u>2,264,931</u>	<u>2,264,931</u>	<u>1,585,044</u>	<u>679,887</u>
Excess of revenue over (under) expenditures	(232,363)	(232,363)	(183,477)	48,886
Fund balances, beginning of year.....	<u>514,287</u>	<u>514,287</u>	<u>514,287</u>	-
Fund balances, end of year.....	<u>\$ 281,924</u>	<u>\$ 281,924</u>	<u>\$ 330,810</u>	<u>\$ 48,886</u>

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS**

Schedule 4

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Actuarial Valuation Date	Actuarial Value of of Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b - a)/c)
Municipal Police Officers' Retirement Trust Fund						
10/1/2005	\$ 9,656,339	\$14,029,662	\$ 4,373,323	68.83%	\$ 2,094,142	208.84%
10/1/2004	\$ 8,657,348	\$12,986,758	\$ 4,329,410	66.66%	\$ 2,161,857	200.26%
10/1/2003	\$ 7,916,391	\$ 8,555,816	\$ 639,425	92.53%	\$ 1,889,531	33.84%
10/1/2002	\$ 7,645,420	\$ 8,345,705	\$ 700,285	91.61%	\$ 1,885,108	37.15%
10/1/2001	\$ 6,434,947	\$ 6,976,234	\$ 541,287	92.24%	\$ 1,508,280	35.89%
10/1/2000	\$ 6,054,206	\$ 6,891,875	\$ 837,669	87.85%	\$ 1,577,894	53.09%
Municipal Firefighters' Pension Trust Fund						
10/1/2005	\$ 7,861,752	\$15,944,446	\$ 8,082,694	49.31%	\$ 2,555,426	316.30%
10/1/2004	\$ 6,813,183	\$14,942,995	\$ 8,129,812	45.59%	\$ 2,455,034	331.15%
10/1/2003	\$ 6,148,038	\$11,920,318	\$ 5,772,280	51.58%	\$ 2,102,155	274.59%
10/1/2002	\$ 5,510,862	\$ 5,699,542	\$ 188,680	96.69%	\$ 1,792,505	10.53%
10/1/2001	\$ 5,546,653	\$ 5,546,653	\$ -	100.00%	\$ 1,569,423	0.00%
10/1/2000	\$ 5,245,317	\$ 5,510,814	\$ 265,497	95.18%	\$ 1,581,649	16.79%

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS**

Schedule 5

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year Ended	Annual Required Contribution	Employer Contributions	State Contributions	Total Contributions	Percentage Contributed
Municipal Police Officers' Retirement Trust Fund					
9/30/2006	\$ 491,315	\$ 491,000	\$ -	\$ 491,000	99.94%
9/30/2005	\$ 541,340	\$ 394,338	\$ 147,002	\$ 541,340	100.00%
9/30/2004	\$ 270,445	\$ 202,834	\$ 140,735	\$ 343,569	127.04%
9/30/2003	\$ 173,857	\$ 192,000	\$ 126,652	\$ 318,652	183.28%
9/30/2002	\$ 132,882	\$ 129,791	\$ 111,939	\$ 241,730	181.91%
9/30/2001	\$ 104,319	\$ 104,319	\$ 98,985	\$ 203,304	194.89%
Municipal Firefighters' Pension Trust Fund					
9/30/2006	\$ 1,089,531	\$ 1,078,505	\$ 11,026	\$ 1,089,531	100.00%
9/30/2005	\$ 779,090	\$ 696,519	\$ 169,240	\$ 865,759	111.12%
9/30/2004	\$ 658,266	\$ 535,060	\$ 145,738	\$ 680,798	103.42%
9/30/2003	\$ 368,482	\$ 328,898	\$ 259,593	\$ 588,491	159.71%
9/30/2002	\$ 317,840	\$ 315,815	\$ 2,025	\$ 317,840	100.00%
9/30/2001	\$ 295,163	\$ 200,109	\$ 104,409	\$ 304,518	103.17%

This Page Intentionally Left Blank.

***COMBINING INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES***

This Page Intentionally Left Blank.

NONMAJOR FUNDS

Other Governmental Funds

Special Revenue Funds - *The following special revenue funds are used by the City*

Special Law Enforcement Trust Fund - *This fund is established under Section 932.704, Florida Statutes, which require revenues from forfeited or confiscated property to be recorded separately.*

Law Enforcement Capital Fund - *This fund is used to account for impact fee revenues designated by the City to finance future capital assets for additional law enforcement services from growth in the City.*

Fire/Emergency Services Capital Fund - *This fund is used to account for impact fee revenues designated by the City to finance future capital assets for additional fire and emergency services required from growth in the City.*

Parks/Recreation Capital Fund - *This fund is used to account for impact fee revenues designated by the City to finance future capital assets for additional parks and recreation facilities from growth in the City.*

Stormwater Utility Fund - *This fund is used to account for revenues designated by the City to finance stormwater management improvements throughout the City.*

Water Taxi Fund - *This fund is used to account for revenues designated by the City to finance and operate a water taxi between the City of New Smyrna Beach and the Town of Ponce Inlet.*

Marina - *This fund is used to account for revenues designated by the City to finance and operate the City marina.*

Special Events Fund - *This fund is used to account for revenues designated by the City to finance and operate special events that are sponsored by the City.*

Building Inspections Fund - *This fund is established under Section 553.80(7), Florida Statutes, which is used to account for revenues charged by the City and the costs in providing services for enforcement of the State and City Building Codes.*

Debt Service Funds - *The City created a Debt Service Fund to account for the payment of interest and principal on long-term debt to provide the debt service for the **General Obligation Bonds, Series 2005, Capital Improvement Refunding Revenue Bonds, Series 2005, Public Improvement Revenue Bonds, Series 1992, Public Improvement Refunding Revenue Bonds, Series 1998, State Revolving Fund Promissory Note and Florida Municipal Loan Council Promissory Note.***

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Nonmajor Special			
	Special Law Enforcement	Law Enforcement Capital	Fire/ Emergency Services Capital	Parks/ Recreation Capital
Assets:				
Cash.....	\$ 51,154	1,343,077	518,488	376,441
Due from component unit.....	-	-	-	-
Due from other governments.....	-	-	-	-
Prepaid expenses.....	-	-	-	-
Total assets	<u>\$ 51,154</u>	<u>1,343,077</u>	<u>518,488</u>	<u>376,441</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable.....	\$ 5,975	-	-	-
Due to other funds.....	-	-	-	-
Deposits.....	-	-	-	-
Unearned income.....	-	-	-	-
Total liabilities.....	<u>5,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved for:				
Encumbrances.....	-	-	-	-
Prepays.....	-	-	-	-
Law enforcement.....	45,179	-	-	-
Building inspections.....	-	-	-	-
Debt service.....	-	-	-	-
Capital improvements.....	-	1,343,077	518,488	376,441
Unreserved.....	-	-	-	-
Total fund balances.....	<u>45,179</u>	<u>1,343,077</u>	<u>518,488</u>	<u>376,441</u>
Total liabilities and fund balances	<u>\$ 51,154</u>	<u>1,343,077</u>	<u>518,488</u>	<u>376,441</u>

Revenue Funds

Stormwater Utility	Water Taxi	Marina	Special Events	Building Inspections	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
1,570,818	144,517	33,618	864	171,691	4,210,668	207,570	4,418,238
195,734	-	-	-	-	195,734	-	195,734
71,071	77,622	-	-	-	148,693	-	148,693
-	94,049	3,291	-	-	97,340	-	97,340
<u>1,837,623</u>	<u>316,188</u>	<u>36,909</u>	<u>864</u>	<u>171,691</u>	<u>4,652,435</u>	<u>207,570</u>	<u>4,860,005</u>
113,711	7,466	5,638	5,864	22,796	161,450	-	161,450
-	188,097	-	41,403	-	229,500	-	229,500
-	-	13,327	-	-	13,327	-	13,327
<u>71,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,005</u>	<u>77,076</u>	<u>-</u>	<u>77,076</u>
<u>184,782</u>	<u>195,563</u>	<u>18,965</u>	<u>47,267</u>	<u>28,801</u>	<u>481,353</u>	<u>-</u>	<u>481,353</u>
111,806	-	-	-	-	111,806	-	111,806
-	94,049	3,291	-	-	97,340	-	97,340
-	-	-	-	-	45,179	-	45,179
-	-	-	-	142,890	142,890	-	142,890
-	-	-	-	-	-	207,570	207,570
-	-	-	-	-	2,238,006	-	2,238,006
<u>1,541,035</u>	<u>26,576</u>	<u>14,653</u>	<u>(46,403)</u>	<u>-</u>	<u>1,535,861</u>	<u>-</u>	<u>1,535,861</u>
<u>1,652,841</u>	<u>120,625</u>	<u>17,944</u>	<u>(46,403)</u>	<u>142,890</u>	<u>4,171,082</u>	<u>207,570</u>	<u>4,378,652</u>
<u>1,837,623</u>	<u>316,188</u>	<u>36,909</u>	<u>864</u>	<u>171,691</u>	<u>4,652,435</u>	<u>207,570</u>	<u>4,860,005</u>

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Nonmajor Special			
	Special Law Enforcement	Law Enforcement Capital	Fire/ Emergency Services Capital	Parks/ Recreation Capital
Revenue:				
Taxes.....	\$ -	-	-	-
Intergovernmental	-	-	-	-
Charges for services.....	-	-	-	-
Fines and forfeitures.....	17,589	-	-	-
Miscellaneous.....	<u>-</u>	<u>550,766</u>	<u>343,196</u>	<u>57,503</u>
Total revenue.....	<u>17,589</u>	<u>550,766</u>	<u>343,196</u>	<u>57,503</u>
Expenditures:				
Public safety	17,952	-	474,385	-
Transportation.....	-	-	-	-
Physical environment.....	-	-	-	-
Culture/recreation.....	-	-	-	-
Debt Service:				
Principal retirement.....	-	-	-	-
Interest and fiscal charges.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>17,952</u>	<u>-</u>	<u>474,385</u>	<u>-</u>
Excess of revenue over (under) expenditures.....	<u>(363)</u>	<u>550,766</u>	<u>(131,189)</u>	<u>57,503</u>
Other Financing Sources (Uses):				
Transfers.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	(363)	550,766	(131,189)	57,503
Fund balances, beginning of year.....	<u>45,542</u>	<u>792,311</u>	<u>649,677</u>	<u>318,938</u>
Fund balances, end of year.....	<u>\$ 45,179</u>	<u>1,343,077</u>	<u>518,488</u>	<u>376,441</u>

Revenue Funds

Stormwater Utility	Water Taxi	Marina	Special Events	Building Inspections	Total Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
-	-	-	-	-	-	1,373,413	1,373,413
(12,560)	125,419	-	-	-	112,859	-	112,859
1,171,733	23,872	82,060	58,937	834,892	2,171,494	-	2,171,494
-	-	-	-	-	17,589	-	17,589
<u>42,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,382</u>	<u>996,624</u>	<u>1,556</u>	<u>998,180</u>
<u>1,201,950</u>	<u>149,291</u>	<u>82,060</u>	<u>58,937</u>	<u>837,274</u>	<u>3,298,566</u>	<u>1,374,969</u>	<u>4,673,535</u>
-	-	-	-	623,378	1,115,715	-	1,115,715
-	217,138	-	-	-	217,138	-	217,138
683,466	-	-	-	-	683,466	-	683,466
-	-	64,116	105,340	-	169,456	-	169,456
-	-	-	-	-	-	1,336,953	1,336,953
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,120,105</u>	<u>1,120,105</u>
<u>683,466</u>	<u>217,138</u>	<u>64,116</u>	<u>105,340</u>	<u>623,378</u>	<u>2,185,775</u>	<u>2,457,058</u>	<u>4,642,833</u>
<u>518,484</u>	<u>(67,847)</u>	<u>17,944</u>	<u>(46,403)</u>	<u>213,896</u>	<u>1,112,791</u>	<u>(1,082,089)</u>	<u>30,702</u>
<u>(387,128)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,006)</u>	<u>(458,134)</u>	<u>1,081,970</u>	<u>623,836</u>
<u>(387,128)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,006)</u>	<u>(458,134)</u>	<u>1,081,970</u>	<u>623,836</u>
131,356	(67,847)	17,944	(46,403)	142,890	654,657	(119)	654,538
<u>1,521,485</u>	<u>188,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,516,425</u>	<u>207,689</u>	<u>3,724,114</u>
<u>1,652,841</u>	<u>120,625</u>	<u>17,944</u>	<u>(46,403)</u>	<u>142,890</u>	<u>4,171,082</u>	<u>207,570</u>	<u>4,378,652</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR SPECIAL LAW ENFORCEMENT TRUST FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Fines and forfeitures	\$ 33,900	33,900	17,589	(16,311)
Total revenue.....	33,900	33,900	17,589	(16,311)
Expenditures:				
Public safety:				
Operating expenditures.....	18,900	18,900	10,701	8,199
Capital outlay.....	15,000	15,000	7,251	7,749
Total expenditures.....	33,900	33,900	17,952	15,948
Excess of revenue over (under) expenditures.....	-	-	(363)	(363)
Fund balances, beginning of year	45,542	45,542	45,542	-
Fund balances, end of year.....	\$ 45,542	45,542	45,179	(363)

BUDGETARY COMPARISON SCHEDULE
NONMAJOR LAW ENFORCEMENT CAPITAL FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous.....	\$ 100,000	100,000	550,766	450,766
Total revenue.....	100,000	100,000	550,766	450,766
Expenditures:				
Public safety:				
Capital outlay.....	100,000	100,000	-	100,000
Total expenditures.....	100,000	100,000	-	100,000
Excess of revenue over (under) expenditures.....	-	-	550,766	550,766
Fund balances, beginning of year	792,311	792,311	792,311	-
Fund balances, end of year.....	<u>\$ 792,311</u>	<u>\$ 792,311</u>	<u>\$ 1,343,077</u>	<u>\$ 550,766</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR FIRE/EMERGENCY SERVICES CAPITAL FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous.....	\$ 150,000	150,000	343,196	193,196
Total revenue.....	150,000	150,000	343,196	193,196
Expenditures:				
Public safety:				
Capital outlay.....	150,000	474,500	474,385	115
Total expenditures.....	150,000	474,500	474,385	115
Excess of revenue over (under) expenditures.....	-	(324,500)	(131,189)	193,081
Fund balances, beginning of year	649,677	649,677	649,677	-
Fund balances, end of year.....	\$ 649,677	\$ 325,177	\$ 518,488	\$ 193,081

BUDGETARY COMPARISON SCHEDULE
NONMAJOR PARKS/RECREATION CAPITAL FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Miscellaneous.....	\$ 100,000	100,000	57,503	(42,497)
Total revenue.....	100,000	100,000	57,503	(42,497)
Expenditures:				
Culture/Recreation:				
Capital outlay.....	100,000	100,000	-	100,000
Total expenditures.....	100,000	100,000	-	100,000
Excess of revenue over (under) expenditures.....	-	-	57,503	57,503
Other Financing Sources (Uses):				
Transfers.....	-	(264,000)	-	(264,000)
Total other financing sources and (uses).....	-	(264,000)	-	(264,000)
Excess of revenue and other sources over (under) expenditures and other uses.....	-	(264,000)	57,503	(206,497)
Fund balances, beginning of year	318,938	318,938	318,938	-
Fund balances, end of year.....	\$ 318,938	\$ 318,938	\$ 376,441	\$ (206,497)

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR STORMWATER UTILITY FUND**

Exhibit B-5

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of HUD.....	\$ -	625,000	(12,560)	(637,560)
Charges for services.....	1,160,000	1,160,000	1,171,733	11,733
Miscellaneous.....	<u>40,000</u>	<u>40,000</u>	<u>42,777</u>	<u>2,777</u>
Total revenue.....	<u>1,200,000</u>	<u>1,825,000</u>	<u>1,201,950</u>	<u>(623,050)</u>
Expenditures:				
Physical environment:				
Operating expenditures.....	164,331	164,331	103,515	60,816
Capital outlay.....	<u>4,634,107</u>	<u>1,259,107</u>	<u>579,951</u>	<u>679,156</u>
Total expenditures.....	<u>4,798,438</u>	<u>1,423,438</u>	<u>683,466</u>	<u>739,972</u>
Excess of revenue over (under) expenditures.....	<u>(3,598,438)</u>	<u>401,562</u>	<u>518,484</u>	<u>116,922</u>
Other Financing Sources (Uses):				
Transfers.....	(401,562)	(401,562)	(387,128)	14,434
Proceeds of capital related debt.....	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses).....	<u>3,598,438</u>	<u>(401,562)</u>	<u>(387,128)</u>	<u>14,434</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	-	-	131,356	131,356
Fund balances, beginning of year	<u>1,521,485</u>	<u>1,521,485</u>	<u>1,521,485</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 1,521,485</u>	<u>\$ 1,521,485</u>	<u>\$ 1,652,841</u>	<u>\$ 131,356</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR WATER TAXI FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
Federal Grants:				
Department of Transportation.....	\$ 97,000	97,000	125,419	28,419
Charges for services.....	<u>25,000</u>	<u>25,000</u>	<u>23,872</u>	<u>(1,128)</u>
Total revenue.....	<u>122,000</u>	<u>122,000</u>	<u>149,291</u>	<u>27,291</u>
Expenditures:				
Transportation:				
Operating expenditures.....	-	74,500	76,065	(1,565)
Capital outlay.....	<u>-</u>	<u>47,500</u>	<u>141,073</u>	<u>(93,573)</u>
Total expenditures.....	<u>-</u>	<u>122,000</u>	<u>217,138</u>	<u>(95,138)</u>
Excess of revenue over (under) expenditures.....	122,000	-	(67,847)	(67,847)
Fund balances, beginning of year	<u>188,472</u>	<u>188,472</u>	<u>188,472</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ 310,472</u>	<u>188,472</u>	<u>120,625</u>	<u>(67,847)</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR MARINA FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Charges for services.....	\$ 82,000	82,000	82,060	60
Total revenue.....	82,000	82,000	82,060	60
Expenditures:				
Culture/recreation:				
Personal services.....	-	49,500	39,634	9,866
Operating expenditures.....	-	26,500	19,695	6,805
Capital outlay.....	-	6,000	4,787	1,213
Total expenditures.....	-	82,000	64,116	17,884
Excess of revenue over (under) expenditures.....	82,000	-	17,944	17,944
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year.....	\$ 82,000	-	17,944	17,944

BUDGETARY COMPARISON SCHEDULE
NONMAJOR SPECIAL EVENTS FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit B-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Charges for services.....	\$ 127,800	127,800	58,937	(68,863)
Total revenue.....	127,800	127,800	58,937	(68,863)
Expenditures:				
Culture/recreation:				
Operating expenditures.....	127,800	127,800	105,340	22,460
Total expenditures.....	127,800	127,800	105,340	22,460
Excess of revenue over (under) expenditures.....	-	-	(46,403)	(46,403)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year.....	\$ -	-	(46,403)	(46,403)

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR BUILDING INSPECTIONS FUND**

Exhibit B-9

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Charges for services.....	\$ 786,000	786,000	834,892	48,892
Miscellaneous.....	-	-	2,382	2,382
Total revenue.....	<u>786,000</u>	<u>786,000</u>	<u>837,274</u>	<u>51,274</u>
Expenditures:				
Public Safety:				
Personal services.....	619,596	510,378	484,315	26,063
Operating expenditures.....	93,744	93,744	125,114	(31,370)
Capital outlay.....	<u>25,500</u>	<u>25,500</u>	<u>13,949</u>	<u>11,551</u>
Total expenditures.....	<u>738,840</u>	<u>629,622</u>	<u>623,378</u>	<u>6,244</u>
Excess of revenue over (under) expenditures.....	47,160	156,378	213,896	57,518
Other Financing Sources (Uses):				
Transfers.....	<u>(47,160)</u>	<u>(156,378)</u>	<u>(71,006)</u>	<u>85,372</u>
Total other financing sources and (uses).....	<u>(47,160)</u>	<u>(156,378)</u>	<u>(71,006)</u>	<u>85,372</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	-	-	142,890	142,890
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,890</u>	<u>\$ 142,890</u>

BUDGETARY COMPARISON SCHEDULE
NON MAJOR DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

Exhibit C-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes	\$ 1,419,786	1,419,786	1,372,993	(46,793)
Delinquent ad valorem taxes	-	-	420	420
Miscellaneous:				
Interest earnings.....	-	-	1,556	1,556
Total revenue.....	<u>1,419,786</u>	<u>1,419,786</u>	<u>1,374,969</u>	<u>(44,817)</u>
Expenditures:				
Debt Service:				
Principal retirement	1,190,695	1,334,259	1,336,953	(2,694)
Interest and fiscal charges.....	<u>1,026,794</u>	<u>971,094</u>	<u>1,120,105</u>	<u>(149,011)</u>
Total expenditures.....	<u>2,217,489</u>	<u>2,305,353</u>	<u>2,457,058</u>	<u>(151,705)</u>
Excess of revenue over (under) expenditures	<u>(797,703)</u>	<u>(885,567)</u>	<u>(1,082,089)</u>	<u>(196,522)</u>
Other Financing Sources:				
Transfers.....	<u>797,703</u>	<u>885,567</u>	<u>1,081,970</u>	<u>196,403</u>
Excess of revenue and other sources over (under) expenditures	-	-	(119)	(119)
Fund balance, beginning of year.....	<u>207,689</u>	<u>207,689</u>	<u>207,689</u>	-
Fund balance, end of year.....	<u>\$ 207,689</u>	<u>207,689</u>	<u>207,570</u>	<u>(119)</u>

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND**

Exhibit D-1

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental Revenue:				
State Grants:				
Dept. of Environmental Protection.....	\$ -	-	2,525	2,525
Other Grants:				
St. Johns River WMD.....	-	45,000	-	(45,000)
Florida Inland Navigation District.....	-	140,000	140,000	-
Volusia ECHO.....	-	440,000	77,461	(362,539)
Ponce Inlet Port Authority.....	-	300,000	300,000	-
	<u>-</u>	<u>925,000</u>	<u>519,986</u>	<u>(405,014)</u>
Miscellaneous Revenue:				
Interest earnings.....	-	700,000	662,608	(37,392)
Miscellaneous.....	-	-	17,967	17,967
	<u>-</u>	<u>-</u>	<u>17,967</u>	<u>17,967</u>
Total revenue.....	<u>-</u>	<u>1,625,000</u>	<u>1,200,561</u>	<u>(424,439)</u>
Expenditures:				
Capital Projects:				
Transportation.....	-	835,000	29,073	805,927
Public safety.....	18,300,000	18,650,000	4,354,599	14,295,401
Culture/recreation.....	-	704,000	1,698,647	(994,647)
	<u>-</u>	<u>704,000</u>	<u>1,698,647</u>	<u>(994,647)</u>
Total expenditures.....	<u>18,300,000</u>	<u>20,189,000</u>	<u>6,082,319</u>	<u>14,106,681</u>
Excess of revenue over (under) expenditures.....	<u>(18,300,000)</u>	<u>(18,564,000)</u>	<u>(4,881,758)</u>	<u>13,682,242</u>
Other Financing Sources (Uses):				
Transfers.....	-	264,000	-	(264,000)
Total other financing sources (uses)	<u>-</u>	<u>264,000</u>	<u>-</u>	<u>(264,000)</u>
Excess of revenue and other sources over (under) expenditures	<u>(18,300,000)</u>	<u>(18,300,000)</u>	<u>(4,881,758)</u>	<u>13,418,242</u>
Fund balance, beginning of year	<u>16,811,466</u>	<u>16,811,466</u>	<u>16,811,466</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,488,534)</u>	<u>(1,488,534)</u>	<u>11,929,708</u>	<u>13,418,242</u>

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE**

Exhibit E-1

September 30, 2006 and 2005

CITY OF NEW SMYRNA BEACH, FLORIDA

	2006	2005
Governmental Funds Capital Assets:		
Land	\$ 18,538,638	18,530,259
Buildings.....	17,600,968	17,423,859
Improvements other than buildings.....	13,429,670	10,402,954
Machinery and equipment.....	10,660,136	8,902,332
Infrastructure.....	6,631,659	4,914,292
Construction work in progress	<u>7,266,978</u>	<u>4,004,938</u>
 Total governmental funds capital assets	 <u>\$ 74,128,049</u>	 <u>64,178,634</u>
Investments in Governmental Funds Capital Assets by Source:		
General Fund.....	\$ 37,737,599	36,419,830
Special Revenue Funds.....	7,666,514	6,401,339
Capital Projects Fund.....	10,482,577	6,098,905
Federal and State Grants.....	18,199,569	15,216,770
Gifts and other contributed capital	<u>41,790</u>	<u>41,790</u>
 Total investment in governmental funds capital assets.....	 <u>\$ 74,128,049</u>	 <u>64,178,634</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. The capital assets of the internal service fund are included as governmental activities in the statement of net assets.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General Government:				
Legislative.....	\$ -	-	-	52,272
Executive.....	-	-	-	93,351
Financial and Administrative.....	573,926	1,099,541	-	737,501
Legal Counsel.....	-	-	-	25,979
Development Services.....	-	128,518	33,192	75,542
Other General Government.....	<u>5,290,348</u>	<u>2,973,105</u>	<u>114,643</u>	<u>209,185</u>
	<u>5,864,274</u>	<u>4,201,164</u>	<u>147,835</u>	<u>1,193,830</u>
Public Safety:				
Police protection	239,400	530,829	-	2,541,528
Fire protection.....	95,265	2,142,474	-	3,667,243
Emergency operations.....	-	-	-	77,514
Building inspections.....	-	-	-	346,160
	<u>334,665</u>	<u>2,673,303</u>	<u>-</u>	<u>6,632,445</u>
Transportation:				
Airport	1,416,991	1,852,958	1,159,704	93,049
Water Taxi.....	-	-	-	141,073
Marina.....	-	-	-	4,787
Roads and Streets Facilities.....	<u>163,254</u>	<u>-</u>	<u>178,216</u>	<u>1,598,618</u>
	<u>1,580,245</u>	<u>1,852,958</u>	<u>1,337,920</u>	<u>1,837,527</u>
Economic Environment:				
Community Redevelopment Agency.....	108,985	-	2,608,297	74,851
Industrial Park Development.....	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>150</u>
	<u>198,985</u>	<u>-</u>	<u>2,608,297</u>	<u>75,001</u>
Physical Environment:				
Stormwater Management	-	-	2,263,674	-
Culture / Recreation:				
Parks and Recreation	5,993,564	4,757,567	3,607,061	615,402
Athletic Center and Ballpark.....	<u>4,305,000</u>	<u>3,602,316</u>	<u>3,318,033</u>	<u>233,906</u>
	<u>10,298,564</u>	<u>8,359,883</u>	<u>6,925,094</u>	<u>849,308</u>
Intragovernmental Services:				
Building and Maintenance	<u>261,905</u>	<u>513,660</u>	<u>146,850</u>	<u>72,025</u>
Total governmental funds capital assets.....	<u>\$ 18,538,638</u>	<u>17,600,968</u>	<u>13,429,670</u>	<u>10,660,136</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. The capital assets of the internal service fund are included as governmental activities in the statement of net assets.

Exhibit E-2

Infrastructure	Construction Work in Progress	Total
-	-	52,272
-	-	93,351
-	-	2,410,968
-	-	25,979
-	-	237,252
-	-	<u>8,587,281</u>
-	-	<u>11,407,103</u>
-	1,018,839	4,330,596
-	3,648,315	9,553,297
-	-	77,514
-	-	<u>346,160</u>
-	<u>4,667,154</u>	<u>14,307,567</u>
1,307,699	1,231,883	7,062,284
-	-	141,073
-	-	4,787
<u>1,562,036</u>	<u>525,002</u>	<u>4,027,126</u>
<u>2,869,735</u>	<u>1,756,885</u>	<u>11,235,270</u>
313,226	171,410	3,276,769
-	-	<u>90,150</u>
<u>313,226</u>	<u>171,410</u>	<u>3,366,919</u>
<u>3,249,814</u>	-	<u>5,513,488</u>
66,951	671,529	15,712,074
-	-	<u>11,459,255</u>
<u>66,951</u>	<u>671,529</u>	<u>27,171,329</u>
<u>131,933</u>	-	<u>1,126,373</u>
<u><u>6,631,659</u></u>	<u><u>7,266,978</u></u>	<u><u>74,128,049</u></u>

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

Exhibit E-3

For the Fiscal Year Ended September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

	Governmental Funds Capital Assets 9/30/2005	Additions	Deletions	Governmental Funds Capital Assets 9/30/2006
General Government:				
Legislative.....	\$ 52,272	-	-	52,272
Executive.....	93,351	-	-	93,351
Financial and Administrative.....	2,295,247	115,721	-	2,410,968
Legal Counsel.....	25,979	-	-	25,979
Development Services.....	235,370	1,882	-	237,252
Other General Government.....	<u>8,622,701</u>	<u>(35,420)</u>	-	<u>8,587,281</u>
	<u>11,324,920</u>	<u>82,183</u>	-	<u>11,407,103</u>
Public Safety:				
Police protection.....	3,509,256	821,340	-	4,330,596
Fire protection.....	5,052,467	4,500,830	-	9,553,297
Emergency operations.....	12,302	65,212	-	77,514
Building inspections.....	-	<u>346,160</u>	-	<u>346,160</u>
	<u>8,574,025</u>	<u>5,733,542</u>	-	<u>14,307,567</u>
Transportation:				
Airport.....	5,938,954	1,123,330	-	7,062,284
Water Taxi.....	-	141,073	-	141,073
Marina.....	-	4,787	-	4,787
Roads and Streets Facilities.....	<u>3,266,320</u>	<u>760,806</u>	-	<u>4,027,126</u>
	<u>9,205,274</u>	<u>2,029,996</u>	-	<u>11,235,270</u>
Economic Environment:				
Community Redevelopment Agency.....	1,808,120	1,468,649	-	3,276,769
Industrial Park Development	<u>90,150</u>	-	-	<u>90,150</u>
	<u>1,898,270</u>	<u>1,468,649</u>	-	<u>3,366,919</u>
Physical Environment:				
Stormwater Management.....	<u>4,532,415</u>	<u>981,073</u>	-	<u>5,513,488</u>
Culture / Recreation:				
Parks and Recreation.....	16,110,254	(398,180)	-	15,712,074
Athletic Center and Ballpark.....	<u>11,245,785</u>	<u>213,470</u>	-	<u>11,459,255</u>
	<u>27,356,039</u>	<u>(184,710)</u>	-	<u>27,171,329</u>
Intragovernmental Services:				
Building and Maintenance.....	<u>1,287,691</u>	<u>(161,318)</u>	-	<u>1,126,373</u>
Total governmental funds capital assets.....	<u>\$ 64,178,634</u>	<u>9,949,415</u>	-	<u>74,128,049</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. The capital assets of the internal service fund are included as governmental activities in the statement of net assets. Some reclassifications appear as negative amounts in the Additions column.

STATISTICAL SECTION

This part of 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>Pages</u>
Financial Trends	97-103
<i>These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	104-110
<i>These tables contain information to help the reader assess the City’s most significant revenue sources, the property tax.</i>	
Debt Capacity	111-117
<i>These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and its ability to issue additional debt in the future.</i>	
Demographic and Economic Information	118-120
<i>These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information	121-126
<i>These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the Commission provides and the activities it performs.</i>	

Sources: *Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

This Page Intentionally Left Blank.

**NET ASSETS BY COMPONENT,
LAST FIVE FISCAL YEARS**
Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA
(Accrual basis of accounting)

TABLE 1

	Fiscal Year				
	2006	2005	2004	2003	2002
Governmental Activities:					
Invested in capital assets, net of related debt.....	\$ 18,305,863	8,377,133	24,457,307	23,974,059	16,350,496
Restricted.....	23,322,420	27,220,999	7,359,780	4,514,997	4,171,505
Unrestricted.....	<u>11,790,683</u>	<u>8,276,051</u>	<u>4,987,461</u>	<u>3,571,358</u>	<u>7,799,689</u>
Total governmental activities net assets.....	<u>\$ 53,418,966</u>	<u>43,874,183</u>	<u>36,804,548</u>	<u>32,060,414</u>	<u>28,321,690</u>
Business-type Activities:					
Invested in capital assets, net of related debt.....	\$ 440,832	439,518	501,741	667,758	632,236
Restricted.....	-	-	-	-	-
Unrestricted.....	<u>1,710,695</u>	<u>2,037,314</u>	<u>1,692,123</u>	<u>1,475,045</u>	<u>2,434,116</u>
Total business-type activities net assets.....	<u>\$ 2,151,527</u>	<u>2,476,832</u>	<u>2,193,864</u>	<u>2,142,803</u>	<u>3,066,352</u>
Primary Government:					
Invested in capital assets, net of related debt.....	\$ 18,746,695	8,816,651	24,959,048	24,641,817	16,982,732
Restricted.....	23,322,420	27,220,999	7,359,780	4,514,997	4,171,505
Unrestricted.....	<u>13,501,378</u>	<u>10,313,365</u>	<u>6,679,584</u>	<u>5,046,403</u>	<u>10,233,805</u>
Total primary government net assets.....	<u>\$ 55,570,493</u>	<u>46,351,015</u>	<u>38,998,412</u>	<u>34,203,217</u>	<u>31,388,042</u>

**CHANGES IN NET ASSETS,
LAST FIVE FISCAL YEARS**
Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA
(Accrual basis of accounting)

TABLE 2

	Fiscal Year				
	2006	2005	2004	2003	2002
Expenses:					
Governmental Activities:					
General government.....	\$ 3,874,356	4,760,586	6,486,909	3,224,671	3,082,204
Public safety.....	12,146,172	11,506,071	9,801,504	9,750,247	8,688,015
Transportation.....	2,284,003	1,960,568	1,706,919	1,561,811	1,390,266
Economic environment.....	667,182	368,291	460,098	388,051	326,915
Physical environment.....	315,810	411,524	311,217	269,508	172,022
Human services.....	17,386	20,563	50,947	27,856	34,158
Culture/recreation.....	3,245,963	2,895,480	2,882,005	2,709,195	2,430,647
Intragovernmental services.....	478,161	475,361	465,743	449,813	364,096
Interest on long-term debt.....	1,421,610	1,028,424	512,383	507,716	528,410
Total governmental activities expenses.....	24,450,643	23,426,868	22,677,725	18,888,868	17,016,733
Business-Type Activities:					
Solid waste.....	1,290,836	2,663,664	2,584,714	2,383,063	2,305,085
Golf course.....	2,788,909	1,333,927	1,262,905	1,285,698	1,160,481
Total business-type activities expenses.....	4,079,745	3,997,591	3,847,619	3,668,761	3,465,566
Total primary government expenses.....	28,530,388	27,424,459	26,525,344	22,557,629	20,482,299
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General government.....	486,319	1,676,167	996,083	718,640	625,664
Public safety.....	1,014,951	133,346	129,397	154,790	195,667
Transportation.....	23,872	713,635	636,472	614,135	578,348
Economic environment.....	-	-	2,550	4,650	-
Physical environment.....	1,188,726	1,025,892	578,030	571,028	578,958
Human services.....	-	-	-	-	1,075
Culture/recreation.....	414,847	320,746	487,906	485,835	358,632
Operating grants and contributions.....	244,239	1,788,035	1,864,129	75,509	145,637
Capital grants and contributions.....	1,544,021	1,024,766	1,701,897	1,740,642	1,278,337
Total governmental activities program revenues.....	4,916,975	6,682,587	6,396,464	4,365,229	3,762,318
Business-Type Activities:					
Charges for Services:					
Solid waste.....	2,945,739	3,061,665	2,723,961	2,325,921	2,474,711
Golf course.....	756,437	1,172,374	1,151,123	1,153,355	1,150,442
Operating grants and contributions.....	-	-	-	-	61
Capital grants and contributions.....	-	-	-	-	-
Total business-type activities program revenues.....	3,702,176	4,234,039	3,875,084	3,479,276	3,625,214
Total primary government program revenues.....	8,619,151	10,916,626	10,271,548	7,844,505	7,387,532
Net (Expense)/Revenue:					
Governmental activities.....	(19,533,668)	(16,744,281)	(16,281,261)	(14,523,639)	(13,254,415)
Business-type activities.....	(377,569)	236,448	27,465	(189,485)	159,648
Total primary government net expense.....	(19,911,237)	(16,507,833)	(16,253,796)	(14,713,124)	(13,094,767)

**CHANGES IN NET ASSETS,
LAST FIVE FISCAL YEARS**
Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA
(Accrual basis of accounting)

TABLE 2
(Continued)

	Fiscal Year				
	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets:					
Governmental Activities:					
Taxes:					
Property taxes.....	\$ 15,030,956	12,311,158	11,001,222	9,138,468	7,509,137
Local option gas tax.....	783,721	790,890	782,959	726,875	721,938
Fire and casualty insurance premium taxes.....	-	306,895	-	-	-
Franchise taxes.....	555,919	549,049	491,711	509,243	549,222
Public service taxes.....	2,800,596	2,642,187	2,493,967	2,500,191	2,061,328
Sales taxes.....	1,623,428	1,584,589	1,392,679	1,375,656	1,309,136
Intergovernmental revenues.....	403,341	314,184	311,975	298,323	209,460
Investment earnings.....	1,559,388	788,314	176,586	139,221	246,615
Required payment from component unit.....	3,665,315	3,328,647	3,262,441	2,702,767	2,598,655
Miscellaneous revenue.....	2,655,787	1,198,003	948,605	112,811	283,319
Transfers.....	-	-	163,250	760,400	500,000
Total governmental activities.....	<u>29,078,451</u>	<u>23,813,916</u>	<u>21,025,395</u>	<u>18,263,955</u>	<u>15,988,810</u>
Business-Type Activities:					
Investment earnings.....	52,264	46,520	23,596	26,336	13,658
Miscellaneous revenue.....	-	-	-	-	970
Transfers.....	-	-	-	(760,400)	(500,000)
Total business-type activities.....	<u>52,264</u>	<u>46,520</u>	<u>23,596</u>	<u>(734,064)</u>	<u>(485,372)</u>
Total primary government.....	<u>29,130,715</u>	<u>23,860,436</u>	<u>21,048,991</u>	<u>17,529,891</u>	<u>15,503,438</u>
Changes in Net Assets:					
Governmental activities.....	9,544,783	7,069,635	4,744,134	3,740,316	2,734,395
Business-type activities.....	(325,305)	282,968	51,061	(923,549)	(325,724)
Total primary government.....	<u>\$ 9,219,478</u>	<u>7,352,603</u>	<u>4,795,195</u>	<u>2,816,767</u>	<u>2,408,671</u>

**FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**
Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA
(Modified accrual basis of accounting)

	2006	2005	2004	2003
General Fund:				
Reserved.....	\$ 1,005,542	789,722	686,012	578,651
Unreserved.....	<u>11,310,676</u>	<u>9,694,337</u>	<u>6,745,205</u>	<u>6,398,642</u>
Total general fund.....	<u>\$ 12,316,218</u>	<u>10,484,059</u>	<u>7,431,217</u>	<u>6,977,293</u>
All Other Governmental Funds:				
Reserved.....	\$ 22,570,728	24,868,737	7,589,328	5,067,936
Unreserved, reported in:				
Special revenue funds.....	1,571,727	1,536,486	979,937	612,961
Capital projects funds.....	-	-	(2,415,540)	(3,076,071)
Total all other governmental funds.....	<u>\$ 24,142,455</u>	<u>26,405,223</u>	<u>6,153,725</u>	<u>2,604,826</u>

TABLE 3

Fiscal Year					
2002	2001	2000	1999	1998	1997
1,109,491	964,360	1,248,063	262,375	393,860	358,056
<u>5,253,884</u>	<u>5,593,175</u>	<u>5,111,690</u>	<u>6,886,795</u>	<u>6,156,677</u>	<u>4,808,738</u>
<u>6,363,375</u>	<u>6,557,535</u>	<u>6,359,753</u>	<u>7,149,170</u>	<u>6,550,537</u>	<u>5,166,794</u>
4,503,955	861,783	294,806	702,615	416,353	521,221
1,462,792	2,579,426	2,165,603	1,689,496	1,397,687	1,021,941
<u>-</u>	<u>702,861</u>	<u>(348,298)</u>	<u>2,514,849</u>	<u>(54,794)</u>	<u>863,071</u>
<u>5,966,747</u>	<u>4,144,070</u>	<u>2,112,111</u>	<u>4,906,960</u>	<u>1,759,246</u>	<u>2,406,233</u>

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA
(Modified accrual basis of accounting)

	2006	2005	2004	2003
Revenue:				
Taxes.....	\$ 20,995,712	18,495,420	17,938,671	15,674,067
Licenses and permits.....	245,107	1,248,984	869,275	667,870
Intergovernmental.....	5,663,846	6,155,920	5,270,679	3,271,678
Charges for services.....	2,721,150	1,518,528	1,057,132	1,002,473
Fines and forfeitures.....	162,458	113,021	103,571	105,331
Investment earnings.....	4,159,578	-	-	-
Other revenues.....		3,797,930	2,152,203	1,243,888
Total revenue.....	<u>33,947,851</u>	<u>31,329,803</u>	<u>27,391,531</u>	<u>21,965,307</u>
Expenditures:				
General government	3,809,217	5,243,231	5,479,311	2,934,148
Public safety.....	11,383,822	11,074,788	9,415,051	8,755,598
Transportation.....	1,500,753	1,481,594	2,381,923	476,067
Economic environment.....	519,667	444,118	256,306	329,813
Physical environment.....	103,515	85,792	62,370	993,157
Human services.....	17,386	20,563	50,947	27,856
Culture/recreation.....	3,476,514	1,775,775	2,680,174	2,341,279
Intragovernmental services.....	616,627	423,879	430,966	342,339
Capital outlay.....	9,949,415	4,211,965	8,223,352	8,169,154
Debt Service:				
Principal retirement.....	1,713,059	1,014,993	1,035,837	1,142,501
Interest and fiscal charges.....	1,288,486	900,745	503,555	513,350
Total expenditures.....	<u>34,378,461</u>	<u>26,677,443</u>	<u>30,519,792</u>	<u>26,025,262</u>
Excess of revenue over (under) expenditures.....	<u>(430,610)</u>	<u>4,652,360</u>	<u>(3,128,261)</u>	<u>(4,059,955)</u>
Other Financing Sources (Uses):				
Transfers in (out).....	-	-	(89,110)	760,400
Capital-related debt issued.....	-	25,665,000	7,220,194	551,552
Payment on refunding of debt.....	-	(6,720,000)	-	-
Bond issuance costs.....	-	(679,229)	-	-
Premium (discount) on debt issued.....	-	386,209	-	-
Proceeds of refunding bonds.....	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>18,651,980</u>	<u>7,131,084</u>	<u>1,311,952</u>
Net change in fund balances.....	<u>\$ (430,610)</u>	<u>23,304,340</u>	<u>4,002,823</u>	<u>(2,748,003)</u>
 Debt service as a percentage of noncapital expenditures.....	 12.3%	 8.5%	 6.9%	 9.3%

TABLE 4

Fiscal Year					
2002	2001	2000	1999	1998	1997
13,453,561	12,746,982	10,827,476	9,886,054	9,627,050	9,128,292
597,549	556,676	486,223	452,583	459,608	356,596
2,650,709	1,654,587	3,392,082	7,195,655	1,500,793	2,947,303
934,640	899,447	859,149	754,016	311,116	273,636
159,247	149,245	72,651	59,071	99,235	117,379
-	-	-	-	-	-
1,468,703	1,692,843	1,537,775	1,449,732	1,431,050	1,391,193
<u>19,264,409</u>	<u>17,699,780</u>	<u>17,175,356</u>	<u>19,797,111</u>	<u>13,428,852</u>	<u>14,214,399</u>
2,939,158	2,878,621	2,824,346	3,058,942	2,508,726	2,590,186
8,167,678	6,983,017	6,660,544	6,294,735	5,878,109	5,652,264
1,208,008	1,626,616	3,574,863	3,792,278	1,168,985	2,066,773
281,797	298,762	619,750	245,980	277,627	213,718
24,199	1,465,559	417,939	3,987	-	-
34,158	3,840	7,462	21,393	10,528	32,928
2,130,069	2,386,132	2,143,851	4,863,792	1,367,519	1,251,970
319,191	396,022	376,979	297,441	294,058	326,113
3,452,246	768,899	3,365,324	956,924	2,731,862	1,165,962
1,246,397	1,036,435	928,766	902,611	2,304,290	392,582
540,036	325,128	489,125	299,501	397,800	217,127
<u>20,342,937</u>	<u>18,169,031</u>	<u>21,408,949</u>	<u>20,737,584</u>	<u>16,939,504</u>	<u>13,909,623</u>
<u>(1,078,528)</u>	<u>(469,251)</u>	<u>(4,233,593)</u>	<u>(940,473)</u>	<u>(3,510,652)</u>	<u>304,776</u>
500,000	210,192	129,552	185,258	207,719	221,004
1,882,037	2,488,800	-	5,000,000	2,533,496	1,430,000
-	-	-	-	(2,277,807)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,784,000	-
<u>2,382,037</u>	<u>2,698,992</u>	<u>129,552</u>	<u>5,185,258</u>	<u>4,247,408</u>	<u>1,651,004</u>
<u>1,303,509</u>	<u>2,229,741</u>	<u>(4,104,041)</u>	<u>4,244,785</u>	<u>736,756</u>	<u>1,955,780</u>
10.6%	7.8%	7.9%	6.1%	19.0%	4.8%

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year ² Ended September 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property
1997	\$ 976,009,542	\$ 138,686,211	\$ 17,551,445	\$ -	\$ 9,335,353	\$ 105,187
1998	1,027,233,671	148,318,835	17,931,619	-	9,674,066	105,177
1999	1,064,606,656	153,919,678	18,872,016	736,117	9,625,627	105,633
2000	1,198,670,662	163,652,024	19,594,919	737,558	10,782,406	105,809
2001	1,324,619,454	177,391,660	21,382,143	740,812	11,005,642	564,193
2002	1,478,437,496	185,125,918	22,583,471	1,018,379	16,580,547	116,039
2003	1,767,545,799	202,742,638	29,792,833	1,088,414	9,049,475	164,999
2004	2,152,769,828	222,412,491	32,100,435	861,019	9,903,467	2,620,814
2005	2,468,136,333	243,399,556	33,551,514	897,613	12,259,301	1,085,531
2006	3,267,304,730	283,333,089	36,551,392	1,889,565	13,880,634	3,505,634

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 1997 data was obtained from the 1996 calendar year tax roll).

TABLE 5

Vacant Land and Other	Tangible Personal Property	Total Taxable Value	Less: Tax-Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate ¹
\$ 80,743,649	\$ 52,800,410	\$ 1,275,231,797	\$ 241,596,690	\$ 1,033,635,107	\$ 5.48700
77,032,394	56,444,716	1,336,740,478	252,264,478	1,084,476,000	5.32900
76,468,716	56,520,579	1,380,855,022	265,752,786	1,115,102,236	5.28580
86,541,586	61,817,026	1,541,901,990	299,156,197	1,242,745,793	5.13400
85,852,513	63,516,007	1,685,072,424	337,962,705	1,347,109,719	4.99000
83,447,816	65,218,426	1,852,528,092	371,515,445	1,481,012,647	4.60000
97,229,705	64,047,746	2,171,661,609	507,965,614	1,663,695,995	5.10000
114,673,098	64,966,542	2,600,307,694	648,259,413	1,952,048,281	5.10000
148,317,308	63,375,983	2,971,023,139	761,834,716	2,209,188,423	5.10000
224,967,151	66,342,093	3,897,774,288	1,052,366,297	2,845,407,991	4.31030

**DIRECT AND OVERLAPPING PROPERTY TAX RATES,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year ¹	New Smyrna Beach ²	Volusia County School District	Volusia County	Southeast Volusia Hospital District	Southeast Volusia Mosquito Control
1997	5.48690	10.82100	6.21700	2.24740	0.23800
1998	5.32900	10.48700	6.21700	2.13240	0.23800
1999	5.28580	10.37600	6.37800	2.05230	0.23800
2000	5.13400	9.91700	6.37300	2.05200	0.23800
2001	4.99000	9.15800	6.36700	2.52830	0.23800
2002	4.60000	9.01500	6.60400	2.52830	0.23800
2003	5.10000	8.89900	6.60400	2.32000	0.23800
2004	5.10000	8.69900	6.60400	2.32000	0.23800
2005	5.10000	8.51700	6.60400	2.35000	0.23800
2006	4.81189	8.25900	6.29400	2.35000	0.23800

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 1997 data was obtained from the 1996 calendar year tax roll).

²Includes voted debt service millage rates.

TABLE 6

Ponce Inlet and Port Authority	St. Johns Water Management District	Florida Inland Navigation District	Total- All Taxing Districts
0.09300	0.48200	0.03800	25.62330
0.09000	0.48200	0.05000	25.02540
0.09000	0.48200	0.05000	24.95210
0.09000	0.48200	0.04400	24.33000
0.09000	0.47200	0.04100	23.88430
0.09000	0.46200	0.03850	23.57580
0.09000	0.46200	0.03850	23.75150
0.09000	0.46200	0.03850	23.55150
0.09000	0.46200	0.03850	23.39950
0.09000	0.46200	0.03850	22.54339

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

Taxpayer	September 30, 2006		
	(2006 Tax Roll) Assessed Taxable Value	Rank	Percent to Total Assessed Taxable Value
Ocean Development Group.....	\$ 39,478,729	1	0.72%
Venetian Bay of NSB LLC.....	19,212,404	2	0.35%
Islander Beach Resorts.....	18,053,105	3	0.33%
Lyme Stone Ranch Investors Ltd.....	15,068,219	4	0.27%
Cathy S. Truett Tr.....	11,514,295	5	0.21%
Venetian Land LLC.....	11,230,203	6	0.20%
Bellsouth Telecommunication, Inc.....	10,432,188	7	0.19%
MMR Holdings LLC.....	9,783,134	8	0.18%
IRT Property Co.....	8,104,098	9	0.15%
Samuel R. Sutton Trust.....	8,055,448	10	0.15%
811 Development Corporation.....	-		
Sea Villas Development Corporation.....	-		
Wal-Mart Stores, Inc.....	-		
3301 Development Corporation.....	-		
Urban Properties I.....	-		
Total.....	<u>\$ 150,931,823</u>		2.75%

Source: Volusia County Property Appraiser

TABLE 7

September 30, 1997			
(1997 Tax Roll)			Percent
Assessed			to Total
Taxable	Rank		Assessed
Value			Taxable
			Value
\$ 7,971,139	3		10.93%
-			0.00%
13,173,854	2		18.07%
-			0.00%
-			0.00%
-			0.00%
18,777,146	1		25.76%
-			0.00%
6,361,097	4		8.73%
3,965,199	9		5.44%
5,558,979	5		7.63%
5,131,134	6		7.04%
4,251,816	7		5.83%
4,134,664	8		5.67%
3,574,906	10		4.90%
<u>\$ 72,899,934</u>			12.52%

This Page Intentionally Left Blank.

**PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS**

TABLE 8

September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year Ended September 30,	Taxes Levied For Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 5,671,494	\$ 5,898,582	104.00%	\$ 32,723	\$ 5,931,305	104.58%
1998	5,779,129	6,103,983	105.62%	19,628	6,123,611	105.96%
1999	5,894,185	6,302,514	106.93%	9,595	6,312,109	107.09%
2000	6,379,772	6,763,754	106.02%	140,103	6,903,857	108.21%
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%	-	11,797,519	96.19%

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. 2006 collections are from the 2005 tax levy).

**RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year Ended September 30,	Governmental Activities						Total
	General Obligation Bonds	Capital Revenue Bonds	Long Term Notes	State Revolving Fund Loans	FMLC Promissory Notes		
1997	\$ -	\$ 4,220,000	\$ 818,458	\$ -	\$ -	\$ 5,038,458	
1998	-	4,256,193	2,342,460	-	-	\$ 6,598,653	
1999	-	3,949,384	6,893,785	-	-	\$ 10,843,169	
2000	-	3,629,482	6,477,985	-	-	\$ 10,107,467	
2001	-	3,388,881	5,714,965	459,399	1,985,000	\$ 11,548,245	
2002	-	3,191,138	4,949,003	2,273,563	1,770,000	\$ 12,183,704	
2003	-	2,834,344	4,502,504	2,705,605	1,550,000	\$ 11,592,453	
2004	-	2,618,084	11,052,655	3,066,072	1,320,000	\$ 18,056,811	
2005	18,330,000	9,726,924	3,681,943	2,887,971	1,080,000	\$ 35,706,838	
2006	17,635,000	9,490,411	3,305,837	2,737,531	825,000	\$ 33,993,778	

Source: The City of New Smyrna Beach Finance Department
Per Capita Income - Florida Research and Economic Database
Population - U.S. Census Bureau for 2005 and 2000 (all other years are estimates)

Note: Details concerning the City's outstanding debt can be found in the notes to the financial statements.
Principal amounts are stated at par and do not include unamortized premiums, discounts or issuance costs.
Personal income and population data can be found in TABLE 10.

TABLE 9

Business Activities		Percent of Personal Income			Per Capita
Long Term Notes	Total				
\$ -	\$ 5,038,458	1.29%	\$	275	
346,191	\$ 6,944,844	1.71%		375	
193,064	\$ 11,036,233	2.63%		593	
-	\$ 10,107,467	2.81%		533	
-	\$ 11,548,245	2.87%		576	
-	\$ 12,183,704	3.00%		604	
-	\$ 11,592,453	2.73%		563	
-	\$ 18,056,811	3.30%		846	
-	\$ 35,706,838	5.01%		1,597	
-	\$ 33,993,778	3.66%		1,451	

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

TABLE 10

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year Ended September 30,	Governmental Activities General Obligation Bonds	Percentage of Actual Taxable Value ^a of Property	Percent of Personal Income	Per Capita	Personal Income	Population
1997	\$ -	0.00%	0.00%	-	\$ 20,387	18,503
1998	-	0.00%	0.00%	-	21,293	18,603
1999	-	0.00%	0.00%	-	21,988	18,977
2000	-	0.00%	0.00%	-	23,327	20,048
2001	-	0.00%	0.00%	-	24,253	20,169
2002	-	0.00%	0.00%	-	24,730	20,595
2003	-	0.00%	0.00%	-	25,062	21,334
2004	-	0.00%	0.00%	-	26,118	22,025
2005	18,330,000	0.83%	2.47%	673	27,218	22,356
2006	17,635,000	0.62%	2.19%	622	28,365	22,870

Source: The City of New Smyrna Beach Finance Department
Per Capita Income - Florida Research and Economic Database
Population - U.S. Census Bureau for 2005 and 2000 (all other years are estimates)

Note: Details concerning the City's outstanding debt can be found in the notes to the financial statements.
Principal amounts are stated at par and do not include unamortized premiums, discounts or issuance costs.

^a See TABLE 5 for property value data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

TABLE 11

September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
District School Board of Volusia County, Florida:			
General Obligation Refunding Bonds, Series 2001.....	\$ 9,780,000	9.4614%	\$ 925,323
Other Debt:			
District School Board of Volusia County, Florida:			
State School Bonds.....	18,640,000	9.4614%	1,763,602
Sales Tax Revenue Bonds.....	174,325,000	9.4614%	16,493,558
Obligations under capital leases.....	324,122	9.4614%	30,666
Certificates of participation.....	162,255,000	9.4614%	15,351,569
County of Volusia, Florida:			
Revenue bonds.....	230,130,000	9.4614%	21,773,483
Notes payable.....	13,155,191	9.4614%	<u>1,244,663</u>
Total overlapping debt.....			57,582,864
City direct debt.....			<u>33,993,778</u>
Total direct and overlapping debt.....			<u><u>\$ 91,576,642</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.

This Page Intentionally Left Blank.

LEGAL DEBT MARGIN INFORMATION
Year Ending September 30, 2006
CITY OF NEW SMYRNA BEACH, FLORIDA

TABLE 12

<p>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.</p>

**PLEGGED REVENUE COVERAGE,
LAST TEN FISCAL YEARS**
Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

	2006	2005	2004	2003
Community Redevelopment Agency Bonds:				
Tax increment revenues.....	\$ 2,914,306	2,293,180	2,035,511	1,692,573
Less: operating expenses.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	<u>\$ 2,914,306</u>	<u>2,293,180</u>	<u>2,035,511</u>	<u>1,692,573</u>
Debt Service payments:				
Principal.....	\$ 236,513	226,160	216,260	356,794
Interest.....	<u>104,072</u>	<u>114,273</u>	<u>124,028</u>	<u>141,605</u>
Total debt service payments.....	<u>\$ 340,585</u>	<u>340,433</u>	<u>340,288</u>	<u>498,399</u>
Coverage (times).....	8.56	6.74	5.98	3.40
Capital Revenue Bonds and Notes:				
Gross revenues.....	\$ 18,908,873	19,007,704	16,483,938	12,730,316
Less: operating expenses.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net revenue available for debt service.....	<u>\$ 18,908,873</u>	<u>19,007,704</u>	<u>16,483,938</u>	<u>12,730,316</u>
Debt Service payments:				
Principal.....	\$ 1,476,546	788,833	819,577	785,707
Interest.....	<u>1,184,414</u>	<u>786,472</u>	<u>379,527</u>	<u>371,745</u>
Total debt service payments.....	<u>\$ 2,660,960</u>	<u>1,575,305</u>	<u>1,199,104</u>	<u>1,157,452</u>
Coverage (times).....	7.11	12.07	13.75	11.00

Source: City of New Smyrna Beach Finance Department

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.

TABLE 13

Fiscal Year					
2002	2001	2000	1999	1998	1997
1,427,735	1,240,365	1,520,302	1,039,929	904,643	771,854
-	-	-	-	-	-
<u>1,427,735</u>	<u>1,240,365</u>	<u>1,520,302</u>	<u>1,039,929</u>	<u>904,643</u>	<u>771,854</u>
197,743	240,601	319,902	306,809	87,807	110,491
142,273	260,009	177,763	106,545	52,808	5,874
<u>340,016</u>	<u>500,610</u>	<u>497,665</u>	<u>413,354</u>	<u>140,615</u>	<u>116,365</u>
4.20	2.48	3.05	2.52	6.43	6.63
11,741,991	10,293,528	9,908,098	12,951,217	7,302,146	8,573,273
-	-	-	-	-	-
<u>11,741,991</u>	<u>10,293,528</u>	<u>9,908,098</u>	<u>12,951,217</u>	<u>7,302,146</u>	<u>8,573,273</u>
1,048,654	795,834	608,864	595,802	2,216,483	282,091
397,763	65,119	311,362	192,956	344,992	211,253
<u>1,446,417</u>	<u>860,953</u>	<u>920,226</u>	<u>788,758</u>	<u>2,561,475</u>	<u>493,344</u>
8.12	11.96	10.77	16.42	2.85	17.38

This Page Intentionally Left Blank.

**DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN FISCAL YEARS**

TABLE 14

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

Fiscal Year Ended September 30,	Population ¹	Personal Income ²	Per Capita Personal Income ³	Median Household Income ³	Median HUD Income ³	County Unemployment Rate ³
1997	18,503	\$ 377,220,661	\$ 20,387	\$ 29,843	\$ n/a	4.00%
1998	18,603	396,113,679	21,293	31,269	n/a	3.30%
1999	18,977	417,266,276	21,988	33,016	41,767	3.20%
2000	20,048	467,659,696	23,327	35,278	n/a	3.50%
2001	20,169	489,158,757	24,253	34,740	n/a	4.00%
2002	20,595	509,314,350	24,730	35,010	n/a	5.20%
2003	21,334	534,672,708	25,062	36,038	n/a	5.10%
2004	22,025	575,248,950	26,118	n/a	n/a	4.60%
2005	22,356	608,496,676	27,218	n/a	n/a	3.40%
2006	22,870	648,715,785	28,365	n/a	50,300	3.10%

Source:

¹ U.S. Department of Commerce, Bureau of Census, for 2000 and 2005. All other periods are estimated.

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

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

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

Employer	September 30, 2006		
	Total Employees	Rank	Percent to Total City Employment
Bert Fish Medical Center.....	730	1	9.14%
Publix Supermarkets.....	275	2	3.44%
City of New Smyrna Beach.....	260	3	3.25%
Wal Mart.....	215	4	2.69%
Oceanview Nursing Center.....	185	5	2.32%
Utilities Commission of New Smyrna Beach.....	160	6	2.00%
New Smyrna Chevrolet Chyrsler Jeep Dodge.....	160	7	2.00%
Winn Dixie.....	150	8	1.88%
Verns Insulation.....	135	9	1.69%
Home Depot.....	<u>130</u>	10	1.63%
Total.....	<u><u>2,400</u></u>		30.05%
Estimated Civilian Labor Force (2005 Census).....			<u>7,988</u>

Source: Volusia County Department of Economic Development

Note: Employee numbers reported represent total employees. Individual employee counts by city are not compiled or reported by the employers, and include employees who reside in other government jurisdictions within the Volusia County area.

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

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

	Full-Time			
	2006	2005	2004	2003
General Government:				
Legislative.....	2.5	2.5	2.5	2.5
Management.....	6.5	6.5	5.5	5.5
Legal.....	2.0	2.0	2.0	2.0
Human Resources.....	2.0	2.0	2.0	2.0
Development Services.....	12.5	10.5	10.5	10.5
Community Redevelopment.....	3.0	2.0	2.0	2.0
City Clerk.....	2.0	2.0	3.0	3.0
Finance.....	6.5	6.5	6.5	6.5
Information Systems.....	3.0	3.0	2.0	2.0
Police:				
Chief of Police.....	1.0	1.0	1.0	1.0
Patrol.....	34.0	32.0	32.0	32.0
Operations (Cmmdr & Detectives).....	14.0	13.0	13.0	13.0
Support.....	13.0	10.0	9.0	9.0
Dispatch.....	-	-	-	8.0
Fire:				
Administration.....	5.0	5.0	5.5	5.5
Operations.....	47.0	44.0	42.0	42.0
Public Works:				
Administration.....	4.0	4.0	4.0	4.0
Garage.....	5.0	5.0	5.0	5.0
Airport.....	2.0	2.0	2.0	2.0
Building Maintenance and Streets.....	25.0	24.0	24.0	23.0
Leisure Services:				
Recreation.....	38.0	36.25	36.0	36.25
Golf course.....	19.0	19.0	19.0	19.0
Marina.....	2.0	-	-	-
Building & Permitting.....	9.0	9.0	7.5	7.0
Solid waste services.....	-	-	-	-
Total.....	258.0	241.25	236.0	242.75

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 16

Equivalent Employees at September 30,

2002	2001	2000	1999	1998	1997
2.5	2.5	2.5	2.5	2.5	2.5
4.0	4.0	4.0	4.0	4.0	4.0
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
10.5	10.0	10.0	10.0	10.0	10.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	2.0	2.0	2.0	2.0	2.0
6.5	6.5	6.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.0	1.0	1.0
32.0	30.0	30.0	30.0	30.0	28.0
12.0	10.0	10.0	8.0	8.0	8.0
9.0	9.0	9.0	8.0	8.0	8.0
8.0	8.0	8.0	8.0	8.0	8.0
5.5	4.5	4.5	4.5	4.5	4.5
42.0	40.0	40.0	40.0	38.0	38.0
4.0	4.0	4.0	4.0	4.0	4.0
5.0	5.0	4.0	4.0	4.0	4.0
2.0	2.0	2.0	2.0	2.0	2.0
22.0	22.0	21.0	21.0	20.0	20.0
35.0	35.0	34.0	34.0	34.0	32.0
18.0	18.0	18.0	17.0	17.0	16.0
-	-	-	-	-	-
6.0	6.0	6.0	6.0	6.0	6.0
-	-	10.0	10.0	10.0	10.0
<u>234.0</u>	<u>225.5</u>	<u>232.0</u>	<u>228.0</u>	<u>225.0</u>	<u>220.0</u>

**OPERATING INDICATORS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

	2006	2005	2004	2003
Police:				
Physical arrests (based on calendar year).....	1,328	1,171	1,087	1,079
Parking violations (based on calendar year).....	826	1,391	628	n/a
Traffic violations (based on calendar year).....	4,382	3,731	4,068	3,874
Fire:				
Emergency responses.....	4,415	4,015	4,062	3,524
Non-fire/EMS.....	2,836	2,633	2,597	2,305
Inspections by Engine Companies.....	283	277	270	559
Inspections by Fire Inspectors.....	1,000	971	1,269	1,494
Solid Waste:				
Refuse collected (tons per day).....	328.0	311.6	296.0	281.2
Yard trash (tons per day).....	34.1	32.4	30.8	29.2
Recyclables collected (tons per day).....	34.2	32.5	30.9	29.3
Public Works-Transportation				
Street construction (miles).....	28.0	26.6	25.3	24.0
Street resurfacing (miles).....	2.5	2.0	2.0	2.0
Potholes repaired.....	200	150	150	150
Building Development:				
Residential/single family permits issued.....	316	452	243	144
Commercial/multi-family permits issued.....	16	8	12	36
Miscellaneous permits issued.....	991	2,278	1,120	1,846

Source: Various City Departments

TABLE 17

Fiscal Year					
2002	2001	2000	1999	1998	1997
976	1,074	989	911	916	n/a
n/a	n/a	n/a	n/a	n/a	n/a
5,055	5,782	3,924	2,690	1,864	n/a
3,356	3,479	3,184	3,367	2,686	2,563
1,942	2,043	1,900	1,821	1,616	1,691
462	404	353	301	295	282
1,185	808	522	543	558	420
267.2	253.8	241.1	229.1	217.6	206.7
27.8	26.4	25.1	23.8	22.6	21.5
27.9	26.5	25.1	23.9	22.7	21.6
22.8	21.7	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0	2.0
150	150	150	150	150	150
119	114	121	110	136	n/a
18	26	13	9	8	n/a
1,658	1,685	1,864	1,284	1,553	n/a

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS**

Year Ending September 30,
CITY OF NEW SMYRNA BEACH, FLORIDA

	2006	2005	2004	2003
General Government:				
Area (Sq. miles).....	37.7	37.7	37.7	34.0
Police:				
Stations.....	1	1	1	1
Patrol units.....	31	32	29	26
Fire stations.....	4	4	4	4
Public Works-Transportation				
Paved streets (miles).....	183.0	130.1	130.1	108.0
Unpaved streets (miles).....	14.2	14.7	14.7	14.5
Streetlights.....	2,618	2,587	2,596	2,596
Traffic signals.....	10	10	9	8
Parks and recreation				
Area (acres).....	273.5	137.0	137.0	137.0
Tennis Courts.....	12	12	12	12
Playgrounds.....	11	11	11	11
Recreation (community) centers.....	2	2	2	2
Shuffleboard/lawn bowling courts.....	40	40	40	40
Soccer/football fields.....	5	5	5	5
Baseball/softball diamonds.....	9	9	9	9
Basketball courts.....	8	6	6	6
18 hole golf courses.....	1	1	1	1
Marina boat slips.....	42	42	42	42
Boat ramps.....	6	6	6	6
Parks and picnic areas.....	22	22	22	22

Source: Various City Departments

TABLE 18

Fiscal Year					
2002	2001	2000	1999	1998	1997
34.0	33.1	33.1	31.9	30.5	30.5
1	1	1	1	1	1
23	22	18	18	18	17
4	4	4	4	4	4
108	92	92.0	119.9	110.2	110.2
14.5	13.7	13.7	14.4	13.9	14.1
2284	1559	1,559	3,331	1,559	2,444
8	8	8	8	8	8
67.0	67.0	67.0	67.0	67.0	67.0
12	12	12	12	12	12
11	11	11	11	11	11
2	2	2	1	1	1
40	40	40	40	40	40
1	1	1	1	1	1
7	7	7	7	7	7
8	8	8	8	8	8
1	1	1	1	1	1
42	42	42	42	42	42
6	6	6	6	6	6
22	22	22	22	22	22

This Page Intentionally Left Blank.

SUPPLEMENTAL AUDIT REPORTS

This Page Intentionally Left Blank.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

Federal Program Pass-through Entity Federal Program	CFDA No.	Contract Grant No.	Expenditures
U.S. Department of Agriculture			
Indirect Programs:			
Passed through Florida Department of Agriculture and Consumer Services, Division of Forestry			
Emergency Hurricane Supplemental Forestry Grant.....	10.664	10298	\$ <u>3,319</u>
U.S. Department of Housing and Urban Development:			
Indirect Programs:			
Passed through Volusia County Department of Community Services			
Urban County Block Grant 10/01/00 - 10/01/04 - 9/30/06.....	14.218	--	129,276
Urban County Block Grant 10/01/05 - 09/30/07.....	14.218	--	60,996
Passed through Florida Department of community Affairs			
Disaster Recovery Initiative Grant.....	14.218	--	<u>26,869</u>
Total U.S. Department of Housing and Urban Development.....			<u>217,141</u>
U.S. Department of the Interior			
Indirect Programs:			
Fish and Wildlife Service			
Passed through Florida Department of Environmental Protection			
Clean Vessel Act Grant.....	15.616	FO884	10,764
Land and Water Conservation Fund Program.....	15.916	12-00414	<u>150,000</u>
Total U.S. Department of the Interior.....			<u>160,764</u>
U.S. Department of Justice:			
Direct Programs:			
Bullet Proof Vest Partnership Grant.....	16.607	--	4,389
Indirect Programs:			
Passed Through Office of Attorney General of Florida			
Victims of Crime Act- Victims Assistance Program.....	16.575	V5109	33,636
Passed Through Florida Department of Law Enforcement.....			
Local Law Enforcement Block Grants.....	16.592	2005-LEBG-VOL-U-3-L4-088	<u>8,259</u>
Total U.S. Department of Justice.....			<u>46,284</u>
U.S. Department of Transportation:			
Direct Programs:			
Federal Aviation Administration			
Airport Improvement Programs:			
Air Field Lighting.....	20.106	FAA AIP No. 3 12 0054 010 2005	276,302
Air Field Signage.....	20.106	FAA AIP No. 3 12 0054 009 2004	118,691
Indirect Programs:			
Federal Highway Administration			
Passed through Florida Department of Transportation:			
Highway Demo Project - §330 Transportation			
Discretionary Grant FY 2003 (Water Taxi).....	N/A	ANC 04	<u>125,419</u>
Total U.S. Department of Transportation.....			<u>520,412</u>
U.S. Department of Environmental Protection:			
Indirect Programs:			
Passed through Florida Department of Environmental Protection:			
Passed through St. Johns River Water Management District:			
Stormwater Retrofit.....	66.460	SG431AA	<u>44,202</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2006
 CITY OF NEW SMYRNA BEACH, FLORIDA

Federal Program Pass-through Entity Federal Program	CFDA No.	Contract Grant No.	Expenditures
U.S. Department of Homeland Security:			
Indirect Programs:			
Passed through Florida Department of Community Affairs			
Division of Emergency Management			
Assistance to Firefighters Grant.....	83.554	EMW-2003-FG-12143	<u>139,113</u>
Total Expenditures of Federal Awards.....			<u>\$ 1,131,235</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2006
City of New Smyrna Beach, Florida

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal and state 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. Loans Outstanding

The City of New Smyrna Beach, Florida had the following loan balances outstanding at September 30, 2006. For the year ended September 30, 2006 there were no expenditures or amounts borrowed under the State Revolving Fund Loan program.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>	<u>Outstanding Loans Amount</u>
U.S. Department of Environmental Protection	66.458	\$ 0	\$ 2,737,530

3. Sub-recipients

No federal or state funds were distributed to sub-recipient organizations by the City of New Smyrna Beach, Florida during the year ended September 30, 2006.

4. CFDA Number Not Available

The City of New Smyrna Beach, Florida was awarded an allocation of funds under Section 330 of the fiscal year 2003 Omnibus Appropriations Act, Public Law 108-7 from the U.S. Department of Transportation, Federal Highway Administration that was passed-through the Florida Department of Transportation for a demo project that is being used to fund the acquisition and operation of a water taxi / ferry service between the City of New Smyrna Beach, Florida and the Town of Ponce Inlet, Florida. The agreement does not have a Catalog of Federal Domestic Assistance (CFDA) number assigned to this project. The financial assistance expended in the fiscal year amounted to \$125,419 and was below the audit threshold for testing as a major project.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS

Year Ended September 30, 2006

CITY OF NEW SMYRNA BEACH, FLORIDA

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of New Smyrna Beach, Florida.
2. No reportable conditions were disclosed during the audit of the financial statements or reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of the City of New Smyrna Beach, Florida, were disclosed during the audit.
4. There are no reportable conditions disclosed relating to the audit of the major federal programs and state projects reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal programs and state projects for the City of New Smyrna Beach, Florida, expresses an unqualified opinion.
6. The audit disclosed no audit findings which are required to be reported.
7. The programs/projects tested as major programs/projects included the following:

Federal Program:	Federal CFDA No.
U.S. Department of Transportation Airport Improvement Programs	20.106

8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal programs.
9. The City of New Smyrna Beach, Florida was determined to be a low-risk auditee pursuant to OMB Circular A-133.

- | | |
|--|------|
| B. Findings - Financial Statements -
OMB Circular A-133, Subpart E, Section 505(d)(2): | None |
| C. Findings and Questioned Costs - Major Federal Programs -
OMB Circular A-133, Subpart E, Section 505(d)(3): | None |
| D. Findings and Questioned Costs - Major State Projects -
Chapter 10.550, Rules of the Auditor General: | N/A |
| E. Other Issues | None |

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
CORRECTIVE ACTION PLAN**
Year Ended September 30, 2006
City of New Smyrna Beach, Florida

**Prior Year Findings and Questioned Costs -
Major Federal Awards Programs**

There were no audit findings for prior years, relative to federal awards; therefore no corrective action plan is required.

Corrective Action Plan:

There were no audit findings for year ended September 30, 2006, relative to federal awards; therefore no corrective action plan is required.

This Page Intentionally Left Blank.

**INDEPENDENT AUDITORS' 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**

The Honorable Mayor,
City Commissioners, 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 16, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New Smyrna Beach, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of New Smyrna Beach, Florida's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Management Letter under headings *Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2.A. and 2.B. in the *Prior Year Findings and Recommendations*, to be material weaknesses.

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida
Page 2 of 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New Smyrna Beach, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 also noted certain additional matters that we reported to management of City of New Smyrna Beach, Florida, in a separate letter dated February 16, 2007.

This report is intended solely for the information and use of the City Commission, management, others within the organization, the Auditor General of the State of Florida, and applicable 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.

Brent Milliken & Co., P.A.

February 16, 2007

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida

Compliance

We have audited the compliance of City of New Smyrna Beach, Florida, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. City of New Smyrna Beach, Florida's major federal programs 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 is the responsibility of City of New Smyrna Beach, Florida's management. Our responsibility is to express an opinion on City of New Smyrna Beach, Florida's compliance based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 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 occurred. An audit includes examining, on a test basis, evidence about City of New Smyrna Beach, Florida'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 on City of New Smyrna Beach, Florida's compliance with those requirements.

In our opinion, City of New Smyrna Beach, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida
Page 2 of 2

Internal Control Over Compliance

The management of City of New Smyrna Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of New Smyrna Beach, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

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, 2006, and have issued our report thereon dated February 16, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of New Smyrna Beach, Florida's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Commission, management, others within the organization, 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.

Brent Milliken & Co., P.C.

February 16, 2007

MANAGEMENT LETTER

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida

We have audited the financial statements of City of New Smyrna Beach, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated February 16, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards; 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*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 16, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected except for those reported in the attached Exhibit A under the heading *Prior Year Findings and Recommendations*.

As required by the Rules of the Auditor General (Section 10.554(1)(h)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, we determined that City of New Smyrna Beach, Florida, complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (section 10.544(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have reported on these matters in the attached Exhibit A under the heading *Current Year Findings and Recommendations*.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules,

The Honorable Mayor,
City Commissioners, and City Manager
City of New Smyrna Beach, Florida
Page 2 of 2

regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed by Rules of Auditor General, which are reported in the attached Exhibit A under the heading *Current Year Findings and Recommendations*.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also 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. City of New Smyrna Beach, Florida, was established 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 financial statements of City of New Smyrna Beach, Florida, included the following component unit: Utilities Commission of New Smyrna Beach, which is the only component unit of the City, was created in 1967 through passage of Chapter 67-1754, Laws of Florida Special Acts of 1967 (House Bill 1669) which amended the charter of City of New Smyrna Beach, Florida to create the Utilities Commission.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that City of New Smyrna Beach, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for City of New Smyrna Beach, Florida for the fiscal year ended September 30, 2006, 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, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h)(6)c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of City of New Smyrna Beach, Florida and management, and the State of Florida Office of the Auditor General, 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.

Brent Milliken & Co., P.A.

February 16, 2007

PRIOR YEAR MATTERS

Section 10.554(1)(h)1., Rules of the Auditor General, require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. The following is a summary of the status of the Prior Year Findings and Recommendations:

1. Violations of Laws, Rules, and Regulations

A. *CRA Trust Fund Compliance*

As communicated to you in our last report, recent findings from the Office of the Auditor General's performance audit of the financial reporting for several local government Community Redevelopment Agencies revealed some common compliance problems in substantiating CRA eligible expenditures and the reporting of CRA trust fund financial activity. Florida law requires that expenditures recorded in a Community Redevelopment Agency (CRA) be substantiated with sufficient documentation to demonstrate a direct relationship to financing or refinancing redevelopment in a community redevelopment area pursuant to an approved CRA Plan in compliance with Sections 163.387(6) and 163.370(2), Florida Statutes. CRA trust fund expenditures must be: (1) for the benefit of the CRA, (2) to comply with the CRA plan, (3) to comply with Sec. 163.387(6), F.S., and (4) to comply with Sec. 163.370(2), F.S. The language in Sec. 163.387(6) states that moneys in the redevelopment trust fund may be expended for several purposes, including, but not limited to the eight items listed under Sec. 163.387(6)(a) through (h), F.S. The language under Sec. 163.370(2) states what CRA monies cannot be spent on.

In addition to understanding the CRA plans' compliance requirements, it is just as important to understand the provisions contained in the City's individual CRA plan to insure that all expenditures are for the exclusive benefit of the CRA, as outlined in the approved plan. We noted that the City's CRA Master Plan was updated in December 1995 and the latest amendment to the Plan was for inclusion of the U.S. 1/North Myrtle Avenue Expansion Area, making the plan somewhat dated. Therefore, current financial activity may not necessarily be in compliance with the plan's provisions.

The Auditor General's recommendations relating to expenditures were: (1) all expenditures should be properly authorized and adequately documented, and (2) actual time spent by employees on CRA activities should be supported by documentation, such as timesheets, and salaries and benefits paid from CRA trust funds should be in agreement with this documentation.

Recommendation: As recommended in our prior year's report, the City should carefully review the specific laws cited above in addition to updating the CRA Master Plan. General journal entries used to allocate administrative and overhead costs should be supported by an indirect cost plan or other attached documentation to better demonstrate compliance with the updated Plan and applicable provisions in Chapter 163, Florida Statutes. Also, we recommend that the City's budget for the CRA Fund should more clearly define the budgeted sources of increment and other

revenues, along with appropriations that are segregated by the types of permitted expenditures identified under Sec. 163.387(6)(a) through (h), F.S. We believe that this additional information will be helpful to document the CRA Board's approval of appropriations and will readily supply information for future analyses of budgeted to actual results for revenue sufficiency of CRA Board approved projects.

2. **Improper or Inadequate Accounting Procedures**

A. ***Bank Reconciliation - (Material Weakness)***

The findings that we have observed and reported on in prior year audits still persisted during our audit of the current year financial statements relating to the fundamental internal control procedure of preparing monthly bank reconciliations. We continued to observe that the Finance Department failed to prepare timely bank account reconciliations for the entire fiscal year ended September 30, 2006. While not performing timely and complete bank reconciliations is a material weakness, these conditions also significantly increase the risk of undetected fraud.

Recommendation: We recognize that by the time we reported this finding related to the prior fiscal year, the current fiscal year had already ended. Subsequent to September 30, 2006 the City had hired a new Acting Finance Director that has reconciled all bank statements through the current period. We believe that this matter has been sufficiently resolved after year-end.

B. ***Accounts Payable - (Material Weakness)***

As reported in the prior year the Accounts Payable Module of MUNIS and the process of managing accounts payable continues to be a problem. Specifically, we noted continued lack of reconciliation procedures being performed on a monthly basis to the general ledger control accounts throughout the entire fiscal period. We found that staff continued the practice of entering invoices into the MUNIS system only when a warrant was being prepared to pay vendor bills. We continued to find that not all of the invoices, billing statements and copies of purchase orders are forwarded to the centralized Finance Department office for documentation and retention purposes. Failure to enter vouchers in the system at the time the liability is incurred exacerbates the reconciliation process. As a result, reports produced by the system did not include all liabilities of the City and alternative procedures were required to properly capture the liability balances due at year-end.

Recommendation: We understand that the entire accounts payable process will be revisited by the new Acting Finance Director in the coming year and that staff will be utilizing the MUNIS system to its fullest potential, which should eliminate the internal control weaknesses associated with the fundamental accounting for accounts payable.

C. ***Accounting for Capital Assets***

As reported previously staff has not entered all of the governmental activities and business-type activities capital assets into the MUNIS fixed assets module and for those assets that have been entered into the system, staff has not appropriately activated the depreciation calculation. As a result, reports produced by the MUNIS system are inherently incomplete and lack the required financial data pertaining to all of the City's capital assets. Furthermore, we continued to note that staff used manually created worksheets to reproduce the financial data necessary to report

the activity related to the City's capital assets in its external financial reporting.

Recommendation: We understand that the Acting Finance Director and staff will be meeting with MUNIS representatives in the coming year to fully implement the Fixed Assets Module and will be transferring all of the capital asset history into the system. This should help to alleviate the many problems we have noted in accounting for the City's capital asset transactions.

D. Accounting for Infrastructure Components

As reported in prior years, the City has been prospectively accounting for general governmental infrastructure assets upon early adoption of the GASB Statement No. 34 provisions. Retroactive reporting of all major general governmental assets acquired on or before October 1, 2001 is required by the City in the fiscal year beginning October 1, 2006. In prior years, we outlined the steps that the City needs to take to determine the value of its general infrastructure assets for inclusion in its financial statements.

Recommendation: It is our understanding that the City has contracted with a qualified engineering firm to compile the data required to properly report the general infrastructure assets in fiscal year 2007. We recommend that management carefully review this financial information when the work is completed to insure that the values include the determination of the estimated original costs and the calculation of the accumulated depreciation through the date of conversion.

E. Uniform Accounting Policies and Procedures Manual

As reported last year, the City's Finance Department has never fully developed a formal, written, accounting policies and procedures manual. While the Finance Department does utilize the Uniform Accounting System Manual that is produced by Florida Department of Financial Services, Bureau of Accounting, it is just one component of what should be embodied in the comprehensive Accounting Policies and Procedures Manual. By the time we communicated this matter to management the 2006 fiscal year had already ended.

Recommendation: We recognize that the preparation of the manual will be a time consuming task so that implementation may take several years. However, we believe that action should be taken by the City to establish priorities and a timetable for the completion of the manual. It is our understanding that management will begin working on this manual in the 2007 fiscal year.

2. Other Matters

A. *Monitoring for Fraud*

In prior years we have reported to management the need to be aware of its increased responsibility in overseeing activities carried out by employees and the need to implement and monitor antifraud processes and controls as required under the promulgated standards issued by the Comptroller General of the United States and the American Institute of Certified Public Accountants, as outlined in Statements on Auditing Standards, No. 99, *Consideration of Fraud in a Financial Statement Audit*. As we communicated previously, planning and performing our audit of the City's financial statements includes determining whether management has identified

and measured the risks of fraud and whether preventative internal controls are implemented to mitigate those risks. By the time we communicated this finding to management the 2006 fiscal year had already ended, so there were no corrective measures taken to address this important matter.

Recommendation: We continue to recommend that management establish a more formal policy related to the City's antifraud systems, that such policy be reduced to writing, and that management document its assessment of these risks and its monitoring of such risks. We also recommend that management consult with other local governments to see what processes they have put in place to demonstrate their response to this important matter. It is our understanding that management will be addressing this issue in the 2007 fiscal year.

B. *New Accounting Pronouncements*

As we communicated to you in our prior year comments, the provisions in the Governmental Accounting Standards Board (GASB) Statements No. 43 and 45, relating to accounting and reporting by employers for post-employment benefits other than pensions, known as "OPEB," became effective for the fiscal year beginning October 1, 2006. Implementing the provisions of these new accounting pronouncements may be more difficult to comply with, since the financial data required may need to be compiled by non-finance personnel from other departments of the City and will also require consultation with your current insurance providers and underwriters.

These new standards have the potential for tremendous increases in the expenses and liabilities reported in the financial statements of many governmental entities even when an employer that provides no postretirement benefits, such as medical, dental, long-term care or life insurance, but permits retired employees to continue health insurance by paying 100% of the premium, may have an employer expense under the new GASB rules. This stems from an implicit rate subsidy for retirees, which the GASB considers to be an OPEB.

Recommendation: We recommend that management take immediate steps to consult with an actuary to identify the data that will need to be compiled for determining the extent the financial information for inclusion in the City's financial reporting for the next fiscal year.

CURRENT YEAR MATTERS

Section 10.554(1)(h)4., Rules of the Auditor General, requires disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and internal control: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. The following is a summary of our Current Year Findings and Recommendations:

1. Other Matters**A. *Financial Management and Planning***

During our current year, we noted that the City's General Fund had advanced loan funds totaling \$7.5 million to other funds to finance the costs of numerous capital expenditures for various approved projects that were incurred by other funds. As of September 30, 2006, the balance due from other funds totaled more than \$9.6 million.

It is our understanding that the construction costs associated with the special projects that were approved to be financed with the proceeds of the General Obligation Bonds, Series 2005, have significantly escalated. We also noted that the engineering costs associated with the design phase, and other related soft costs, have contributed substantially to these increased project costs. Furthermore, the total anticipated costs for future construction of the police and fire stations may exceed \$8.6 million more than the amounts originally budgeted at the time the General Obligation Bonds, Series 2005 were issued, based on a recent analysis prepared by management.

The City also budgeted for additional interfund borrowings from the General Fund to pay for the Golf Course renovations that, as of September 30, 2006, amounted to more than \$2.6 million. However, as of September 30, 2006, no provisions had been made to address the repayment of this advance.

While the General Fund reports unreserved, undesignated, fund balance at September 30, 2006 of \$11.3 million, approximately \$9.6 million of that balance is invested in non-cash assets; namely, amounts due from other funds. With the City having appropriated \$1.4 million of the General Fund's 2006 residual fund balance for fiscal year 2007 spending, this leaves the General Fund in a precarious financial position until such time that the other funds reimburse the General Fund for these significant short-term borrowings.

We also noted that during the year, the City invested \$18 million of the Capital Projects Fund's proceeds from issuance of the General Obligation Bonds, Series 2005 in an investment account. During this period of time, expenditures were paid from the General Fund's equity in pooled cash (checking account) in the form of interfund borrowings, even though sufficient designated funds existed for financing these costs in the capital projects fund. Investing the loan proceeds to earn additional investment earnings until construction begins may seem prudent. However, failure to timely spend the bond proceeds, while instead investing them in a high yield investment, also substantially increases the potential for an arbitrage rebate liability.

Additionally, there are numerous State tax reform bills pending that, if passed, could have a dramatic impact on local government taxation and continuing operations. Provisions in some of these bills propose spending caps that could seriously affect the City's ability to manage its finances; especially, with large capital projects still pending, and the prospect of continued increases in demand for services. The impact could be magnified if growth in the City's tax base slows considerably. With a slow down in home sales, and with some developers holding off on planned projects, the likelihood is that the tax base will resume a more conservative increase than has been experienced in the past three years.

All of these factors could seriously and adversely affect the City's financial condition overnight. Of immediate concern is the determination of the extent of additional external financing required to cover capital related costs, for purposes of replenishing funds owed to the General Fund, and to lessen the impact that these factors may have on current taxpayers.

Recommendation: We realize that long-term planning may be affected by pending legislation, so the emphasis now should be on financial planning for those matters of immediate concern. We therefore recommend that management meet with its financial advisors as soon as practical to review these matters and that management develop a strategy to cover the additional capital costs for existing projects and to replenish operating cash to the General Fund. If it is determined that some of the internal borrowings from the General Fund are to be repaid over a long-term period, then provisions for interest on the advances should be considered. We also recommend that the General Obligation Bonds, Series 2005 proceeds be spent down in the time periods prescribed under Section 148 of the Internal Revenue Code of 1986 to avoid the potential for an arbitrage rebate in the near future.



City of New Smyrna Beach

To the Honorable Mayor and City Commissioners,
City of New Smyrna Beach

RESPONSE TO MANAGEMENT LETTER

PRIOR YEAR MATTERS

1. Violations of Laws, Rules, and Regulations

A. *CRA Trust Fund Compliance*

The CRA Board has an annual workshop at which time they review all of their current and prospective future projects, prioritize them for budget planning purposes and write an annual report. In reference to the US 1/ N. Myrtle Expansion Area, that project has now evolved into the Mary Avenue Demonstration Project due to unforeseen easement problems on Myrtle Avenue. The Finance Department will be working with the board to prepare a budget that illustrates compliance with Chapter 163, Florida Statutes. They have already started a more formal system of recording actual time spent on CRA work by various employees to support the expenses of the agency and the Finance Department will calculate an indirect cost plan for overhead.

2. Improper or Inadequate Accounting Procedures

A. *Bank Reconciliation - (Material Weakness)*

All bank reconciliations are now done on a timely basis every two weeks.

B. *Accounts Payable - (Material Weakness)*

The Finance Department has begun the process of implementing the changes necessary to properly record accounts payable and will have this completed by the end of the current fiscal year.

C. *Accounting for Capital Assets*

We have scheduled time for working with MUNIS representatives to implement the fixed assets module and plan to complete this work by the end of the current fiscal year.

D. *Accounting for Infrastructure Components*

The City has been working with an engineering firm to complete the infrastructure analysis and Public Works will provide any additional information needed. This information will then be reviewed for accuracy of the original cost and accumulated depreciation to date and included in our MUNIS fixed assets module.

E. *Uniform Accounting Policies and Procedures Manual*

The Finance Department recognizes the need for the accounting policies and procedures manual however the new Finance Director has been focused on improving the general operations of the department over the last few months. We will be preparing a timetable for writing the manual during the second half of the year and anticipate that this work will commence during the 2008 fiscal year.

3. Other Matters

A. *Monitoring for Fraud*

The Finance Department recognizes the need for a more formal written anti-fraud policy and will initiate this process during the current fiscal year by looking at our internal control procedures and identifying areas that need improvement. We will contact other local governments for information about their handling of this matter.

B. *New Accounting Pronouncements*

The potential liabilities created by GASB Statements No. 43 and 45 are a concern of the City. We will be consulting with our benefit providers to determine the magnitude of the effect of these pronouncements and the resulting liabilities will be recorded in our 2007 balance sheet.

CURRENT YEAR MATTERS

Section 10.554(1)(h)4., Rules of the Auditor General, requires disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and internal control: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. The following is a summary of our Current Year Findings and Recommendations:

1. Other Matters

A. *Financial Management and Planning*

Since the time of audit fieldwork the City has transferred \$3.8 million owed to the General Fund by the General Obligation Bond Capital Projects Fund and approximately \$800,000 that was owed by the Community Redevelopment Fund for construction of the marina. In addition, we are in the process of meeting with our financial advisors to obtain financing for the golf course renovation project as well as the additional funding required for the police and fire stations. Interest owed to the general fund by the Golf Course will be calculated from October 1, 2006 until the time the bank loan is put in place and the golf course will then assume the debt service payments.

We have a financing plan for the additional debt that will be incurred for the capital construction projects. Of the \$8.6 million needed, \$1.4 million will come from the police impact fee fund undesignated reserve and \$1.5 million will be allocated from the general obligation bond that was originally planned for the emergency operations center, leaving a balance to be financed of \$5.7 million. The debt service on this balance will be partially paid by police and fire impact fees and the balance will come from the general fund. We feel that this plan will not have a severe impact on our taxpayers and will allow the City to provide for future public safety needs that will be increasing due to the growth the community is experiencing.

We also have been in contact with our financial advisors regarding the potential arbitrage liability caused by the investment of bond proceeds in an interest bearing account and will be working with them over the next six months to minimize or eliminate this liability if possible.

Respectfully submitted,



John Hagood
City Manager