

CITY OF DEBARY, FLORIDA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007



CITY COUNCIL

HONORABLE GEORGE COLEMAN, MAYOR

PATRICK FULTON, VICE MAYOR

CHRISTOPHER CARSON

JACK LENZEN

DANNY TILLIS

CITY MANAGER

MARYANN COURSON

FINANCE ADMINISTRATOR

JIMMIE SEELBINDER

INDEPENDENT AUDITORS

BRENT MILLIKAN & COMPANY, P.A.

This Page Intentionally Left Blank.

TABLE OF CONTENTS
ANNUAL FINANCIAL REPORT
September 30, 2007
CITY OF DEBARY, FLORIDA

	<u>Reference</u>	<u>Pages</u>
INTRODUCTORY SECTION		
Title Page		i
Table of Contents		ii-iii
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Management's Discussion and Analysis.....		3-11
Basic Financial Statements:		
Statement of Net Assets.....	Statement 1	12
Statement of Activities	Statement 2	13
Fund Financial Statements:		
Balance Sheet-Governmental Funds	Statement 3	14-15
Reconciliation of Balance Sheet to the Statement of Net Assets	Statement 3A	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	Statement 4	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	Statement 4A	19
Notes to the Financial Statements		20-34
Required Supplementary Information:		
Budgetary Comparison Schedule-General Fund	Schedule 1	35-38
Budgetary Comparison Schedule-Solid Waste (Special Revenue) Fund	Schedule 2	39
Budgetary Comparison Schedule-Street Lighting District (Special Revenue) Fund	Schedule 3	40
Budgetary Comparison Schedule-Orlandia Heights Neighborhood Improvement District (Special Revenue) Fund.....	Schedule 4	41
Budgetary Comparison Schedule-Stormwater Management (Special Revenue) Fund	Schedule 5	42
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet-Nonmajor Governmental Funds	Exhibit A-1	43-44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	Exhibit A-2	45-46
Special Revenue Funds:		
Budgetary Comparison Schedule-Nonmajor Recycle Fund	Exhibit B-1	47
Budgetary Comparison Schedule-Nonmajor Side Walk Improvement Fund.....	Exhibit B-2	48
Budgetary Comparison Schedule-Nonmajor Tree Preservation Fund	Exhibit B-3	49
Budgetary Comparison Schedule-Nonmajor Electric Franchise Fund	Exhibit B-4	50
Budgetary Comparison Schedule-Nonmajor Park Benefit Impact Fee Trust Fund	Exhibit B-5	51
Budgetary Comparison Schedule-Nonmajor Public Buildings Benefit Impact Fee Trust Fund	Exhibit B-6	52

TABLE OF CONTENTS - (Continued)
ANNUAL FINANCIAL REPORT
 September 30, 2007
 CITY OF DEBARY, FLORIDA

	<u>Reference</u>	<u>Pages</u>
Capital Project Funds:		
Budgetary Comparison Schedule-Flood Improvement Capital Project Fund	Exhibit C-1	53
Budgetary Comparison Schedule-Stormwater Improvements Capital Projects Fund.....	Exhibit C-2	54
SUPPLEMENTAL AUDIT REPORTS		
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>		55-59
Management Letter		60-64

INDEPENDENT AUDITORS' REPORT

This Page Intentionally Left Blank.

BM&C

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, and
Members of the City Council
City of DeBary, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of DeBary, Florida, as of and for the year ended September 30, 2007, 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 DeBary, 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, each major fund, and the aggregate remaining fund information of City of DeBary, Florida, as of September 30, 2007, and the respective changes in financial position 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 September 29, 2008 on our consideration of City of DeBary, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Honorable Mayor, and
Members of the City Council
City of DeBary, Florida
Page 2 of 2

The management's discussion and analysis and budgetary comparison schedules on pages 3 through 11 and 35 through 42, 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 the City of DeBary, Florida's basic financial statements. The combining and individual nonmajor fund financial statements on pages 43 through 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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.

Brent Milliken & Co., P.A.

September 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Page Intentionally Left Blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of City of DeBary, 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, 2007. 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 total assets of the City of DeBary, Florida exceeded its liabilities at the close of the most recent fiscal year by \$15,925,700 (net assets). Of this amount, \$2,571,965 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total combined net assets (for the General, Solid Waste, Street Lighting District, Orlandia Heights Neighborhood Improvement District, Stormwater Management, Flood Improvement and Stormwater Improvements Capital Projects, and other non-major special revenue funds) increased by \$3,853,367 in 2007. This represents an increase of 32.0% over the prior year's net assets.
- The City's governmental funds reported combined ending fund balances of \$9,569,598 at the end of the current fiscal year, an increase of \$5,732,055 (\$5 million of which was bond proceeds in 2007) in comparison to the \$3,837,543 reported at the end of the prior fiscal year. Approximately 60% of this amount or \$5,807,799 is available for spending at the City's discretion (unreserved fund balance).
- At the end of the 2007 fiscal year, unreserved fund balance for the General Fund was \$4,607,433, or 50.3% of the total 2007 General Fund expenditures, which represents 183 days of excess funds. This represents a substantial increase of \$1,582,623 over the amount reported at the end of 2006.

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 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. 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. 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. These fund

statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.

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 such as delinquent taxes and earned but unused personal leave.

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, solid waste, street lighting, stormwater management, and recreation and leisure services. The City did not operate any proprietary, or business-type, activities during the past fiscal year.

The basic government-wide financial statements can be found on pages 12 and 13 of this report.

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 are governmental 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 16 and 19.

The City maintains thirteen 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 Solid Waste (special revenue) Fund, the Street Lighting District (special revenue) Fund, the Orlandia Heights Neighborhood Improvement District (special revenue) Fund, the Stormwater Management (special revenue) Fund, the Flood Improvement Capital Project Fund, and the Stormwater Improvements Capital Projects Fund, all of which are considered to be major funds. Data from the six 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 14 to 19 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 20 to 34 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains combining and individual fund schedules containing budgetary comparisons for the City's governmental fund activities. Required supplementary information and other supplemental information can be found on pages 35 to 54 of this report.

Government-Wide Financial Analysis of the City as a Whole

Net Assets. As noted previously, net assets may serve over time as a useful indicator of a government's financial position. This year, the City's combined net assets increased from \$12,072,333 to \$15,925,700, which represents an increase of \$3,853,367, or 32.0%, over amounts reported last year. Of this amount, approximately 84.0% is either restricted as to the purposes they can be used for or is invested in capital assets (land, buildings, improvements, infrastructure, machinery and equipment), and is 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. The remaining portion represents the City's unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints of enabling legislation or other legal requirements, totaled \$2,571,965 at the end of 2007.

The following is a summary of net assets at year end:

**Net Assets
September 30, 2007 and 2006**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets:		
Current and other assets.....	\$ 10,387,569	4,684,322
Capital assets, net	<u>12,006,255</u>	<u>9,872,192</u>
Total assets	<u>23,393,824</u>	<u>14,556,514</u>
Liabilities:		
Long-term debt outstanding.....	5,502,793	1,857,739
Other liabilities	<u>965,331</u>	<u>626,442</u>
Total liabilities.....	<u>6,468,124</u>	<u>2,484,181</u>
Net Assets:		
Invested in capital assets, net of related debt.....	9,629,874	9,200,999
Restricted.....	3,723,861	304,102
Unrestricted	<u>2,571,965</u>	<u>2,567,232</u>
Total net assets	<u>\$ 15,925,700</u>	<u>12,072,333</u>

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 2007, the City's combined net assets increased by \$3,853,367, or 32.0% over the amount reported in the prior year. During this same period, the City's total revenues increased \$1,248,829 to a total of \$13,560,379, compared to \$12,311,550 in 2006. This increase is primarily attributable to the increase in property tax revenue of \$1,553,268 as a result in increased assesses valuation, an increase in public service taxes of approximately \$547,771 as a result of imposing an electric franchise fee, and an increase in investment earnings of \$443,774 as a result of interest earned on loan proceeds before expending, while other decreases offset these increases. Approximately 41.0% of the City's revenue comes from property taxes, and 69 cents of every dollar raised comes from some type of tax (e.g., property tax, sales tax, gas tax, utility tax, etc.). Another 21.2% comes from fees charged for services, while most of the rest is state and federal financial assistance, interest and other miscellaneous earnings.

The following is a summary of changes in net assets for the year ended September 30, 2007 and 2006:

**Changes in Net Assets
Year Ended September 30, 2007 and 2006**

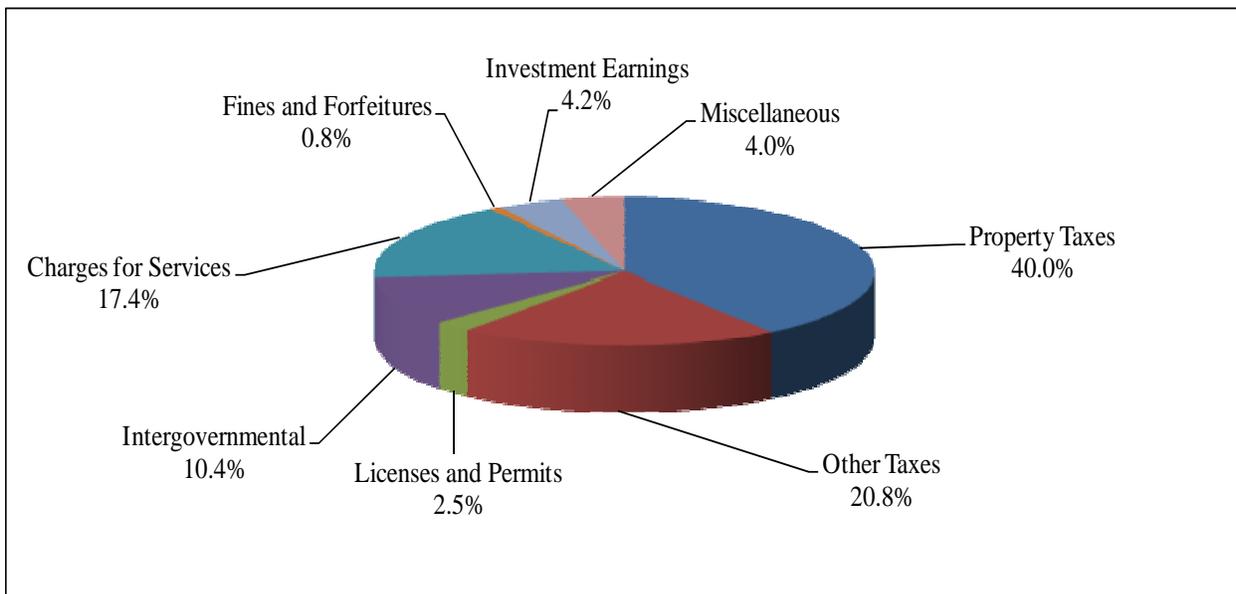
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,868,552	2,841,876
Operating grants and contributions.....	179,887	930,153
Capital grants and contributions	44,528	273,726
General revenues:		
Property taxes.....	5,553,694	4,000,426
Other taxes.....	3,819,819	3,314,366
Intergovernmental revenues	422,113	772,113
Other revenues.....	<u>671,786</u>	<u>178,890</u>
Total revenues	<u>\$ 13,560,379</u>	<u>12,311,550</u>

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Expenses:		
General government	\$ 1,321,879	1,687,443
Public safety	4,658,028	4,198,752
Transportation.....	1,454,614	2,246,929
Physical environment	1,184,382	289,666
Human services/health.....	-	55,256
Culture/recreation	857,420	769,580
Interest on long-term debt.....	<u>230,689</u>	<u>63,753</u>
Total expenses	<u>9,707,012</u>	<u>9,311,379</u>
Increase (decrease) in net assets	<u>\$ 3,853,367</u>	<u>3,000,171</u>

Governmental Activities

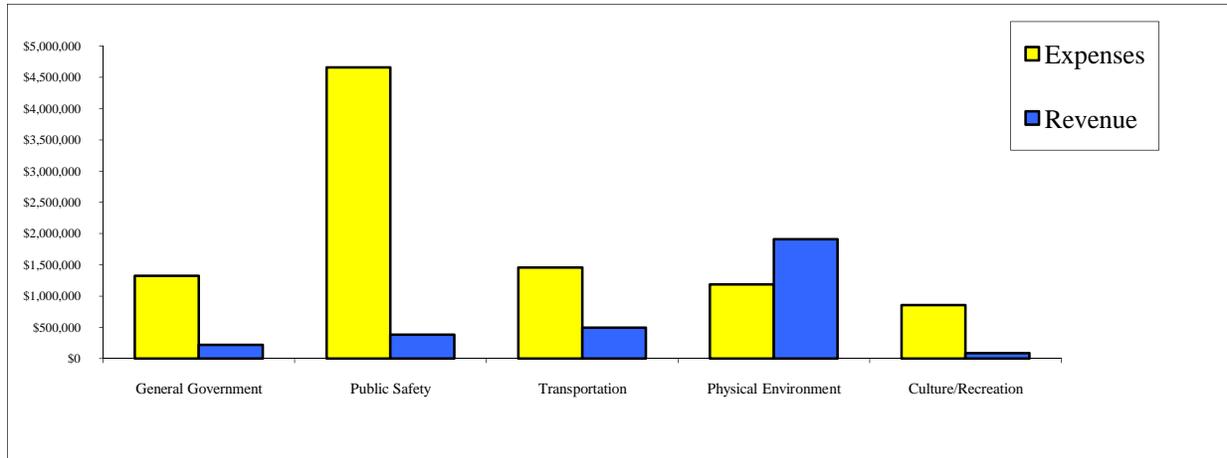
Revenues for the City’s governmental activities experienced an increase during 2007. Overall, the City’s governmental revenues totaled \$13,560,379, which represents an increase of \$1,248,829, or 10.1% over last year’s reported governmental revenues totaling \$12,311,550. While the current year did not include any large sources of assistance, it does include increases in property taxes of \$1,553,268, public service taxes of \$547,771, and interest earnings of \$443,774, along with other slight increases in charges for services and miscellaneous revenues.

Revenues by Source - Governmental Activities



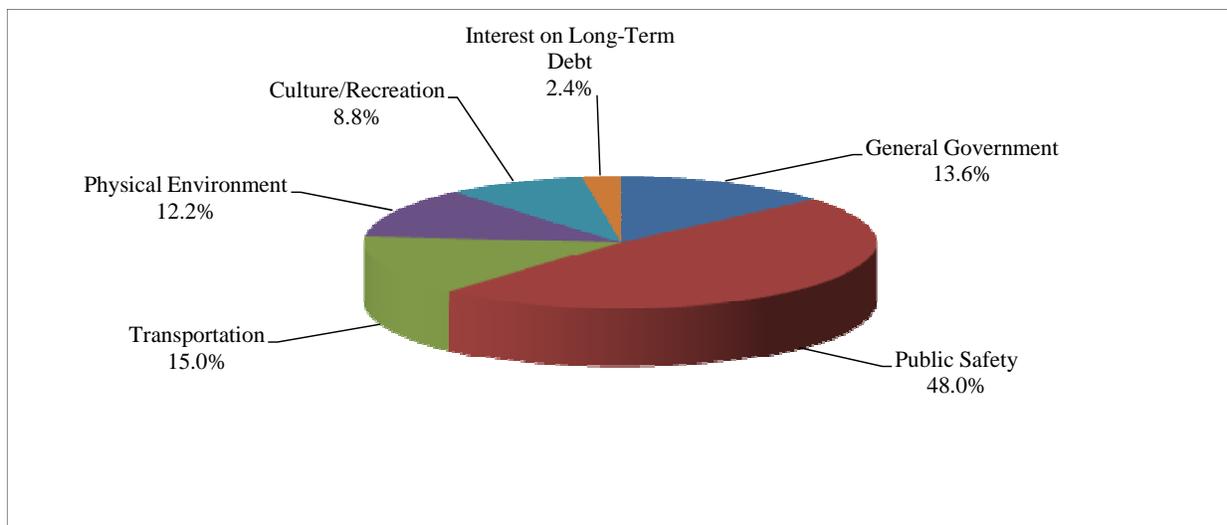
An individual comparison of the City’s functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are illustrated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

Expenses and Program Revenues - Governmental Activities



Expenses for the City’s governmental activities totaled \$9,707,012 for fiscal 2007, which represents an increase of \$395,633 or 4.2% over last year’s reported governmental expenditures totaling \$9,311,379. These expenses do not include amounts expended for capital outlay and for debt principal; however, they do include depreciation and amortization expense for the year. Over the last several years, a trend has emerged with respect to a widening gap between program revenues and program expenses. While core governmental services, such as police and fire protection, are traditionally provided to citizens without user charges, the City is continuing to explore alternative means to recover the costs of specialized government services.

Expenditures by Function - Governmental Activities



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 \$9,569,598 which was \$5,732,055, or 149.4%, more than the \$3,837,543 reported last year. Approximately 60.9% of this amount (\$5,824,672) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to finance neighborhood improvement projects (\$40,713), 2) to finance specialized street lighting district costs (\$272,477), 3) to finance side walk projects (\$5,181), 5) to finance stormwater improvement projects (\$3,282,063), 5) for parks and recreation improvement projects (\$84,015), 6) for public building projects (\$8,272), 7) for recycling materials and projects (\$31,140) and 8) reflect the costs for payments for prepaid expenses carried over to the subsequent year (\$21,065).

The general fund is the chief operating fund of the City. As of September 30, 2007, the unreserved fund balance in the general fund totaled \$4,607,433, while total fund balance was \$4,622,853. 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 represents 50.3% of total general fund expenditures (\$9,159,718), while total fund balance represents 50.5% of that same amount. City officials have established a target threshold of 100% in unreserved funds compared to General Fund expenditures. The City failed to meet its target, but did improve when compared to the prior year's 31.9%.

General Fund Budgetary Highlights

In fiscal year 2007, the City Council amended the General Fund operating budget once for changes in various department appropriations, to increase amounts for expenditures as changes occurred during the year and for additional capital expenditures. Budgeted revenues were also amended at this same time in an amount equal to the total increase in expenditures, amendments came as a result of refunds from the prior year and an incorrect calculation on investment income. Actual expenditures in the General Fund for the current fiscal year were \$2,312,193 less than the budgetary amounts appropriated.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2007, the City had \$12,006,255 invested in a broad range of capital assets, including land, buildings, park facilities, public works infrastructure and general government machinery and equipment. This overall investment in capital assets, net of depreciation, for all governmental activities is reflected in the schedule on the following page:

Capital Assets
September 30, 2007 and 2006

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land.....	\$ 3,216,856	3,178,049
Buildings	573,546	567,276
Improvements other than buildings	1,843,611	1,780,371
Infrastructure	4,681,930	4,585,689
Equipment and furniture	<u>830,005</u>	<u>740,605</u>
	11,145,948	10,851,990
Accumulated depreciation	<u>(2,151,596)</u>	<u>(1,671,824)</u>
	8,994,352	9,180,166
Construction in progress	<u>3,011,903</u>	<u>692,026</u>
Net investment in capital assets	<u>\$ 12,006,255</u>	<u>9,872,192</u>

Long-term Debt. At year end, the City had \$5,000,000 in notes outstanding which are secured solely by specified revenue sources. These notes are recorded on the statement of net assets under the liabilities section and segregated into amounts due within one year and those amounts due in more than one year, along with unamortized debt issuance costs of \$34,501 appearing in the assets. In addition, the City had a note payable in the amount of \$502,792 secured by real estate. More detailed information about the City’s long-term debt is presented in Note 8 to the financial statements.

At year end, the City had a commitment to fund future earned, but unpaid, employee personal leave of \$117,217.

Economic Factors and Next Year’s Budgets and Rates

Many factors are considered each year by the City Council 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 5.0% at the end of September 2007, which is dramatically higher than the 3.1% rate experienced one year earlier. The agency also reports average weekly wage statistics for Volusia County (\$598) are substantially lower than the statewide average (\$740) at September 30, 2007.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.
- The real estate market activity for Volusia County and for the City of DeBary, Florida started to decline in fiscal year 2007. Statewide, and in particular our local economy, began experiencing an economic slowdown that will inevitably affect our revenue base for fiscal year 2008.

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 City Manager, City of DeBary, Florida, 137 South Highway 17-92, DeBary, Florida 32713.

This Page Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
September 30, 2007
CITY OF DEBARY, FLORIDA

Statement 1

	Primary Government Governmental Activities
Assets:	
Cash and cash equivalents.....	\$ 9,784,774
Receivables:	
Accounts (net of allowance for doubtful accounts).....	242,360
Accrued interest.....	13,402
Due from other governments.....	291,467
Prepaid expenses.....	21,065
Unamortized debt issuance costs.....	34,501
Capital assets:	
Land and construction in progress.....	6,228,759
Other depreciable capital assets, net of depreciation.....	<u>5,777,496</u>
Total assets.....	22,393,824
Liabilities:	
Accounts payable and accrued liabilities.....	839,134
Compensated absences payable.....	117,217
Unearned income.....	8,980
Bonds, notes, and other payables:	
Due within one year.....	205,819
Due in more than one year.....	<u>5,296,974</u>
Total liabilities.....	<u>6,468,124</u>
Net Assets:	
Invested in capital assets, net of related debt.....	9,629,874
Restricted for:	
Capital projects.....	3,282,063
Transportation projects.....	318,371
Other projects.....	123,427
Unrestricted.....	<u>2,571,965</u>
Total net assets.....	<u>\$ 15,925,700</u>

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Statement 2

	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
General government.....	\$ 1,321,879	104,990	114,127	-	(1,102,762)
Public safety.....	4,658,028	376,885	3,999	-	(4,277,144)
Transportation.....	1,454,614	440,075	54,011	-	(960,528)
Physical environment.....	1,184,382	1,880,812	-	29,312	725,742
Culture/recreation.....	857,420	65,790	7,750	15,216	(768,664)
Interest on long-term debt.....	<u>230,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,689)</u>
Total primary government.....	<u>9,707,012</u>	<u>2,868,552</u>	<u>179,887</u>	<u>44,528</u>	<u>(6,614,045)</u>
General revenues:					
Property taxes, levied for general purposes.....					5,553,694
Sales taxes.....					936,335
Local option gas tax.....					492,624
Public service taxes.....					2,390,860
State revenue sharing.....					400,199
Other intergovernmental revenues.....					21,914
Investment earnings.....					589,042
Miscellaneous revenue.....					<u>82,744</u>
Total general revenues.....					<u>10,467,412</u>
Change in net assets.....					3,853,367
Net assets - beginning.....					<u>12,072,333</u>
Net assets - ending.....					<u>\$15,925,700</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
Assets:			
Cash and cash equivalents.....	\$ 4,466,536	733,792	337,594
Receivables, net:			
Accounts receivable.....	151,874	-	-
Accrued interest.....	13,402	-	-
Due from other funds.....	1,080,590	-	-
Due from other governments.....	283,312	1,430	-
Prepaid items.....	<u>15,420</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,011,134</u>	<u>735,222</u>	<u>337,594</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and other current liabilities.....	\$ 773,716	-	-
Due to other funds	614,335	287,315	65,117
Unearned income.....	<u>230</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,388,281</u>	<u>287,315</u>	<u>65,117</u>
Fund Balances (Deficit):			
Reserved for:			
Prepays:			
Prepays.....	15,420	-	-
Capital projects.....	-	-	-
Recycling projects.....	-	-	-
Transportation improvements.....	-	-	272,477
Parks and recreation improvements.....	-	-	-
Public building projects.....	-	-	-
Unreserved, reported in:			
General fund.....	4,607,433	-	-
Special revenue funds	-	447,907	-
Capital project fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>4,622,853</u>	<u>447,907</u>	<u>272,477</u>
Total liabilities and fund balances.....	<u>\$ 6,011,134</u>	<u>735,222</u>	<u>337,594</u>

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

Statement 3

Orlandia Heights Neighborhood Improvement District	Stormwater Management	Flood Improvement Capital Project Fund	Stormwater Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
45,709	246,451	-	3,716,993	237,699	9,784,774
2,475	-	-	-	88,011	242,360
-	-	-	-	-	13,402
-	307,216	-	650	307,119	1,695,575
-	-	-	-	6,725	291,467
<u>5,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,065</u>
<u>53,829</u>	<u>553,667</u>	<u>-</u>	<u>3,717,643</u>	<u>639,554</u>	<u>12,048,643</u>
774	-	-	-	-	774,490
6,697	650	257,080	435,580	28,801	1,695,575
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,750</u>	<u>8,980</u>
<u>7,471</u>	<u>650</u>	<u>257,080</u>	<u>435,580</u>	<u>37,551</u>	<u>2,479,045</u>
5,645	-	-	-	-	21,065
-	-	-	3,282,063	-	3,282,063
-	-	-	-	31,140	31,140
40,713	-	-	-	5,181	318,371
-	-	-	-	84,015	84,015
-	-	-	-	8,272	8,272
-	-	-	-	-	4,607,433
-	553,017	-	-	473,395	1,474,319
<u>-</u>	<u>-</u>	<u>(257,080)</u>	<u>-</u>	<u>-</u>	<u>(257,080)</u>
<u>46,358</u>	<u>553,017</u>	<u>(257,080)</u>	<u>3,282,063</u>	<u>602,003</u>	<u>9,569,598</u>
<u>53,829</u>	<u>553,667</u>	<u>-</u>	<u>3,717,643</u>	<u>639,554</u>	<u>12,048,643</u>

This Page Intentionally Left Blank.

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

Statement 3A

September 30, 2007

CITY OF DEBARY, FLORIDA

Fund balances - total governmental funds.....	\$ 9,569,598
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.....	12,006,255
Unamortized bond issuance costs are reported as other long-term assets and are not available to pay for current-period expenditures and therefore deferred in the funds.....	34,501
Accrued interest is not due and payable in the current period and accordingly is not reported as a fund liability. All liabilities are reported in the Statement of Net Assets.....	(64,644)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt.....	(5,502,793)
Compensated absences.....	<u>(117,217)</u>
Net assets of governmental activities.....	<u>\$ 15,925,700</u>

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, 2007
CITY OF DEBARY, FLORIDA

	General	Solid Waste	Street Lighting District
Revenue:			
Taxes.....	\$ 7,965,622	-	-
Licenses and permits.....	345,643	-	-
Intergovernmental	1,439,424	-	-
Charges for services	133,823	1,009,224	282,585
Fines and forfeitures	59,060	-	-
Miscellaneous.....	<u>798,769</u>	<u>47,756</u>	<u>19,597</u>
Total revenue	<u>10,742,341</u>	<u>1,056,980</u>	<u>302,182</u>
Expenditures:			
General government.....	1,477,172	-	-
Public safety	4,652,484	-	-
Transportation.....	913,458	-	286,110
Physical environment.....	105,850	1,049,003	-
Culture/recreation	745,623	-	-
Debt service:			
Principal retirement.....	1,232,204	-	-
Interest and fiscal charges.....	<u>32,927</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>9,159,718</u>	<u>1,049,003</u>	<u>286,110</u>
Excess of revenue over (under) expenditures.....	1,582,623	7,977	16,072
Other Financing Sources (Uses):			
Bond issuance.....	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses	1,582,623	7,977	16,072
Fund balances, beginning of year.....	<u>3,040,230</u>	<u>439,930</u>	<u>256,405</u>
Fund balances, end of year.....	<u>\$ 4,622,853</u>	<u>\$ 447,907</u>	<u>272,477</u>

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

Statement 4

Orlandia Heights Neighborhood Improvement District	Stormwater Management	Flood Improvement Capital Project Fund	Stormwater Improvements Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	-	-	-	471,557	8,437,179
-	-	-	-	-	345,643
-	-	-	-	-	1,439,424
157,490	810,741	-	-	20,550	2,414,413
-	-	-	-	49,436	108,496
<u>-</u>	<u>22,090</u>	<u>29,312</u>	<u>190,152</u>	<u>43,421</u>	<u>1,151,097</u>
<u>157,490</u>	<u>832,831</u>	<u>29,312</u>	<u>190,152</u>	<u>584,964</u>	<u>13,896,252</u>
-	-	-	-	-	1,477,172
-	-	-	-	-	4,652,484
151,428	-	-	-	-	1,350,996
-	5,786	286,392	1,908,089	1,210	3,356,330
-	-	-	-	51,205	796,828
-	154,401	-	-	-	1,386,605
<u>-</u>	<u>110,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,782</u>
<u>151,428</u>	<u>271,042</u>	<u>286,392</u>	<u>1,908,089</u>	<u>52,415</u>	<u>13,164,197</u>
6,062	561,789	(257,080)	(1,717,937)	532,549	732,055
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
6,062	561,789	(257,080)	3,282,063	532,549	5,732,055
<u>40,296</u>	<u>(8,772)</u>	<u>-</u>	<u>-</u>	<u>69,454</u>	<u>3,837,543</u>
<u>46,358</u>	<u>553,017</u>	<u>(257,080)</u>	<u>3,282,063</u>	<u>602,003</u>	<u>9,569,598</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, 2007
CITY OF DEBARY, FLORIDA

Net change in fund balances - total governmental funds..... \$ 5,732,055

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 expenses for the current period:

Capital outlay expenditures.....	2,613,835	
Depreciation expense.....	<u>(479,771)</u>	2,134,064

Under the modified accrual basis of accounting used in the governmental funds, revenues are not considered available if they are not received within sixty days of the close of the year. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when the financial resources are available. This adjustment represents the change in funds not collected within sixty days of the close of the year. (335,873)

The issuance of long-term debt provides current financial resources to governmental funds and thus contributes to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of net assets. Similarly, repayment of principal is an expenditure in governmental funds, but reduces the liability in the statement of net assets. The amount of items that make up these differences in the treatment of long-term debt and related items are:

Proceeds from long-term debt.....	(5,000,000)	
Debt issuance costs.....	36,750	
Principal payments.....	1,386,605	
Amortization of loan costs.....	<u>(33,909)</u>	(3,610,554)

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. This adjustment reflects the (increase) decrease in liabilities that will be paid in future years:

Compensated absences.....	(13,327)	
Accrued interest on long-term debt.....	<u>(52,998)</u>	<u>(66,325)</u>

Change in net assets of governmental activities..... \$ 3,853,367

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, 2007

CITY OF DEBARY, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of DeBary, 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 DeBary, Florida, was incorporated in September, 1993, as a political subdivision of the State of Florida located in Volusia County and adopted its first charter under the provisions of Senate Bill No. 2398 and the Municipal Home Rule Power Act, F.S. Ch. 166. The legislative branch of the City is composed of a five (5) member elected Council, including a city-wide elected mayor. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the 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.

Blended Component Unit The Orlandia Heights Neighborhood Improvement District (created by referendum on February 4, 1999 and Resolution No. 99-03) is governed by a Board of Directors appointed by the City Council. The District was created to promote improvements of the district through the use of district assessments to finance all related improvements. Although legally separate, the District is reported as if it were part of the primary government and appropriately recorded as a special revenue fund.

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. 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, when required. 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 City did not operate any business-type activities during the fiscal year.

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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

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. Major individual governmental 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. 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.

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 Revenue, 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 Revenue, 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

other imposed nonexchange revenues are recognized in the same period that the assets are recognized.

Government-mandated Nonexchange Transactions, frequently 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 the 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.

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 governmental 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.

Solid Waste (Special Revenue) Fund - The Solid Waste Fund is a special revenue fund used to account for user charges assessed for residential and commercial garbage and solid waste pickup and removal.

Street Lighting District (Special Revenue) Fund - This is a special revenue fund established by the City to provide street lighting in areas of the City which is funded directly from assessments made to the resident of the Districts.

Orlandia Heights Neighborhood Improvement District (Special Revenue) Fund - This is a special revenue fund established by the City as authorized under Chapter 163.511, Florida Statutes for the improvement of the Orlandia Heights Subdivision roadway system for public safety and emergency service vehicle access which is funded directly from assessments made to the residents of this District.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

Stormwater Management (Special Revenue) Fund - This is a special revenue fund to provide and maintain stormwater drainage throughout the City, which is funded by assessments on real property located in the City.

Flood Improvement Capital Project Fund - This is a capital project fund used to account for the West Side Emergency Flood Management System, which is currently being funded by the City, with plans of being reimbursed through FEMA grants.

Stormwater Improvements Capital Projects Fund - This is a capital projects fund used to account for various stormwater improvement projects throughout the City as approved by the Council, which are funded through the issuance of long-term debt.

Additionally, the City reports the following non-major fund types:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources which are legally restricted to finance particular functions or activities of the City. These funds include the City's Recycle Fund, Side Walk Improvement Fund, Tree Preservation Fund, Electric Franchise Fund, Park Benefit Impact Fee Trust Fund, and Public Buildings Benefit Impact Fee Trust Fund.

Amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental-type activities column.

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.

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.

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 SEC Rule 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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

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 “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.”

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.

3. *Prepaid Items*

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. *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. In accordance with the implementation efforts of GASB Statement No. 34, the City is exempt from reporting all general infrastructure assets and related depreciation expense on these assets, for those assets acquired prior to the year of implementation of the pronouncement in the entity-wide statement of net assets and statement of activities. All known infrastructure assets acquired in current and prior years are reported in the financial statements.

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 \$15,000 or greater before it is capitalized. For all infrastructure assets, costs must exceed \$15,000 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.

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 assets 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

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

5. *Compensated Absences*

The portion of employees' payroll costs paid subsequent to year-end attributable to services performed prior to year-end and accumulated unpaid vacation, sick-leave, and personal leave are 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.

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

<u>Years of Service</u>	<u>Annual Accrual</u>
1 to 4 years service (3.1 hours per weekly period)	20.15 days
5 to 9 years service (3.6 hours per weekly period)	23.40 days
10 to 14 years service (4.1 hours per weekly period)	26.65 days
15 to 19 years service (4.6 hours per weekly period)	29.90 days
20 or more years service (5.1 hours per weekly period).....	33.15 days

6. *Deferred Revenue*

Deferred revenues are reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise 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 deferred revenue is removed and revenue is recognized.

7. *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.

8. *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.

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.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

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 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 City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. On or before July 15th, the City Manager submits a recommended budget to the City Council for the ensuing fiscal year.
2. Budget workshop sessions are scheduled by the City Council, as needed.
3. A general summary of the budget and notice of public hearing is published in a local newspaper. Prior to October 1st, the budget is legally enacted through passage of a resolution.
4. The City Council, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Section 11.05 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Council.
5. The City Council must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
6. Every appropriation lapses at the close of the fiscal year.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2007, total fund (the legal level of budgetary control) expenditures exceeded budgetary appropriations in the (major) Flood Improvement Capital Project Fund by \$257,080. The over-expenditure in the Flood Improvement Capital Project Fund was the result of unbudgeted expenditures recognized for capital outlay for a planned stormwater improvement project. These costs were funded with advances from the General Fund. The City plans to budget transfers to the Flood Improvement Capital Project Fund to cover these costs and replenish the deficit in the fund balance when the project is complete.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

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 millage rate assessed by the City was 3.0 mills for the year ended September 30, 2007. The property tax calendar is as follows:

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

<u>Month Paid</u>	<u>Discount Percent</u>	
November	4	November 1
December	3	through
January	2	March 31
February	1	
March	0	

All unpaid taxes on real and tangible personal property become delinquent.	April 1
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August 31

NOTE 5 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, the carrying value of the City's cash deposit accounts was \$1,211,927. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes and are fully insured.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

Investments. As of September 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (Years) Less Than 1</u>
Local Government Surplus Funds Trust Fund	\$ 8,072,722	8,072,722
Certificate of Deposit	<u>500,000</u>	<u>500,000</u>
Totals	<u>\$ 8,572,722</u>	<u>8,572,722</u>

Interest Rate Risk. The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Additionally, the investment policy limits maturities to no more than five years, unless matched to a specific cash flow.

Credit Risk. The City's investment policy allows the government to invest in the Local Government Surplus Funds Trust Fund, money market funds regulated by the Securities and Exchange Commission, bankers acceptances issued by a domestic bank (with rating restrictions), commercial paper (with rating restrictions), Certificates of deposit or savings accounts in banks/savings and loan associations, doing business and situated in the State of Florida, provided deposits of such institutions are secured by the Florida Security for Public Deposits Act, repurchase agreements. State and local government general obligations bonds (subject to rating restrictions), direct obligations of the U.S. Government, obligations of U.S. Government agencies, backed by the full faith and credit if the U.S. Government, authorized intergovernmental investment pools, securities and obligations of U.S. Government agencies, not backed by the full faith and credit of the U.S. Government (i.e. Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association).

Concentrations of Credit Risk. The City's investment policy limits concentration of investments to the following:

Local Government Surplus Trust Fund.....	100%
U.S. Government Securities	50%
U.S. Federal Agencies	10%
Federal Instrumentalities	5%
Money Market Mutual Funds	25%
Banker's Acceptances	10%
Commercial paper	10%
Certificates of Deposit.....	40%
Repurchase agreements	10%
State and Local Government Debt	10%

Custodial Credit Risk. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125%, may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by the Department of Insurance.

NOTE 6 - RECEIVABLES

A summary of governmental activities' receivables at September 30, 2007, is as follows:

Accounts receivable	\$ 428,946	
Accrued interest	13,402	
Due from other governments	<u>291,467</u>	
	733,815	
Less: allowance for doubtful accounts.....	<u>186,586</u>	
		<u>\$ 547,229</u>
Total governmental activities receivables, net		

NOTE 7 - INTERFUND ACCOUNTS

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables at September 30, 2007, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Due from/to other funds:		
General Fund	\$ 1,080,590	614,335
Special Revenue Funds:		
Solid Waste	0	287,315
Street Lighting District	0	65,117
Orlandia Heights Neighborhood Improvement District.....	0	6,697
Stormwater Management	307,216	650
Recycling	0	28,801
Side Walk Improvement	1,009	0
Tree Preservation	63,021	0
Electric Franchise.....	242,198	0
Park Benefit Impact Fee Trust	632	0
Public Buildings Benefit Impact Fee Trust.....	259	0
Capital Project Funds:		
Flood Improvement.....	0	257,080
Stormwater Improvements.....	<u>650</u>	<u>435,580</u>
Totals	<u>\$ 1,695,575</u>	<u>1,695,575</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

NOTE 7 - CAPITAL ASSETS

A summary of the capital assets activity for the year ended September 30, 2007, is as follows:

	Balances <u>09/30/06</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>09/30/07</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,178,048	38,808	0	3,216,856
Construction in progress	<u>692,026</u>	<u>2,319,877</u>	<u>0</u>	<u>3,011,903</u>
	<u>3,870,074</u>	<u>2,358,685</u>	<u>0</u>	<u>6,228,759</u>
Capital assets being depreciated:				
Buildings	567,276	6,270	0	573,546
Improvements other than buildings	1,780,371	63,240	0	1,843,611
Machinery and equipment	740,605	89,399	0	830,004
Infrastructure	<u>4,585,689</u>	<u>96,241</u>	<u>0</u>	<u>4,681,930</u>
	<u>7,673,941</u>	<u>255,150</u>	<u>0</u>	<u>7,929,091</u>
Less accumulated depreciation for:				
Buildings	(241,951)	(30,767)	0	(272,718)
Improvements other than buildings	(565,668)	(105,471)	0	(671,139)
Machinery and equipment	(255,443)	(119,676)	0	(375,119)
Infrastructure	<u>(608,762)</u>	<u>(223,857)</u>	<u>0</u>	<u>(832,619)</u>
Total accumulated depreciation	<u>(1,671,824)</u>	<u>(491,771)</u>	<u>0</u>	<u>(2,151,595)</u>
	<u>6,002,117</u>	<u>(224,621)</u>	<u>0</u>	<u>5,777,496</u>
Capital assets, net	<u>\$ 9,872,191</u>	<u>2,134,064</u>	<u>0</u>	<u>12,006,255</u>

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

Governmental activities:	
General government	\$ 43,602
Public safety	9,334
Transportation	114,040
Physical environment	127,642
Culture/recreation	<u>185,153</u>
 Total depreciation expense - governmental activities	 <u>\$ 479,771</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

NOTE 8 – GENERAL LONG-TERM DEBT

A. Notes Payable

During the year, the following changes in notes payable occurred:

	<u>Balances</u> <u>10/01/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>09/30/07</u>	<u>Due Within</u> <u>One Year</u>
3.390% Capital Improvement Revenue Note dated, 7/26/2006, interest payable semi-annually on 1/01 and 7/01, principal payable annually on 7/01, maturing 7/01/2010.....	\$ 1,232,204		0 1,232,204	0	0
4.080% Real Estate Note; dated 5/6/2005, interest and principal payable monthly on the 14 th day of each month, maturing 9/14/2010.....	657,194		0 154,401	502,793	160,819
3.845% Series 2006 Revenue Note; dated 12/18/2006, interest payable semi-annually on 6/01 and 12/01, principal payable annually on 12/01, maturing 12/01/2026.....	<u>0</u>	<u>5,000,000</u>	<u>0</u>	<u>5,000,000</u>	<u>45,000</u>
Totals	<u>\$1,889,398</u>	<u>5,000,000</u>	<u>1,386,605</u>	<u>5,502,793</u>	<u>205,819</u>

Aggregate annual debt service through maturity, including interest, is as follows:

2008.....	\$ 414,244	
2009.....	407,586	
2010.....	406,048	
2011.....	255,201	
2012.....	397,703	
2013 - 2017.....	1,999,134	
2018 - 2022.....	1,991,074	
2023 - 2027.....	<u>1,982,805</u>	
Total payments		7,853,795
Less: interest included		<u>(2,351,002)</u>
Total principal		<u>\$ 5,502,793</u>

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

B. Compensated Absences

Compensated absences are not accrued in governmental fund financial statements using the modified accrual basis of accounting. However compensated absences are accrued in the government-wide financial statements using the accrual basis of accounting. The following is a summary schedule of the liability for compensated absences as of September 30, 2007:

	<u>Balance</u> <u>10/01/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/07</u>
General government	\$ 87,796	39,268	24,813	102,251
Public safety	7,041	7,024	12,197	1,868
Culture and recreation	<u>9,053</u>	<u>25,701</u>	<u>21,656</u>	<u>13,098</u>
Total	<u>\$ 103,890</u>	<u>71,993</u>	<u>58,666</u>	117,217
Less: current portion				<u>58,800</u>
Long-term portion				<u>\$ 58,417</u>

NOTE 9 - EMPLOYEE PENSION PLAN – DEFINED CONTRIBUTION PLAN

The City contributes to the City of DeBary, Florida Money Purchase Plan and Trust, a defined contribution plan which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH 43218. The City established this plan for all regular full time and regular part time employees hired on or after October 1, 1994. As required by the plan, employer contributions of 10% of earnings are being deposited in a pension trust. The required contribution may be less than 10% if employees are terminated prior to vesting. Plan forfeitures are reallocated to the remaining plan participants and are used to reduce the employer's required contribution.

All qualifying employees are eligible to participate in the plan upon the date of employment. Employees vest in the plan after three years of service. This plan has no provision for providing benefits of past services. There were no current year changes in plan provisions.

For the fiscal year ended September 30, 2007, the City's total payroll for all employees was \$794,155 and its covered payroll was \$749,803. Employer contributions, including forfeitures, to the plan were \$74,975, 65,585, and \$52,009, for the years ended September 30, 2007, 2006, and 2005, respectively. The City has the power to amend plan provisions at any time.

NOTE 10 - LEGAL MATTERS

The City is involved in various legal proceedings incidental to the conduct of its municipal affairs. It is the City's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable.

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies in current and prior years 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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 12 - RISK MANAGEMENT

The City 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 either of the last two years; however, claims did exceed coverage by \$47,500 during the year ended September 30, 2005.

NOTE 13 - SUBSEQUENT EVENTS

A. Capital Improvement Revenue Series 2007 Note

On November 8, 2007, the City closed on a \$2,530,000 Capital Improvement Revenue Series 2007 Note for the construction and equipping of a City Hall, and improvements and renovations to Florence K. Little Town Hall. The note bears interest at 3.635% and is payable semi-annually on May 1 and November 1 through maturity; principal is payable annually on November 1 through the maturity date of November 1, 2014. The note is secured by non-ad valorem revenues budgeted and appropriated through the adoption of the annual budget.

B. State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool

At September 30, 2007, the City had \$8,072,722 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). In the face of extraordinary liquidity demands due to an unprecedented amount of withdrawals experienced by the Fund coupled with the absence of market liquidity for certain securities within the Pool, on November 29, 2007, the State Board of Administration Trustees took action to freeze a portion of the assets held in the Pool and consider new procedures moving forward. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to substantial sub-prime mortgage risk.

On December 4, 2007, based on recommendations from an outside financial advisor, the Trustees approved a plan to divide the Pool into two portions. Pool A, which was approximately \$12 billion or 86% of all Pool assets, consisted of rated securities that were sufficient to assist the pool in securing an AAAM rating from Standard and Poor's. Assets placed in Pool B consisted of: (a) securities that were in default status (from a single issuer with a par value of \$175 million or 1.25% of total pool assets when frozen); (b) securities that had defaulted in October, whose obligations had been restructured and were in current pay status (from three issuers with a par value of \$666 million or 4.74% of total pool assets when frozen); and (c) securities that had not defaulted and were still within purchase guidelines, but were causing some market anxiety (from three

NOTES TO THE FINANCIAL STATEMENTS - (Continued)

September 30, 2007

CITY OF DEBARY, FLORIDA

issuers with a par value of \$1,999 million or 8.54% of total pool assets when frozen).

The Pool's operating procedures were also revised. Each participant with an account in the Pool at the time of the freeze retains a pro rata interest in Pool B, based on their account value on November 29, 2007. The investment objective for Pool B is to maximize the present value of distributions to participants, to the extent reasonable and prudent, net of fees; thus weight is given not only to the realized value of security sales, but also to the speed with which monies are distributed (liquidity). As cash becomes available in Pool B, whether from coupon (interest) receipts, maturities, or sales, it will be distributed among participant accounts in Pool A, according to each participant's pro rata share of Pool B. All such distributions from Pool B will be 100% available liquid balance (ALB) upon transfer. Participants cannot conduct transactions in Pool B.

On November 16, 2007, the City created another account in the Pool with the proceeds from the above-mentioned Capital Improvement Revenue Series 2007 Note with an initial deposit of \$2,500,000.

On December 5, 2007, the City had \$10,111,256 invested in the Pool, of which \$1,454,439 was transferred to Pool B. On August 31, 2008, \$461,640 of these funds remained on deposit with in Pool B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

C. Tropical Storm Fay

On August 19, 2008, Tropical Storm Fay made landfall on the Gulf Coast of Florida and traveled across the municipal limits of the City and finally exited Florida on August 24. Throughout this event, the City experienced heavy rain causing flooding throughout the City. As of September 26, 2008, the City had incurred approximately \$2,137,000 in expenses related to this storm. The City plans on filing claims from this disaster for reimbursement; the amount of reimbursement was unknown at the date of this report.

This Page Intentionally Left Blank.

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, 2007
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Taxes:				
General property taxes:				
Current ad valorem taxes	\$ 5,516,570	5,516,570	5,545,876	29,306
Delinquent ad valorem taxes.....	-	-	7,819	7,819
Local option gas tax.....	495,760	495,760	492,624	(3,136)
Utility service taxes.....	<u>1,710,100</u>	<u>1,710,100</u>	<u>1,919,303</u>	<u>209,203</u>
Total taxes.....	<u>7,722,430</u>	<u>7,722,430</u>	<u>7,965,622</u>	<u>243,192</u>
Licenses and permits:				
Business.....	17,250	17,250	24,363	7,113
Non business.....	<u>535,000</u>	<u>535,000</u>	<u>321,280</u>	<u>(213,720)</u>
Total licenses and permits	<u>552,250</u>	<u>552,250</u>	<u>345,643</u>	<u>(206,607)</u>
Intergovernmental Revenue:				
Federal, State and Local Grant.....	2,088,750	2,102,750	80,976	(2,021,774)
State Shared Revenues:				
State revenue sharing proceeds.....	460,125	460,125	400,199	(59,926)
Mobile home licenses.....	15,500	15,500	16,602	1,102
Alcoholic beverage licenses.....	5,000	5,000	5,312	312
Local half-cent sales tax.....	<u>980,545</u>	<u>980,545</u>	<u>936,335</u>	<u>(44,210)</u>
Total intergovernmental revenue	<u>3,549,920</u>	<u>3,563,920</u>	<u>1,439,424</u>	<u>(2,124,496)</u>
Charges for services:				
General government.....	110,050	110,050	72,361	(37,689)
Public safety.....	4,500	4,500	3,976	(524)
Culture/recreation.....	<u>40,000</u>	<u>40,000</u>	<u>57,486</u>	<u>17,486</u>
Total charges for services	<u>154,550</u>	<u>154,550</u>	<u>133,823</u>	<u>(20,727)</u>
Fines and forfeitures:				
Traffic citations and court cases	<u>62,000</u>	<u>62,000</u>	<u>59,060</u>	<u>(2,940)</u>
Total fines and forfeitures.....	<u>62,000</u>	<u>62,000</u>	<u>59,060</u>	<u>(2,940)</u>
Miscellaneous Revenues:				
Interest earnings	70,000	200,660	292,505	91,845
Miscellaneous revenues.....	<u>7,000</u>	<u>7,000</u>	<u>506,264</u>	<u>499,264</u>
Total miscellaneous revenue.....	<u>77,000</u>	<u>207,660</u>	<u>798,769</u>	<u>591,109</u>
Total revenue	<u>12,118,150</u>	<u>12,262,810</u>	<u>10,742,341</u>	<u>(1,520,469)</u>

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Legislative:				
Personal services	\$ 28,670	28,670	27,262	1,408
Operating expenditures.....	231,685	257,345	262,356	(5,011)
Capital outlay.....	3,000	3,000	5,605	(2,605)
Grants and aids.....	4,500	118,500	123,029	(4,529)
	<u>267,855</u>	<u>407,515</u>	<u>418,252</u>	<u>(10,737)</u>
Executive:				
Personal services.....	482,115	482,115	448,523	33,592
Operating expenditures.....	100,250	100,250	100,508	(258)
Capital outlay.....	2,000	2,000	2,000	-
	<u>584,365</u>	<u>584,365</u>	<u>551,031</u>	<u>33,334</u>
Legal Counsel:				
Operating expenditures	<u>200,000</u>	<u>200,000</u>	<u>82,147</u>	<u>117,853</u>
Other General Government:				
Operating expenditures	300,080	362,080	234,854	127,226
Capital outlay.....	96,470	96,470	190,888	(94,418)
	<u>396,550</u>	<u>458,550</u>	<u>425,742</u>	<u>32,808</u>
Total general government.....	<u>1,448,770</u>	<u>1,650,430</u>	<u>1,477,172</u>	<u>173,258</u>
Public Safety:				
Law Enforcement:				
Operating expenditures.....	<u>2,359,443</u>	<u>2,359,443</u>	<u>2,360,234</u>	<u>(791)</u>
Fire Protection:				
Operating expenditures	<u>937,364</u>	<u>937,364</u>	<u>937,408</u>	<u>(44)</u>
Protective Inspections:				
Personal services.....	163,715	163,715	108,705	55,010
Operating expenditures	1,098,730	1,098,730	1,092,525	6,205
Capital outlay.....	13,600	13,600	18,353	(4,753)
	<u>1,276,045</u>	<u>1,276,045</u>	<u>1,219,583</u>	<u>56,462</u>
Emergency and Relief Services:				
Personal services.....	51,670	51,670	48,144	3,526
Operating expenditures	1,969,405	1,969,405	20,975	1,948,430
Capital outlay.....	-	-	2,548	(2,548)
	<u>2,021,075</u>	<u>2,021,075</u>	<u>71,667</u>	<u>1,949,408</u>

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other Public Safety:				
Operating expenditures	\$ 63,592	63,592	63,592	-
Total public safety	6,657,519	6,657,519	4,652,484	2,005,035
Physical Environment:				
Conservation and Resource Management:				
Operating expenditures	15,000	15,000	8,817	6,183
Flood Control/Stormwater Management:				
Capital outlay.....	957,000	977,000	97,033	879,967
Total physical environment.....	972,000	992,000	105,850	886,150
Transportation:				
Road and Street Facilities:				
Operating expenditures	948,680	948,680	903,036	45,644
Capital outlay.....	-	-	10,422	(10,422)
Total transportation.....	948,680	948,680	913,458	35,222
Culture/Recreation:				
Parks and Recreation:				
Personal services.....	485,224	485,224	416,463	68,761
Operating expenditures	263,480	263,480	251,758	11,722
Capital outlay.....	131,698	131,698	77,402	54,296
Total culture/recreation.....	880,402	880,402	745,623	134,779
Debt Service:				
Principal.....	301,010	301,010	1,232,204	(931,194)
Interest and fiscal charges.....	41,870	41,870	32,927	8,943
Total debt service	342,880	342,880	1,265,131	(922,251)
Total expenditures.....	11,250,251	11,471,911	9,159,718	2,312,193
Excess of revenue over (under) expenditures.....	867,899	790,899	1,582,623	791,724

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

**Schedule 1
(Continued)**

For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Other Financing Sources (Uses):				
Proceeds of long-term debt.....	\$ -	77,000	-	(77,000)
Total other financing sources (uses).	-	77,000	-	(77,000)
Excess of revenue and other sources over (under) expenditures and other uses	867,899	867,899	1,582,623	714,724
Fund balance, beginning of year.....	3,040,230	3,040,230	3,040,230	-
Fund balance, end of year	<u>\$ 3,908,129</u>	<u>3,908,129</u>	<u>4,622,853</u>	<u>714,724</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Schedule 2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Garbage/solid waste services.....	\$ 1,015,750	1,015,750	1,009,224	(6,526)
Miscellaneous:				
Interest earnings.....	<u>9,650</u>	<u>9,650</u>	<u>47,756</u>	<u>38,106</u>
Total revenue.....	<u>1,025,400</u>	<u>1,025,400</u>	<u>1,056,980</u>	<u>31,580</u>
Expenditures:				
Physical Environment:				
Garbage/Solid Waste:				
Operating expenditures.....	<u>1,064,320</u>	<u>1,064,320</u>	<u>1,049,003</u>	<u>15,317</u>
Total expenditures.....	<u>1,064,320</u>	<u>1,064,320</u>	<u>1,049,003</u>	<u>15,317</u>
Excess of revenue over (under) expenditures.....	(38,920)	(38,920)	7,977	46,897
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>38,920</u>	<u>38,920</u>	-	<u>(38,920)</u>
Excess of revenue and other sources over (under) expenditures and other sources (uses).....	-	-	7,977	7,977
Fund balances, beginning of year.....	<u>439,930</u>	<u>439,930</u>	<u>439,930</u>	-
Fund balances, end of year.....	<u>\$ 401,010</u>	<u>401,010</u>	<u>447,907</u>	<u>46,897</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Schedule 3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Special assessments.....	\$ 291,195	291,195	282,585	(8,610)
Miscellaneous Revenue:				
Interest earnings.....	-	-	19,597	19,597
Total revenue.....	<u>291,195</u>	<u>291,195</u>	<u>302,182</u>	<u>10,987</u>
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures	<u>291,195</u>	<u>291,195</u>	<u>286,110</u>	<u>5,085</u>
Total expenditures	<u>291,195</u>	<u>291,195</u>	<u>286,110</u>	<u>5,085</u>
Excess of revenue over (under) expenditures.....	-	-	16,072	16,072
Fund balances, beginning of year.....	<u>256,405</u>	<u>256,405</u>	<u>256,405</u>	-
Fund balances, end of year.....	<u>\$ 256,405</u>	<u>256,405</u>	<u>272,477</u>	<u>16,072</u>

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ORLANDIA HEIGHTS NEIGHBORHOOD IMPROVEMENT
DISTRICT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Schedule 4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Special assessments.....	\$ 151,620	151,620	157,490	5,870
Total revenue.....	151,620	151,620	157,490	5,870
Expenditures:				
Transportation:				
Road and Street Facilities:				
Operating expenditures	151,620	151,620	151,428	192
Total expenditures	151,620	151,620	151,428	192
Excess of revenue over (under) expenditures	-	-	6,062	6,062
Fund balances, beginning of year.....	40,296	40,296	40,296	-
Fund balances, end of year.....	\$ 40,296	40,296	46,358	6,062

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
STORM WATER MANAGEMENT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Schedule 5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Special assessments.....	\$ 767,580	767,580	810,741	43,161
Miscellaneous Revenue:				
Interest earnings.....	-	-	22,090	22,090
Total revenue.....	<u>767,580</u>	<u>767,580</u>	<u>832,831</u>	<u>65,251</u>
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Operating expenditures	183,848	183,848	5,136	178,712
Capital Outlay.....	<u>511,000</u>	<u>511,000</u>	<u>650</u>	<u>510,350</u>
Total physical environment.....	<u>694,848</u>	<u>694,848</u>	<u>5,786</u>	<u>689,062</u>
Debt Service:				
Principal.....	-	-	154,401	(154,401)
Interest and fiscal charges.....	-	-	<u>110,855</u>	<u>(110,855)</u>
Total debt service.....	-	-	<u>265,256</u>	<u>(265,256)</u>
Total expenditures	<u>694,848</u>	<u>694,848</u>	<u>271,042</u>	<u>423,806</u>
Excess of revenue over (under) expenditures.....	72,732	72,732	561,789	489,057
Fund balances, beginning of year.....	<u>(8,772)</u>	<u>(8,772)</u>	<u>(8,772)</u>	-
Fund balances, end of year.....	<u>\$ 63,960</u>	<u>63,960</u>	<u>553,017</u>	<u>489,057</u>

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007
CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
Assets:			
Cash.....	\$ 54,484	12,922	12,635
Accounts receivable.....	5,457	-	-
Due from other funds.....	-	1,009	63,021
Due from other governments.....	-	-	-
Total assets	<u>59,941</u>	<u>13,931</u>	<u>75,656</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	28,801	-	-
Unearned income.....	-	8,750	-
Total liabilities.....	<u>28,801</u>	<u>8,750</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Recycling projects.....	31,140	-	-
Transportation improvements.....	-	5,181	-
Parks and recreation improvements.....	-	-	75,656
Public building projects.....	-	-	-
Unreserved.....	-	-	-
Total fund balances.....	<u>31,140</u>	<u>5,181</u>	<u>75,656</u>
Total liabilities and fund balances.....	<u>\$ 59,941</u>	<u>13,931</u>	<u>75,656</u>

Exhibit A-1

Revenue Funds

Electric Franchise	Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
148,643	4,518	4,497	237,699
82,554	-	-	88,011
242,198	632	259	307,119
-	3,209	3,516	6,725
473,395	8,359	8,272	639,554
-	-	-	28,801
-	-	-	8,750
-	-	-	37,551
-	-	-	31,140
-	-	-	5,181
-	8,359	-	84,015
-	-	8,272	8,272
473,395	-	-	473,395
473,395	8,359	8,272	602,003
473,395	8,359	8,272	639,554

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Fiscal Year Ended September 30, 2007
 CITY OF DEBARY, FLORIDA

	Nonmajor Special		
	Recycle	Side Walk Improvement	Tree Preservation
Revenue:			
Taxes.....	\$ -	-	-
Charges for services.....	-	-	4,029
Fines and forfeitures.....	-	-	49,436
Miscellaneous.....	<u>29,064</u>	<u>610</u>	<u>10,589</u>
Total revenue.....	<u>29,064</u>	<u>610</u>	<u>64,054</u>
Expenditures:			
Physical Environment.....	-	-	-
Culture/recreation.....	<u>51,205</u>	-	-
Total expenditures.....	<u>51,205</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	(22,141)	610	64,054
Fund balances, beginning of year.....	<u>53,281</u>	<u>4,571</u>	<u>11,602</u>
Fund balances, end of year.....	<u><u>\$ 31,140</u></u>	<u><u>5,181</u></u>	<u><u>75,656</u></u>

Exhibit A-2

Revenue Funds

Electric Franchise	Park Benefit Impact Fee Trust Fund	Public Buildings Benefit Impact Fee Trust Fund	Total Nonmajor Governmental Funds
471,557	-	-	471,557
-	8,304	8,217	20,550
-	-	-	49,436
<u>3,048</u>	<u>55</u>	<u>55</u>	<u>43,421</u>
<u>474,605</u>	<u>8,359</u>	<u>8,272</u>	<u>584,964</u>
1,210	-	-	1,210
<u>-</u>	<u>-</u>	<u>-</u>	<u>51,205</u>
<u>1,210</u>	<u>-</u>	<u>-</u>	<u>52,415</u>
473,395	8,359	8,272	532,549
<u>-</u>	<u>-</u>	<u>-</u>	<u>69,454</u>
<u><u>473,395</u></u>	<u><u>8,359</u></u>	<u><u>8,272</u></u>	<u><u>602,003</u></u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR RECYCLE (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Sale of recyclables.....	\$ 18,460	18,460	26,480	8,020
Interest earnings.....	<u>100</u>	<u>100</u>	<u>2,584</u>	<u>2,484</u>
Total revenue.....	<u>18,560</u>	<u>18,560</u>	<u>29,064</u>	<u>10,504</u>
Expenditures:				
Culture/Recreation:				
Parks and Recreation:				
Capital outlay.....	<u>102,800</u>	<u>102,800</u>	<u>51,205</u>	<u>51,595</u>
Total expenditures.....	<u>102,800</u>	<u>102,800</u>	<u>51,205</u>	<u>51,595</u>
Excess of revenue over (under) expenditures	(84,240)	(84,240)	(22,141)	62,099
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>84,240</u>	<u>84,240</u>	<u>-</u>	<u>(84,240)</u>
Excess of revenue and other sources over (under) expenditures and other uses.....	-	-	(22,141)	(22,141)
Fund balances, beginning of year.....	<u>53,281</u>	<u>53,281</u>	<u>53,281</u>	<u>-</u>
Fund balances, end of year.....	<u>\$ (30,959)</u>	<u>(30,959)</u>	<u>31,140</u>	<u>62,099</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR SIDE WALK IMPROVEMENT (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Interest earnings.....	-	-	610	610
Total revenue.....	-	-	610	610
Expenditures:				
Physical Environment:				
Operating expenditures.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures	-	-	610	610
Fund balances, beginning of year.....	4,571	4,571	4,571	-
Fund balances, end of year.....	<u>\$ 4,571</u>	<u>4,571</u>	<u>5,181</u>	<u>610</u>

BUDGETARY COMPARISON SCHEDULE
NONMAJOR TREE PRESERVATION (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Code enforcement fines.....	\$ -	-	4,029	4,029
Fines and Forfeitures:				
Code enforcement fines.....	-	-	49,436	49,436
Miscellaneous Revenue:				
Contributions.....	-	-	10,000	10,000
Interest earnings.....	-	-	589	589
Total miscellaneous revenue.....	-	-	10,589	10,589
Total revenue.....	-	-	64,054	64,054
Expenditures:				
Physical Environment:				
Operating expenditures.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures	-	-	64,054	64,054
Fund balances, beginning of year.....	11,602	11,602	11,602	-
Fund balances, end of year.....	\$ 11,602	11,602	75,656	64,054

BUDGETARY COMPARISON SCHEDULE
NONMAJOR ELECTRIC FRANCHISE (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Taxes:				
Franchise fees.....	\$ -	-	471,557	471,557
Miscellaneous Revenue:				
Interest earnings.....	-	-	3,048	3,048
Total revenue.....	-	-	474,605	474,605
Expenditures:				
Physical Environment:				
Capital outlay.....	-	-	1,210	(1,210)
Total expenditures.....	-	-	1,210	(1,210)
Excess of revenue over (under) expenditures	-	-	473,395	473,395
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	473,395	473,395

BUDGETARY COMPARISON SCHEDULE
NONMAJOR PARK BENEFIT IMPACT FEE TRUST (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Impact fees.....	\$ -	-	8,304	8,304
Miscellaneous Revenue:				
Interest earnings.....	-	-	55	55
Total revenue.....	-	-	8,359	8,359
Expenditures:				
Culture/Recreation:				
Capital outlay.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures	-	-	8,359	8,359
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	8,359	8,359

BUDGETARY COMPARISON SCHEDULE
NONMAJOR PUBLIC BUILDINGS BENEFIT IMPACT FEE
TRUST (SPECIAL REVENUE) FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit B-6

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Charges for Services:				
Impact fees.....	\$ -	-	8,217	8,217
Miscellaneous Revenue:				
Interest earnings.....	-	-	55	55
Total revenue.....	-	-	8,272	8,272
Expenditures:				
General Government:				
Capital outlay.....	-	-	-	-
Total expenditures.....	-	-	-	-
Excess of revenue over (under) expenditures	-	-	8,272	8,272
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	8,272	8,272

BUDGETARY COMPARISON SCHEDULE
FLOOD IMPROVEMENT CAPITAL PROJECT FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit C-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Donations.....	\$ -	-	29,312	29,312
Total revenue.....	-	-	29,312	29,312
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Capital outlay.....	-	-	286,392	(286,392)
Total expenditures.....	-	-	286,392	(286,392)
Excess of revenue over (under) expenditures	-	-	(257,080)	(257,080)
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	(257,080)	(257,080)

BUDGETARY COMPARISON SCHEDULE
STORMWATER IMPROVEMENTS CAPITAL PROJECTS FUND
For the Fiscal Year Ended September 30, 2007
CITY OF DEBARY, FLORIDA

Exhibit C-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Miscellaneous Revenue:				
Interest earnings.....	-	-	190,152	190,152
Total revenue.....	-	-	190,152	190,152
Expenditures:				
Physical Environment:				
Flood Control/Stormwater Management:				
Operating expenditures.....	-	-	36,750	(36,750)
Capital outlay.....	-	-	1,871,339	(1,871,339)
Total expenditures.....	-	-	1,908,089	(1,908,089)
Excess of revenue over (under) expenditures	-	-	(1,717,937)	(1,717,937)
Other Financing Sources (Uses):				
Proceeds of bond issuance.....	-	-	5,000,000	5,000,000
Total other financing sources (uses).	-	-	5,000,000	5,000,000
Excess of revenue and other sources over (under) expenditures and other uses.....	-	-	3,282,063	3,282,063
Fund balances, beginning of year.....	-	-	-	-
Fund balances, end of year.....	\$ -	-	3,282,063	3,282,063

This Page Intentionally Left Blank.

SUPPLEMENTAL AUDIT REPORTS

This Page Intentionally Left Blank.

BM&C

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

**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, and
Members of the City Council
City of DeBary, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of DeBary, Florida, as of and for the year ended September 30, 2007, which collectively comprise City of DeBary, Florida's basic financial statements and have issued our report thereon dated September 29, 2008. 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 DeBary, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DeBary, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of DeBary, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of DeBary, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of DeBary, Florida's financial statements that is more than inconsequential will not be prevented or detected by City of DeBary, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 1 and 2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of DeBary, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 1 and 2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of DeBary, 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 3.

We also noted certain matters that we reported to management of City of DeBary, Florida, in a separate letter dated September 29, 2008.

The City of DeBary, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit City of DeBary, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, others within the organization, the Auditor General, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.


September 29, 2008

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2007

CITY OF DEBARY, FLORIDA

Internal Control Over Financial Reporting

1. Inventory of Tangible Personal Property – Material Weakness

Over the years, the City has accumulated a significant investment in its personal property and equipment. While asset capitalization thresholds have changed substantially over the years, many governmental units have implemented policies that specifically place emphasis on monitoring their investments in assets that are susceptible to misappropriation or theft. Typically, these investments are composed of electronic equipment and other personal property that are small in size relative to their cost (i.e., desktop/laptop computers, printers, audio/visual equipment, firearms, etc.). The asset types in question are (1) used more frequently, (2) capable of being shared by more than one employee, (3) readily usable by virtually everyone in, or outside, of their work environment, and (4) more susceptible to theft for these reasons. While your current capitalization policies require the inventorying of these asset types, we noted that no steps were taken during the year to document the performing of an annual physical inventory of tangible personal property. Although Section 41, Chapter 2006-122, Florida Laws, repealed the Auditor General of Florida's rulemaking authority as it relates to governing the management and inventorying of tangible personal property, we noted that no similar authoritative procedures have been developed by the City that require these procedures.

Our review of your formal fixed asset records also reveals that there may be assets that have not been correctly recorded in the City records and/or there may be assets recorded on the City's records that are no longer in use. We believe that these conditions supplement the need for a complete physical inventory of fixed assets, which will be the best and most efficient method for developing an accurate listing of all fixed assets. Additionally, this will allow the City to develop procedures whereby the fixed asset listing is reconciled to the general ledger, which will ensure an accurate accounting for assets. Specifically, the listing should include the following data:

- Description of the asset
- Cost, voucher number, and vendor name
- Date placed in service
- Estimated useful life
- Depreciation method
- Depreciation expense and accumulated depreciation for the year
- Date asset was retired and selling price if applicable

Complete information such as the above on all fixed assets would provide excellent control for the safeguarding of these assets, which are a significant cost. A better assessment and evaluation could also be made regarding the reliability of certain fixed assets, and the timing and need for their essential replacement.

Recommendation: We firmly believe that performing annual physical inventory counts of tangible personal property delegated to the City's department heads for custody and control is a good accounting practice, a strong deterrent to theft, and the best means possible to adequately control your government's more prevalent fraud risks over property and equipment. We recommend that you should consider adopting the Rules of the Auditor General, Chapter 10.400, as they currently exist and are amended in the future, until such time as the Florida Department of Financial Services issues revised rulings over the custodial maintenance of these assets

Auditee Response: *The City began a physical inventory of fixed assets during the fiscal year 2007-2008 but was not complete at the time of this report due to unforeseen circumstances. The City intends on completing the physical inventory during the 2008-2009 fiscal year.*

SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

Year Ended September 30, 2007

CITY OF DEBARY, FLORIDA

2. Understaffed Finance Department – Material Weakness

In performing our audit, we noted that the City experienced significant delays in its accounting and reporting processes. We have observed this is mainly due to an understaffed finance department. Also, some of the accounting staff's overlapping administrative duties often take precedence over their accounting duties. This condition contributes to substantial delays in processing accounting information, including cash receipts and cash disbursements processing. This, we believe, is a situation that creates inefficiency and weakens internal controls. As a direct result of these conditions, the City has also experienced delays in the performing of essential year-end closing procedures that are essential to both the City's financial reporting requirements and the related independent audit process.

We also noted that the City was not adequately prepared for the annual audit of the financial statements causing a delay in our audit process. This included obtaining an accurate final general ledger and supporting schedules for balances in the general ledger. Due to significant changes in *Government Auditing Standards*, issued by the Comptroller General of the United States pertaining to independence, our firm can no longer assist the City in the preparation of workpapers or development of account balances that we must also audit. All of the above factors contributed to the significant delays in the ability to finalize the year-end financial statements. In addition, the audited financial statements often include material adjusting journal entries in order for account balances to be reported in conformity with generally accepted accounting principles and to correct potential material misstatements. Also, the delay in the audit function limits the use of the final financial statements in the preparation of the budget for the upcoming year.

Recommendation: We strongly recommend reducing the administrative responsibilities for the accounting staff so that more time can be spent in the accounting area, as well as the City establishing formal written year-end procedures. This can be achieved by either hiring additional employees in the administrative department or transferring the administrative duties to other employees who have more available time. Strictly following formal written year-end procedures will ensure that all pre-closing requirements are recognized and resolved in a timely manner prior to mandatory closeout procedures, including the performance of the audit. This change will greatly benefit the organization with more efficient accounting processes that produce more timely financial statements, which will aid in the planning and budgeting process.

Auditee Response: *The City has through the budget process determined the need and plans to hire a part-time accounting clerk during the fiscal year 2008-2009, along with implementing procedures to ensure that all requirements are resolved in a timely manner.*

SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

Year Ended September 30, 2007

CITY OF DEBARY, FLORIDA

Compliance and Other Matters

3. Annual Financial Reporting and Long-Term Debt Covenant

Due to numerous delays in the audit process, the City failed to comply with the annual financial audit reporting requirements pursuant to provisions outlined in Section 218.39, Florida Statutes and Rule 10.558(3) of the Auditor General. This legislation requires that an annual financial audit report be filed no later than twelve months after the end of the fiscal year of the governmental entity. Similarly, the City was unable to meet one of its long-term debt covenants requiring submission of audited financial statements to the lenders within 270 days of the end of the preceding fiscal year, upon written request of the note holder.

Recommendation: We recommend that procedures be implemented to ensure compliance with all federal, state, and local audit completion requirements. We also recommend that management review Finance Department staffing and assess the capabilities of personnel to determine what action may be required to accelerate the delivering of its annual report in the next fiscal year.

Auditee Response: *Due to circumstances beyond the control of the City staff (Tropical Storm Fay) and the lack of personnel, the City will implement procedures to ensure compliance with all federal, state, and local audit completion requirements in the future.*

This Page Intentionally Left Blank.

BM&C

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

MANAGEMENT LETTER

The Honorable Mayor, and
Members of the City Council
City of DeBary, Florida

We have audited the financial statements of City of DeBary, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated September 29, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Schedule of Findings and Responses. Disclosures in the report and schedule, which are dated September 29, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and responses, this letter is required to include the following information:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, except as noted in the accompanying pages under the heading *Prior Year Matters*.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 the City of DeBary, Florida, complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, our recommendations are noted in the accompanying pages under the headings *Prior Year Matters* and *Current Year Matters*.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, our recommendations are noted in the accompanying pages under the headings *Prior Year Matters* and *Current Year Matters*.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of DeBary, Florida, was incorporated in September, 1993, as a political subdivision of the State of Florida located in Volusia County and adopted its first charter under the provisions of Senate Bill No. 2398 and the Municipal Home Rule Power Act, F.S. Ch. 166. The City of DeBary, Florida included the following component unit: The Orlandia Heights Neighborhood Improvement District (created by referendum on February 4, 1999 and Resolution No. 99-03) which is reported as a blended component unit.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of DeBary, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of DeBary, Florida, for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, 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 the City Commission and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Brent Milliken & Co., P.A.

September 29, 2008

PRIOR YEAR MATTERS

Section 10.554(1)(i), 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. All prior year matters have been appropriately resolved, except for the following:

1. Written Policies and Procedures

During the audit, we continued to note that the City, although making progress, has not completely developed written policies and procedures for many of its accounting and other business-related functions. The development of formal written management policies and procedures are essential in providing both management and employees with guidelines regarding the proper conduct of City business, the effective safeguarding of assets, and in ensuring that City records provide reliable information necessary for management oversight.

Recommendation: We continue to strongly recommend that written policies and procedures which clearly document the controls over the budget process, receipt of cash, petty cash, fixed assets, payroll and disbursement processing should be formally developed.

Current Year Status: This comment is still applicable

Auditee Response: *The City has begun a comprehensive overall policies and procedures manual and it is anticipated to be completed during the 2008-2009 fiscal year.*

2. Monitoring for Fraud

In June 2003, the Comptroller General of the United States issued the 2003 revision of *Government Auditing Standards*, which incorporated the American Institute of Certified Public Accountants' promulgation *Statements on Auditing Standards, No. 99 (SAS 99), Consideration of Fraud in a Financial Statement Audit*. SAS 99 includes a document titled "Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud," which spells out specific recommendations to help the City Council, management and others to prevent and detect fraud – from unproductive behavior and employee theft to misappropriation of assets and fraudulent financial reporting. This document identifies the measures an organization should consider taking to prevent, deter, and detect fraud. It maintains that the City should establish three fundamental practices:

- A culture of honesty and high ethics
- Anti-fraud processes and controls
- An appropriate oversight process

Management is responsible for overseeing the activities carried out by employees and for implementing and monitoring anti-fraud processes and controls. However, it is possible that senior management may initiate or participate in the commission or concealment of a fraudulent act, because fraud can occur when management overrides internal controls. SAS 99 makes it clear that while management designs and implements anti-fraud systems and procedures, strong oversight by the Council is absolutely crucial. For that reason, the Council should supervise the activities of senior management.

In planning and performing our audit, we consider the City'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 part of this work involves determining management's identification and measurement of the risks of fraud and whether preventive internal controls are implemented to mitigate those risks. Although the City has various policies and procedures to manage the City's finances and financial reporting, the new standards require more responsibility on management's part to set up an effective and secure environment to specifically address fraud risks and to monitor anti-fraud processes and controls.

Recommendation: We continue to recommend that management and Council Members read the excerpt titled "Management Anti-fraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud" to better understand the new requirements of this standard and for assistance in developing ways to enhance the City's internal controls to specifically address fraud risk factors, identify anti-fraud processes and controls, monitor such processes and controls and to provide a means for reporting any wrongdoing. Appropriate oversight process is crucial. Accordingly, we recommend that the Council discuss these matters with management and implement an active oversight process in evaluation of management's identification of fraud risks, implementation of anti-fraud measures, and maintenance of the appropriate supervision of the activities of all of the City's personnel.

Current Year Status: This comment is still applicable.

Auditee Response: *Staff is researching a policy and means to monitor fraud. At this time there is no date certain for action. The comment is duly noted.*

3. New Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statements No. 43, 45 and 47, relating to accounting and reporting by employers for post-employment benefits other than pensions, known as "OPEB," become effective for the fiscal year beginning October 1, 2008. 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 continue to recommend that management should consider taking 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 Status: This comment is still applicable.

Auditee Response: *The City will consider the recommendation, however, there are no retirees, and the city contracts its police and fire, therefore the exposure is low and the amounts are immaterial.*

CURRENT YEAR MATTERS

Section 10.554(1)(i), Rules of the Auditor General, also 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:

4. Deficit Fund Balance – Flood Improvement Capital Project Fund

During the year under audit, the City began a Flood Improvement Capital Project Fund to account for the West Side Emergency Flood Management System. During the year, capital project costs incurred were in excess of the amount of revenues generated. As a result of these excess project costs, the Flood Improvement Capital Project Fund developed a deficit net assets balance (\$257,080) at the end of the fiscal year. The City plans on receiving a partial reimbursement for these costs after the completion of the project. The amount and the timing of the receipt are unknown.

Recommendation: We recommend that the City should consider budgeting transfers from other funds to cover all costs until expected reimbursements can be determined in order to negate the current deficit.

Auditee Response: *The City will consider budget transfers from the general fund at the completion of the project.*

This Page Intentionally Left Blank.

COMPLIANCE AFFIDAVIT

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT:

I am the Chief Financial Officer and the duly authorized representative of the City of DeBary, Florida, and that I possess the legal authority to make this Affidavit on behalf of the City for which I am acting.

B. CERTIFICATION OF IMPACT FEE COMPLIANCE

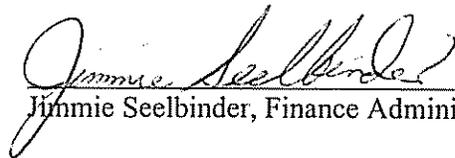
I FURTHER AFFIRM THAT:

- (1) The City of DeBary, Florida, has complied with the provisions of Section 163.31801, Florida Statutes, with respect to the enactment of Ordinance No. 26-06, adopted on the 1st day of November 2006, providing for the adoption of impact fees for government buildings and parks and recreation facilities.
- (2) The calculation of the adopted impact fees imposed by the ordinance are based on the most recent and localized data.
- (3) The ordinance provides for accounting and reporting of impact fee collections and expenditures which have been imposed as impact fees to address the City's infrastructure needs which are accounted for in separate accounting funds.
- (4) The City's administrative charges, when applicable, for the collection of impact fees are limited to actual costs.
- (5) The City provided notice no less than 90 days before the effective date of the ordinance imposing the impact fee.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Date: 10/9/08

By:



Jimmie Seelbinder, Finance Administrator